THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Resources and Transportation Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF 25% EQUITY INTEREST OF THE TARGET COMPANY; (2) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE UNDERTAKING OF THE BUY-BACK OBLIGATION; AND (3) NOTICE OF EGM

Financial Adviser to the Company

ASIAN CAPITAL

The notice convening the EGM of the Company to be held at 17th Floor, China Railway South Headquarters Building, No. 3333 Zhongxin Road (Shenzhen Bay Section) Nanshan District, Shenzhen, PRC (中國深圳市南山區中心路3333號（深圳灣段）中鐵南方總部大廈17樓) on Monday, 16 April 2018 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the proxy form and return the same to the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) if you so wish.

26 March 2018

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the right and power to control over and the right to enjoy the economic benefits in the pawn loan business operated by ZhongAn XinBang Asset Management Corporation Ltd* (中安信邦資產管理有限公司) and its subsidiaries and branch companies, details of which are set out in the Company's announcement dated 1 August 2017
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Outstanding Bonds
"business day(s)"	a day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
"Buy-back Obligation"	the obligation of the Vendor to buy-back Sale Equity A from Purchaser A within five (5) years from the Registration
"CB Issue"	the potential issue of 2-year 9% convertible bonds of the Company in the aggregate principal amount of HK$1,200 million, details of which are set out in the Company's announcement dated 1 August 2017
"China Life"	China Life Insurance (Overseas) Company Limited
"CITIC AMC"	CITIC Asset Management Corporation Ltd.* (中信資產管理有限公司)
"Company"	China Resources and Transportation Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 269)
"Completion"	completion of Disposal A

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration A"	the aggregate consideration of RMB1,145.00 million payable by Purchaser A to the Vendor for Sale Equity A pursuant to Disposal Agreement A
"Director(s)"	the director(s) of the Company
"Disposal A"	the proposed disposal of Sale Equity A by the Vendor to Purchaser A, on and subject to the terms and conditions of Disposal Agreement A
"Disposal Agreement(s)"	Disposal Agreement A, Disposal Agreement B, Disposal Agreement C and Disposal Agreement D
"Disposal Agreement A"	Original Disposal Agreement A as amended and supplemented by Supplemental Agreement A
"Disposal Agreement B"	the sale and purchase agreement dated 30 December 2016 in relation to the disposal of 18% equity interest of the Target Company entered into between the Vendor and Purchaser B
"Disposal Agreement C"	the sale and purchase agreement dated 30 December 2016 in relation to the disposal of 18% equity interest of the Target Company entered into between the Vendor and Purchaser C
"Disposal Agreement D"	the sale and purchase agreement dated 30 December 2016 in relation to the disposal of 10% equity interest of the Target Company entered into between the Vendor and Purchaser D
"EGM"	the extraordinary general meeting of the Company to be held at 17th Floor, China Railway South Headquarters Building, No. 3333 Zhongxin Road (Shenzhen Bay Section) Nanshan District, Shenzhen, PRC (中國深圳市南山區中心路3333號(深圳灣段)中鐵南方總部大廈17樓), on Monday, 16 April 2018 at 11:00 a.m. for the purpose of considering, and if thought fit, approving the resolution in relation to Disposal Agreement A and the transactions contemplated thereunder

"Fund Company"	Ulanqab Zhongshi Yuanheng Logistics Management Centre (Limited Partnership)* (烏蘭察布市中實源恒物流產業管理中心(有限合夥)), a fund company set up by Purchaser A for the purpose of the settlement of Consideration A
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"JLL Valuation Report"	the business valuation report on the Target Group issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited for the purpose of inclusion in this circular, the text of which is set out in Appendix IV to this circular
"Latest Practicable Date"	21 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Original Disposal Agreement A"	the sale and purchase agreement dated 28 December 2016 entered into between the Vendor, Purchaser A and the Company in relation to Disposal A and the Buy-back Obligation
"Outstanding Bonds"	the bonds of the Company in the aggregate outstanding principal amount of HK$4,032.00 million held by China Life and 5 other Bondholders, details of which are set out in the Company's announcements dated 14 June 2013, 28 November 2014, 10 February 2015 and 14 August 2015
"Placing"	the proposed placing of 3,478,260,869 new Shares by the Company with aggregate proceeds of approximately HK$800.00 million, details of which are set out in the Company's announcement dated 1 August 2017

"PRC"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Business Day(s)"	a business day, other than a Saturday, Sunday or official public holiday, on which commercial banks in PRC are open for transaction of routine banking business
"Purchaser A" or "Yuanheng"	Inner Mongolia Yuanheng Investment Co. Ltd.* (內蒙古源恒投資有限公司), a state-owned enterprise incorporated in the PRC with limited liability
"Purchaser B"	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), a state-owned enterprise incorporated in the PRC with limited liability
"Purchaser C"	Hohhot Huizeheng Investment Co. Ltd.* (呼和浩特惠則恒投資有限責任公司), a state-owned enterprise incorporated in the PRC with limited liability
"Purchaser D"	Deyuan Xingsheng Industrial Co. Ltd.* (德源興盛實業有限公司), a company incorporated in the PRC with limited liability
"Registration"	the registration of Purchaser A as a shareholder of the Target Company at the Administration for Industry and Commerce of Inner Mongolia Autonomous Region (內蒙古自治區工商行政管理局) and the Bureau of Commerce of Inner Mongolia Autonomous Region (內蒙古自治區商務廳)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity A"	25% equity interest of the Target Company to be disposed pursuant to the terms and conditions of Disposal Agreement A
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.20 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares

"Standstill Agreement(s)"	the agreement entered into between the Company and each of the Bondholders in relation to, among other things, the rescheduling of the repayment of the Outstanding Bonds, details of which are set out in the Company's announcement dated 27 February 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the proposed subscription of 3,521,738,478 new Shares by five subscribers, details of which are set out in the Company's announcement dated 1 August 2017
"Supplemental Agreement A"	the supplemental agreement dated 18 December 2017 entered into between the Vendor and Purchaser A in relation to Original Disposal Agreement A
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company" or "Zhunxing"	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), a company incorporated in the PRC with limited liability
"Target Group"	the Target Company and its subsidiaries
"Valuation Report A"	the valuation report dated 12 July 2017 prepared by Inner Mongolia Xinye Accountant Office Union (內蒙古昕業資產評估事務所(普通合夥))
"Valuation Report B"	the valuation report to be prepared by an independent valuer for the purpose of determining the considerations under Disposal Agreement B, Disposal Agreement C and Disposal Agreement D
"Vendor" or "Cheer Luck"	Cheer Luck Technology Limited, a wholly-owned subsidiary of the Company
"Zhunxing Expressway"	a 265-kilometre heavy haul toll expressway located in the Inner Mongolia, the PRC, operated by the Target Group
"%"	per cent

For the purpose of this circular, unless otherwise stated, the exchange rate of RMB1 = HK$1.12, has been used for currency conversion. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK$, RMB have been, could have been or may be converted at such rate or any other exchange rate.

* *For identification purpose only*

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)

Directors
Executive Directors:
Mr. Cao Zhong *(Chairman)*
Mr. Fung Tsun Pong *(Vice Chairman)*
Mr. Jiang Tao *(Chief Executive Officer)*
Mr. Tsang Kam Ching, David *(Finance Director)*
Mr. Gao Zhiping
Mr. Duan Jingquan

Non-executive Director:
Mr. Suo Suo Stephen

Independent non-executive Directors:
Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Xue Baozhong

Registered Office:
Sterling Trust (Cayman) Limited
Whitehall House
238 North Church Street
P.O. Box 1043
George Town
Grand Cayman
KY1-1102
Cayman Islands

Principal Place of Business in Hong Kong:
Room 1801-05, 18/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

26 March 2018

To the Shareholders:

Dear Sirs or Madams,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF 25% EQUITY INTEREST OF THE TARGET COMPANY AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE UNDERTAKING OF THE BUY-BACK OBLIGATION

INTRODUCTION

Reference is made to the Company's announcements dated 9 January 2017 and 18 December 2017 in relation to, among others, Disposal Agreement A and the transactions contemplated thereunder.

On 28 December 2016, the Vendor, Purchaser A and the Company entered into Original Disposal Agreement A, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to acquire Sale Equity A at a provisional consideration of RMB1,125.00 million, subject to adjustment upon finalisation of Valuation Report A. As disclosed in the Company's announcement dated 9 January 2017, the Company expected to enter into a supplemental agreement by the end of March 2017 to fix the detailed payment information and schedule in respect of Disposal A, upon finalisation of Valuation Report A. However, since it has taken much longer than expected to finalise Valuation Report A, Supplemental Agreement A was not entered into until 18 December 2017. Accordingly, the date of despatch of this circular has been delayed substantially.

The purpose of this circular is to provide you with, among other things, (i) further information of Disposal A, the Buy-back Obligation and the transactions contemplated under Disposal Agreement A; (ii) the notice of the EGM; and (iii) other information as required under the Listing Rules.

DISPOSAL AGREEMENT A

The principal terms of Disposal Agreement A are as follows:

Date : 28 December 2016 (as amended and supplemented by Supplemental Agreement A dated 18 December 2017)

Parties : (i) Yuanheng, being Purchaser A;

(ii) Cheer Luck, being the Vendor; and

(iii) the Company, being the Vendor's guarantor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Purchaser A and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to Disposal Agreement A, the Vendor has conditionally agreed to sell and Purchaser A has conditionally agreed to acquire Sale Equity A, representing 25% of the equity interest of the Target Company as at the date of Original Disposal Agreement A.

Consideration and payment

Pursuant to Original Disposal Agreement A, the provisional consideration was set at RMB1,125.00 million. Such provisional consideration was determined after arm's length negotiation between the Vendor and Purchaser A with reference to the Vendor's historical investment related cost in the Target Company of approximately RMB4.50 billion. The provisional consideration of RMB1,125.00 million represented approximately 25% of the Vendor's historical investment related cost in the Target Company.

As requested by Purchaser A, Valuation Report A has been prepared subsequently by its designated independent valuer to determine the actual Consideration A. Based on the assessed value of RMB4,580.84 million, Consideration A has been adjusted accordingly to RMB1,145.00 million (equivalent to approximately HK$1,282.40 million), representing approximately 25% of the market value of the Target Company as at 31 December 2016 as assessed in Valuation Report A.

