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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF 60% EQUITY INTEREST OF
THE TARGET COMPANY INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 16 March 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares, representing 60% of the entire issued share capital of the Target Company, for an aggregate consideration of HK\$138,000,000, which shall be satisfied in full by the Purchaser procuring the Company to allot and issue an aggregate of 690,000,000 Consideration Shares at the Issue Price of HK\$0.20 per Consideration Share to the Vendor or his nominees in accordance with the terms and conditions of the Sale and Purchase Agreement.

The Consideration Shares will be issued under the General Mandate and will rank *pari passu* in all respects with all the Shares then in issue.

An application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Acquisition is subject to the fulfillment or waiver (as the case may be) of certain Conditions Precedent set out in the Sale and Purchase Agreement and the transactions contemplated thereunder may or may not proceed to Completion, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 16 March 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Shares, representing 60% of the entire issued share capital of the Target Company, for an aggregate consideration of HK\$138,000,000, which shall be satisfied in full by the Purchaser procuring the Company to allot and issue an aggregate of 690,000,000 Consideration Shares at the Issue Price of HK\$0.20 per Consideration Share to the Vendor or his nominees in accordance with the terms and conditions of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 16 March 2017 (after trading hours)

Parties: (i) Cheer Luck Innovest Limited, being the Purchaser and a wholly-owned subsidiary of the Company; and
(ii) Epoch Luck Investments Limited, being the Vendor

The Vendor is incorporated in the British Virgin Islands with limited liability, and is principally engaged in investment holding. As at the date of this announcement, the Vendor is wholly and beneficially owned by Mr. Chan Wun Lun.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Target Company, the Vendor and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing 60% of the issued share capital of the Target Company as at the date of the Sale and Purchase Agreement.

As at the date of this announcement, the Target Company is wholly owned by the Vendor. Upon Completion, the Target Company will be owned as to 60% and 40% by the Purchaser and the Vendor respectively. As such, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

Please refer to the section headed “INFORMATION OF THE TARGET GROUP” below for further details of the Target Group.

Consideration

The Consideration is HK\$138,000,000, which shall be satisfied in full by the Purchaser procuring the Company to allot and issue an aggregate of 690,000,000 Consideration Shares at the Issue Price of HK\$0.20 per Consideration Share to the Vendor or his nominees in accordance with the terms and conditions of the Sale and Purchase Agreement on the Completion Date.

Basis of the Consideration

The Consideration was determined after arm’s length negotiation between the parties on normal commercial terms, and was determined with reference to (i) the valuation of the business enterprise value of Xinze, the operating subsidiary of the Target Company as at 31 December 2016 as prepared by an independent professional valuer; (ii) the business development and future prospects of the Target Group; and (iii) the PRC audited financial statements of Xinze for the period from 23 May 2016 to 31 December 2016.

The valuation was prepared using the market approach. The entire business enterprise value of Xinze as at 31 December 2016 was estimated to be approximately RMB210.00 million (equivalent to approximately HK\$235.20 million).

The Issue Price of HK\$0.20 per Consideration Share represents:

- (i) a premium of approximately 57.48% to the closing price of HK\$0.127 per Share, as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

- (ii) a premium of approximately 74.22% to the average of the closing prices of approximately HK\$0.115 per Share, as quoted on the Stock Exchange for the last five consecutive full trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a premium of approximately 76.83% to the average of the closing prices of approximately HK\$0.113 per Share, as quoted on the Stock Exchange for the last ten consecutive full trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was arrived after arm's length negotiation between the Vendor and the Purchaser with reference to (i) the recent trading prices of the Shares; (ii) the prevailing market conditions; and (iii) the Company is not permitted to issue Shares at less than their par value without applying to the court for an order sanctioning a capital reduction.

The Directors consider that the Consideration and the Issue Price are in the interest of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares, comprising 690,000,000 Shares in aggregate, will be allotted and issued under the General Mandate in accordance with the terms and conditions of the Sale and Purchase Agreement. Under the General Mandate, the Directors are allowed to allot and issue up to 1,350,479,194 new Shares. The General Mandate has not been utilized since the date of its grant up to the date of this announcement. Accordingly, the allotment and issue of the Consideration Shares is not subject to any further approval by the Shareholders. Upon Completion, the maximum number of new Shares that can further be allotted and issued under the General Mandate will be 660,479,194 Shares.

