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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 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of China Resources and Transportation Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2024 and the unaudited consolidated statement of financial position of the Group as at 30 September 2024 (the “**Announcement**”). The Announcement containing the full text of the 2024 interim report of the Company (the “**2024 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the information to accompany announcements of interim results.

The Announcement and the 2024 Interim Report are published on the website of the Stock Exchange [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company [www.crtg.com.hk](http://www.crtg.com.hk).

**Shareholders and potential investors of the Company are advised to exercise caution in dealing in the shares of the Company.**

By order of the Board

**China Resources and Transportation Group Limited**

**Gao Zhiping**

*Co-Chairman*

Hong Kong, 24 December 2024

*As at the date of this announcement, the board of directors comprises five executive directors, namely Messrs Lu Zhiming, Gao Zhiping, Jiang Tao, Duan Jingquan and Wang Gang; and four independent non-executive directors, namely Messrs Jing Baoli, Bao Liang Ming, Xue Baozhong and Ms. Huang Chunlian.*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lu Zhiming (*Co – Chairman*)  
Mr. Gao Zhiping (*Co – Chairman & Chief Executive Officer*)  
Mr. Jiang Tao  
Mr. Duan Jingquan  
Mr. Wang Gang

### Independent Non-executive Directors

Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Huang Chunlian  
(*appointed on 15 October 2024*)  
Ms. Xu Hui  
(*resigned on 15 October 2024*)

### Audit Committee

Ms. Huang Chunlian (*Chairlady*)  
(*appointed on 15 October 2024*)  
Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Xu Hui (*Chairlady*)  
(*resigned on 15 October 2024*)

### Remuneration Committee

Mr. Jing Baoli (*Chairman*)  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Huang Chunlian  
(*appointed on 15 October 2024*)  
Mr. Gao Zhiping  
Ms. Xu Hui  
(*resigned on 15 October 2024*)

### Nomination Committee

Mr. Gao Zhiping (*Chairman*)  
Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Xue Baozhong  
Ms. Huang Chunlian  
(*appointed on 15 October 2024*)  
Ms. Xu Hui  
(*resigned on 15 October 2024*)

## COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

## AUDITOR

McMillan Woods (Hong Kong)  
CPA Limited

## LEGAL ADVISOR

Ngans Lawyers LLP

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

JTC (Cayman) Limited  
94 Solaris Avenue 2nd Floor  
Camana Bay  
P.O. Box 30745  
Grand Cayman KY1-1203  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

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

## SHARE REGISTRARS & TRANSFER OFFICE

Tricor Progressive Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## STOCK CODE AT HONG KONG STOCK EXCHANGE

269

## COMPANY WEBSITE

<http://www.crtg.com.hk>

# HIGHLIGHTS

- Unaudited revenues for the six months ended 30 September 2024 amounted to approximately HK\$300,003,000 derived from toll income from toll road operations, whereas an unaudited revenues of approximately HK\$324,344,000 derived from toll income from toll road operations was recorded in the corresponding period of last year.
- The Group recorded an unaudited EBITDA (defined as earnings before finance cost, income tax, depreciation, gain on debt restructuring, amortisation and non-cash changes in values of assets and liabilities) of approximately HK\$221,341,000 for the six months ended 30 September 2024, whereas an unaudited EBITDA of approximately HK\$280,695,000 was recorded for the six months ended 30 September 2023.
- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2024 amounted to approximately HK\$109,833,000, whereas the net profit attributable to owners of the Company was approximately HK\$820,452,000 in the corresponding period of last year.
- The directors of the Company did not declare any dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: HK\$Nil).

## INTERIM RESULTS

The board of directors (the “Board”) of China Resources and Transportation Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2024 and the unaudited consolidated statement of financial position of the Group as at 30 September 2024.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Six months ended 30 September	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>Revenues</b>	3	<b>300,003</b>	324,344
Cost of sales		<b>(198,648)</b>	(182,354)
<b>Gross profit</b>		<b>101,355</b>	141,990
Other income and other gains or losses	5	<b>4,779</b>	(6,809)
Gain on debt restructuring		–	992,697
Selling and administrative expenses		<b>(33,327)</b>	(17,849)
Finance costs	6	<b>(181,748)</b>	(141,762)
Reversal of impairment loss/ (impairment loss) on trade and other receivables, net		<b>2,026</b>	(3,857)
<b>(Loss)/profit before income tax</b>	7	<b>(106,915)</b>	964,410
Income tax expense	8	–	–
<b>(Loss)/profit for the period</b>		<b>(106,915)</b>	964,410
<b>(Loss)/profit for the period attributable to:</b>			
– Owners of the Company		<b>(109,833)</b>	820,452
– Non-controlling interests		<b>2,918</b>	143,958
		<b>(106,915)</b>	964,410
		<b>HK\$ (Unaudited)</b>	HK\$ (Unaudited)
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
– Basic	10	<b>(0.01)</b>	0.08
– Diluted	10	<b>N/A</b>	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
For the six months ended 30 September 2024

	<b>Six months ended 30 September</b>	
	<b>2024 HK\$'000 (Unaudited)</b>	2023 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period</b>	<b>(106,915)</b>	964,410
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	<b>(148,998)</b>	538,754
<b>Total comprehensive (loss)/income for the period</b>	<b>(255,913)</b>	1,503,164
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
– Owners of the Company	<b>(239,604)</b>	1,290,943
– Non-controlling interests	<b>(16,309)</b>	212,221
	<b>(255,913)</b>	1,503,164

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		At 30 September 2024 HK\$'000 (Unaudited)	At 31 March 2024 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Concession intangible asset	12	5,398,142	5,413,111
Property, plant and equipment	11	125,877	123,516
Right-of-use assets		52,591	56,802
Biological assets		40,847	39,718
Financial asset at fair value through profit or loss		137,253	134,120
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,754,710</b>	5,767,267
<b>CURRENT ASSETS</b>			
Inventories		900	590
Trade receivables	13	236,072	378,743
Prepayments, deposits and other receivables	14	322,056	140,620
Cash and cash equivalents		10,768	13,372
<b>TOTAL CURRENT ASSETS</b>		<b>569,796</b>	533,325
<b>TOTAL ASSETS</b>		<b>6,324,506</b>	6,300,592

