CRTG
China Resources and Transportation Group Ltd
中 國 資 源 交 通 集 團 有 限 公 司

CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED
中國資源交通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 2019 and the unaudited consolidated statement of financial position of the Group as at 30 September 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenues	*3*	**348,397**	408,264
Cost of sales and other direct operating costs		**(372,652)**	(377,543)
Gross (loss)/profit		**(24,255)**	30,721
Other income and other gains or losses	*5*	**13,064**	6,277
Selling and administrative expenses		**(52,009)**	(62,550)
Finance costs	*6*	**(494,634)**	(605,173)
Impairment loss on trade and other receivables		**(53,823)**	–
Loss before income tax	*7*	**(611,657)**	(630,725)
Income tax expense	*8*	**(23)**	(327)
Loss for the period		**(611,680)**	(631,052)

	Notes	Six months ended 30 September **2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(546,211)**	(566,726)
– Non-controlling interests		**(65,469)**	(64,326)
		(611,680)	(631,052)
		HK$ **(Unaudited)**	*HK$* (Unaudited)
Loss per share attributable to owners of the Company			
Basic	*10*	**(0.07)**	(0.08)
Diluted	*10*	**N/A**	(0.08)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(611,680)**	(631,052)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
– Release of assets revaluation reserve upon disposal of investment properties	**(15,903)**	–
– Exchange differences on translation of financial statements of foreign operations	**(61,792)**	104,693
Other comprehensive income for the period, net of tax	**(77,695)**	104,693
Total comprehensive income for the period	**(689,375)**	(526,359)
Total comprehensive income for the period attributable to:		
– Owners of the Company	**(614,453)**	(473,564)
– Non-controlling interests	**(74,922)**	(52,795)
	(689,375)	(526,359)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	**At 30 September 2019** ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Investment properties		**–**	25,620
Property, plant and equipment		**761,920**	837,681
Prepaid lease payments		**142,110**	161,584
Goodwill and other intangible assets		**45,938**	48,815
Biological assets		**58,013**	62,914
Right-of-use assets		**23,814**	–
Concession intangible asset		**13,848,592**	14,994,668
Financial assets at fair value through profit or loss		**91,491**	97,219
TOTAL NON-CURRENT ASSETS		**14,971,878**	16,228,501
CURRENT ASSETS			
Inventories		**22,930**	23,887
Financial asset at fair value through profit or loss		**5,014**	5,573
Trade and other receivables	*11*	**195,959**	113,109
Prepaid lease payments		**14,577**	14,174
Amounts due from non-controlling shareholder of a subsidiary		**14,306**	15,201
Cash and cash equivalents		**57,070**	38,905
TOTAL CURRENT ASSETS		**309,856**	210,849
TOTAL ASSETS		**15,281,734**	16,439,350

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
CURRENT LIABILITIES			
Other payables	*12*	**3,726,117**	3,858,788
Promissory note		**–**	315,003
Lease liabilities		**3,670**	–
Borrowings		**735,034**	637,431
Non-convertible bonds		**4,395,648**	4,395,648
TOTAL CURRENT LIABILITIES		**8,860,469**	9,206,870
NET CURRENT LIABILITIES		**(8,550,613)**	(8,996,021)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,421,265**	7,232,480
NON-CURRENT LIABILITIES			
Borrowings		**10,318,439**	11,144,021
Promissory notes		**683,348**	–
Lease liabilities		**20,741**	–
Deferred tax liabilities		**939**	1,286
TOTAL NON-CURRENT LIABILITIES		**11,023,467**	11,145,307
TOTAL LIABILITIES		**19,883,936**	20,352,177
NET LIABILITIES		**(4,602,202)**	(3,912,827)
CAPITAL AND RESERVES			
Share capital		**1,488,479**	1,488,479
Reserves		**(6,046,284)**	(5,431,831)
Equity attributable to owners of the Company		**(4,557,805)**	(3,943,352)
Non-controlling interests		**(44,397)**	30,525
TOTAL DEFICIT		**(4,602,202)**	(3,912,827)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

During the six months ended 30 September 2019, the Group incurred a loss of HK$611,680,000 and as at 30 September 2019, the Group had net current liabilities and net liabilities of HK$8,550,613,000 and HK$4,602,202,000, respectively. The Company was in default in the repayment of the non-convertible bonds with aggregate carrying amount of approximately HK$4,395,648,000 and other borrowings of HK$441,625,000. These debts, together with the outstanding default interests accrued thereon of approximately HK$962,458,000, totalling approximately HK$5,799,731,000 are classified under current liabilities at 30 September 2019. 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 interest 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. Up to the date of approval of unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2019 (the "**Interim Financial Statements**"), payment from Purchaser A remained outstanding as Purchaser A requires additional time to facilitate the funding arrangement for the settlement of the consideration.