The Consideration Shares represent (i) approximately 10.22% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date, save for the issue of the Consideration Shares).

The Consideration Shares will, upon allotment and issue, be credited as fully paid, and will rank *pari passu* in all respects with all the Shares then in issue.

An application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

Pursuant to the Sale and Purchaser Agreement, there is no restriction on the sale or disposal of any Consideration Shares by the Vendor subsequent to the allotment and issue of the Consideration Shares.

Conditions Precedent

Completion is conditional upon the following Conditions Precedent having been fulfilled or waived (as the case may be):

- (i) the Listing Committee having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange and such approval has not been withdrawn or revoked before the Completion;
- (ii) the Purchaser has completed its due diligence in respect of the Target Group, including but not limited to the business, assets, accounts, legal and financial position of the Target Group and the Purchaser being in its absolute discretion satisfied with the results of such due diligence investigation;
- (iii) the Purchaser has obtained all necessary consents and approvals from relevant governmental bodies and regulatory authorities pursuant to all applicable laws and regulations (including but not limited to the Listing Rules) in respect of the transactions contemplated under the Sale and Purchase Agreement, and such consents and approvals have not been withdrawn or revoked before the Completion; and
- (iv) all representations, warranties and undertakings given under the Sale and Purchase Agreement remained true, accurate and correct in all material respects as at the date of the Sale and Purchase Agreement and as at the Completion Date.

The parties may at any time waive in whole or in part any of the Conditions Precedent (except the conditions set out in paragraph (i) and paragraph (iii) above, which cannot be waived) with the mutual consent of both parties.

If any of the Conditions Precedent is not fulfilled or waived (in the case of the conditions set out in paragraph (ii) and paragraph (iv) above) on or before the Long-stop Date, the Sale and Purchase Agreement will terminate and in that event, the parties shall be released and discharged from their respective obligations under the Sale and Purchase Agreement other than any provision which is intended to survive the termination of the Sale and Purchase Agreement or in respect of any antecedent breach.

Completion

Completion shall take place on the date notified by the Purchaser by written notice after all the Conditions Precedent have been satisfied or waived (as the case may be), but in any event shall not be later than the Long-stop Date.

Upon Completion, the Purchaser will hold 60% of the equity interest of the Target Company and the Target Company will become an indirect non-wholly owned subsidiary of the Company. As a result, the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion and the allotment and issue of the Consideration Shares (assuming there is no change in the shareholding structure of the Company before the allotment and issue of the Consideration Shares):

Shareholders of the Company	Note	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares upon Completion	
		Number of Shares	Approximately %	Number of Shares	Approximately %
Substantial Shareholders					
Mr. Cao Zhong	1	982,125,000	14.54	982,125,000	13.20
Mr. Fung Tsun Pong	2	958,345,610	14.19	958,345,610	12.88
Mr. Miao Zhenguo	3	717,500,000	10.63	717,500,000	9.64
Subtotal		2,657,970,610	39.36	2,657,970,610	35.72
The Vendor		–	–	690,000,000	9.27
Public Shareholders		4,094,425,360	60.64	4,094,425,360	55.01
Total		<u>6,752,395,970</u>	<u>100.00</u>	<u>7,442,395,970</u>	<u>100.00</u>

Notes:

1. Mr. Cao Zhong (“**Mr. Cao**”) is the chairman and an executive Director of the Company. Champion Rise International Limited, being a company wholly and beneficially owned by Mr. Cao, holds 948,325,000 Shares.
2. Mr. Fung Tsun Pong (“**Mr. Fung**”) is the vice-chairman and an executive Director of the Company. Ocean Gain Limited, being a company wholly and beneficially owned by Mr. Fung, holds 647,755,000 Shares.
3. Goldtex Group Limited, being a company wholly and beneficially owned by Mr. Miao Zhenguo, holds 24,500,000 Shares.