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		At 30 September 2024 HK\$'000 (Unaudited)	At 31 March 2024 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Other payables	15	5,396,512	5,257,854
Promissory note		127,329	124,822
Borrowings	16	9,421,468	9,282,320
Non-convertible bonds	17	4,395,648	4,395,648
Lease liabilities		1,089	1,142
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,342,046</b>	19,061,786
<b>NET CURRENT LIABILITIES</b>		<b>(18,772,250)</b>	(18,528,461)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(13,017,540)</b>	(12,761,194)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		3,442	3,875
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,442</b>	3,875
<b>TOTAL LIABILITIES</b>		<b>19,345,488</b>	19,065,661
<b>NET LIABILITIES</b>		<b>(13,020,982)</b>	(12,765,069)
<b>CAPITAL AND RESERVES</b>			
Share capital		2,128,819	2,128,819
Reserves		(14,084,261)	(13,844,657)
Equity attributable to owners of the Company		(11,955,442)	(11,715,838)
Non-controlling interests		(1,065,540)	(1,049,231)
<b>TOTAL DEFICIT</b>		<b>(13,020,982)</b>	(12,765,069)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note (i))	Statutory reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2023 (Audited)	2,128,819	1,291,426	3,800	795,363	1,118	243,700	(18,309,320)	(13,845,094)	(1,425,441)	(15,270,535)
Profit for the period	-	-	-	-	-	-	820,452	820,452	143,958	964,410
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	470,491	-	470,491	68,263	538,754
Total comprehensive income for the period	-	-	-	-	-	470,491	820,452	1,290,943	212,221	1,503,164
At 30 September 2023 (Unaudited)	2,128,819	1,291,426	3,800	795,363	1,118	714,191	(17,488,868)	(12,554,151)	(1,213,220)	(13,767,371)
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note (i))	Statutory reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2024 (Audited)	2,128,819	1,291,426	3,800	795,363	1,118	641,135	(16,577,499)	(11,715,838)	(1,049,231)	(12,765,069)
Loss for the period	-	-	-	-	-	-	(109,833)	(109,833)	2,918	(106,915)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(129,771)	-	(129,771)	(19,227)	(148,998)
Total comprehensive loss for the period	-	-	-	-	-	(129,771)	(109,833)	(239,604)	(16,309)	(255,913)
At 30 September 2024 (Unaudited)	2,128,819	1,291,426	3,800	795,363	1,118	511,364	(16,687,332)	(11,955,442)	(1,065,540)	(13,020,982)

## Notes:

- (i) The capital reserve represented capitalisation of payables to non-controlling interests.
- (ii) In accordance with the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.
- (iii) The translation reserve represents all exchange differences arising from the translation of financial statements of operations outside Hong Kong.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	<b>Six months ended 30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flow from operating activities</b>		
Operating profit before changes in working capital	<b>218,057</b>	286,389
Net changes in working capital	<b>(44,125)</b>	(292,067)
<b>Net cash generated from/(used in) operating activities</b>	<b>173,932</b>	(5,678)
<b>Cash flow from investing activities</b>		
Proceeds from disposal of property, plant and equipment	<b>1,463</b>	98
Payments for acquisition of property, plant and equipment	<b>(4,789)</b>	(22)
Other cash flows arising from investing activities	<b>(176)</b>	(277)
<b>Net cash used in investing activities</b>	<b>(3,502)</b>	(201)
<b>Cash flow from financing activities</b>		
Repayment of borrowings	<b>(76,328)</b>	–
Interest paid	<b>(96,351)</b>	(140)
Other cash flows arising from financing activities	<b>(596)</b>	(598)
<b>Net cash used in financing activities</b>	<b>(173,275)</b>	(738)
<b>Net decrease in cash and cash equivalents</b>	<b>(2,845)</b>	(6,617)
<b>Effect of foreign exchange rate changes</b>	<b>241</b>	(927)
<b>Cash and cash equivalents at beginning of period</b>	<b>13,372</b>	17,772
<b>Cash and cash equivalents at end of period</b>	<b>10,768</b>	10,228

# NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

On 10 May 2022, the Court accepted the restructuring application filed against the main operating subsidiary of the Group, 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”), by China Development Bank. The restructuring proposal has been approved by the Court on 26 September 2023. The Group is currently implementing and finalizing the restructuring. As of the approval of the condensed consolidated financial statements of the Group for the six months ended 30 September 2024 (the “Interim Financial Statements”), the restructuring is still in progress. These events or conditions indicate that there is uncertainty in the continuing operation of the Group.

Additionally, the Group incurred a net loss of approximately HK\$106,915,000 for the six months ended 30 September 2024 and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$18,772,250,000 and HK\$13,020,982,000, respectively. The Company was in default in the repayment of the borrowings of approximately HK\$9,421,468,000, promissory note of approximately HK\$127,329,000 and non-convertible bonds with aggregate carrying amount of approximately HK\$4,395,648,000. These debts, together with the outstanding default interests accrued thereon of approximately HK\$4,455,640,000, totaling approximately HK\$18,400,085,000 are classified under current liabilities at 30 September 2024.

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

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

- (i) The Group is actively negotiating with the PRC banks and other creditors for finalizing the debt restructuring;

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

- (ii) The Group is actively negotiating with the Group's other lenders, promissory note holder and non-convertible bond holders to seek for the renewal or extension of repayments of all borrowings, non-convertible bonds and promissory note, including principals and interests in default; and
  
- (iii) The Group is actively negotiating with external parties to obtain new sources of financing to finance the Group's working capital and improve the liquidity position.

Assuming the successful implementation of the above measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval of the Interim Financial Statements. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

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

- (i) Successfully negotiating with the PRC banks and other creditors for finalizing the debt restructuring;
  
- (ii) Successfully negotiating with the Group's other lenders, promissory note holder and non-convertible bond holders for the renewal or extension of repayment of outstanding borrowings, non-convertible bonds and promissory note, including those with overdue principals and interests; and
  
- (iii) Successfully raising new funds for financing the working capital of the Group within the next twelve months from the date of approval of Interim Financial Statements.

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

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 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 2024 (the “Annual Financial Statements”). The Interim Financial Statements thereon do not include all of the information required for full set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, HKASs and Interpretations) issued by the HKICPA.

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

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

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

**2. ADOPTION OF NEW AND REVISED STANDARDS**

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the first time in the current period. The adoption of the new and revised standards, amendments and interpretations has had no significant impact on the consolidated financial performance and position of the Group and did not require retrospective adjustments.

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

**3. REVENUES**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Income from toll road and related operations	<b>300,003</b>	324,344
	<b>300,003</b>	324,344

#### 4. SEGMENT INFORMATION

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

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

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

There was no inter-segment sale or transfer during the period (six months ended 30 September 2023: 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 taxation.

Segment assets exclude unallocated financial assets at fair value through profit or loss, 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 non-convertible bonds and other borrowings, unallocated other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

(a) Reportable Segment

	Expressway operations		CNG gas stations operation		Others		Total	
	Six months ended 30		Six months ended 30		Six months ended 30		Six months ended 30	
	September		September		September		September	
	2024	2023	2024	2023	2024	2023	2024	2023
	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	300,003	324,344	-	-	-	-	300,003	324,344
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	300,003	324,344	-	-	-	-	300,003	324,344
Reportable segment profit/(loss)	37,874	1,111,659	(295)	(296)	(6,797)	(7,052)	30,782	1,104,311
Adjusted EBITDA (Note)	224,444	289,896	(96)	(96)	(443)	(601)	223,905	289,199
Amortisation of concession intangible asset	138,618	139,627	-	-	-	-	138,618	139,627
	At	At	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2024	2024	2024	2024	2024	2024	2024	2024
	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	6,023,594	6,020,604	10,187	10,248	108,200	111,025	6,141,981	6,141,877
Reportable segment liabilities	(12,666,008)	(12,529,070)	(967)	(945)	(23,377)	(22,359)	(12,690,352)	(12,552,374)

Note:

Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation, gain on debt restructuring and non-cash change in values of assets and liabilities.