On 30 December 2016, Cheer Luck and 3 other independent third party parties, Purchaser B, Purchaser C and Purchaser D, entered into conditional disposal agreements pursuant to which Cheer Luck conditionally agreed to sell and each of Purchaser B, Purchaser C and Purchaser D conditionally agreed to acquire 18%, 18% and 10% equity interests of Zhunxing, at Consideration B, Consideration C and Consideration D, respectively, each of which will be determined with reference to the respective share of net assets of Zhunxing at 31 December 2016 based on another valuation to be prepared by another independent valuer jointly appointed by Purchaser B, Purchaser C and Purchaser D. 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.

Up to the date of approval of the Interim Financial Statements, Purchaser C has paid refundable earnest monies of RMB225,000,000 (equivalent to HK$274 million) which will be applied towards the settlement of the consideration for the disposal of 18% equity interests of Zhunxing when the relevant disposal agreement is completed. Due to personnel changes at Purchaser B, Purchaser C and Purchaser D, they require additional time to appoint their designated independent valuer and to prepare and review the terms of the supplemental agreements. The Company will discuss the revised timetable further with Purchaser B, Purchaser C and Purchaser D as soon as practicable, and also continue to monitor the situation closely.

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

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. The Group is still in negotiations with its creditors other than the holder of the promissory note, including but not limited to the non-convertible bondholders, for the possible standstill or rescheduling of the repayment of the debts owing by the Group. No agreement has been reached with any of these creditors other than the holder of promissory note up to the date of approval of the Interim Financial Statements.

Notwithstanding the above, multiple material uncertainties exists as to whether the Group will be able to continue as a going concern will depend on the following:

(i) Successful completion of the financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing; and

(ii) Successful negotiations with the non-convertible bondholders and other creditors for the possible standstill or rescheduling of repayment of outstanding debts (including those with overdue principals and accrued and default interests) owing by the Group.

Should the disposal agreements in relation to the proposed financing arrangements through disposals (with mandatory obligation or options to buy back) of interests in Zhunxing cannot be completed and/or the creditors do no agree on standstill or potential rescheduling of the repayment of debts owing by the Group, the Company will strive to explore other avenues including but not limited to identifying other purchasers to dispose the interests in Zhunxing, disposing other assets of the Group and carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of other convertible bonds to repay the outstanding non-convertible bonds and other borrowings.

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 non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities that may arise. The effects of these potential adjustments have not been reflected in the Interim Financial Statements.

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 2019 (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. Except for HKFRS 16 “Leases” (“**HKFRS 16**”), 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.

HKFRS 16

HKFRS 16 replaces HKAS 17 “Leases” and the related interpretations, HK(IFRIC) 4 “Determining whether an arrangement contains a lease”, HK(SIC) 15 “Operating leases — incentives”, and HK(SIC) 27 “Evaluating the substance of transactions involving the legal form of a lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and the effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(b) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(c) *Lessor accounting*

The Group leases out its investment properties as the lessor of operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

(d) *Transitional impact*

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

- when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in Note 39 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019
	HK$'000
Operating lease commitments as at 31 March 2019	46,043
Less: short-term lease and other leases with remaining lease term ending on or before 31 March 2020	(11,562)
Less: total future interest expense	(6,779)
Lease liabilities as at 1 April 2019	27,702

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amounts at 31 March 2019	**Impact on adoption of HKFRS 16**	**Carrying amounts as at 1 April 2019**
	HK$'000	***HK$'000***	***HK$'000***
Non-current assets	16,228,501	27,702	16,256,203
Right-of-use assets	–	27,702	27,702
Current liabilities	9,206,870	3,665	9,210,535
Lease liabilities	–	3,665	3,665
Non-current liabilities	11,145,307	24,037	11,169,344
Lease liabilities	–	24,037	24,037

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The impact of adoption of HKFRS 16 on the Group's financial results and cash flows was not significant for the six months ended 30 September 2019.

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 at point in time during the period are as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from toll road and related operations	**324,936**	389,637
Income from supply of solar electricity	**1,911**	2,594
CNG gas station service income	**19,483**	15,632
Sales of seedlings	**2,067**	401
	348,397	408,264

4. SEGMENT INFORMATION

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

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

- Expressway operations – the operations, management, maintenance and auxiliary facility investment of the Zhunxing Expressway;
- 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 2018: 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 profit or loss before unallocated finance costs and income tax. During the year ended 31 March 2019, management of the Group changed its policy and redefined the measure used for reportable segment profit or loss by including interests attributable to the reporting segment borrowings. Accordingly, certain interest expense on the reportable segment borrowing are allocated to the reportable segment profit or loss for the six months ended 30 September 2019 and 2018.