Valuation Report A was prepared using discounted equity cash flow approach based on the following key assumptions:

(i) the Target Company will continue to be operated based on the existing mode of operation, distribution of toll stations and scale of operation;

(ii) there will be no material change in the existing political, legal, technological, fiscal or economic conditions;

(iii) the management quality of the Target Company will maintain at average level;

(iv) the Target Company has obtained all necessary licenses and other government accredited qualifications, and the toll rate will remain unchanged;

(v) all the supporting documents provided by the Target Company are legitimate, true and valid;

(vi) the design and construction quality of Zhunxing Expressway are in compliance with the relevant national standards, and there are no defects and/or non-compliance matters that might adversely affect the valuation of the Target Company;

(vii) the main operating income and operating costs will be evenly generated/incurred and constantly positively correlated;

(viii) there will be sufficient repair and maintenance to maintain the existing operational scale of Zhunxing Expressway and the Target Company shall not make any dividend distribution or external investment;

(ix) there will be no refinancing activities of the Target Company;

(x) the Target Company will not incur capital expenditure plans for capacity expansion, save for those planned already; and

(xi) there will be no force majeure such as natural hazards and national factors such as wars.

Consideration A shall be satisfied in full in cash by Purchaser A in the following manners, subject to the notification and confirmation from the Fund Company:

(i) a deposit of RMB50.00 million within five (5) PRC Business Days upon entry into of Supplemental Agreement A;

(ii) 90% of the remaining balance (amounted to RMB985.50 million) within fifteen (15) PRC Business Days following the Registration; and

(iii) the remaining balance (amounted to RMB109.50 million) within ten (10) PRC Business Days following the appointment of a director and a supervisor to the board of the Target Company by Purchaser A.

The Fund Company has been established by Purchaser A at its sole discretion to facilitate its internal funding arrangement and the settlement of Consideration A. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Fund Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

By a letter dated 18 December 2017, the Fund Company notified the Company that considering the time needed for Purchaser A to make its internal funding arrangement, based on the best estimate of the Fund Company, the aforesaid milestone payments are expected to take place on or before 28 February 2018, 31 March 2018 and 30 April 2018, respectively.

As at the Latest Practicable Date, the deposit payment of RMB50.00 million was still outstanding. Meanwhile, as the EGM to consider and, if thought fit, passing the resolution in relation to Disposal A is scheduled on 16 April 2018, considering the administrative time needed for the Registration, it is unlikely that the Registration and the appointment of the new director and supervisor can be completed on or before 30 April 2018. As such, the second and third milestone payments, which were originally expected to take place on or before 31 March 2018 and 30 April 2018, respectively, are expected to be delayed. As further notified by Purchaser A, the entire amount of Consideration A is expected to be settled by the end of May 2018.

The JLL Valuation Report has been prepared to assess the market value of the Target Company for the purpose of fulfilling the disclosure requirements under Rule 14.71 of the Listing Rules. No material difference has been noted between the assessed value of approximately RMB4,570.38 million in the JLL Valuation Report and the assessed value of RMB4,580.84 million in Valuation Report A. For further details of the JLL Valuation Report, please refer to Appendix IV to this circular.

In light of the above, the Directors consider that Consideration A is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied:

(i) the compliance of Listing Rules by the Company (including but not limited to the passing of resolution by the Shareholders at the EGM approving Disposal Agreement A and the transactions contemplated thereunder); and

(ii) all necessary consents and approvals, including without limitation such consents (if appropriate or required) of the Stock Exchange pursuant to the Listing Rules and/or as required by the parties in order to execute Disposal Agreement A, having been obtained.

As at the Latest Practicable Date, except those specifically set out in condition (i) above, the Directors are not aware of any other consents and approvals to be obtained.

None of the conditions set out above may be waived by the parties to Disposal Agreement A. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion

Completion shall take place upon Registration.

As at the Latest Practicable Date, the Target Company has in total five directors and five supervisors, out of which four of the directors and three of the supervisors are appointed by the Group. Following the Completion, Purchaser A will further appoint a director and a supervisor to board of the Target Company pursuant to Disposal Agreement A, and the Target Company will have in total six directors and six supervisors.

Guaranteed return to Purchaser A

Pursuant to Disposal Agreement A, Purchaser A will be entitled to a guaranteed return of 4.5% per annum of Consideration A, from the day immediately following the Registration till the fifth anniversary of the Registration or the date when the Vendor fulfilling the Buy-back Obligation, whichever is earlier. The guaranteed return will be payable by the Vendor annually within fifteen (15) PRC Business Days following each anniversary of the Registration. In the event that the Vendor fulfills the Buy-back Obligation prior to the forthcoming anniversary of the Registration, the guaranteed return payable for that particular year shall be calculated pro-rata based on the number of days from and including the day immediately following the previous anniversary of the Registration up to and including the date on which the Buy-back Obligation has been fulfilled.

No right has been given to Purchaser A under Disposal Agreement A to sell or otherwise assign or encumbrance its interest in the Target Group before the buy-back of Sale Equity A.

The guaranteed return was determined after arm's length negotiation between the Vendor and Purchaser A after taking into account (i) the existence of the Buy-back Obligation element under Disposal Agreement A; and (ii) the five-year RMB benchmark loan interest rate of 4.75% issued by the People's Bank of China. Considering Purchaser A's board presence in the Target Company, the rate of guaranteed return was set slightly below the aforesaid benchmark rate.

Having considered the indebtedness level of the Group, Purchaser A is of the view that the current financing arrangement underlying Disposal Agreement A, which grants Purchaser A the right to present at the board and supervisory committee of the Target Company, could provide more security and confidence from a lender's perspective and therefore expedite the obtaining of the financing.

The Directors consider that the terms and conditions of the guaranteed return are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Buy-back Obligation of the Vendor

Pursuant to Disposal Agreement A, the Vendor agreed to buy back Sale Equity A from Purchaser A within five (5) years after the Registration, at a consideration same as Consideration A. Upon fulfilment of the Buy-back Obligation, the director and supervisor appointed by Purchaser A will resign from the board of the Target Company.

In the event the Vendor defaults the payment of the guaranteed return as mentioned in the paragraphs headed "Disposal Agreement A — Guaranteed return to Purchaser A" above, Purchaser A shall have the right to request an unconditional early fulfilment of the Buy-back Obligation by the Vendor. The Company, being the Vendor's guarantor, has undertaken to fulfill the Buy-back Obligation unconditionally in the event the Vendor defaults the Buy-back Obligation.

A formal buy-back agreement will be entered into at the time when the Vendor fulfills the Buy-back Obligation to fix the detailed terms and conditions (including but not limited to the payment terms) of such transaction. Supplemental announcement(s) with information as required under the Listing Rules will be published by the Company as and when appropriate.

The consideration to be paid under the Buy-back Obligation was determined after arm's length negotiation among the Vendor, Purchaser A and the Company after taking into account (i) Consideration A to be paid by Purchaser A to acquire Sale Equity A; (ii) the time period allowed to fulfill the Buy-back Obligation; and (iii) the guaranteed return to be paid by the Vendor to Purchaser A prior to the fulfilment of the Buy-back Obligation.

The Directors consider that the terms and conditions of the Buy-back Obligation are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF PURCHASER A

Purchaser A is a state-owned enterprise incorporated in the PRC with limited liability and is principally engaged in land and water resources development, investment and construction of infrastructures, and land management.

INFORMATION OF THE GROUP AND THE TARGET COMPANY

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

The Target Company is incorporated in the PRC with limited liability. As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, is interested in 86.87% of the total issued share capital of the Target Company. The remaining interest in the Target Company is owned as to 12.73% by Xinjiang Shouxin Transportation Industry Investment Company Limited* (新疆首新交通業投資有限公司) and 0.40% by Fujian Dingfengsheng Innovative Investment Company Limited* (福建鼎豐盛創新投資有限公司). To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, these two companies and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons. The primary assets of the Target Company is an exclusive right to operate and collect tolls from vehicles using Zhunxing Expressway for a term of 30 years. The exclusive right will expire on 20 November 2045, and the Company is still in discussions with relevant government authorities in the PRC, seeking an extension for 5 more years in the exclusive right.

There has been no material change in the operational and financial conditions of the Target Group and no material investment has been made by the Group to the Target Group since 28 December 2016, being the date of Original Disposal Agreement A, up to the Latest Practicable Date.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the audited consolidated financial information of the Target Group for each of the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 as extracted from Appendix II to this circular:

	For the year ended			For the nine months ended
	31 December 2014	**31 December 2015**	**31 December 2016**	**30 September 2017**
	RMB'000 (audited)	*RMB'000* (audited)	*RMB'000* (audited)	*RMB'000* (audited)
Revenue	805,476	424,805	464,165	392,274
Loss before income tax	(713,777)	(2,492,546)	(726,934)	(480,303)
Loss after income tax	(713,777)	(2,492,546)	(726,934)	(480,303)

The audited consolidated net asset value of the Target Group was approximately RMB4,167.31 million as at 31 December 2014, RMB2,133.07 million as at 31 December 2015, RMB1,431.42 million as at 31 December 2016 and RMB951.12 million as at 30 September 2017.

The audited consolidated total assets of the Target Group were approximately RMB17,341.47 million as at 31 December 2014, RMB14,674.57 million as at 31 December 2015, RMB13,759.85 million as at 31 December 2016 and RMB13,354.62 million as at 30 September 2017.

FINANCIAL EFFECT ON DISPOSAL A AND THE BUY-BACK OBLIGATION

Upon Completion, the Target Company will be held as to 61.87% by the Company. The Target Group will continue to be subsidiaries of the Group and the financial results of the Target Group will continue to be consolidated into the consolidated financial statements of the Group.

Following the fulfilment of the Buy-back Obligation, the Company will be interested in 86.87% of the total issued share capital of the Target Company.

The excess of the consideration over 25% of the net assets value of the Target Group as at 30 September 2017 was approximately RMB907.22 million.