**4. SEGMENT INFORMATION** *(Continued)*

(b) **Reconciliation of reportable segment results**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Reportable segment profit		
before unallocated finance		
cost and income tax	<b>30,782</b>	1,104,311
Unallocated other income and		
other gains or losses	<b>2,925</b>	(5,393)
Unallocated finance costs	<b>(134,169)</b>	(131,388)
Unallocated corporate		
expenses	<b>(6,453)</b>	(3,120)
Consolidated (loss)/profit		
before income tax	<b>(106,915)</b>	964,410



## 5. OTHER INCOME AND OTHER GAINS OR LOSSES

	<b>Six months ended 30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Gain on disposal of property, plant and equipment	<b>660</b>	29
Interest income	<b>22</b>	20
Exchange gain/(loss), net	<b>2,603</b>	(7,891)
Rental income	<b>1,028</b>	767
Others	<b>466</b>	266
	<b>4,779</b>	(6,809)

## 6. FINANCE COSTS

	<b>Six months ended 30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest expenses and default interest expenses on bank and other borrowings	<b>49,979</b>	11,927
Interest expenses on lease liabilities	<b>118</b>	140
Default interest expenses on non-convertible bonds	<b>129,144</b>	127,188
Interest expenses and default interest expenses on promissory note	<b>2,507</b>	2,507
	<b>181,748</b>	141,762

**7. (LOSS)/PROFIT BEFORE INCOME TAX**

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

	<b>Six months ended 30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	<b>4,481</b>	18,201
Depreciation of right-of-use assets	<b>5,428</b>	5,517
Amortisation of concession intangible asset included in cost of sales	<b>138,618</b>	139,627
Cost of inventories sold	<b>27</b>	–
Short-term lease payments	<b>948</b>	1,023
Staff costs (including directors' remuneration)		
– Salaries and allowances	<b>19,853</b>	20,016
– Defined contributions pension costs	<b>3,674</b>	4,200
	<b>23,527</b>	24,216

## 8. INCOME TAX EXPENSE

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 September 2024 and 2023.

All of the Group's subsidiaries established and operating in the PRC are subject to PRC enterprise income tax of 25% during the six months ended 30 September 2024 (six months ended 30 September 2023: 25%), except for those explained below.

Pursuant to the rules and regulations in the PRC and with approval from tax authorities in charge, subsidiaries including 樹人木業(大埔)有限公司, 樹人苗木組培(大埔)有限公司 and 阿魯科爾沁旗鑫澤農牧業有限公司, are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

Zhunxing, a subsidiary of the Company, was exempted from PRC enterprise income tax from 2014 to 2016 and was subject to 12.5% PRC enterprise income tax from 2017 to 2019. Pursuant to the document of "the Encouraged Industries in Catalogue of Industrial Structure Adjustment Guidance 2019 (revised)" issued by the National Development and Reform Commission on 27 August 2019, Zhunxing is entitled to the preferential tax rate of 15% for the six months ended 30 September 2024 and 2023.

No provision has been made for PRC enterprise income tax as the Group did not have assessable profits subject to PRC enterprise income tax during the six months ended 30 September 2024 and 2023.

## 9. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: HK\$Nil).

**10. (LOSS)/EARNINGS PER SHARE**

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

**(Loss)/profit attributable to owners of the Company**

	<b>Six months ended 30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share	<b>(109,833)</b>	820,452
<b>Number of shares:</b>	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<b>10,644,093</b>	10,644,093

Diluted (loss)/earnings per share has not been presented as there was no dilutive potential ordinary share of the Company outstanding during the six months ended 30 September 2024 and 2023.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2024, additions to property, plant and equipment amounted to approximately HK\$4,789,000 (six months ended 30 September 2023: HK\$22,000) and disposal of property, plant and equipment with net carrying amount of approximately HK\$803,000 (six months ended 30 September 2023: approximately HK\$69,000).

## 12. CONCESSION INTANGIBLE ASSET

	<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
<b>Cost:</b>		
At 1 April 2024 and 1 April 2023	<b>18,319,676</b>	19,295,631
Exchange differences	<b>428,005</b>	(975,955)
	<b>18,747,681</b>	18,319,676
<b>Accumulated amortization:</b>		
At 1 April 2024 and 1 April 2023	<b>12,906,565</b>	13,303,005
Amortisation for the period/year	<b>138,618</b>	278,744
Exchange differences	<b>304,356</b>	(675,184)
	<b>13,349,539</b>	12,906,565
<b>Net carrying amount:</b>		
At 30 September 2024 and 31 March 2024	<b>5,398,142</b>	5,413,111

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

Zhunxing entered into a service concession arrangement with a PRC local government authority whereby Zhunxing is required to build the infrastructure of Zhunxing Expressway and is granted an exclusive operating right for collecting tolls from vehicles using the Zhunxing Expressway for a term of 30 years.

According to the relevant government authority's approval documents and the relevant regulations, Zhunxing is responsible for the construction of the toll road and the acquisition of the related facilities and equipment and it is also responsible for the operations, management, maintenance and overhaul of the toll road during the exclusive operating period. Zhunxing is entitled to operate the toll road for an exclusive operating period of 30 years by charging drivers, which amounts are contingent on the extent that the public uses the expressway. The relevant toll road assets are required to be returned to the local government authorities when the exclusive operating periods expires without any compensation to be made to Zhunxing. As such, the arrangement is accounted for as a concession intangible asset under Hong Kong (IFRIC) Interpretation 12 "Service Concession Arrangements".

The right to charge the users of the public service is recognised as an intangible asset. Zhunxing estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin by management estimation with reference to the market information in similar industry and management's experience.

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

No interest was capitalised to concession intangible asset during the six months ended 30 September 2024 and 2023.

**13. TRADE RECEIVABLES**

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2024</b>	2024
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>247,407</b>	393,923
Less: Provision for impairment loss	<b>(11,335)</b>	(15,180)
	<b>236,072</b>	378,743

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

On 15 April 2021, the Supreme People's Court of Inner Mongolia Municipality ordered the Ministry of Transport of the PRC to withhold the Group's toll road income receivables as security for the overdue bank borrowings together with accrued interests, up to a maximum amount of RMB8,838,000,000.

Pursuant to a court order issued by the Intermediate People's Court of Inner Mongolia Municipality (the "Inner Mongolia Intermediate Court"), as at 30 September 2024, the Inner Mongolia Intermediate Court ordered to release an aggregate amount of approximately RMB2,235,050,000 for the partial repayment of bank borrowing, the purpose of working capital and operation of expressway of the Group.