Segment assets exclude investment property in Australia, financial assets at fair value through profit or loss, 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, interest payable on promissory note and 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 Six months ended 30 September		Petroleum business Six months ended 30 September		Others Six months ended 30 September		Total Six months ended 30 September	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**324,936**	389,637	**19,483**	15,632	**3,978**	2,995	**348,397**	408,264
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**324,936**	389,637	**19,483**	15,632	**3,978**	2,995	**348,397**	408,264
Reportable segment (loss)/profit	**(453,825)**	(457,233)	**633**	1,880	**(24,996)**	(20,836)	**(478,188)**	(476,189)
Adjusted EBITDA *(Note)*	**287,610**	354,479	**2,905**	3,000	**(606)**	(6,695)	**289,909**	350,784
Amortisation of concession intangible asset	**293,881**	304,322	**–**	–	**–**	–	**293,881**	304,322

	At 30 September 2019	At 31 March 2019	**At 30 September 2019**	At 31 March 2019	**At 30 September 2019**	At 31 March 2019	**At 30 September 2019**	At 31 March 2019
	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	**14,643,010**	15,789,372	**70,839**	72,779	**367,821**	388,565	**15,081,670**	16,250,716
Reportable segment liabilities	**(13,698,356)**	(14,310,737)	**(922)**	(738)	**(136,339)**	(119,025)	**(13,835,617)**	(14,430,500)

Note:

Adjusted EBITDA is defined as earnings or loss before finance costs, income tax, depreciation, amortization and non-cash changes in values of assets and liabilities.

(b) Reconciliation of reportable segment results

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment loss	**(478,188)**	(476,189)
Gain on disposal of investment properties	**16,720**	–
Other income and other gains or losses	**(5,425)**	2,721
Unallocated finance costs	**(128,754)**	(139,013)
Fair value loss on financial assets at fair value through profit or loss	**(1,703)**	(33)
Net realised gain on disposal of financial assets at fair value through profit or loss	**1,000**	–
Loss on disposal of subsidiaries	**–**	(4,008)
Unallocated corporate expenses	**(15,307)**	(14,203)
Consolidated loss before income tax	**(611,657)**	(630,725)

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on disposal of subsidiaries	**–**	(4,008)
Gain on disposal of property, plant and equipment	**9**	5,848
Interest income	**63**	2,667
Exchange (loss)/gain, net	**(4,786)**	544
Net realised gain on disposal of financial assets at fair value through profit loss	**1,000**	–
Fair value loss on financial assets at fair value through profit or loss	**(1,703)**	(33)
Gain on disposal of investment properties	**16,720**	–
Rental income	**84**	221
Others	**1,677**	1,038
	13,064	6,277

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest and finance costs on bank and other borrowings	**314,949**	466,160
Default interest expenses on other borrowings	**50,383**	–
Interest expense on lease liabilities	**629**	–
Default interest expenses on non-convertible bonds	**112,947**	110,192
Interest expenses on promissory note	**15,726**	–
Default interest expenses on promissory note	**–**	28,821
	494,634	605,173

7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**41,586**	47,169
Depreciation of right-of-use assets	**2,313**	–
Amortisation of prepaid lease payments	**8,937**	9,349
Amortisation of concession intangible asset included in cost of sales	**293,881**	304,322
Impairment loss on trade and other receivables	**53,823**	–
Cost of inventories sold	**14,562**	11,817
Short-term lease payments recognised as expenses	**5,580**	7,856
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	**23,329**	24,162
– Defined contributions pension costs	**4,442**	5,223
	27,771	29,385

8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	**66**	372
Deferred tax credit		
– Reversal of temporary differences	**(43)**	(45)
Total	**23**	327

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, 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 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 2019, 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 2018: 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.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime for qualifying corporations, was substantively enacted with effect from the year of assessment 2018/2019. Under the two-tiered profit tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at the rate of 8.25% and assessable profits above HK$2 million continued to be subject to the tax rate of 16.5%. Such tax regime is applicable to the Company and its subsidiaries in Hong Kong during the six months ended 30 September 2019. The tax rate for Hong Kong profits tax was 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2018. 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 2019 and 2018.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (six months ended 30 September 2018: 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 2019 and 2018.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (six months ended 30 September 2018: 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 2019 and 2018.

9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(546,211)**	(566,726)

Number of shares:	***'000***	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares as at 30 September for the purpose of basic and diluted loss per share	**7,442,396**	7,442,396

No diluted loss per share is presented for the six months ended 30 September 2019 as all share options of the Company were lapsed during the year ended 31 March 2019 and accordingly there were no potential ordinary shares in issue during the six months ended 30 September 2019.

The computation of diluted loss per share during the six months ended 30 September 2018 did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price of shares for the six months ended 30 September 2018.

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Trade receivables	**162,394**	52,788
Less: Provision for impairment loss	**(81,093)**	(30,186)
Trade receivables, net	**81,301**	22,602
Other receivables	**188,255**	171,821
Less: Provision for impairment loss	**(87,683)**	(89,024)
Other receivables, net	**100,572**	82,797
Other loan receivable	**59,207**	62,914
Less: Provision for impairment loss	**(59,207)**	(62,914)
Other loan receivable, net	**–**	–
Loan and other receivables, net	**181,873**	105,399
Deposits paid	**3,364**	3,454
Less: Provision for impairment loss	**(6)**	(6)
Deposit paid, net	**3,358**	3,448
Prepayments	**21,330**	15,528
Less: Provision for impairment loss	**(10,602)**	(11,266)
Prepayments, net	**10,728**	4,262
	195,959	113,109

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 of the Group.