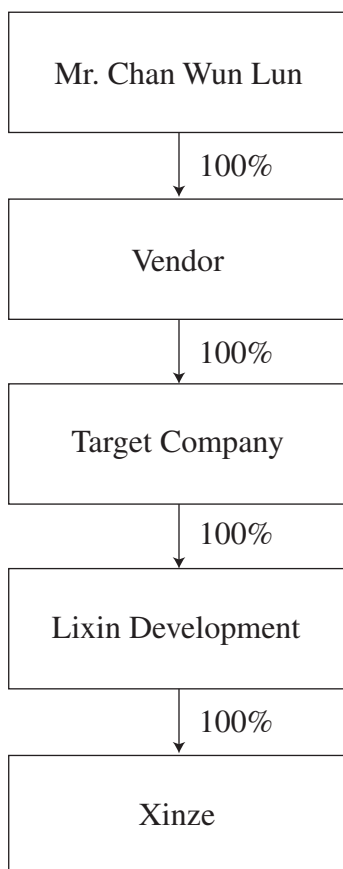
INFORMATION OF THE TARGET GROUP

The Target Company is incorporated in the British Virgin Islands with limited liability, and is principally engaged in investment holding. As at the date of this announcement, the Target Company is directly wholly-owned by the Vendor.

Lixin Development is incorporated in Hong Kong with limited liability, and is principally engaged in investment holding. As at the date of this announcement, Lixin Development is directly wholly-owned by the Target Company.

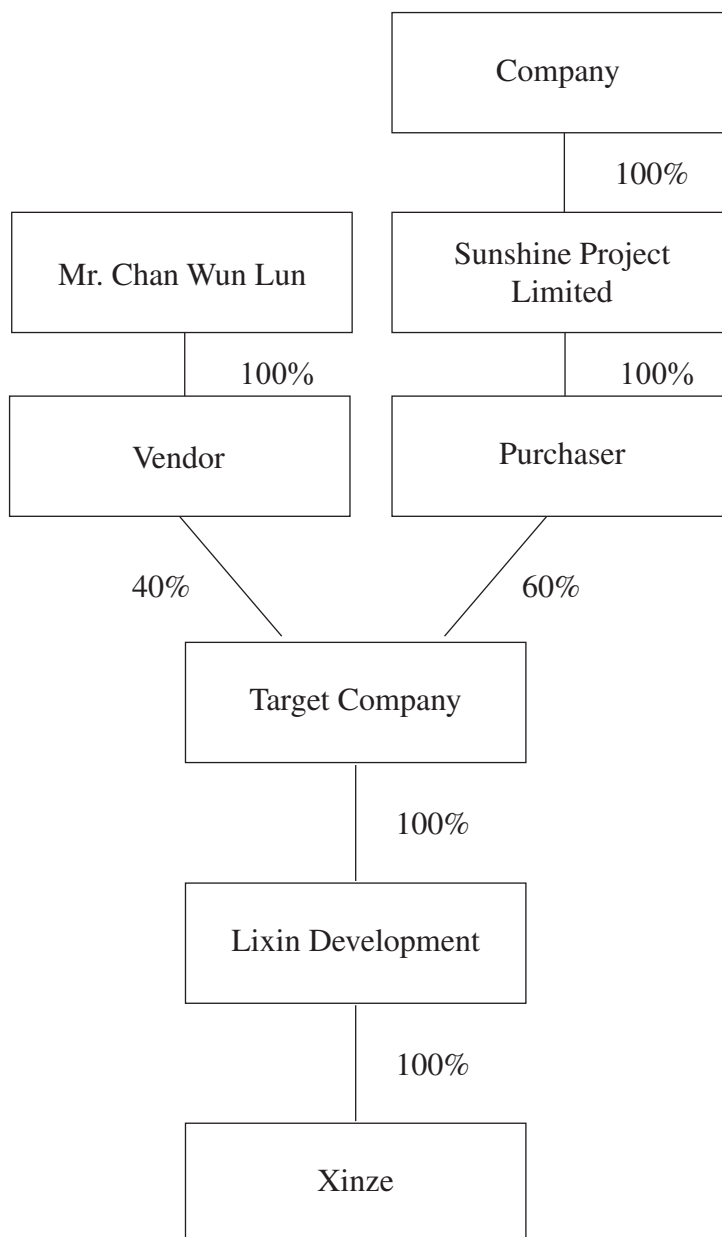
Xinze, being the operating subsidiary of the Target Company, is incorporated in the PRC with limited liability, and is principally engaged in growing and sales of forage and agriculture products.