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

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	<b>At</b> <b>30 September</b> <b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
1-30 days	<b>58,402</b>	43,253
31-60 days	<b>45,368</b>	21,323
61-90 days	<b>55,163</b>	47,229
Over 90 days	<b>77,139</b>	266,938
	<b>236,072</b>	378,743

**14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>At</b> <b>30 September</b> <b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
Prepayments	<b>19,862</b>	15,049
Deposits	<b>1,677</b>	1,910
Other receivables	<b>331,705</b>	151,905
Impairment allowance	<b>(31,188)</b>	(28,244)
	<b>322,056</b>	140,620



**15. OTHER PAYABLES**

	<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
Construction cost payable	<b>448,917</b>	429,513
Retention and guarantee deposits	<b>85,076</b>	83,504
Accrued and default interest on bank and other borrowings	<b>2,654,942</b>	2,668,512
Accrued and default interests on non-convertible bonds	<b>1,800,698</b>	1,671,554
Other deposits and accruals	<b>157,534</b>	161,118
Refundable earnest monies received from the Purchaser C ( <i>note</i> )	<b>249,345</b>	243,653
	<b>5,396,512</b>	5,257,854

*Note:*

On 30 December 2016, the Group and Hohhot Huizehang Investment Co., Ltd (呼和浩特惠則恒投資有限責任公司) ("Purchaser C") entered into a conditional agreement for the disposal of 18% equity interest in Zhunxing, pursuant to which, during the years ended 31 March 2018 and 2019, Purchaser C paid RMB80,000,000 and RMB145,000,000 to the Group as refundable earnest monies, respectively. As at 30 September 2024, these refundable earnest monies of approximately HK\$249,345,000 (31 March 2024: HK\$243,653,000) will be refundable by the Group to Purchaser C if the disposal transaction was not proceeded.

**16. BORROWINGS**

	<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
Bank borrowings	<b>9,392,468</b>	9,177,219
Other borrowings	<b>29,000</b>	105,101
	<b>9,421,468</b>	9,282,320

At 30 September 2024, borrowings of the Group were repayable as follows:

	<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
Within 1 year or on demand	<b>1,861,005</b>	1,556,149
After 1 year but within 2 years	<b>757,122</b>	678,253
After 2 years but within 5 years	<b>2,711,366</b>	2,563,603
After 5 years	<b>4,091,975</b>	4,484,315
	<b>7,560,463</b>	7,726,171
Total borrowings	<b>9,421,468</b>	9,282,320
Less: Current portion of borrowings due for repayment within one year	<b>1,861,005</b>	1,556,149
Non-current portion of borrowings subject to immediate demand repayment clause	<b>7,560,463</b>	7,726,171

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

At 30 September 2023, borrowings of the Group were secured and guaranteed as follows:

		<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
Secured	<i>(i)</i>	<b>9,419,468</b>	9,204,219
Unsecured	<i>(ii)</i>	<b>2,000</b>	78,101
		<b>9,421,468</b>	9,282,320

Notes:

- (i) At 30 September 2024 and 31 March 2024, the secured borrowings of the Group, together with the interest accrued thereon, were secured by (a) Zhunxing's rights to receive toll income of the Zhunxing Expressway; (b) the Group's equity interests in Inner Mongolia Berun New Energy Company Limited\* (內蒙古博源新型能源有限公司) with a fair value of approximately HK\$23,272,000 (31 March 2024: HK\$22,740,000); (c) the equity interests in 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); (d) the equity interests in Zhunxing; and (e) certain assets of Zhunxing.

At 30 September 2024 and 31 March 2024, the borrowings of the Group were also guaranteed by (a) the Company; (b) a non-controlling shareholder of Zhunxing; and (c) Zhunxing.

- (ii) At 30 September 2024 and 31 March 2024, the unsecured borrowings of the Group were guaranteed by (a) the Company; and (b) a wholly-owned subsidiary of the Company.
- (iii) The Group's available credit facilities as at 30 September 2024 amounted to approximately HK\$9,392,468,000 (31 March 2024: HK\$9,253,320,000), all of which approximately HK\$9,392,468,000 (31 March 2024: HK\$9,253,320,000) has been utilized.
- (iv) All bank and other borrowings were overdue and default and were all classified as current liabilities as at 30 September 2024 and 31 March 2024.

## 17. NON-CONVERTIBLE BONDS

As at 30 September 2024 and 31 March 2024, the carrying amounts of the non-convertible bonds (including the principals and the accrued default interests), which remain in default and became immediately repayable, are as below:

	<b>Principal amounts</b>	<b>Coupon interests</b>	<b>Carrying amounts</b>	<b>Default interest payable</b>
	HK\$'000	HK\$'000	HK\$'000	<i>(Note 15)</i> HK\$'000
<b>As at 30 September 2024 (Unaudited)</b>				
Bond A	<b>500,000</b>	<b>19,295</b>	<b>519,295</b>	<b>224,036</b>
Bond B	<b>500,000</b>	<b>45,083</b>	<b>545,083</b>	<b>222,621</b>
Bond C	<b>832,000</b>	<b>2,468</b>	<b>834,468</b>	<b>363,252</b>
Bond D	<b>1,500,000</b>	<b>182,556</b>	<b>1,682,556</b>	<b>674,168</b>
Bond E	<b>700,000</b>	<b>114,246</b>	<b>814,246</b>	<b>316,621</b>
	<b>4,032,000</b>	<b>363,648</b>	<b>4,395,648</b>	<b>1,800,698</b>
<b>As at 31 March 2024 (Audited)</b>				
Bond A	500,000	19,295	519,295	208,779
Bond B	500,000	45,083	545,083	206,607
Bond C	832,000	2,468	834,468	338,735
Bond D	1,500,000	182,556	1,682,556	624,734
Bond E	700,000	114,246	814,246	292,699
	4,032,000	363,648	4,395,648	1,671,554

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

- (a) Mr. Cao Zhong, former executive director of the Company, has provided personal guarantees to the holders of Bond A and Bond B as to the due performance of all the obligations of the two bonds.
- (b) In accordance with the bond instruments (as amended by their respective subsequent amendment agreements, as appropriate), in the events of defaults in the payment of any sum due and payable thereon these bonds, the Group shall be liable to pay default interest to these bondholders from due date to the date of actual payment in full calculated at the prime lending rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited on a daily basis, accruing on these carrying amounts of approximately HK\$4,395,648,000 in default.

**18. OPERATING LEASES**

**Operating lease commitments – as a lessor**

During the six months ended 30 September 2024, the Group leases out CNG gas stations and land as a lessor of operating lease for which the rental income amounted to approximately HK\$512,000 (Six months ended 30 September 2023: HK\$516,000).