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

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
At 1 April 2019 and 1 April 2018	**193,396**	125,675
Add: Impairment loss recognised	**53,823**	74,383
Exchange differences	**(8,628)**	(6,662)
At 30 September 2019 and 31 March 2019	**238,591**	193,396

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

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Outstanding balances aged:		
0 to 30 days	**48,442**	16,209
31 to 60 days	**16,299**	250
61 to 180 days	**16,560**	6,143
	81,301	22,602

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

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Neither past due nor impaired	**48,442**	16,209
30 to 90 days past due	**32,859**	6,393
	81,301	22,602

At 30 September 2019, other loan receivable represented the balance of an unsecured advance of RMB50,000,000 (31 March 2019: RMB50,000,000) made to a third party in August 2015 and the interest accrued thereon, totaling approximately HK$59,207,000 (31 March 2019: HK$62,914,000) which had been overdue since 2016 and accordingly, full impairment on the carrying balance of approximately HK$59,207,000 (31 March 2019: HK$62,914,000) was recognized.

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

At 30 September 2019, included in the other receivables (net of provision for impairment loss) were security deposit of approximately HK$55,147,000 (31 March 2019: HK$54,551,000) made to courts in the PRC in relation to certain litigations instituted by certain third party contractors, subcontractors or suppliers.

12. OTHER PAYABLES

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
Other payables and accruals *(Note a)*	**3,434,268**	3,566,753
Contract liabilities	**18,270**	18,456
Refundable earnest money received from the Purchaser C *(Note c)*	**273,579**	273,579
	3,726,117	3,858,788

Notes:

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

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
Construction costs payable	**1,905,031**	2,052,680
Retention and guarantee deposit	**168,859**	182,939
Accrued and default interest on the bank and other borrowings	**601,138**	306,586
Accrued and default interest on promissory note	**15,726**	368,345
Accrued default interest on non-convertible bonds	**634,377**	521,430
Other deposits and accruals	**109,137**	134,773
	3,434,268	3,566,753

At 30 September 2019, the Group was in default in the repayment of outstanding accrued and default interests totaling approximately HK$962,458,000 (31 March 2019: HK$1,186,181,000) which comprises overdue amounts of approximately HK$Nil (31 March 2019: HK$368,345,000), HK$634,377,000 (31 March 2019: HK$521,430,000) and HK$328,081,000 (31 March 2019: HK$296,406,000) payable on the promissory note, non-convertible bonds and other borrowings respectively.

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

(c) During the year ended 31 March 2018, the Group and Purchaser C entered into an agreement, pursuant to which Purchaser C paid RMB80,000,000 (equivalent to HK$97,272,000) to the Group as refundable earnest money for the disposal of 18% equity interests in Zhunxing. During the year ended 31 March 2019, addition of refundable earnest money of RMB145,000,000 (equivalent to HK$176,307,000) was paid by Purchaser C to the Group. These refundable earnest monies of approximately HK$273,579,000 (31 March 2019: HK$273,579,000) will be applied towards the settlement of consideration of the disposal when the disposal transaction is completed.

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 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 2019 and 31 March 2019 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 RMB603.8 million (31 March 2019: RMB603.8 million) at 30 September 2019. 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 2019 and 31 March 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2019, 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.

In the first three quarters of 2019, as the supply of coal market was initially tight and later eased, the coal prices of Inner Mongolia gradually returned from a high level to a reasonable range. The number of trucks using Zhunxing Expressway has gradually increased, leading to a steady rise in the overall traffic volume of Zhunxing Expressway.

For the six months ended 30 September 2019, Zhunxing Expressway recorded an accumulated toll income of approximately RMB287.94 million (approximately HK$324.94 million), i.e. an average daily toll income of approximately RMB1.57 million (approximately HK$1.78 million) and an average daily traffic volume of approximately 6,996 vehicles (for the six months ended 30 September 2018, the average daily toll income was approximately RMB1.80 million (approximately HK$2.13 million) and an average daily traffic volume of approximately 6,210 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) the implementation of joint overload control on the expressways under the central and western toll collection network in Inner Mongolia Autonomous Region limited the vehicle tonnage of a single vehicle (the "**Overload Control**"), which consequently lowered the tolls charged on a single vehicle; and

(2) the expressways in Ordos City has tightened the entrance load limit of the six-axis single row drive wheel semi-trailers to 46 tons, which reduced the traffic volume of such type of vehicle with 49 tons running on expressways within Ordos City.

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 while maintaining existing 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 five 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;

(2) continue to follow up on new changes of relevant competitive routes or toll collection policy to maintain Zhunxing Expressway's competitive edge; and

(3) focus on marketing activities to grow customer base. Zhunxing will continue to explore cooperation opportunities with the neighboring logistic base and coal chemical enterprises, promoting Zhunxing Expressway's advantageous position in bringing together a coal transport process that reinforces traffic fluency, cost-saving and high efficiency.

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 2019, Leshan realized sales of CNG of approximately 5,901 km^3 in total (for the six months ended 30 September 2018: 5,046 km^3), amounted to approximately HK$19.48 million (for the six months ended 30 September 2018: HK$15.63 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.

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

For the six months ended 30 September 2019, no sales income was recorded under the forage and agricultural product business as the production of sorghum silage has ceased due to the significant drop of local precipitation this year, and the price of products has been affected by the domestic economic situation (for the six months ended 30 September 2018: HK$Nil).

Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze has implemented cattle bleeding, which is less influenced by climate changes, to diversify the source of revenue in 2020.

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 2019 was approximately HK$348.40 million, representing a decrease of about 14.7% from approximately HK$408.26 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, contributed approximately HK$324.94 million (93.3%), HK$19.48 million (5.6%) and HK$3.98 million (1.1%) (for the six months ended 30 September 2018: HK$389.64 million (95.5%), HK$15.63 million (3.8%) and HK$2.99 million (0.7%)) respectively to the Group's consolidated revenue.

Toll income from expressway operations of approximately RMB287.94 million (approximately HK$324.94 million) (for the six months ended 30 September 2018: RMB330.07 million (approximately HK$389.64 million)) constituted the mainstream of the Group's revenue for the six months ended 30 September 2019. Despite the traffic volume of Zhunxing Expressway was increased by about 12.7% during the period, the decrease of about 16.6% in toll income from the expressway operations as compared to the last corresponding period was mainly attributable to (i) the reduction in tolls on a single vehicle after the implementation of the Overload Control as discussed in the above business review section and (ii) the drop in Chinese Yuan Renminbi to Hong Kong Dollar exchange rate.

Cost of sales

The Group's cost of sales for the six months ended 30 September 2019 was approximately HK$372.65 million, representing a reduction of about 1.3% from approximately HK$377.54 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$293.88 million (for the six months ended 30 September 2018: HK$304.32 million), (ii) the depreciation of fixed assets arising from the expressway operations of approximately HK$34.10 million (for the six months ended 30 September 2018: HK$39.81 million), and (iii) the operating costs arising from the expressway operations of approximately HK$17.05 million (for the six months ended 30 September 2018: HK$18.41 million).

Gross profit/loss

For the six months ended 30 September 2019, the Group recorded a gross loss amounted to approximately HK$24.26 million as compared to a gross profit of HK$30.72 million for the last corresponding period.

EBITDA

For the six months ended 30 September 2019, 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$285.22 million compared to the EBITDA of approximately HK$335.32 million for the last corresponding period. The approximately 14.9% decrease in EBITDA was primarily driven by the reduced 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 2019 (the "**Interim Financial Statements**") in this announcement.

Loss for the period

The Group's net loss for the six months ended 30 September 2019 was approximately HK$611.68 million, representing a drop of about 3.1% from approximately HK$631.05 million. The Group's net loss for the period was primarily contributed by the finance cost of the Group amounted to approximately HK$494.63 million (for the six months ended 30 September 2018: HK$605.17 million), the selling and administrative expenses amounted to approximately HK$52.01 million (for the six months ended 30 September 2018: HK$62.55 million) and the impairment loss on trade and other receivables amounted to approximately HK$53.82 million (for the six months ended 30 September 2018:HK$Nil) primarily arising from the expressway operations of the Group. The approximately 18.3% decrease in finance cost of the Group was mainly due to reduced interest expenses on bank and other borrowings. The Group's selling and administrative expenses for the six months ended 30 September 2019 were primarily attributed to staff costs and benefits of approximately HK$17.72 million (for the six months ended 30 September 2018: HK$18.92 million), legal and professional fees of approximately HK$9.25 million (for the six months ended 30 September 2018: HK$7.47 million) and short term lease payment and management fees of approximately HK$5.58 million (for the six months ended 30 September 2018: HK$7.86 million).

The loss attributable to owners of the Company for the six months ended 30 September 2019 was approximately HK$546.21 million (for the six months ended 30 September 2018: HK$566.73 million). The basic loss per share attributable to owners of the Company for the period was HK$0.07 as compared with HK$0.08 for the last corresponding period. No diluted loss per share is presented for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK$0.08) as all share options of the Company were expired during the year ended 31 March 2019 and there were no potential ordinary shares in issue during the period.

LIQUIDITY REVIEW

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

As at 30 September 2019, the Group was in a net liabilities position of approximately HK$4,602.20 million as compared to a net liabilities position of approximately HK$3,912.83 million as at 31 March 2019.

As at 30 September 2019, contractual maturities based on contractual undiscounted cash flows of approximately HK$9,377.07 million, HK$1,163.72 million, HK$3,683.69 million and HK$10,235.26 million (31 March 2019: HK$9,751.03 million, HK$919.67 million, HK$3,348.53 million and HK$11,412.46 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 130.12% as at 30 September 2019 (31 March 2019: 123.80%).

As at 30 September 2019, the Group had cash and bank balances of approximately HK$57.07 million (31 March 2019: HK$38.91 million) and its available banking facilities were amounted to approximately HK$11,053.47 million (31 March 2019: HK$11,781.45 million), which have been fully utilized (31 March 2019: HK$11,781.45 million).

Borrowings

The Group's outstanding borrowings, all being denominated in RMB, amounted to approximately HK$11,053.47 million (31 March 2019: HK$11,781.45 million), represented approximately 55.6% of the Group's total liabilities as at 30 September 2019 (31 March 2019: 57.9%). Approximately HK$439.63 million (31 March 2019: HK$469.15 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 6.7% of the Group's outstanding borrowings were repayable within one year (31 March 2019: 5.4%).