As Disposal A and the undertaking of the Buy-back Obligation are considered as financing in nature and the proceeds will be recognised as a long-term borrowing obtained by the Group. Accordingly, no gain on the Disposal A will be recognised. Under such financing arrangement, it is expected that the balances of cash and cash equivalents and long-term borrowings will be subject to change upon (i) the receipt of the Consideration A from the Purchaser A; and (ii) the fulfilment of the Buy-Back Obligation. The annual guaranteed return to be paid to Purchaser A will be recognised as finance costs, and the balances of cash and cash equivalents and long-term borrowings will also be adjusted accordingly to reflect the payment of the said guaranteed return in each of the respective financial year before the fulfilment of the Buy-back Obligation. Please refer to the unaudited pro forma financial information of the Group set out in Appendix III to this circular for the detailed financial effects of Disposal A and the undertaking of the Buy-back Obligation.

Save as the abovementioned, it is expected that Disposal A and the fulfilment of the Buy-back Obligation will not have a material impact on the consolidated statement of profit or loss and other comprehensive income and statement of financial position of the Group.

REASONS AND BENEFITS FOR DISPOSAL A AND THE BUY-BACK OBLIGATION

As disclosed in the Company's announcement from time to time, the Company has been liaising with the Bondholders and exploring different avenues to generate sufficient funds to fully settle the Outstanding Bonds. As at the Latest Practicable Date, the details of the Outstanding Bonds are as follows:

Bondholders	**Principal amount** *(HK$)*	**Maturity date**	**Interest rate** *(per annum)*	**Default interest rate** *(per annum)*
China Life	800,000,000	10 February 2016	9%	5%
China Life	700,000,000	24 January 2017	9%	5%
Cross-Strait Capital Limited	32,000,000	10 February 2016	9%	5%
Dr. Lo Ka Shui	36,000,000	3 March 2016	9%	5%
Dr. Lo Ka Shui	35,000,000	3 September 2016	9%	5%
Li Ka Shing (Canada) Foundation	464,000,000	3 March 2016	9%	5%
Li Ka Shing (Canada) Foundation	465,000,000	3 September 2016	9%	5%
Strait Capital Service Limited	800,000,000	24 January 2017	9%	5%
Strait CRTG Fund, L.P.	700,000,000	24 January 2017	9%	5%
Total	4,032,000,000			

The Company and each of the Bondholders have entered into the Standstill Agreement, pursuant to which the Company shall (i) apply the entire amount of net proceeds from Disposal A to partially repay the outstanding principal amount of the Outstanding Bonds to each of the Bondholders on pro-rata basis after the Completion; and (ii) apply the net proceeds from the Placing and the CB Issue to repay not less than HK$1,800.00 million of the principal amount of the Outstanding Bonds after the completion of the Acquisition.

In the event that Disposal A is not approved by the Shareholders, the Company would renegotiate with the Bondholders for the rescheduling of the repayment schedule under the Standstill Agreement and explore other avenues (including but not limited to disposing other assets of the Group and identifying other purchasers to dispose the unsold interests in Zhunxing) to generate funds to repay the Outstanding Bonds.

As at the Latest Practicable Date, save for China Life, who is interested in approximately 0.67% of the issued share capital of the Company, each of the remaining Bondholders and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Directors believe that Disposal A would generate funds for the Group, enable the Company to reduce the indebtedness level of the Group and help the management to re-focus on strategy formulation, resources allocation and operation management to enhance the performance of the Group.

Meanwhile, following the improvements on the macroeconomy and coal market in the PRC, the Directors are of the view that the traffic volume and toll income of Zhunxing Expressway will gradually recover, bringing a turnaround to profit in the long run. As a result, the undertaking of the Buy-back Obligation would enable the Group to enjoy the long-run profitability of Zhunxing Expressway.

Based on the above, the Board is of the view that the terms of Disposal Agreement A are fair and reasonable and are on normal commercial terms and the entry into of Disposal Agreement A is in the interests of the Company and the Shareholders as a whole.

The Directors are not aware of any change of circumstance since the date of Original Disposal Agreement A up to the Latest Practicable Date that may affect the Board's assessment and recommendation in relation to Disposal Agreement A, Disposal A, the undertaking of the Buy-back Obligation and the transactions contemplated thereunder.

INTENDED USED OF PROCEEDS

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). The entire net proceeds from Disposal A will be used to repay the Outstanding Bonds.

UPDATES IN RELATION TO DISPOSAL AGREEMENT B, DISPOSAL AGREEMENT C AND DISPOSAL AGREEMENT D

As at the Latest Practicable Date, Purchaser B, Purchaser C and Purchaser D are still in the progress of appointing their designated independent valuer to prepare Valuation Report B for the purpose of determining the considerations under Disposal Agreement B, Disposal Agreement C and Disposal Agreement D.

Upon finalisation of Valuation Report B, a supplemental agreement will be entered into between the Company and each of Purchaser B, Purchaser C and Purchaser D to make necessary amendments to Disposal Agreement B, Disposal Agreement C and Disposal Agreement D.

As disclosed in the Company's announcement dated 18 December 2017, a circular in relation to the Disposal Agreements and the transactions contemplated thereunder was expected to be despatched on or before 29 March 2018. However, considering the current status of Disposal Agreement B, Disposal Agreement C and Disposal Agreement D as mentioned above, it is not likely that all necessary information as required by the Listing Rules can be made available by the said time. As such, the Company would prepare and despatch another circular to seek the approval from Shareholders on these three disposal agreements and the transactions contemplated thereunder.

Further announcement(s) in relation to the key development of the aforesaid disposals and the expected despatch date of the respective circular required under the Listing Rules will be published by the Company as and when appropriate.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for the state-owned nature of Purchaser B and Purchaser C, each of Purchaser B, Purchaser C and Purchaser D and its ultimate beneficial owner(s) are third parties independent from Purchaser A, and Disposal Agreement B, Disposal Agreement C and Disposal Agreement D are independent from Disposal Agreement A.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of Disposal A are more than 75%, Disposal A constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Disposal A is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the undertaking of the Buy-back Obligation are more than 100%, the undertaking of the Buy-back Obligation constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The undertaking of the Buy-back Obligation is therefore subject to, among other things, the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

Since (i) Disposal A constitutes a very substantial disposal; and (ii) the undertaking of the Buy-back obligation constitutes a very substantial acquisition under Chapter 14 of the Listing Rules, the EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve Disposal Agreement A, Disposal A, the undertaking of the Buy-back obligation and the transactions contemplated thereunder.

Disposal A and the undertaking of the Buy-back Obligation are inter-conditional with each other, and therefore will be put under the same resolution for the Shareholders' approval at the EGM.

As at the Latest Practicable Date, China Life, being one of the Bondholders, is interested in 50,000,000 Shares, representing approximately 0.67% of the issued share capital of the Company. Given that the proceeds from Disposal A will be used to partially repay the Outstanding Bonds, China Life is deemed to have an interest in Disposal Agreement A. As such, China Life, together with its associates, will abstain from voting in respect of the resolution relating to Disposal Agreement A, Disposal A, the undertaking of the Buy-back obligation and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the information, knowledge and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in Disposal Agreement A and is required to abstain from voting on the resolution relating to Disposal Agreement A, Disposal A, the undertaking of the Buy-back obligation and the transactions contemplated thereunder at the EGM.

The notice convening the EGM of the Company to be held at 17th Floor, China Railway South Headquarters Building, No. 3333 Zhongxin Road (Shenzhen Bay Section) Nanshan District, Shenzhen, PRC (中國深圳市南山區中心路3333號(深圳灣段)中鐵南方總部大廈17樓), on Monday, 16 April 2018, at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to read the notice of EGM and complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meetings should you so wish.

RECOMMENDATION

The Directors consider the terms of Disposal Agreement A are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve Disposal Agreement A, Disposal A, the undertaking of the Buy-back obligation and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 is set out in the annual reports of the Company for the three years ended 31 March 2015 (pages 36 to 148), 31 March 2016 (pages 40 to 148), 31 March 2017 ("**Annual Report 2017**") (pages 54 to 160) and the interim report of the Company for the six months ended 30 September 2017 ("**Interim Report 2017**") (pages 3 to 56) respectively. The annual reports and the interim report of the Company are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crtg.com.hk).

2. INDEBTEDNESS

Borrowings

As at 28 February 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group is analysed as follows:

	HK$'000
Unsecured and unguaranteed:	
– Non-convertible debt securities	3,331,270
– Interest payables included in trade and other payables	540,201
– Promissory note	315,003
	4,186,474
Secured and guaranteed:	
– Non-convertible debt securities	1,064,378
– Bank borrowings	12,556,594
– Interest payables included in trade and other payables	287,341
	13,908,313
Total borrowings	18,094,787

At the close of business on 28 February 2018, certain interest payable and bank borrowings of the Group were secured by (i) the Group's receivables rights of toll income of the Zhunxing Expressway; (ii) the Group's 19% equity interest in Inner Mongolia Berun New Energy Company Limited* (內蒙古博源新型能源有限公司) ("**Berun**"); (iii) the Group's 86.87% equity interest and certain assets in Zhunxing; (iv) the Group's 86.87% equity interest in Inner Mongolia Zhunxing Expressway Service Areas Management Company Limited* (內蒙古准興高速服務區管理有限公司) ("**Zhunxing Expressway Management**"); and (v) the guarantees given by the Company, Zhunxing, a non-controlling shareholder of Zhunxing, a Director and his spouse and a direct wholly-owned subsidiary of the Company. Non-convertible debt securities of approximately HK$1,064,378,000 were guaranteed by a Director.

Contingent liabilities

As at 28 February 2018, the Group did not have any material contingent liabilities.

Save as aforesaid or otherwise disclosed herein, and apart from the intra-group liabilities and normal trade payables, the Group did not have any debt securities which are issued and outstanding, or authorised or otherwise created but unissued term loans, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdraft and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgage, charges, other material contingent liabilities or guarantees as at the close of business on 28 February 2018.

For the purpose of this indebtedness statement, Renminbi amounts have been translated into Hong Kong dollars at the prevailing exchange rate of approximately 1.24.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 28 February 2018 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the presently available financial resources, including internally generated funds from operations and available banking facilities of the Group, the Group will have sufficient working capital for its requirements for the next 12 months from the date of the publication of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the Company's Interim Report 2017, measures on coal output cuts are currently imposed in the PRC, and along with the improvements in macroeconomy, the coal price is expected to gradually resurge. Furthermore, the traffic volume and toll income of Zhunxing Expressway are expected to grow due to the forthcoming developments of Zhunxing Expressway and power plant operation in Qingshuihe area as set forth in the Company's Annual Report 2017. In view of the aforesaid factors, the Board expects there will be a turnaround profit for the Group in the long run.