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

	<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	<b>At 31 March 2024 HK\$'000 (Audited)</b>
Within year 1	<b>1,227</b>	1,210
In the second year	<b>1,172</b>	1,165
In the third year	<b>1,125</b>	1,096
In the fourth year	<b>1,093</b>	1,058
In the fifth year	<b>1,056</b>	1,026
After five years	<b>9,342</b>	9,078
<b>Total</b>	<b>15,015</b>	14,633

## 19. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2024 not provided for in the Interim Financial Statements were as follows:

	<b>At 30 September 2024 HK\$'000 (Unaudited)</b>	At 31 March 2024 HK\$'000 (Audited)
Contracted but not provided for		
– acquisition of property, plant and equipment	<b>21,704</b>	21,209

## 20. RELATED PARTY TRANSACTIONS

- (a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.
- (b) Members of key management during the six months ended 30 September 2024 and 2023 comprised only of the directors of the Company whose remuneration is set out as follows:

	<b>Six months ended 30 September</b>	
	<b>2024 HK\$'000 (Unaudited)</b>	2023 HK\$'000 (Unaudited)
Fee, basis salaries, allowances and other benefits	<b>733</b>	738
Retirement benefit scheme contributions	–	–
	<b>733</b>	738

**21. CONTINGENT LIABILITIES**

On 5 March 2016, an independent contractor commenced the legal proceedings against Zhunxing in relation to the construction costs and retention monies with the aggregate amount of approximately RMB100 million. On 11 July 2023, the court sanctioned that Zhunxing is liable to pay approximately RMB30 million to the independent contractor. Up to the date of the Interim Financial Statements, Zhunxing and the independent contractor have appealed to the highest court without final judgement. After taking into account the legal advice from the Company's lawyer, the directors of the Company are of the opinion that, no provision is required as at 30 September 2024.

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

The Interim Financial Statements were approved and authorised for issue by the Board on 24 December 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW**

During the six months ended 30 September 2024, the Group was principally engaged in expressway operations, compressed natural gas (“CNG”) gas stations operations, growing and sales of agricultural products and timber operations.

### **Operation of Zhunxing Expressway**

During the year ended 30 September 2024, the Group’s revenue was mainly contributed by toll income from the 265-kilometre heavy haul toll expressway in Inner Mongolia (“Zhunxing Expressway”) operated by Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited\* (內蒙古准興重載高速公路有限責任公司) (“Zhunxing”) which is indirectly held as to 86.87% by the Company. Zhunxing Expressway is strategically important to the energy resources logistics in the northern PRC as it connects the major coal production area with distribution centers in the region in a convenient and economical way.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (Continued)

#### Operation of Zhunxing Expressway (Continued)

For the six months ended 30 September 2024, Zhunxing Expressway recorded an accumulated toll income of approximately HK\$300.00 million, representing an decrease of approximately 7.50% from approximately HK\$324.34 million for the last reporting period. The average daily toll revenue of Zhunxing Expressway during the period are as follows:

Factors	Average daily toll revenue					
	(RMB in million)			(HK\$ in million)		
	Six months ended	Six months ended	Year-on-year change rate	Six months ended	Six months ended	YOY
30 September 2024	30 September 2023	("YOY")	30 September 2024	30 September 2023		
Zhunxing Expressway	1.51	1.62	-6.79%	1.64	1.77	-7.34%

Upon traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Group actively introduced measures and promotions to build client base. Apart from the economic factors, other factors which restrained the growth of both traffic volume and toll income of Zhunxing Expressway during the period include but not limited to the following:

- (1) Due to the implementation of energy consumption control policies and air pollution control policies in the PRC, certain coal related enterprises were shut down, resulting in a decrease in both coal consumption and traffic volume of Zhunxing Expressway;
- (2) The "Railway to Railway" policy in the PRC has affected the transportation pattern of bulk cargo. The mode of transportation of coal has been shifted from road-oriented to railway-oriented. Railways save the transportation cost of coal and improve efficiency. As a result, the shift of the transportation pattern has a direct impact on traffic volume of Zhunxing Expressway;
- (3) The road network has become increasingly dense and certain original road users of Zhunxing Expressway has transferred to other new or renovated national expressways within the road network; and

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

- (4) Frequent extreme weather events (such as heavy rain, snowstorms, and windstorms) have had adverse impact on Zhunxing's operations, leading to transportation disruptions that restrict vehicle passage and reduce toll revenue. These weather conditions have also caused damage to the highway infrastructure (such as road collapses and water accumulation), which may encourage customers to use other new or renovated national expressway within the road network.

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

- (1) Fine-tune its business strategies to seek revenue growth in this competitive market environment:
  - i) Executing a road maintenance program that is comprehensively planned and deployed under Zhunxing's policy to "normalize, standardize, and ensure the road conditions of Zhunxing Expressway to preserve its best state". During the past years, Zhunxing Expressway maintained good standards on road appearance and road condition, and thus fully realized the maintenance management objectives of "smooth, safe, comfortable and splendid" for an expressway; and
  - ii) Reinforcing a safe and expedient driving environment by implementing 24-hour patrol system to improve the service level and emergency response capability of the maintenance, road administration and traffic police personnel, with an aim to swiftly resolve spontaneous traffic incidents and minimize the time to restore traffic fluency on Zhunxing Expressway;

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

- (2) Strengthen daily management of Zhunxing Expressway by incorporating daily inspection, comprehensive inspection and special inspection to achieve a full coverage of vehicle inspection at the entrance and exit of toll stations, curbing the phenomenon of evasion and leakage of toll;
- (3) Focus on marketing activities to grow customer base. Zhunxing will explore the cooperation opportunities with the neighboring logistic base and coal chemical enterprises and promote Zhunxing Expressway's advantageous position in bringing together a coal transport process that reinforces traffic fluency, cost-saving and high efficiency; and
- (4) Actively utilize the national toll collection policy and implement a differentiated toll strategy. Based on the "Comprehensive Implementation Plan for Differentiated Toll Collection" issued by the Ministry of Transport, the National Development and Reform Commission, and the Ministry of Finance, Zhunxing will formulate a differentiated toll plan for road sections to attract different types of vehicles to use the Zhunxing Expressway.

#### **Forage and Agricultural Product Business**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### **Forage and Agricultural Product Business** *(Continued)*

For the six months ended 30 September 2024, no sales income was recorded under the forage and agricultural product business (for the six months ended 30 September 2023: HK\$Nil) as the production of sorghum silage has ceased as a result of the significant drop in local precipitation since 2019.

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

#### **Forest Operation**

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

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's unaudited revenue for the six months ended 30 September 2024 was approximately HK\$300.00 million, representing a decrease of about 7.50% from approximately HK\$324.34 million for the last corresponding period.