As the expressway operation is a capital intensive industry, the Group's outstanding borrowings amounted to RMB10,042.78 million (approximately HK$11,051.47 million) were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2019. The syndicated loan facilities of RMB8,721.54 million (approximately HK$9,597.53 million) granted by several PRC banks in December 2012, including short term loans of RMB107.00 million (approximately HK$117.75 million) and long term loans of RMB8,614.54 million (approximately HK$9,479.78 million), were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down short term loans of RMB559.13 million (approximately HK$615.29 million) and long term loans of RMB762.11 million (approximately HK$838.66 million) from several authorized financial institutions in the PRC, of which RMB921.74 million (approximately HK$1,014.32 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.

Capital Commitments

The Group's capital commitments outstanding as at 30 September 2019 decreased by approximately 5.2% to approximately HK$21.70 million (31 March 2019: HK$22.90 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 2019, the Group suffered a loss of approximately HK$611.68 million (for the six months ended 30 September 2018: HK$631.05 million), and as at the end of the reporting period, the Group had net current liabilities of approximately HK$8,550.61 million (31 March 2019: HK$8,996.02 million) and net liabilities of approximately HK$4,602.20 million (31 March 2019: HK$3,912.83 million).

As at 30 September 2019, the Company was in default in the repayment of the promissory note of HK$Nil (31 March 2019: HK$315.00 million), the non-convertible bonds with aggregate carrying amounts of approximately HK$4,395.65 million (31 March 2019: HK$4,395.65 million) and other borrowings of approximately HK$441.62 million (31 March 2019: HK$469.15 million). These debts, together with the outstanding default interests accrued thereon of approximately HK$962.46 million (31 March 2019: HK$1,186.18 million), totaling approximately HK$5,799.73 million (31 March 2019: HK$6,365.98 million) are classified under current liabilities as at 30 September 2019. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

In view of the circumstances, the Board has undertaken and/or is in the progress of implementing various measures to improve the Group's liquidity position as set out in Note 1 to the Interim Financial Statements and the below section headed "Remedial Measures on Going Concern" in this announcement. Up to the date of this announcement, the measures have not been completed. Assuming the successful implementation of the measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

Had the Group failed to continue business as a going concern, adjustments would have been made to the Interim Financial Statements to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to make provision for further liabilities that may arise.

Treasury Policy

The Group's business operations, assets and liabilities are dominated mainly in Hong Kong dollars, Renminbi, Australia dollars and US dollars. There was no significant foreign exchange gain or loss recognized 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

Replacement of Promissory Note

On 16 April 2019, the Company issued a new promissory note of an aggregate principal amount of approximately HK$683 million with coupon interests of 5% per annum for a term of five years (the "**New Promissory Note**") on a dollar-for-dollar basis to replace and supersede the old promissory note with a principal amount of HK$280,000,000 and its accrued and default interests (the "**Old Promissory Note**") which was issued to China Alliance International Holding Group Limited* (中聚國際控股集團有限公司) ("**China Alliance**") on 9 February 2010.

The Old Promissory Note bore interests at 1.5% per annum payable quarterly commencing from the date of the issue by 14 installments of HK$20,000,000 each with the interest accrued thereon. On 23 May 2012, the Company and China Alliance signed a supplemental agreement pursuant to which the repayment terms of the Old Promissory Note were extended and the Company is required to pay a default interests at 18.25% per annum.

Further details on the issue of the Old Promissory Note and the New Promissory Notes are set out in the announcement of the Company dated 21 May 2009 and 16 April 2019, respectively.

Update on Debt Restructuring

As disclosed in the latest annual report of the Company (the "**Annual Report 2019**"), the Group has bank borrowings in the total amount of approximately HK$11,781.45 million. Such borrowings mainly consisted of syndicated loan facilities of approximately RMB8,721.54 million (equivalent to approximately HK$9,597.53 million) (the "**Syndicated Loans**") granted by several PRC banks (the "**Banks**") in December 2012. The Company was informed that the Banks intended to optimise their loan portfolios by derecognising and reorganising the Syndicated Loans asset at a discount to other interested parties. However, the Banks have to go through certain legal proceedings with the Group including filing of civil actions, court-directed mediations, entering into of settlement agreement(s), execution(s) of settlement agreement(s) and derecognition of the Syndicated Loans, which will take approximately six months to complete. As at the date of this announcement, these legal proceedings are on-going and the Group is working with the Banks to facilitate a smooth completion of their asset restructuring.

Further details of the update are set out in the announcement of the Company dated 5 September 2019.

