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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 Cayman Islands with limited liability)

(Stock Code: 269)

DISCLOSEABLE TRANSACTION

DISPOSAL OF 45% EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 28 April 2017, the Vendors (being the Company and a wholly-owned subsidiary of the Company) and the Purchaser entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 45% of the issued share capital of the Target Company, and the Sale Loan, at the total Consideration of RMB200.0 million (equivalent to HKD226.0 million).

The Target Group is principally engaged in property development, asset management and building management. Upon completion of the Disposal, the Group will cease to hold any interest in the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements set out in Rule 14.34 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 28 April 2017, the Vendors (being the Company and a wholly-owned subsidiary of the Company) and the Purchaser entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 45% of the issued share capital of the Target Company, and the Sale Loan, at the total Consideration of RMB200.0 million (equivalent to HKD226.0 million).

THE SP AGREEMENT

The principal terms of the SP Agreement are set out as follows:

Date: 28 April 2017

Parties:

- (i) Shuren Wood, being one of the Vendors and a wholly-owned subsidiary of the Company;
- (ii) the Company, being one of the Vendors; and
- (iii) Zhongxiang Zhengxing, being the Purchaser

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

Assets to be disposed of

Pursuant to the SP Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, (i) the Sale Shares, representing 45% of the issued share capital of the Target Company as at the date of the SP Agreement; and (ii) the Sale Loan, being all the liabilities, obligations and indebtedness due by the Target Group to the Vendors as at 28 February 2017, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on 28 February 2017. The Vendors recorded a total amount of HK\$136.8 million due from the Target Group based on the unaudited consolidated management accounts of the Target Group as at 28 February 2017.

Consideration

The total Consideration payable by the Purchaser for the Sale Shares and the Sale Loan will be RMB200.0 million (equivalent to HKD226.0 million), which shall be satisfied in full in cash by the Purchaser within 7 business days following the registration of the Purchaser as the shareholder in respect of the Sale Shares with the relevant industrial and commerce authorities in the PRC.

Basis of the Consideration

The Consideration was determined on an aggregated basis after arm's length negotiation between the Vendors and the Purchaser on normal commercial terms by taking into account (i) the net asset value of the Target Group attributable to the Sale Shares; (ii) the total amount due from the Target Group to the Vendors as at 28 February 2017; (iii) the fact that the disposal of the Sale Shares and the Sale Loan are inter-conditional; and (iv) the future prospects of the Target Group.

Having considered the above factors, the Board considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Completion

Completion of the Disposal shall take place upon the registration of the transfer of the Sale Shares with the relevant industrial and commerce authorities in the PRC. The disposal of Sale Shares and the Sale Loan shall be completed simultaneously.

As at the date of this announcement, the Group is interested in 45% of the issued capital of the Target Company. Upon completion of the Disposal, the Group will cease to hold any interest in the Target Company.

INFORMATION OF THE TARGET GROUP

The Target Company is incorporated in the PRC with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Company, through its wholly-owned subsidiary, is interested in 45% of the total issued share capital of the Target Company. The primary assets of the Target Company is its 100% equity interests in Yichang Xinshougang Property Development Company Limited* (宜昌新首鋼房地產開發有限公司) and 70% equity interests in Yichang Zhongxiang Building Management Company Limited* (宜昌中翔物業管理有限公司). The principal business of the Target Group include property development, asset management and building management.

Set out below is a summary of the key financial information of the Target Group extracted from its unaudited management accounts for each of the 2 years ended 31 December 2015 and 31 December 2016:

| | For the year ended 31 December 2015 <i>HKD'000</i> (consolidated & unaudited) | For the year ended 31 December 2016 <i>HKD'000</i> (consolidated & unaudited) |
|-----------------------------------|--|--|
| Net (loss)/profit before taxation | (16,480) | 19,756 |
| Net (loss)/profit after taxation | (16,575) | 19,762 |

The unaudited consolidated total asset value and the unaudited consolidated net asset value of the Target Group as at 31 December 2016 were approximately HKD2,095.1 million and HKD1,019.2 million respectively.