Toll income from expressway operations of approximately HK\$300.00 million (for the six months ended 30 September 2023: approximately HK\$324.34 million) constituted the mainstream of the Group's revenue for the six months ended 30 September 2024. The decrease of about 7.50% in the toll revenue from the expressway operations during the period was mainly due to the factors as discussed in the "Business Review" section and the drop in Renminbi to Hong Kong Dollar exchange rate.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **FINANCIAL REVIEW** *(Continued)*

#### **Cost of sales**

The Group's cost of sales for the six months ended 30 September 2024 was approximately HK\$198.65 million, representing an increase of about 8.94% from approximately HK\$182.35 million for the last corresponding period. The Group's cost of sales during the six months ended 30 September 2024 was mainly attributable to (i) the amortization of concession intangible asset arising from the expressway operation of approximately HK\$138.62 million (for the six months ended 30 September 2023: approximately HK\$139.63 million), (ii) road maintenance cost arising from the expressway operation of approximately HK\$29.49 million (for the six months ended 30 September 2023: approximately HK\$1.15 million), (iii) the staff cost of approximately HK\$13.51 million (for the six months ended 30 September 2023: approximately HK\$13.76 million) and (iv) the depreciation of property, plant and equipment of approximately HK\$3.37 million (for the six months ended 30 September 2023: HK\$17.19 million). The increase of about 8.94% in the cost of sales was mainly due to significant increase in road maintenance cost arising from the expressway operation for the six months ended 30 September 2024 compared to that of the six months ended 30 September 2023.

#### **Gross profit**

For the six months ended 30 September 2024, the Group's gross profit was approximately HK\$101.36 million (for the six months ended 30 September 2023: approximately HK\$141.99 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **FINANCIAL REVIEW** *(Continued)*

#### **Gain on Debt Restructuring**

Debt restructuring proposal of Zhunxing was approved and became effective during the six months ended 30 September 2023. Certain claims of the restructuring against, and liabilities of, Zhunxing were discharged and compromised in full. Accordingly, approximately HK\$992.70 million has been recognised as gain on debt restructuring during the six months ended 30 September 2023. The Group is currently implementing and finalizing the restructuring and no gain on debt restructuring was recognised during the six months ended 30 September 2024.

#### **EBITDA**

For the six months ended 30 September 2024, the Group recorded a reduced EBITDA (defined as earnings before interest, taxes, depreciation, amortization, gain on debt restructuring and non-cash changes in values of assets and liabilities) amounted to approximately HK\$221.34 million compared to the EBITDA of approximately HK\$280.70 million for the last corresponding period. The approximately 21.15% decrease in EBITDA was primarily driven by the reduced revenue from the expressway operations of the Group as discussed in the “Business Review” section and the approximately 8.94% and 86.72% increase in the Group’s cost of sales and selling and administrative expenses during the six months ended 30 September 2024 compared to those of the six months ended 30 September 2023, respectively. Detailed segment revenue and contribution to profit/loss before income tax of the Group is shown in Note 4 to the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2024 (the “Interim Financial Statements”) in this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **FINANCIAL REVIEW** *(Continued)*

#### **Loss/profit for the period**

The Group's net loss for the six months ended 30 September 2024 was approximately HK\$106.92 million (six months ended 30 September 2023: net profit of approximately HK\$964.41 million). The Group's net loss (six months ended 30 September 2023: profit) for the six months ended 30 September 2024 was primarily contributed by the finance costs amounted to approximately HK\$181.75 million and the selling and administrative expenses amounted to approximately HK\$33.33 million (six months ended 30 September 2023: the gain on debt restructuring of approximately HK\$992.70 million). The change from net profit for the six months ended 30 September 2023 to net loss for the six months ended 30 September 2024 was mainly due to the recognition of gain on debt restructuring of approximately HK\$992.70 million for the six months ended 30 September 2023 and increase in finance costs for the six months ended 30 September 2024 compared with that of the six months ended 30 September 2023. The approximately 28.21% increase in finance costs of the Group was mainly due to the waiver of interest expense on certain bank and other borrowing resulting from the process of restructuring during the six months ended 30 September 2023. The Group's selling and administrative expenses for the six months ended 30 September 2024 were primarily attributed to staff costs and benefits of approximately HK\$10.02 million (for the six months ended 30 September 2023: approximately HK\$10.46 million) and legal and professional fees of approximately HK\$13.58 million (for the six months ended 30 September 2023: approximately HK\$0.02 million).

The loss (for the six months ended 30 September 2023: profit) attributable to owners of the Company for the six months ended 30 September 2024 was approximately HK\$109.83 million (for the six months ended 30 September 2023: approximately HK\$820.45 million). The basic loss per share attributable to owners of the Company for the six months ended 30 September 2024 was HK\$0.01 as compared with basic earnings per share of HK\$0.08 for the last corresponding period. No diluted loss/earnings per share was presented for the six months ended 30 September 2024 and 2023 as there were no dilutive potential ordinary shares of the Company outstanding during the periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY REVIEW

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

As at 30 September 2024, the Group was in a net liabilities position of approximately HK\$13,020.98 million as compared to a net liabilities position of approximately HK\$12,765.07 million as at 31 March 2024.

As at 30 September 2024, contractual maturities based on contractual undiscounted cash flows of approximately HK\$19,342.25 million, HK\$1.24 million, HK\$0.96 million and HK\$3.93 million (31 March 2024: approximately HK\$19,062.21 million, HK\$1.21 million, HK\$1.49 million and HK\$3.90 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 305.88% as at 30 September 2024 (31 March 2024: 302.60%).

As at 30 September 2024, the Group had cash and bank balances of approximately HK\$10.77 million (31 March 2024: approximately HK\$13.37 million) and its available credit facilities were amounted to approximately HK\$9,392.47 million (31 March 2024: approximately HK\$9,253.32 million), which have been fully utilised (31 March 2024: fully utilized).



## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### **Borrowings**

The Group's outstanding borrowings amounted to approximately HK\$9,421.47 million (31 March 2024: approximately HK\$9,282.32 million), represented approximately 48.70% of the Group's total liabilities as at 30 September 2024 (31 March 2024: 48.69%). Approximately HK\$29.00 million (31 March 2024: approximately HK\$105.10 million) of the Group's outstanding borrowings were charged at fixed rates.

As the expressway operation is a capital intensive industry, the Group's outstanding borrowings amounted to RMB8,475.43 million (approximately HK\$9,392.47 million), were obtained and drawn down primarily for the construction of Zhunxing Expressway as at 30 September 2024. The syndicated loan facilities of RMB7,558.56 million (approximately HK\$8,376.40 million) (the "Syndicated Loans") granted by several PRC banks (the "Banks") in December 2012 were secured by Zhunxing's receivables of toll income. Furthermore, Zhunxing obtained and drawn down loan facilities amounted to RMB916.86 million (approximately HK\$1,016.07 million) from several authorised financial institutions in the PRC, which was secured by a combination of (i) Zhunxing's receivables of toll income, (ii) the Group's equity interests in Zhunxing and/or (iii) certain Zhunxing's investments.

As part of the restructuring process with the Banks (as set out in the "Material Events" section), the Syndicated Loans were regarded as default before the completion of the debt restructuring. Accordingly, the Group's outstanding borrowings were all classified as current liabilities as at 30 September 2024.

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

During the six months ended 30 September 2024, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### **Capital Commitments**

The Group's capital commitments outstanding as at 30 September 2024 increased by approximately 2.31% to approximately HK\$21.70 million (31 March 2024: approximately HK\$21.21 million), representing the capital expenditure arising from the acquisition of property, plant and equipment.