Upon Completion, Disposal A will realise cash to partially repay the Outstanding Bonds. The Board will continue working on the disposal of the 46% equity interest in Zhunxing, which, if materialised, will provide further funds to the Company to further repay the Outstanding Bonds. As at the Latest Practicable Date, Valuation Report B was yet to be prepared and finalised for the purpose of determining the considerations under Disposal Agreement B, Disposal Agreement C and Disposal Agreement D before the Company can proceed further. For further details, please refer to the paragraph headed "Updates in relation to Disposal Agreement B, Disposal Agreement C and Disposal Agreement D" in the section headed "Letter from the Board" of this circular. Should the Company fail to proceed with any of the above disposals, the Company will explore other avenues (including but not limited to disposing other assets of the Group and identifying other purchasers to dispose the unsold interest in the Target Company) to generate funds to repay the Outstanding Bonds.

As disclosed in the Company's announcement dated 1 August 2017, the Company has identified the Acquisition and will conduct the Subscription to raise funds for the expansion of the pawn loan business to be acquired. The Company also intends to conduct the Placing and is contemplating the CB Issue to raise additional funds to further repay the Outstanding Bonds. Upon completion of the above transactions, it is expected that the asset position of the Company will be substantially enhanced and the indebtedness level of the Company will be reduced substantially. Since the Acquisition, the Subscription and the Placing are inter-conditional with each other, failing to proceed with any one of them would result in the termination of the other two transactions. In that event, the Group will continue to focus on its expressway operation and renegotiate with the Bondholders in relation to the rescheduling of the repayment schedule.

The Acquisition, the Subscription and the Placing are expected to be completed on the same date, and the Directors also intend to complete the CB Issue together with the above transactions. The new listing application in relation to the Acquisition has been submitted to the Stock Exchange on 27 February 2018. Since the completion of the Acquisition is subject to, among other things, the approval of the aforementioned new listing application by the Stock Exchange, as at the Latest Practicable Date, no concrete timetable has been formalised in relation to the Acquisition, the Subscription, the Placing and the CB Issue.

The Board will continue to look out for opportunities to make investments in any new business when suitable opportunities arise to diversify the revenue streams of the Group and strengthen the Group's financial position, and therefore maximising the benefits of the Shareholders as a whole.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Upon Completion, the Target Company will be held as to 61.87% by the Company, and upon the fulfilment of the Buy-back Obligation, the Target Company will be held as to 86.87% by the Company. The Target Group will continue to be subsidiaries of the Group and the financial results of the Target Group will continue to be consolidated into the consolidated financial statements of the Group.

Set out below is the management discussion and analysis of the results of the Group for the three years ended 31 March 2015, 2016 and 2017 and for the six months ended 30 September 2017. For the purpose of this management discussion and analysis, the exchange rates of RMB1 to approximately HK$1.26, HK$1.22, HK$1.15, and HK$1.16 were used for the three years ended 31 March 2015, 2016 and 2017 and for the six months ended 30 September 2017, respectively.

A. For the year ended 31 March 2015

Business review

For the year ended 31 March 2015, the Group was principally engaged in expressway operations, trading and storage of petroleum and related products, compressed natural gas ("**CNG**") stations operations and timber operations.

Operation of Zhunxing Expressway

For the year ended 31 March 2015, Zhunxing Expressway recorded an accumulated toll income of approximately RMB719 million (equivalent to approximately HK$906 million), i.e. an average daily toll income of approximately RMB2.0 million (equivalent to approximately HK$2.5 million) and an average daily traffic volume of approximately 5,000 vehicles.

Petroleum and Related Products Business

(1) Refined Petroleum Trading business

During the year, Shenzhenshi Qianhai Zitong Energy Company Limited* (深圳市前海資通能源有限公司) ("**Zitong Energy**") completed the merger, acquisition and reorganisation in respect of 70% equity interest in Zhanjiang Dapeng Petrochemical Company Limited* (湛江大鵬石化有限公司) ("**Dapeng**"); 65% equity interest in Guangdong Jinjing Energy Company Limited* (廣東金晶能源股份有限公司) ("**Jinjing**") and 30% equity interest in Huizhoushi Dayawan Zhongyou Development Company Ltd.* (惠州市大亞灣中油實業發展有限公司). Their trading channels and market shares had been expanding rapidly and have achieved a preliminarily annual sales capability of 1 million to 1.5 million tons of refined petroleum. In the year, Zitong Energy, Dapeng and Jinjing recorded sales of petroleum products of approximately 636,000 tons (2014: 15,000 tons) in total, whereas revenue from principal business and the sales gross margin were approximately HK$4,085 million (2014: HK$117 million) and HK$101 million (2014: HK$0.4 million) respectively.

(2) Clean Energy Business

In December 2014, Shenzhenshi Qianhai Zitong Clean Energy Company Limited* (深圳市前海資通清潔能源有限公司) ("**Zitong Clean Energy**") was established to engage in the cooperation project with CNOOC Oil & Petrochemicals Company Limited* (中海石油煉化有限責任公司) ("**CNOOC**") in relation to the partial oxidation ("**POX**") coal-to-hydrogen plant under the Huizhou petrochemicals phase II project. By leveraging on the advanced domestic and international technologies, such project utilises coal and oxygen as raw materials to produce 150,000 tons per year of hydrogen and 117,300 tons per year of oxo-synthesis gas for use in oil refinery and ethylene projects. Zitong Clean Energy has built a team of technical experts in the coal-to-hydrogen field and has signed a letter of intent with CNOOC in respect of the cooperation in January 2015.

(3) New Energy Business

In October 2014, Zitong Energy acquired the entire equity interest in Leshan Zhongshun Oil and Gas Company Limited* (樂山中順油氣有限公司) ("**Leshan Zhongshun**") which owned two petrol and gas stations located at Sichuan of the PRC. The acquisition represented due commencement of the natural gas dispensing business of the Group for business vehicles. In January 2015, one of the gas dispensing stations of Leshan Zhongshun started operation and realised sales of HK$2.1 million for the year ended 31 March 2015.

Timber Operations

With an aim to focus its resources and manpower on expressway operations and petroleum and related products business of the Group, the Company would continue to look for opportunity to dispose its forestry related businesses.

Financial review

For the year ended 31 March 2015, the Group recorded a revenue of approximately HK$5,016.55 million (2014: HK$8,585.72 million) which is recognized under three reportable segments under the continuing operations of the Group, namely expressway operations, petroleum and related products business and timber operations, contributing approximately HK$905.79 million (18.06%), HK$4,093.69 million (81.60%) and HK$17.07 million (0.34%) (2014: HK$8,456.30 million (97.55%), HK$117.09 million (1.35%) and HK$12.32 million (0.14%)) respectively to the Group's consolidated revenue.

The loss attributable to owners of the Company from continuing operations for the year was approximately HK$1,765.90 million (2014: HK$672.63 million) and the profit attributable to owners of the Company from discontinued operations for the year was HK$Nil (2014: approximately HK$82.14 million). The basic and diluted loss per share attributable to owners of the Company from continuing and discontinued operations for the year was HK6.52 cents as compared with HK2.19 cents for the last corresponding year.

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 longer term. The Group's assets portfolio is mainly financed by its borrowings and debt securities.

As at 31 March 2015, the Group's outstanding borrowings, mainly dominated in RMB, amounted to approximately HK$13,600.59 million (2014: HK$12,400.38 million), of which about 14% were repayable within one year. Approximately HK$11,153.16 million (2014: HK$8,795.92 million) of the Group's borrowings were charged with floating rates whereas HK$2,447.43 million (2014: HK$3,604.46 million) of the Group's borrowings bore interest at fixed rates. The effective interest rate of the floating-rate borrowings and the fixed-rate borrowings were 6.88% and 8.40% per annum (2014: 6.88% and 8.83% per annum) respectively.

As at 31 March 2015, the Group had outstanding convertible bonds with carrying amount of approximately HK$4,790.54 million (2014: HK$4,505.46 million). On 3 October 2014, the Company issued convertible bonds in the principal amount of HK$600.00 million with an interest rate of 9% per annum to be due on the date falling on the third anniversary of the issue date. On 10 February 2015, the Company issued an aggregate amount of HK$3,192.00 million convertible bonds which would mature variously in 2016 and 2018.

As at 31 March 2015, the Group has cash and bank balances of approximately HK$298.46 million (2014: HK$1,702.51 million) and its available banking facilities were amounted to approximately HK$17,172.32 million (2014: HK$12,400.38 million), out of which approximately HK$13,600.59 million (2014: HK$12,400.38 million) has been utilised.

As at 31 March 2015, contractual maturities based on contractual undiscounted cash flows of approximately HK$8,276.28 million, HK$3,022.27 million, HK$3,513.28 million and HK$16,594.81 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 87.03% (2014: 79.73%).

The Group's capital commitments outstanding as at 31 March 2015 was approximately HK$60.23 million (2014: HK$456.27 million).

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.

The Group did not have any plans on material investments or capital assets in the coming year.

Material acquisition/disposal and significant investment

On 31 July 2014, the Group acquired 70% equity interest of Dapeng and 65% equity interest of Jinjing together with an investment property. On 31 October 2014, the Group acquired 100% equity interest of Leshan Zhongshun. On 15 January 2015, the Group acquired 51% equity interest of Ningbo Zhongyou Petroleum Sales Company Limited* (寧波中油石油銷售有限公司) ("**Ningbo Zhongyou**") by way of capital injection.

Save as aforesaid, the Group did not make any material acquisition or disposal of subsidiary or associate or significant investment during the year.

Foreign currency risk

The Group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Charges on assets

As at 31 March 2015, the Group had pledged the following assets to secure part of the Group's borrowings:

(i) Zhunxing's equity interest in Guo Kai Rui Ming (Beijing) Investment Fund Co., Limited* (國開瑞明(北京)投資基金有限公司) ("**Guo Kai**"), Berun and Zhunxing Expressway Management;

(ii) Deposits of RMB106.00 million (approximately HK$134.04 million);

(iii) Dapeng's petroleum storage tanks of 80,000m^3 located in Zhanjiang, the Guangdong Province of the PRC, with a carrying amount of HK$62.93 million; and

(iv) Dapeng's investment property located in Guangzhou, the Guangzhou Province of the PRC, with a carrying amount of HK$124.27 million.