Outstanding Non-convertible Bonds

As at the date of this announcement, 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 Outstanding Bonds	Principal amount (HK$)	Maturity date	Default interest rate as at 30 September 2019 (per annum)
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5.125%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5.125%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5.125%
Dr. Lo Ka Shui	36,000,000	3 March 2016	5.125%
Dr. Lo Ka Shui	35,000,000	3 September 2016	5.125%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5.125%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5.125%
Strait Capital Service Limited	800,000,000	24 January 2017	5.125%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5.125%
Total	4,032,000,000		

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

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 ("**Cheer Luck**") acting as vendor, entered into a disposal agreement with Inner Mongolia Yuanheng Investment Co. Ltd.* (內蒙古源恒投資有限公司) ("**Purchaser A**"), pursuant to which Cheer Luck has conditionally agreed to sell, and Purchaser A has conditionally agreed to acquire 25% equity interests of Zhunxing at RMB1,125.00 million (equivalent to HK$1,260.00 million) ("**Disposal Agreement A**") with an option to buy back.

On 18 December 2017, Cheer Luck and Purchaser A entered into a supplemental agreement to amend the aforesaid consideration to RMB1,145.00 million (equivalent to approximately HK$1,282.40 million) pursuant to a valuation report. A fund company, Wulanchabu Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源恒物流產業管理中心(有限合夥)) (the "**Fund Company**"), was established by Purchaser A at its sole discretion to facilitate its internal funding arrangement and the settlement of the consideration. The Directors expect that the net proceeds from Disposal A, after deducting the expenses directly attributable thereto, will be approximately RMB1,139.64 million (equivalent to approximately HK$1,276.40 million).

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

As at the date of this announcement, 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. The Company has been regularly discussing with Purchaser A in relation to the settlement of the outstanding amount. However, as advised by the Fund Company, the internal funding is taking much longer than initially expected due to the recent economic slowdown in the PRC. The Company understands from the Fund Company that it will settle Consideration A once the payment is ready.

Disposal Agreement B, C and D

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

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

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

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

Up to the date of this announcement, an aggregate of RMB225,000,000 (equivalent to approximately HK$273,579,000) refundable earnest monies were paid by Purchaser C to facilitate further negotiation in respect of the disposal of 18% equity interests in Zhunxing. The earnest monies will be settled as part of the consideration of the aforesaid disposal when the transaction is completed. The earnest monies were applied to pay the Group's borrowings and related interest expenses.

As at the date of this announcement, due to the unexpected change of personnel of the three purchasers, they require additional time to appoint their designated independent valuer and to prepare and review the terms of the supplemental agreements. The Company will discuss the revised timetable further with these three purchasers as soon as practicable, and also continue to monitor the situation closely.

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.

In the event that the disposals of Zhunxing cannot be completed on or before 31 March 2020, 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 12 August 2019 and the circular of the Company dated 26 March 2018.

Bankruptcy Petition filed against a Director

The chairman and an executive director of the Company, Mr. Cao Zhong ("**Mr. Cao**") confirmed that Li Ka Shing (Canada) Foundation ("**LKSCF**") had filed a bankruptcy petition against him (the "**Bankruptcy Petition**"). Neither the Company nor any of its subsidiaries is a party to the Bankruptcy Petition.

The Bankruptcy Petition was due to the 9% convertible bonds issued by the Company to LKSCF on 3 September 2013 (the "**Bonds**") which matured on 3 September 2015 and remained outstanding. As disclosed in the Company's announcement dated 14 August 2015, the repayment date of the Bonds had been extended, and Mr. Cao also provided LKSCF with personal guarantee as to the due performance of all the obligations of the Bonds. The outstanding principal of the Bonds, together with the accrued interests and the accrued default interests exceeds HK$1.1 billion as at the date of this announcement. The Company will continue to monitor the development of the Bankruptcy Petition.

Please refer to the announcements of the Company dated 14 August 2015, 23 September 2019 and 27 September 2019 for details.

PROSPECTS

In 2019, the Chinese and global economy is overcast by external uncertainties and downward pressures brought about by the Sino-US trade war. Faced with the slowdown of global economic growth, the Chinese economy is striving to maintain an overall stable trend.

Going forward, as an important transportation channel of the Wulanchabu Integrated Logistics Industrial Park, Zhunxing Expressway will play an important role in the development of the Xinghe Miaoliang Logistics Park of Wulanchabu (the "**Miaoliang Logistics Park**"), and it is expected that the traffic volume of the Miaoliang Logistics Park will continue to rise, which will benefit the traffic volume of the relevant road section of Zhunxing Expressway. Following the effective implementation of the coal de-capacity policy in the PRC, energy consumption is expected to remain stable, and along with the forthcoming development of Zhunxing Expressway, especially the interconnection with the Zhangjiakou city road section to facilitate the direct passage to Hebei province, the traffic volume and toll income of Zhunxing Expressway are expected to grow, bringing a turnaround to profit in the long run.

In respect to the growing and sales of forage and agricultural products sector of the Group, due to climate changes and the significant reduction of local water resources in 2019, the production of sorghum silage under existing natural conditions has ceased, and the growth of operating income is weakened. To diversify the source of revenue under this business sector of the Group in 2020, in view of the growing momentum of the agriculture and animal husbandry industry in the Inner Mongolia Autonomous Region, Xinze has implemented cattle breeding which is less influenced by climate changes.