#### **Going Concern**

The Group incurred a net loss of approximately HK\$106.92 million for the six months ended 30 September 2024 and as of that date, the Group had net current liabilities of approximately HK\$18,772.25 million and net liabilities of approximately HK\$13,020.98 million.

As at 30 September 2024, the Company was in default in the repayment of borrowings of approximately HK\$9,421.47 million, promissory note of approximately HK\$127.33 million and the non-convertible bonds with aggregate carrying amounts of approximately HK\$4,395.65 million. These debts, together with the outstanding default interests accrued thereon of approximately HK\$4,455.64 million, totaling approximately HK\$18,400.09 million are classified as current liabilities as at 30 September 2024. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### **Treasury Policy**

The Group's business operations, assets and liabilities are dominated mainly in Hong Kong dollars, Renminbi and US dollars. The management will review from time to time of potential foreign exchange exposure and will take appropriate measures to minimise the risk of foreign exchange exposure in the future.

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

### **MATERIAL EVENTS**

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

As at 30 September 2024, the Group has borrowings in the total amount of approximately HK\$9,421.47 million. Such borrowings mainly consisted of Syndicated Loans of approximately RMB7,558.56 million (equivalent to approximately HK\$8,376.40 million) granted by the Banks in December 2012. As announced by the Company on 5 September 2019, the Company was informed that the Banks intended to optimise their loan portfolios by restructuring the Syndicated Loans through legal process to other interested parties. However, the Banks must go through certain legal proceedings with the Group including filing of civil actions, court-directed mediations, entering into of settlement agreement(s) and execution(s) of settlement agreement(s) in respect of the Syndicated Loans.

By the end of December 2019, settlement agreements had been entered into between the Banks and the Group. After several communication with the Banks, the Group was given to understand that the restructuring of the Syndicated Loans would initiate in June 2020.

During the process of debt restructuring of Zhunxing, the Banks and another PRC bank lender (the "Lenders") had applied to freeze Zhunxing's receivables of toll income, details of which are set out in Note 13 to the Interim Financial Statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

On 10 May 2022, the Intermediate People's Court of Ulanqab Inner Mongolia Autonomous Region (內蒙古自治區烏蘭察布市中級人民法院) (the "Court") decided that Zhunxing was an entity that was suitable for restructuring and thus accepted the winding up and restructuring application of Zhunxing by China Development Bank for the said bank to restructure Zhunxing. On 25 August 2022, the Court issued a written decision that Beijing Tian Tai Law Firm\*北京天馳君泰律師事務所 had been appointed as the administrator (the "Administrator"). The Court had been approved Zhunxing to continue operating and manage business affairs on its own. Zhunxing and the Administrator had submitted a restructuring proposal to the Court and the creditors within 6 months after the date of the court order. The restructuring proposal was passed by the requisite majority of creditors of Zhunxing at the meeting of restructuring proposal. The restructuring proposal of Zhunxing had also been approved by the Court on 26 September 2023. Since then, the restructuring proposal became effective on 26 September 2023. The Administrator has received the preference indication forms from all restructuring proposal creditors and the admitted claims have been allocated in the following manner:

- (a) For the portion of the borrowings secured by collateral that is less than the assessed value of the collateral (the "Partial Secured Borrowings"), 15% of the Partial Secured Borrowings will be repaid in cash within 3 months from the date of acceptance of this repayment arrangement in writing. 85% of the remaining Partial Secured Borrowings will be repaid within 10 years from the date of court approval of the restructuring proposal. For the portion of the borrowings secured by collateral that exceeds the assessed value of the collateral (the "Remaining Secured Borrowings"), the Remaining Secured Borrowings up to RMB1,000,000 will be fully repaid in cash within 1 year from the date of court approval of the restructuring proposal. The portion exceeding RMB1,000,000 will be discharged by transferring a portion of the equity interest of Zhunxing held by the Group to the creditors. The amount of equity transferred to them is subject to the number of ordinary unsecured creditors choosing the equity option as set out in note (c)(ii) below.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

- (b) For priority payment rights included in other payables, 15% of the debt will be repaid in cash within 3 months from the date of acceptance of this repayment arrangement in writing. 85% of the remaining debt will be repaid within 10 years from the date of court approval of the restructuring proposal.
  
- (c) For unsecured debt included in other payables and borrowings, each ordinary creditor with a debt amount of RMB1,000,000 or less will be fully repaid in cash within 1 year from the date of court approval of the restructuring proposal. For each ordinary creditor with a debt amount exceeding RMB1,000,000, the creditors can choose to discharge the debt in full either (i) by way of a cash settlement representing 30% of the debt; or (ii) by transferring a portion of the equity interest of Zhunxing held by the Group to the creditors.
  
- (d) For accrued salaries and tax liabilities, full repayment of admitted claims in cash will be made to employees of Zhunxing and the PRC tax authorities within 1 year from the date of court approval of the restructuring proposal.

Upon the approval and became effective of the restructuring proposal of Zhunxing by the Court, certain claims of the restructuring against, and liabilities of, Zhunxing were discharged and compromised in full. During the six months ended 30 September 2024, no gain on debt restructuring has been recognised. Pursuant to the restructuring proposal as mentioned above, certain equity interest in Zhunxing indirectly held by the Group will be transferred to the creditors who choose to settle the liabilities by equity option as mentioned in notes (a) and (c)(ii) above. However, the the extent of the equity interest transfer has not been agreed upon with the creditors yet. Up to the date of this report, the equity structure of Zhunxing has not changed, and the Group remains holding an 86.87% equity interest in Zhunxing. The Group is currently implementing and finalizing the restructuring. As of the approval of the Interim Financial Statements, the restructuring is still in progress.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

<b>Holders of Outstanding Bonds</b>	<b>Principal amount (HK\$)</b>	<b>Maturity date</b>	<b>Default interest rate as at 30 September 2024 (per annum)</b>
China Life Insurance (Overseas) Company Limited	800,000,000	10 February 2016	5.625%
China Life Insurance (Overseas) Company Limited	700,000,000	24 January 2017	5.625%
Cross-Strait Capital Limited	32,000,000	10 February 2016	5.625%
Popcorn Industries Ltd. (Note)	36,000,000	3 March 2016	5.625%
Popcorn Industries Ltd. (Note)	35,000,000	3 September 2016	5.625%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	5.625%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	5.625%
Strait Capital Service Limited	800,000,000	24 January 2017	5.625%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	5.625%
<b>Total</b>	<b>4,032,000,000</b>		

*Note:* Popcorn Industries Ltd. is wholly-owned by Dr. Lo Ka Shui.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

##### ***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 conditionally agreed to sell, and Purchaser A conditionally agreed to acquire 25% equity interests of Zhunxing at RMB1,125.00 million (equivalent to HK\$1,260.00 million) (“Disposal Agreement A”) with an option to buy back (the “Disposal A”).