INFORMATION OF THE PURCHASER

Zhongxiang Zhengxing is a company incorporated in the PRC with limited liability, its principal business include technology development, technical consultancy, technology transfer, properties consultancy and properties agency services.

FINANCIAL EFFECT AND THE USE OF THE PROCEEDS FROM THE DISPOSAL

The Directors expect to recognise an unaudited loss of approximately HKD338.2 million from the Disposal, which is calculated with reference to the Consideration, the release of exchange fluctuation reserves, the disposal of the Sale Loan and the unaudited amount of interest in an associate as at 30 September 2016 and has also taken into account the transaction costs of the Disposal. Shareholders should note that the actual amount of gain/loss on the Disposal to be recorded by the Company will be subject to review by the auditors of the Company.

The Directors expect that the net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will be approximately RMB190.0 million (equivalent to approximately HKD214.7 million), will be used by the Group for the partial repayment of its outstanding liabilities (including but not limited to the outstanding bonds and bank borrowings) and/or for general working capital purposes of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in expressway operations, trading and storage of petroleum and related products, compressed natural gas station operations and timber operations.

Shuren Wood is incorporated in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in timber log trading and sale of furniture and handicrafts.

As at the date of this announcement, bonds in the aggregated principal amount of HKD4,032 million and certain bank borrowings of the Group remain outstanding. As disclosed in the announcements of the Company from time to time, the Company has been exploring different avenues (including but not limited to the disposal of its equity interests in Zhunxing) to generate sufficient funds to fully settle its outstanding liabilities. The Directors believe that the Disposal would enable the Company to realise cash, to repay part of its outstanding liabilities, and improve the financial and cash flow position of the Group.

The Directors considered that the SP Agreement is of normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and its 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 Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements set out in Rule 14.34 of the Listing Rules.

DEFINITIONS

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

| | |
|-----------------------|---|
| “Board” | the board of Directors of the Company |
| “Company” | China Resources and Transportation Group Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on main board of the Stock Exchange (Stock Code: 269) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the total consideration of RMB200.0 million (equivalent to HKD226.0 million) to be paid by the Purchaser to the Vendors for the Sale Shares and the Sale Loan pursuant to the SP Agreement |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of 45% equity interest in the Target Company and the Sale Loan pursuant to the terms and conditions of the SP Agreement |
| “Group” | the Company and its subsidiaries |
| “HKD” | Hong Kong dollar(s), the lawful currency of Hong Kong from time to time |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “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” or “Zhongxiang Zhengxing” | Zhongxiang Zhengxing (Beijing) Technology Development Company Limited* (中翔正興(北京)科技發展有限公司), a company incorporated in the PRC with limited liability |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | 45% of the entire issued share capital of the Target Company |
| “Share(s)” | ordinary share(s) of HKD0.20 each in the share capital of the Company |
| “Sale Loan” | all the liabilities, obligations and indebtedness due by the Target Group to the Vendors on 28 February 2017, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on 28 February 2017 |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shuren Wood” | Shuren Wood (Shenzhen) Company Limited* (樹人木業(深圳)有限公司), a company incorporated in the PRC with limited liability |
| “SP Agreement” | the formal sale and purchase agreement dated 28 April 2017 and entered into between the Vendors and the Purchaser in relation to the Disposal |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Beijing Kaiyuanwanjia Management Consulting Company Limited* (北京開元萬嘉管理諮詢有限公司), a company incorporated in the PRC with limited liability |
| “Target Group” | the Target Company and its subsidiaries |
| “Vendors” | The Company and Shuren Wood |

“Zhunxing”

Inner Mongolia Heavy Haul Expressway Company Limited* (內蒙古准興重載高速公路有限責任公司), a company incorporated in the PRC with limited liability

“%”

per cent

For illustration purposes, the exchange rate of approximately RMB1 = HKD1.13 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, 28 April 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 purposes only*