Contingent liabilities

As at 31 March 2015, the Group did not have any material contingent liabilities.

Employees and retirement benefit scheme

The Group had approximately 861 employees in Hong Kong, the PRC and Guyana, South America ("**Guyana**") as at 31 March 2015. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

Prospects

Operation of Zhunxing Expressway

The Group is actively implementing the following measures to promote and attract more coal transport vehicles to use Zhunxing Expressway on a regular basis:

(1) active promotion and marketing strategy to reduce the impact of sluggish coal market in the PRC as well as to maintain and raise the number and the loading of the coal vehicles of using Zhunxing Expressway;

(2) facilitating the interconnection with Beijing-Tibet Highway* (京藏高速公路) and Er-Guang Expressway* (二廣高速公路);

(3) enhancing the coordination of toll collection network with nearby expressways by participating in the Electronic Toll Collection System of Inner Mongolia Autonomous Region;

(4) completing and perfecting auxiliary facilities of service areas and major petrol and gas stations; and

(5) to expedite the construction of logistics bases at both ends of the Zhunxing Expressway.

Petroleum and Related Products Business

Zitong Energy undertook upgrade and transformation of the petroleum depot of Dapeng in Zhanjiang of the PRC and the petroleum delivery device for vehicles at the petroleum depot. The upgraded petroleum depot of Dapeng has commenced operation in February 2015 and is expected to record a refined petroleum storage capacity of 700,000 tons for the year 2015. Looking forward, Zitong Energy will endeavour to further consolidate and expand the sources of resources, continue to optimize the client base and improve tracking services by providing tailor-made service to client.

In addition, Zitong Clean Energy will focus on technological coordination and business negotiation for the Huizhou petrochemicals phase II project and actively facilitate the forming of the related joint venture.

*Electric Vehicle Charging and CNG/liquefied natural gas (“**LNG**”) Dispensing stations*

The Company entered into cooperative framework agreements with PetroChina Guangdong Marketing Company and PetroChina Henan Marketing Company (“**PetroChina**”), under which the Company had obtained first right for the installation and operation of electric vehicle charging and CNG and/or LNG dispensing stations in over 1,940 gas stations owned by PetroChina in Guangdong and Henan provinces. The framework agreements permit the Company to select locations for and construct such charging and dispensing stations in batches, and thereby obtain the right to operate them.

B. For the year ended 31 March 2016

Business review

For the year ended 31 March 2016, the Group was principally engaged in expressway operations, trading and storage of petroleum and related products, CNG station operations and timber operations.

Operation of Zhunxing Expressway

For the year ended 31 March 2016, Zhunxing Expressway recorded an accumulated toll income of approximately RMB409.71 million (approximately HK$500.72 million), i.e. an average daily toll income of approximately RMB1.12 million (approximately HK$1.37 million) and an average daily traffic volume of approximately 3,585 vehicles.

Petroleum and Related Products Business

(1) Refined Petroleum Trading business

For the year ended 31 March 2016, Zitong Energy continued to build the business platform for refined petroleum trading as well as expansion of business channels and market shares. To cope with the changes in business environments, the Group modified its business strategies by completing a reorganization process at the end of July 2015.

During the year, the international crude petroleum market had been unstable. The price of the crude petroleum has continued to drop and demand of the domestic refined petroleum market remains weak, Zitong Energy, Dapeng and Jinjing recorded sales of petroleum products of approximately 291,000 tons in total (2015: 636,000 tons), whereas revenue from principal business was approximately HK$1,636.34 million (2015: HK$4,085.00 million).

(2) Clean Energy Business

For the year ended 31 March 2016, Zitong Clean Energy continued to focus on technological coordination and business negotiation for the cooperation project with CNOOC in relation to the Huizhou petrochemicals phase II project.

(3) New Energy Business

In July 2015, the second CNG gas dispensing station of Leshan Zhongshun has commenced operation. For the year ended 31 March 2016, Leshan Zhongshun had realised sales of CNG amounted to approximately HK$19.76 million (2015: HK$2.10 million).

Forest Operation

With an aim to focus its resources and manpower on other main businesses of the Group, the Company would continue to look for opportunity to dispose its forestry related businesses.

Financial review

For the year ended 31 March 2016, the Group recorded a revenue of approximately HK$2,221.56 million (2015: HK$5,016.55 million) which was recognised under three reportable segments of the Group, namely expressway operations, petroleum business and timber operations, contributing approximately HK$501.05 million (22.55%), HK$1,663.07 million (74.86%) and HK$57.44 million (2.59%) (2015: HK$905.79 million (18.06%), HK$4,093.69 million (81.60%) and HK$17.07 million (0.34%)) respectively to the Group's consolidated revenue.

The loss attributable to owners of the Company for the year was approximately HK$3,455.59 million (2015: HK$1,765.90 million). Taking into account the share consolidation which came into effect on 5 November 2015 and the completion of rights issue on 9 December 2015, both the basic and diluted loss per share attributable to owners of the Company for the year were HK$1.15 as compared with HK$1.31 (restated) for the last corresponding year.

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 longer term. The Group's assets portfolio is mainly financed by its borrowings and debt securities.

As at 31 March 2016, the Group had cash and bank balances of approximately HK$116.23 million (2015: HK$298.46 million) and available banking facilities amounted to approximately HK$12,769.82 million (2015: HK$17,172.32 million), of which HK$12,072.59 million (2015: HK$13,600.59 million) had been utilised.

The Group's outstanding borrowings, all being dominated in RMB, amounted to approximately HK$12,072.59 million (2015: HK$13,600.59 million). Approximately HK$1,151.67 million (2015: HK$2,447.43 million) of the Group's outstanding borrowings were charged at fixed rates. About 7% of the Group's outstanding borrowings were repayable within one year (2015: 14%). The effective interest rate of the floating-rate borrowings and the fixed-rate borrowings were 5.71% and 7.86% per annum (2015: 6.88% and 8.40% per annum) respectively.

As at 31 March 2016, the Group was due to repay the principal amounts of HK$832.00 million of convertible bonds and HK$500.00 million of non-convertible debt securities payable on 10 February 2016 and 3 March 2016 respectively, interests of HK$25.38 million and default interests of HK$7.80 million. Besides, there were outstanding interests amounted to approximately HK$125.92 million payable under other convertible bonds on 19 February 2016. In aggregate, the carrying amount of these convertible bonds and non-convertible debt securities which are immediately repayable on demand was approximately HK$4,238.26 million. The interests in relation to the bonds were charged at fixed rates.

On 9 December 2015, the Company issued 5,401,916,776 rights shares with net proceeds of approximately HK$1,046.5 million.

As at 31 March 2016, contractual maturities based on contractual undiscounted cash flows of approximately HK$8,121.59 million, HK$1,255.33 million, HK$2,330.74 million and HK$14,054.53 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.

As at 31 March 2016, the gearing ratio of the Group, measured as total liabilities to total assets, was 98.88% (2015: 87.03%).

The Group's capital commitments outstanding as at 31 March 2016 dropped by 58.43% to approximately HK$25.04 million (2015: HK$60.23 million).

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.

The Group did not have any plans on material investments or capital assets in the coming year.

Material acquisition/disposal and significant investment

The Group disposed of its 70% equity interest in Dapeng at a consideration of RMB1.00 (equivalent to approximately HK$1.22) on 31 July 2015. On 14 September 2015, the Company disposed of its 100% equity interest in Triumph Kind Investment Limited at a consideration of approximately RMB41.42 million (equivalent to approximately HK$50.56 million). In March 2016, the Group entered into sale and purchase agreement for the disposal of the entire equity interest in Ningbo Zhongyou.

Save as aforesaid, the Group did not make any material acquisition or disposal of subsidiary or associate or significant investment during the year.

Foreign currency risk

The Group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Charges on assets

As at 31 March 2016, the Group had pledged the equity interests of (i) Berun with a carrying amount of HK$45.56 million; (ii) Zhunxing Expressway Management; and (iii) Zhunxing to secure part of the Group's borrowings.

Contingent liabilities

As at 31 March 2016, the Group did not have any material contingent liabilities.

Employees and retirement benefit scheme

The Group had approximately 552 employees in Hong Kong, the PRC and Guyana as at 31 March 2016. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

Prospects

Operation of Zhunxing Expressway

The domestic coal market was in the trough and continued to lose the balance between supply and demand. Following the improvements on the macroeconomy and coal market, the traffic volume and toll income of Zhunxing Expressway were expected to gradually recover, bringing a turnaround to profit in the long run.

Given the deteriorating market conditions and the Company's imminent funding needs to meet its short-term financial obligations, the Board had explored different avenues for strengthening the Group's cash flows including, but not limited to, the possibility of disposing the Group's equity interest in Zhunxing. The Board was of the view that if the potential disposal of the Group's interest in its toll expressway operation was successfully materialised during the year ended 31 March 2017, the Group's cash flows would be strengthened and its liquidity requirement would be fulfilled in both short and long term.

Refined Petroleum Trading business

In line with the Group's principle of sustainable development on business operation, Zitong Energy and Jinjing would endeavor to further strengthen and expand the sources of resources, continue to optimise their client base and prudently review the business environments from time to time. By means of implementing system formulation, design of business flows and comprehensive risk management, Zitong Energy and Jinjing would strengthen the strategies on operational management, strictly control the operating costs and strive to increase the gross profit per ton of petroleum, in order to facilitate the long term development of the Group's refined petroleum trading business.

Clean Energy Business

Zitong Clean Energy would continue to focus on the technological coordination and business negotiation for the POX project in Huizhou and actively facilitate the forming of the related joint venture with CNOOC. Besides, Zitong Clean Energy will deploy additional effort in researching the coal chemical industry, so as to explore a larger room for further development in the flourishing clean energy market in the PRC.

New Energy Business

The Group aimed to strengthen its business position and profitability in the natural gas energy industry through its collaboration with PetroChina marketing branches in establishing CNG and/or LNG dispensing stations.

Given the opportunity to collaborate with CNOOC and the PetroChina marketing branches, the Group aimed at achieving effective provision of resources to the market and thereby realizing the strategic development objective of the Group, and thus the Board was full of confidence in the Group's energy business prospects.