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

REMEDIAL MEASURES ON GOING CONCERN

As set forth in the Company's Annual Report 2019, the auditor of the Company did not express opinion on the consolidated financial statements of the Group for the year ended 31 March 2019 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

In order to proactively address the issues, up to the date of this announcement, the Board continued to focus on the implementation of the financial arrangements through the proposed disposals of 71% equity interests in Zhunxing and the related buy-back obligation or options (the "**Zhunxing Disposals**") and a series of debt restructuring arrangements (together, the "**Remedial Measures**").

(i) The Zhunxing Disposals

As set forth in the above section headed "Material Events" in this announcement, all payments from Purchaser A for the disposals of 25% equity interests in Zhunxing under the Disposal Agreement A remained outstanding. The Company has engaged in regular discussion with Purchaser A in relation to the outstanding amount. However, as advised by the Fund Company, which is established by Purchaser A to facilitate its internal funding arrangement, the internal funding arrangement is taking much longer than initially expected to the recent economic slowdown in the PRC. The Company understands from the Fund Company that it will settle Consideration A once the payment is ready.

The Disposal Agreement B, Disposal Agreement C and Disposal Agreement D stipulate the financing arrangements through disposals with option to buy back 46% equity interests in Zhunxing. As disclosed in the Company's announcement dated 9 January 2017, Purchaser B, Purchaser C and Purchaser D shall appoint an independent valuer to prepare a valuation report of Zhunxing, which will be used as the basis of considerations for the disposals of 46% equity interests in Zhunxing. Due to the unexpected change of personnel in Purchaser B, Purchaser C and Purchaser D, they require additional time to appoint their designated independent valuer and to prepare and review the terms of the supplemental agreements. The Company will discuss the revised timetable further with the three purchasers as soon as practicable, and also continue to monitor the situation closely.

(ii) The debt restructuring arrangements

As mentioned in the above section headed "Material Events" in this announcement, on 16 April 2019, the Company completed the issuance of the New Promissory Note to replace and supersede the outstanding principal amounts of the Old Promissory Note and the relevant accrued and default interests, which in effect extend the time for repayment for five years. Up to the date of this announcement, the Group is working with the Banks to facilitate a smooth completion of the Banks' asset restructuring. The Group is also negotiating with its creditors, including but not limited to the holders of the non-convertible bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group. Up to the date of this announcement, no agreement has been reached.

As the Remedial Measures involve on-going negotiations and communications with various potential purchasers and creditors, it is difficult to define a definite timetable on the completion of the Remedial Measures. Notwithstanding, the Board will strive to complete the Remedial measures before the financial year ending 31 March 2020.

In the event that the Zhunxing Disposals cannot be completed on or before 31 March 2020 and/or the creditors do not agree on standstill or potential rescheduling of the repayment of debts owing by the Company, the Company will explore other avenues including (i) initiating discussions with other interested buyers; (ii) disposing other assets of the Group; and (iii) carrying out fund raising activities, including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds to repay the Outstanding Bonds and other outstanding borrowings.

CHARGES ON ASSETS

As at 30 September 2019, 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 2019 (for the six months ended 30 September 2018: HK$Nil).

EMPLOYEES

The Group had approximately 494 employees in Hong Kong and the PRC as at 30 September 2019. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration policy.

SHARE OPTION SCHEME

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

As at 30 September 2019, no share option has been granted, exercised, cancelled or lapsed under the Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Annual Report 2019, none of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the period ended 30 September 2019, 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.

During the period of 30 days immediately preceding and including the date of this announcement, certain shares of the Company held by Ocean Gain Limited ("**Ocean Gain**"), a company wholly-owned by Mr. Fung Tsun Pong ("**Mr. Fung**", the Vice-Chairman and executive Director), were sold on the market as a result of forced sale by the stockbroker of Ocean Gain due to the failure in meeting the issued margin call, and the percentage interest of Mr. Fung and Ocean Gain in the Company has been reduced to approximately 9.54% and 5.46% respectively of the total issued share capital of the Company as of the date of this announcement. The Directors (except Mr. Fung) satisfied that the disposals by Mr. Fung since 21 November 2019 are forced sales occurred under exceptional circumstances within the meaning of paragraph C.14 of Appendix 10 to the Listing Rules.

AUDIT COMMITTEE

The terms of reference of the Audit Committee was revised on 28 November 2011, 30 June 2016 and 28 June 2019 to bring them in line with the revised CG Code. The Audit Committee comprising all independent non-executive directors of the Company ("**INEDs**"), namely Ms. Chan Chu Hoi (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 2019.

OTHER CHANGES IN DIRECTORS' INFORMATION

Subsequent to the publication of the Annual Report 2019, other changes in Directors' information of the Company with effect from 21 November 2019 are set out as below:

i) Mr. Yip Tak On has resigned as an INED, the chairman of the Audit Committee and Remuneration Committee and the member of the Nomination Committee of the Board;

ii) Ms. Chan Chu Hoi was appointed as an INED, the chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Board; and

iii) Mr. Jing Baoli was appointed as the chairman of the Remuneration Committee of the Board.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the Annual Report 2019 or are considered not significant to the Group's operations, thus no additional disclosure has been made in this report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 29 November 2019

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

* *For identification purposes only*