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Upon Completion, the Target Company will be owned as to 60% and 40% by the Purchaser and the Vendor respectively.

Set out below is the shareholding structure of the Target Group immediately following the Completion:



Financial information of the Target Group

The Target Company and Lixin Development (together, the “**Investment Holding Companies**”) are principally engaged in investment holding. The Investment Holding Companies had limited business activities during the past two financial years except for their equity interests in Xinze.

Set out below is a summary of the key financial information of Xinze extracted from its PRC audited report for the period from 23 May 2016 (being the date of incorporation) to 31 December 2016:

	For the period from 23 May 2016 to 31 December 2016 <i>RMB'000</i> (audited)
Revenue	30,059
Profit before taxation	20,606
Profit after taxation	20,606

The total asset value and the net asset value of Xinze as at 31 December 2016 extracted from its PRC audited report were approximately RMB73,249,000 and RMB59,846,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Currently, the Group is principally engaged in expressway operation and petroleum trading businesses in the PRC, where it has established a strong base. With the ultimate goal of enhancing Shareholder value, the Group has been consistently seeking business opportunities to diversify its revenue streams and strengthen its financial position.

Xinze, the operating subsidiary of the Target Company, is a company specialized in growing and sales of forage and agriculture products. From its incorporation in May 2016, Xinze has demonstrated high profit margin. Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company. The results of the Target Group will be consolidated into the consolidated financial statements of the Group, thus improving the profitability and financial position of the Group.

In addition, according to the “Guidelines of the Ministry of Agriculture on Improving Agricultural Structure in Northern Farming-Pastoral Ecotone* (農業部關於北方農牧交錯帶農業結構調整的指導意見)” (the “**Guidelines**”) issued by the Ministry of Agriculture of the PRC on 21 November 2016, Inner Mongolia Autonomous Region is considered as area with insufficient planting area of high quality forage, and the main focus of agricultural structural adjustment in the region should include promoting high-quality forage production and accelerating the construction of large-scale modern forage industry.

The Directors consider the Acquisition to be a valuable opportunity to allow the Group to capture the growth of the forage industry in northern China as driven by the government policies, and the investment in modern agricultural business is expected to receive substantial support from the state and local governments of the PRC.

Taking into account of the aforesaid, the Directors are of the view that the Acquisition and the terms of the Sale and Purchase (including the Consideration) are on normal commercial terms after arm's length negotiation between the parties, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

As the Acquisition is subject to the fulfilment or waiver (as the case may be) of the conditions as set out in the Sale and Purchase Agreement and the transactions contemplated thereunder may or may not proceed to Completion, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 60% equity interest in the Target Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company

“Company”	China Resources and Transportation Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 269)
“Completion”	completion of the transfer of the Sale Shares to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion shall take place, being the date notified by the Purchaser by written notice after all the Conditions Precedent have been satisfied or waived (as the case may be), but in any event shall not be later than the Long-stop Date
“Conditions Precedent”	the conditions precedent set out in the section headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$138,000,000, to be paid by the Purchaser to the Vendor for the Sale Shares pursuant to the Sale and Purchase Agreement
“Consideration Share(s)”	the 690,000,000 new Shares to be allotted and issued to the Vendor at the Issue Price, credited as fully paid, for the purpose of settling the Consideration
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 8 September 2016
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong from time to time

“Issue Price”	the issue price of HK\$0.20 per Consideration Share
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lixin Development”	Lixin Development Company Limited* (利信發展有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Long-stop Date”	15 May 2017, or such later date as the parties to the Sale and Purchase Agreement may agree in writing
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Purchaser”	Cheer Luck Innovest Limited (展裕發展有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	60% of the entire issued share capital of the Target Company
“Sale and Purchase Agreement”	the formal sale and purchase agreement dated 16 March 2017 and entered into between the Vendor and the Purchaser in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Red Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Epoch Luck Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chan Wun Lun
“Xinze”	Ar Horqin Banner Xinze Agricultural & Animal Husbandry Company Limited* (阿魯科爾沁旗鑫澤農牧業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
“%”	per cent

For illustration purposes, the exchange rate of approximately RMB1 = HKD1.12 is used throughout this announcement. This exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or other rate at all.

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

Hong Kong, 16 March 2017

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

* For identification purpose only