C. For the year ended 31 March 2017

Business review

For the year ended 31 March 2017, the Group was principally engaged in expressway operations, trading of petroleum and related products, CNG stations operations and timber operations.

Operation of Zhunxing Expressway

For the year ended 31 March 2017, Zhunxing Expressway recorded an accumulated toll income of approximately RMB464.27 million (approximately HK$534.00 million), i.e. an average daily toll income of approximately RMB1.27 million (approximately HK$1.46 million) and an average daily traffic volume of approximately 4,293 vehicles.

Petroleum and Related Products Business

(1) Refined Petroleum Trading business

For the year ended 31 March 2017, Zitong Energy and Jinjing recorded sales of petroleum products of approximately 38,000 tons in total (2016: 291,000 tons), whereas revenue from principal business was approximately HK$163.35 million (2016: approximately HK$1,636.34 million).

In order to alleviate the Group's cash flow pressure, Zitong Energy and Jinjing limited their purchases on petroleum products for trading activities, leading to a reduction in trade volume of approximately 87%, and hence a decrease in income of approximately 90% recorded under the petroleum trading business as compared to the previous financial year.

(2) Clean Energy Business

Towards the fourth quarter of the financial year ended 31 March 2017, with the priority on settling the Group's short-term financial obligations of the petroleum business sector, Zitong Clean Energy had held back its negotiation on the cooperation project with CNOOC in relation to the POX coal-to-hydrogen plant under the Huizhou petrochemicals phase II project.

(3) New Energy Business

For the year ended 31 March 2017, Leshan Zhongshun realised sales of CNG of approximately 8,223 km^3 in total (2016: 5,435 km^3), amounted to approximately HK$24.99 million (2016: HK$19.76 million).

Forest Operation

During the year ended 31 March 2017, the Group ceased its forest operation in Guyana in order to narrow the Group's business losses and conserve resources. During the fourth quarter of the financial year ended 31 March 2017, the Group's exclusive forest concession rights in Guyana were suspended by the Guyana Forestry Commission.

With an aim to increase 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

The Group's revenue for the year ended 31 March 2017 was approximately HK$727.62 million (2016: HK$2,221.56 million) which was recognised under three reportable segments of the Group, namely expressway operations, petroleum business and timber operations, contributing approximately HK$535.64 million (73.62%), HK$188.34 million (25.88%) and HK$3.64 million (0.50%) (2016: HK$501.05 million (22.55%), HK$1,663.07 million (74.86%) and HK$57.44 million (2.59%)) respectively to the Group's consolidated revenue.

The loss attributable to owners of the Company for the year was approximately HK$1,676.20 million (2016: HK$3,456.01 million (restated)). Both the basic and diluted loss per share attributable to owners of the Company for the year were HK$0.25 as compared with HK$1.15 (restated) for the last corresponding year.

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 31 March 2017, the Group was in a net liabilities position of approximately HK$1,596.43 million as compared with a net assets position of approximately HK$209.78 million (restated) as at 31 March 2016.

As at 31 March 2017, the Group had cash and bank balances of approximately HK$53.74 million (2016: HK$116.23 million) and its available banking facilities were amounted to approximately HK$11,704.72 million (2016: HK$12,769.82 million), out of which approximately HK$11,616.08 million (2016: HK$12,072.59 million) has been utilised.

The Group's outstanding borrowings as at 31 March 2017, all being dominated in RMB, amounted to approximately HK$11,616.08 million (2016: HK$12,072.59 million). Approximately HK$614.64 million (2016: HK$1,151.67 million) of the Group's outstanding borrowings were charged at fixed rates. About 6% (2016: 7%) of the Group's outstanding borrowings were repayable within one year. The effective interest rate of the floating-rate borrowings and the fixed-rate borrowings were 5.13% and 9.28% per annum (2016: 5.71% and 7.86% per annum) respectively.

As at 31 March 2017, the Group was due to repay the promissory note and the Outstanding Bonds. In aggregate, the carrying amount of the promissory note and the Outstanding Bonds with the accrued default interests which are immediately repayable amounted to approximately HK$5,086.44 million. The interests in relation to the Outstanding Bonds were charged at fixed rates.

As at 31 March 2017, contractual maturities based on contractual undiscounted cash flows of approximately HK$7,594.49 million, HK$741.49 million, HK$2,845.28 million and HK$12,476.81 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.

As at 31 March 2017, the gearing ratio of the Group, measured as total liabilities to total assets, was 109.80% (2016: 98.88%).

The Group's capital commitments outstanding as at 31 March 2017 increased by 845.25% to approximately HK$236.69 million (2016: HK$25.04 million).

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.

On 23 June 2017, the Company and an independent third party entered into a legally non-binding memorandum of understanding in relation to the Acquisition. The Company will satisfy the consideration of the Acquisition through the issuance of new shares of the Company to the seller and the other owners of the business.

Save as aforesaid, the Group did not have any plans on material investments or capital assets in the coming year.

Material acquisition/disposal and significant investment

On 16 March 2017, a wholly-owned subsidiary of the Company acting as purchaser, and Epoch Luck Investments Limited as vendor entered into a sale and purchase agreement to acquire 60% of the entire issued share capital of Red Sino Investments Limited ("**Red Sino**") at an aggregate consideration of HK$138.00 million, which would be satisfied in full by the allotment and issue of 690,000,000 consideration shares at the issue price of HK$0.20 per consideration share by the Company to the vendor.

Save as aforesaid, the Group did not make any material acquisition or disposal of subsidiary or associate or significant investment during the year.

Foreign currency risk

The Group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Charges on assets

As at 31 March 2017, the Group had pledged the equity interests of Berun, Zhunxing Expressway Management and Zhunxing to secure part of the Group's borrowings.

Contingent liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities.

Employees and retirement benefit scheme

The Group had approximately 483 employees in Hong Kong and the PRC as at 31 March 2017. The Group implements remuneration policy, bonus and share options schemes to ensure that the pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration policy.

Prospects

The domestic coal industry was struggling with overcapacity. Output cuts have been imposed in the PRC to rebalance the supply and demand of the commodity. Forthcoming developments of Zhunxing Expressway, which includes (i) new interconnection with other expressway, which was expected to commence in October 2017 to enhance road users' convenience; and (ii) interconnection with Zhangjiakou city, which was expected to commence in 2019 to facilitate direct passage from Zhunxing Expressway to Hebei province, were expected to boost the growth of both traffic volume and toll income of Zhunxing Expressway. The commencement of power plant operation near the Qingshuihe area in early 2018 was also expected to lift the traffic flow of Zhunxing Expressway. Following the improvements on the macroeconomy and the effective implementation of coal capacity reduction policy in the PRC, the coal price was expected to gradually recover, which in turn would stimulate the growth in the traffic volume and toll income of the Zhunxing Expressway, bringing a turnaround to profit in the long run.

As at 31 March 2017, the Company was due to repay the Outstanding Bonds with an aggregate principal amount of HK$4,032.00 million. Given the fluctuating market conditions and the Company's imminent funding needs to meet its short-term financial obligations, the Company entered into disposal agreements with several purchasers in late December 2016 in relation to the financing arrangement of proposed disposals and buy-backs of its 71% equity interest in Zhunxing, the proceeds of which is intended to be used to repay partially the principal amount of the Outstanding Bonds. The Board believed that if the said disposal is fully materialised during the year ending 31 March 2018, the Company will be able to realise cash, repay part of its liabilities, and improve the financial and cash flow position of the Group. The Company will continue to explore different avenues (including but not limited to disposal of remaining interests in Zhunxing) to generate sufficient funds to fully repay the Outstanding Bonds. Upon recovering the financial and cash flow position of the Group, the Board will further consider and explore opportunities to strengthen the Group's financial position.

The Board considered the proposed acquisition of Red Sino to be a valuable opportunity to allow the Group to capture the growth of the forage industry in northern PRC as driven by the government policies, and the investment in modern agricultural business was expected to receive substantial support from the state and local governments of the PRC. Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, the operating subsidiary of Red Sino, 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**"), will continue to focus its main business on silage cultivation upon completion of the proposed acquisition. Going forward, Xinze will strive to enhance its productivity and product competitiveness by (1) improving its cultivation technique, (2) cultivating fine species and (3) strengthening its sales team.

D. For the six months ended 30 September 2017

Business review

For the six months ended 30 September 2017, the Group was principally engaged in expressway operations, trading of petroleum and related products, CNG stations operations and timber operations.

Operation of Zhunxing Expressway

For the six months ended 30 September 2017, Zhunxing Expressway recorded an accumulated toll income of approximately RMB300.55 million (approximately HK$347.33 million), i.e. an average daily toll income of approximately RMB1.64 million (approximately HK$1.90 million) and an average daily traffic volume of approximately 6,008 vehicles (for the six months ended 30 September 2016, the average daily toll income was approximately RMB1.20 million (approximately HK$1.41 million) and the average daily traffic volume was approximately 4,301 vehicles).

Petroleum and Related Products Business

For the six months ended 30 September 2017, the Group through its wholly-owned subsidiary, Zitong Energy, focused on the development of the new energy business sector based on CNG.

For the six months ended 30 September 2017, Leshan Zhongshun realised sales of CNG of approximately 4,633 km^3 in total (for the six months ended 30 September 2016: 4,085 km^3), amounted to approximately HK$14.21 million (for the six months ended 30 September 2016: HK$12.65 million).

Forest Operation

The Group ceased its forest operation in Guyana in order to narrow the Group's business losses and conserve resources during the year ended 31 March 2017.

With an aim to increase 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

The Group's unaudited revenue for the six months ended 30 September 2017 was approximately HK$362.10 million, representing a decrease of about 11.3% from approximately HK$408.18 million for the last corresponding period. The Group's income was recognised under three reportable segments of the Group, namely expressway operations, petroleum business and timber operations, contributing approximately HK$347.67 million (96.01%), HK$14.21 million (3.93%) and HK$0.22 million (0.06%) (for the six months ended 30 September 2016: HK$258.15 million (63.25%), HK$149.85 million (36.71%) and HK$0.17 million (0.04%)) respectively to the Group's consolidated revenue.