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

On 16 April 2018, the Disposal Agreement A and all the transactions contemplated thereunder were approved at the extraordinary general meeting of the Company. As at the date of this report, all payments from Purchaser A are delayed and remained outstanding as the Fund Company requires additional time to facilitate the internal funding arrangement for settlement of Consideration A.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

##### **Disposal Agreement B, C and D**

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

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

Up to the date of this report, an aggregate of RMB225,000,000 (equivalent to approximately HK\$249,345,000) 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 has been to pay the Group’s borrowings and related interest.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Details on the arrangement of proposed disposals and buy-backs of the 71% equity interests in Zhunxing are set out in the announcements of the Company dated 9 January 2017, 30 March 2017, 30 June 2017, 29 September 2017, 18 December 2017, 16 April 2018 and 12 August 2019 and the circular of the Company dated 26 March 2018.

### **PROSPECTS**

The general outlook for the business environment will remain challenging. In view of the slowdown of China's economy, and the implementation of energy control and air pollution control policies in the PRC, we remain cautious about the adverse impacts on the financial results of the Group.

Despite this, the PRC is vigorously promoting the construction of the highway network to stimulate economic development and regional integration. The construction of highways is seen as a crucial means to promote economic growth and improve logistics efficiency, enhancing the PRC transportation capacity and fostering economic expansion. Further, to encourage a steady and healthy development of the coal industry and bring about a turnaround for the transportation industry, the PRC implement measures to stabilize coal prices, adjust the pace of coal imports, and coordinate measures for coal transportation. It is expected that these positive factors will bring growth to the traffic volume and toll income of Zhunxing Expressway, the Group will continue to move forward steadily.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

The auditor of the Company (the "Auditor") did not express opinion on the consolidated financial statements of the Group for the year ended 31 March 2024 and the five preceding financial years due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

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

1. The Group is actively negotiating with the PRC banks and other creditors for finalizing the debt restructuring. Up to the date of this report, the restructuring is still ongoing.
2. The Group is actively negotiating with the Group's other lenders, the promissory note holder and non-convertible bond holders to seek for the renewal or extension of repayments of all borrowings, non-convertible bond and promissory notes, including principals and interests in default. Up to the date of this report, no agreement has been reached; and
3. The Group is actively negotiating with external parties to obtain new sources of financing to finance the Group's working capital and improve the liquidity position. Up to the date of this report, no agreement has been reached.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

*(Continued)*

As at the date of this report, none of the above Measures have been completed. As the above Measures involve on-going negotiations and communications with various external parties and creditors, it is difficult to determine a definite timetable on the completion of the Measures under the action plan. Notwithstanding, the Board will strive to complete the above Measures before the financial year ending 31 March 2025.

### **NEXT FINANCIAL STATEMENTS**

Based on the Company's discussion with the Auditor, as the Audit Qualification relates to the Group's ability to continue as a going concern, in preparing the consolidated financial statements for the year ending 31 March 2025, the Board will be responsible for assessing the Group's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 March 2025. The Auditor will obtain sufficient appropriate audit evidence to assess the appropriateness of the Board's application of going concern basis in preparing the Group's consolidated financial statements for the year ending 31 March 2025, and based on the audit evidence obtained, to determine whether multiple uncertainties exist in relation to the Company's going concern issue.

The Board's assessment of the Group's ability to carry on as a going concern as at 31 March 2025 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 March 2025.

After discussion with the Auditor, the Board expects that the consolidated financial statement of the Group for the year ending 31 March 2025 will be free of the Audit Qualification if all the Measures are successfully implemented as planned, sufficient and appropriate audit evidence is obtained by the Auditor and the Board is satisfied that the Company can continue business as a going concern, barring any unforeseen circumstances.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGES ON ASSETS

As at 30 September 2024, 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 21 to the Interim Financial Statements in this report, the Group did not have any material contingent liabilities.

### DIVIDEND

The Directors do not recommend any dividend for the six months ended 30 September 2024 (for the six months ended 30 September 2023: HK\$Nil).

### EMPLOYEES

The Group had approximately 350 employees in Hong Kong and the PRC as at 30 September 2024. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration policy.

### SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 28 August 2014 (the "Scheme") pursuant to the approval by the Shareholders at the annual general meeting held on 28 August 2014. The Scheme shall remain in force for a period of 10 years ended on 27 August 2024, unless otherwise terminated or amended. The principal terms of the Scheme are summarised in the annual financial statements of the Group for the year ended 31 March 2024 (the "2024 Annual Report"). Upon the expiry of the Scheme on 27 August 2024 and up to the date of this report, there is no other share option scheme adopted for the Company.

At the end of the six months ended 30 September 2024 or at any time during the six months ended 30 September 2024, 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 2024.

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

Save as disclosed below, as at 30 September 2024, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and Stock Exchange.

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

Name of Directors	Capacity	As at 30 September 2024	
		Number of Shares and/or underlying Shares	Approximate % of total issued Shares <i>(Note)</i>
Mr. Gao Zhiping	Beneficial owner	23,634,865	0.22
Mr. Jiang Tao	Beneficial owner	24,920,550	0.23
Mr. Wang Gang	Beneficial owner	198,535,000	1.87

*Note:* Based on 10,644,093,185 Shares of HK\$0.20 each in issue as at 30 September 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **SUBSTANTIAL SHAREHOLDERS**

Based on 10,644,093,185 Shares of HK\$0.20 each in issue as at 30 September 2024, according to the register of interest kept by the Company, under section 336 of the SFO and so far as was known to the Directors, no other person or entities had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued voting shares to vote in all circumstances at general meeting of any other members of the Group.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the 2024 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the six months ended 30 September 2024, in compliance with the Corporate Governance Code as set out in Appendix C1 (the “CG Code”) of the Listing Rules. The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

### **THE MODEL CODE**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less than the required standard set out in the Model Code in Appendix C3 of the Listing Rules and the Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.

### **AUDIT COMMITTEE**

The terms of reference of the Audit Committee was revised on 28 November 2011, 30 June 2016 and 28 June 2019 to bring them in line with the CG Code. The Audit Committee comprising all the INEDs namely Mr. Jing Baoli, Mr. Bao Liang Ming, Mr. Xue Baozhong, Ms. Huang Chunlian (the Chairlady) (appointed on 15 October 2024) and Ms. Xu (the Chairlady) (resigned on 15 October 2024), is responsible for reviewing the Group’s accounting practices and policies, the external audit, internal controls and risk evaluation. The Audit Committee has reviewed and discussed with the management the financial reporting matters and the Interim Financial Statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **OTHER DISCLOSURE**

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

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

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

By order of the Board

**China Resources and Transportation Group Limited**

**Gao Zhiping**

*Co-Chairman*

Hong Kong, 24 December 2024

*As at the date of this announcement, the board of directors comprises five executive directors, namely Messrs Gao Zhiping, Lu Zhiming, Jiang Tao, Duan Jingquan and Wang Gang; and four independent non-executive directors, namely Messrs Jing Baoli, Bao Liang Ming, Xue Baozhong and Ms. Huang Chunlian.*

\* *For identification purpose only*