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CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED
中國資源交通集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 269)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL
RESULTS FOR THE YEAR ENDED 31 MARCH 2019**

Reference is made to the announcement of China Resources and Transportation Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 June 2019 in relation to the annual consolidated results of the Group for the year ended 31 March 2019 (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

In addition to the information provided in the Announcement, the Board would like to provide further information in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditor of the Company (the “**Auditor**”) on the consolidated financial statements of the Group for the year ended 31 March 2019.

ADDITIONAL INFORMATION ON THE REMEDIAL MEASURES ON GOING CONCERN

As disclosed in the Announcement, the Auditor did not express opinion on the consolidated financial statements of the Group for the year ended 31 March 2019 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements.

Had the Group failed to continue business as a going concern, adjustments would have been made to the financial statements for the year ended 31 March 2019 to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to make provision for further liabilities that may arise. Nevertheless, there has not been any indication that the Group cannot continue business as a going concern up to the date of this announcement.

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

(i) The Zhunxing Disposals

As mentioned in the section headed “Material Events” in the Announcement, all payments from Purchaser A for the disposals of 25% equity interests in Zhunxing under the Disposal Agreement A remained outstanding. The Company has been actively and regularly discussing with Purchaser A in relation to the outstanding amount. However, as advised by the Fund Company, which is established by Purchaser A to facilitate its internal funding arrangement, the internal funding is taking much longer than initially expected due to the recent economic slowdown in China. The Company understands from the Fund Company that it will settle Consideration A once the payment is ready.

The Disposal Agreement B, Disposal Agreement C and Disposal Agreement D stipulate the financing arrangements through disposals with option to buy back 46% equity interests in Zhunxing. As disclosed in the Company’s announcement dated 9 January 2017, Purchaser B, Purchaser C and Purchaser D shall appoint an independent valuer to prepare a valuation report of Zhunxing, which will be used as the basis of considerations for the disposals of 46% equity interests in Zhunxing. Supplemental agreements shall be entered into afterwards to reflect the considerations so fixed. Due to the recent unexpected change of personnel in Purchaser B, Purchaser C and Purchaser D, they require additional time to appoint their designated independent valuer and to prepare and review the terms of the supplemental agreements. The Company will discuss the revised timetable further with Purchaser B, Purchaser C and Purchaser D as soon as practicable, and also continue to monitor the situation closely. Further announcement(s) on the disposals of equity interests in Zhunxing will be made by the Company as and when appropriate.

Notwithstanding the abovementioned delays, the Company is not aware of any indication from the Purchasers that they intend to alter the terms of the Disposal Agreements.

(ii) The debt restructuring arrangements

As mentioned in the section headed “Remedial Measures on Going Concern” of the Announcement, on 16 April 2019, the Company completed the issuance of the New Promissory Note to replace and supersede the outstanding principal amounts of the Promissory Note and the relevant accrued and default interests, which in effect extend the time for repayment for five years. The Group is also negotiating with its creditors, including but not limited to the holders of the non-convertible bonds, for possible standstill or rescheduling of the repayment of debts owing by the Group. Up to the date of the Announcement, no agreement has been reached.

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

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

The Audit Committee of the Company (the “**Audit Committee**”) has reviewed and agreed with the views and concerns of the Auditor with respect to the Audit Qualification on the consolidated financial statements of the Group for the year ended 31 March 2019. The Audit Committee noted that the Board has undertaken or in the progress of implementing the Remedial Measures to improve the Group’s liquidity position. As at the date of the Announcement, the Board was not aware of any indication that any of the Remedial Measures cannot be completed. With reference to the cash flow forecast of the Group which is prepared upon the assumption that the Remedial Measures will be successfully implemented, the Board is of the view 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 28 June 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Audit Committee has reviewed and agreed with the management’s position and is of the view that the Board should continue its efforts in implementing necessary measures for enhancing the Group’s liquidity position and removing the Audit Qualification in the next financial year.

OTHER MAJOR JUDGMENTAL AREAS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In addition to the judgement that the financial statements shall be prepared on a going concern basis, as disclosed in the Company’s annual report for the year ended 31 March 2019, other major judgmental areas include the application of the Group’s accounting policies on (i) the impairment assessment of the Group’s concession intangible asset and related property, plant and equipment allocated to expressway operations; (ii) the estimates of construction costs for concession intangible asset; (iii) the impairment assessment of trade and other receivables; and (iv) the fair value hierarchy measurement.

The Auditor has not expressed disagreement over the abovementioned judgmental areas, whereas the Audit Committee has reviewed and agreed with the management’s position on these judgmental areas.

NEXT FINANCIAL STATEMENTS

Based on the Company's discussion with the Auditor, as the Audit Qualification relates to the Company's ability to continue as a going concern, in preparing the financial statements for the year ending 31 March 2020, the Board will be responsible for assessing the Company'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 2020. The Auditor will obtain sufficient appropriate audit evidence to assess the appropriateness of the Board's application of going concern basis in the preparing the Group's consolidated financial statements, 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 Company's ability to carry on as a going concern as at 31 March 2020 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 2020.

Because of the foregoing, as at the date of this announcement, the Auditor is unable to confirm whether the Audit Qualification will be removed for the annual results for the year ending 31 March 2020. However, assuming all the Remedial 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, it is likely that the annual results for the year ending 31 March 2020 will be free of the Audit Qualification.

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

Hong Kong, 12 August 2019

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