The loss attributable to owners of the Company for the period was approximately HK$469.80 million (for the six months ended 30 September 2016: HK$599.73 million). Both the basic and diluted loss per share attributable to owners of the Company for the period were HK$0.06 as compared with HK$0.09 for the last corresponding period.

Liquidity review

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

As at 30 September 2017, the Group was in a net liabilities position of approximately HK$1,930.23 million as compared to a net liabilities position of approximately HK$1,596.43 million as at 31 March 2017.

As at 30 September 2017, contractual maturities based on contractual undiscounted cash flows of approximately HK$7,952.5 million, HK$870.07 million, HK$3,228.80 million and HK$12,919.52 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 111.60% as at 30 September 2017 (31 March 2017: 109.80%).

As at 30 September 2017, the Group had cash and bank balances of approximately HK$63.07 million (31 March 2017: HK$53.74 million) and its available banking facilities were amounted to approximately HK$11,961.04 million (31 March 2017: HK$11,704.72 million), out of which approximately HK$11,953.32 million (31 March 2017: HK$11,616.08 million) has been utilised.

The Group's outstanding borrowings, all being dominated in RMB, amounted to approximately HK$11,953.32 million (31 March 2017: HK$11,616.08 million), represented approximately 64% of the Group's total liabilities. Approximately HK$468.63 million (31 March 2017: HK$614.64 million) of the Group's outstanding borrowings were charged at fixed rates. Approximately 5% of the Group's outstanding borrowings were repayable with one year (31 March 2017: 6%).

As at 30 September 2017, the Company was due to repay the promissory note and the Outstanding Bonds. In aggregate, the carrying amount of the promissory note and the Outstanding Bonds with the accrued default interests which are immediately repayable amounted to approximately HK$5,227.47 million (31 March 2017: HK$5,086.44 million). The interests in relation to the bonds were charged at fixed rates.

Apart from the Acquisition, the Group's capital commitments outstanding as at 30 September 2017 dropped by approximately 91.10% to approximately HK$21.05 million (31 March 2017: HK$236.69 million).

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.

Save for the Acquisition as detailed in the Company's announcement dated 1 August 2017, the Group did not have future plans for material investments or capital assets in the coming year.

Material acquisition/disposal and significant investment

On 10 May 2017, the Group acquired 60% of the entire issued share capital of Red Sino at an aggregate consideration of HK$138.00 million, which was satisfied in full by the allotment and issue of 690,000,000 consideration shares at the issue price of HK$0.20 per consideration share by the Company to the vendor. Red Sino is incorporated in the British Virgin Islands with limited liability, and is principally engaged in investment holding. Xinze, being the operating subsidiary of Red Sino, is incorporated in the PRC with limited liability and is principally engaged in growing and sales of forage and agriculture products.

On 1 June 2017, the Company disposed 45% of the issued share capital of Beijing Kaiyuanwanjia Management Consulting Company Limited* (北京開元萬嘉管理咨詢有限公司) and its subsidiaries together with any shareholder's loan at the total consideration of RMB200.0 million (equivalent to HK$226.0 million).

On 11 July 2017, the Company entered into a sale and purchase agreement with certain independent third party vendors in relation to the Acquisition. The consideration for the proposed acquisition is HK$3,281,768,760 which shall be satisfied by the allotment and issue of the 14,268,559,826 new shares at the issue price of HK$0.23 per share of the Company to the vendors and/or their nominee(s). The company to be acquired is incorporated in the PRC with limited liability and has been principally engaged in pawn loan business in the PRC since 2008.

According to the aforesaid sale and purchase agreement, the Directors are not aware of any indication that the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the company to be acquired under the Acquisition will be varied in consequence of such Acquisition.

Save as aforesaid, the Group did not make any material acquisition or disposal of subsidiary or associate or significant investment during the period.

Foreign currency risk

The Group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Charges on assets

As at 30 September 2017, the Group had pledged the equity interests in Berun, Zhunxing Expressway Management and Zhunxing to secure part of the Group's borrowings.

Contingent liabilities

As at 30 September 2017, the Group did not have any material contingent liabilities.

Employees and retirement benefit scheme

The Group had approximately 462 employees in Hong Kong and PRC as at 30 September 2017. The Group implements remuneration policy, bonus and share options schemes to ensure that the pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration policy.

Prospects

At present, measures on coal output cuts have been imposed in the PRC to rebalance the supply and demand of the commodity. Following the improvements on the macroeconomy and the effective implementation of coal capacity reduction policy in the PRC, the coal price is expected to gradually resurge, and along with the forthcoming developments of Zhunxing Expressway and power plant operation in the Qingshuihe area as set forth in the Company' annual report for the year ended 31 March 2017, the traffic volume and toll income of the Zhunxing Expressway are expected to grow, bringing a turnaround to profit in the long run.

Given the fluctuating market conditions and the Company's imminent funding needs to meet its short-term financial obligations, the Board believes that the financing arrangement of the proposed disposals and buy-backs of its 71% equity interest in Zhunxing, if fully materialise during the year ending 31 March 2018, will realise cash to partially repay the principal amount of the Company's Outstanding Bonds, and hence improve the financial and cash flow position of the Group. The Company will continue to explore different avenues (including but not limited to disposal of remaining interests in Zhunxing) to generate sufficient funds to fully repay the Outstanding Bonds.

The Group has commenced its business in the growing and sales of forage and agriculture products in May 2017 upon Xinze becoming a non-wholly-owned subsidiary of the Group. Under the growing momentum of the agriculture and animal husbandry industry in Inner Mongolia Autonomous Region, Xinze will continue to focus its main business on silage cultivation. Going forward, Xinze will strive to enhance its productivity and product competitiveness by (1) improving its cultivation technique, (2) cultivating fine species and (3) strengthening its sales team.

During the period, the Company has identified the Acquisition, which is a valuable opportunity for the Group to diversify its existing business portfolio into new line of business with growth potential, to broaden its income source and eventually enhance the value of the Group. It is expected that, upon completion of the potential acquisition, the introduction of CITIC AMC as a substantial shareholder of the Company will not only broaden the Company's shareholding base, but also create opportunities in other new sectors to be explored in the future.

The Board will continue to look out for opportunities to make investments in any new business when suitable opportunities arise to diversify the revenue streams of the Group and strengthen the Group's financial position, and therefore maximising the benefits of the Shareholders as a whole.

The following is the text of a report received from the Company's reporting accountant, Crowe Horwath (HK) CPA Limited, for the purpose of inclusion in this circular.

Crowe Horwath

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong
電話 Main +852 2894 6888
傳真 Fax +852 2895 3752
www.crowehorwath.hk

26 March 2018

The Directors
China Resources and Transportation Group Limited

Dear Sirs,

INTRODUCTION

We report on the historical financial information of 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), (the "**Target Company**") and its subsidiaries (together, the "**Target Group**"), which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information has been set out on pages II-5 to II-46 form an integral part of this report, which has been prepared for inclusion in the circular of the Company dated 26 March 2018 (the "**Circular**") in connection with (i) the very substantial disposal in relation to the disposal of 25% equity interest of the Target Company and (ii) the very substantial acquisition in relation to the undertaking of the buy-back obligation to buy back the aforesaid disposal equity interest.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved in performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

DISCLAIMER OF OPINION

We do not express an opinion on the Historical Financial Information of the Target Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of the accountants' report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Historical Financial Information and whether the Historical Financial Information has been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties related to going concern

As further disclosed in Note 2(b) to the Historical Financial Information, the Target Group incurred loss of RMB713,777,000, RMB2,492,546,000, RMB726,934,000 and RMB480,303,000, respectively during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, and as at 31 December 2014, 2015 and 2016 and 30 September 2017, its current liabilities exceeded its current assets by RMB2,885,883,000, RMB2,373,315,000, RMB2,095,127,000 and RMB1,972,882,000, respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Target Group's ability to continue as a going concern.

Notwithstanding the foregoing, the directors of the Target Company have prepared the Historical Financial Information on a going concern basis, the appropriateness of which depends upon the successful provision of the financial undertaking by the Company (the "**Financial Support**") as disclosed in Note 2(b) to the Historical Financial Information and the successful execution of the Financial Support by the Target Group. As the Company had huge liabilities in default as at 30 September 2017 and has therefore undertaken a number of measures to improve its financial position, we were unable to determine whether the Company will have sufficient financial capability to provide the aforementioned Financial Support to the Target Group. Accordingly, we were unable to satisfy ourselves regarding the Target Group's ability to continue as a going concern.

Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amount of the Target Group's non-current assets to its estimated realisable value, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of Interim Financial Information by the Independent Auditor of the Entity*" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-1 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Crowe Horwath (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	7	805,476	424,805	464,165	311,636	392,274
Direct operating costs		(627,095)	(614,662)	(599,339)	(429,722)	(433,243)
Gross profit/(loss)		178,381	(189,857)	(135,174)	(118,086)	(40,969)
Impairment loss on concession intangible asset	16	–	(1,535,872)	–	–	–
Impairment loss on property, plant and equipment	15	–	(80,063)	–	–	–
Other income and other gains or losses	8	8,206	10,017	3,917	3,850	8,091
Selling and administrative expenses		(81,654)	(39,569)	(34,234)	(24,762)	(29,769)
Finance costs	9	(818,710)	(657,202)	(561,443)	(432,413)	(417,656)
Loss before income tax expense	10	(713,777)	(2,492,546)	(726,934)	(571,411)	(480,303)
Income tax expense	11	–	–	–	–	–
Loss and total comprehensive loss for the year/period		(713,777)	(2,492,546)	(726,934)	(571,411)	(480,303)
Loss and total comprehensive loss for the year/period attributable to owner of the Target Company		(713,777)	(2,492,546)	(726,934)	(571,411)	(480,303)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
		2014	2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*15*	969,104	811,719	783,909	733,263
Concession intangible asset	*16*	15,298,614	13,267,908	12,792,640	12,436,189
Long-term deposits and prepayments	*17*	709,456	400,962	39,626	39,626
Available-for-sale investments	*19*	88,000	88,000	38,000	38,000
		17,065,174	14,568,589	13,654,175	13,247,078
Current assets					
Inventories		6	41	281	560
Trade and other receivables	*20*	36,434	60,617	65,180	54,702
Available-for-sale investments	*19*	50,000	–	–	–
Amount due from a non-controlling shareholder	*21*	13,000	13,000	13,000	13,000
Amounts due from fellow subsidiaries	*21*	–	–	8,087	33,580
Pledged deposits and restricted cash	*22*	106,000	–	–	–
Cash and cash equivalents	*23*	70,852	32,322	19,124	5,703
		276,292	105,980	105,672	107,545
Current liabilities					
Trade and other payables	*24*	1,675,000	1,223,696	971,385	931,099
Borrowings	*25*	550,000	556,300	646,620	554,850
Amounts due to fellow subsidiaries	*21*	71,402	189,286	72,781	84,465
Amount due to immediate holding company	*21*	865,773	510,013	510,013	510,013
		3,162,175	2,479,295	2,200,799	2,080,427
Net current liabilities		(2,885,883)	(2,373,315)	(2,095,127)	(1,972,882)
Total assets less current liabilities		14,179,291	12,195,274	11,559,048	11,274,196

		As at 31 December			As at 30 September
		2014	2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Loan due to ultimate holding company	*21*	687,912	687,912	687,912	687,912
Borrowings	*25*	9,324,071	9,374,288	9,439,717	9,635,168
		10,011,983	10,062,200	10,127,629	10,323,080
Net assets		4,167,308	2,133,074	1,431,419	951,116
Equity					
Paid-up capital	*26*	2,030,330	2,488,642	2,513,921	2,513,921
Reserves/(deficits)		2,136,978	(355,568)	(1,082,502)	(1,562,805)
Total equity		4,167,308	2,133,074	1,431,419	951,116

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000* *(Note 26)*	Share premium *RMB'000* *(Note 27(b))*	Capital reserve *RMB'000* *(Note 27(b))*	Accumulated gain/(losses) *RMB'000*	Total *RMB'000*
At 1 January 2014	1,627,016	204,082	748,639	1,898,034	4,477,771
Capital injections	403,314	–	–	–	403,314
Loss and total comprehensive loss for the year	–	–	–	(713,777)	(713,777)
At 31 December 2014 and 1 January 2015	2,030,330	204,082	748,639	1,184,257	4,167,308
Capital injections	102,552	–	–	–	102,552
Capitalisation of amount due to immediate holding company	–	–	355,760	–	355,760
Transfer to paid-up capital from capital reserve	355,760	–	(355,760)	–	–
Loss and total comprehensive loss for the year	–	–	–	(2,492,546)	(2,492,546)
At 31 December 2015 and 1 January 2016	2,488,642	204,082	748,639	(1,308,289)	2,133,074
Capital injections	25,279	–	–	–	25,279
Loss and total comprehensive loss for the year	–	–	–	(726,934)	(726,934)
At 31 December 2016	2,513,921	204,082	748,639	(2,035,223)	1,431,419
At 1 January 2017	2,513,921	204,082	748,639	(2,035,223)	1,431,419
Loss and total comprehensive loss for the period	–	–	–	(480,303)	(480,303)
At 30 September 2017	2,513,921	204,082	748,639	(2,515,526)	951,116
At 1 January 2016	2,488,642	204,082	748,639	(1,308,289)	2,133,074
Capital injections	25,279	–	–	–	25,279
Loss and total comprehensive loss for the period	–	–	–	(571,411)	(571,411)
At 30 September 2016 (Unaudited)	2,513,921	204,082	748,639	(1,879,700)	1,586,942

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Loss before income tax expense	(713,777)	(2,492,546)	(726,934)	(571,411)	(480,303)
Adjustments for:					
Interest income	(4,194)	(4,422)	(563)	(529)	(7,546)
Dividends from available-for-sale equity investments	(1,520)	(1,850)	–	–	–
Finance costs	818,710	657,202	561,443	432,413	417,656
Depreciation of property, plant and equipment	76,178	77,731	70,024	52,569	53,270
Amortisation on concession intangible asset	494,834	494,834	475,268	356,451	356,451
Impairment loss on concession intangible asset	–	1,535,872	–	–	–
Impairment loss on property, plant and equipment	–	80,063	–	–	–
Loss/(gain) on disposal of property, plant and equipment	–	86	3	3	(133)
Gain on disposal of available-for-sale investments	–	(2,409)	(1,374)	(1,374)	–
Gain on disposal of a subsidiary	–	–	(1,127)	(1,127)	–
Operating cash flows before changes in working capital	670,231	344,561	376,740	266,995	339,395
Increase in inventories	(6)	(35)	(240)	(11)	(279)
(Increase)/decrease in trade and other receivables	(18,018)	(24,183)	(6,585)	(89,475)	10,478
(Decrease)/increase in trade and other payables	(765,151)	7,998	55,279	41,893	(22,811)
Net cash (used in)/generated from operating activities	(112,944)	328,341	425,194	219,402	326,783

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Net (increase)/decrease in long-term deposits and prepayments	(87,934)	2,985	197,025	159,678	–
Net cash outflow on disposal of a subsidiary	–	–	(2,073)	(2,073)	–
(Increase)/decrease in pledged deposits and restricted cash	(106,000)	106,000	–	–	–
Acquisition of property, plant and equipment	(42,553)	(990)	(42,626)	(4,807)	(2,941)
Proceed from disposal of property, plant and equipment	–	495	–	–	450
Payment for expressway construction costs	(189,963)	(153,793)	(189,328)	(142,601)	(51,826)
Dividends received from available-for-sale investments	1,520	1,850	–	–	–
Proceeds from disposal of available-for-sale investments	–	52,409	51,374	51,374	–
Interest received	4,194	4,422	563	529	7,546
Net cash (used in)/generated from investing activities	(420,736)	13,378	14,935	62,100	(46,771)
Financing activities					
Proceeds from borrowings	2,820,000	885,000	692,000	416,000	370,750
Repayment of borrowings	(3,119,572)	(834,000)	(539,600)	(305,813)	(268,190)
Increase in amounts due from fellow subsidiaries	–	–	(8,087)	(10,093)	(25,493)
(Decrease)/increase in amounts due to fellow subsidiaries	(48,910)	117,884	(112,549)	(85,570)	11,684
Capital contribution	403,314	102,552	25,279	25,279	–
Interest paid	(631,156)	(651,685)	(510,370)	(334,941)	(382,184)
Net cash used in financing activities	(576,324)	(380,249)	(453,327)	(295,138)	(293,433)
Net decrease in cash and cash equivalents	(1,110,004)	(38,530)	(13,198)	(13,636)	(13,421)
Cash and cash equivalents at beginning of year/period	1,180,856	70,852	32,322	32,322	19,124
Cash and cash equivalents at end of year/period	70,852	32,322	19,124	18,686	5,703

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATION INFORMATION

The Target Company was incorporated in the PRC on 6 June 2006 with limited liability. The registered office and place of business is located at No. 96, Minjian Road, Jining District, Ulanqab, the PRC (中國烏蘭察布市集寧區民建路96號). The principal activities of the Target Group are engaged in expressway operation and auxiliary facility investment, operation, management and maintenance. The principal activities of the subsidiaries are set out in Note 18 to the Historical Financial Information.

The Target Company's immediate holding company is Cheer Luck Technology Limited ("**Cheer Luck**"), a company incorporated in Hong Kong. In the opinion of the directors of the Target Company, the Target Company's ultimate holding company is the Company, a company incorporated in the Cayman Islands and whose shares are listed and traded on the main board of the Stock Exchange. Its registered office is the office of Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern assumption

The Historical Financial Information have been prepared under historical cost basis except for available-for-sale investments with quoted market price, which is measured at fair values, as explained in the accounting policies set out below.

The Target Group incurred loss of RMB713,777,000, RMB2,492,546,000, RMB726,934,000 and RMB480,303,000, respectively, during the years ended 31 December 2014, 2015 and 2016, and the nine months ended 30 September 2017, and as at 31 December 2014, 2015 and 2016, and 30 September 2017, its current liabilities exceeded its current assets by RMB2,885,883,000, RMB2,373,315,000, RMB2,095,127,000 and RMB1,972,882,000, respectively. These conditions indicate the existence of material uncertainty that may cast significant doubt the Target Group's ability to continue as a going concern and therefore, the Target Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Target Company have reviewed the cash flow projections of the Target Group covering a period of not less than twelve months from 1 October 2017 prepared by the directors of the Target Company. The directors of the Target Company are of the opinion that, taking into account the following measures, the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 1 October 2017. The measures include:

(i) As detailed in Note 35 to the Historical Financial Information, the disposal is considered as financing in nature and the Company shall continue to exercise control over the Target Group which will continue to consolidate into the consolidated financial statements of the Company after completion of the disposal as regard to Note 35.

(ii) The Company has undertaken to provide continuing financial support, including not to recall the amount due to it until the Target Group is solvent and provide sufficient financial resources to the Target Group so as to enable the Target Group both to meet its liabilities as they fall due and to carry on its business without a significant curtailment of operations (the "**Financial Support**"). The successful provision of the Financial Support by the Company and the successful execution of the Financial Support by the Target Company will depend on the financial capability of the Company which had huge liabilities in default as at 30 September 2017 and has therefore undertaken a number of measures to improve its financial position.

Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amounts of the Target Group's assets to their estimated realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

(c) Functional and presentation currency

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target Company.

3. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has adopted the HKFRSs issued by the HKICPA that are effective for the Target Group's annual accounting period beginning on 1 January 2017 consistently throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new/revised HKFRSs, which are not yet effective and have not been early adopted by the Target Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRSs	Annual Amendments to HKFRSs 2014-2016 Cycle except for Amendments to HKFRS 12[1]
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFCIC) – Interpretation 23	Uncertainty Over Income Tax Treatments[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2019

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Target Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Target Group's financial information in the future based on the existing business model of the Target Group as at 30 September 2017.

HKFRS 16 – Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16, which upon the effective date will supersede HKFRS 17 "Leases" and the related requirements when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessees accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Company currently presents operating lease payments as operating cash flows. Under HKFRS 16, the lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lease accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continuous to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16. The application of new requirements may result changes in measurement, presentation and disclosure. However, the directors of the Target Company do not anticipate that the application of HKFRS 16 will have a significant impact on the amounts recognised in consolidated financial statements of the Target Group in the future.

The directors of the Target Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and financial position of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The Historical Financial Information comprises the financial statements of the Target Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Foreign currency

Transactions entered into by the entities within the Target Group in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(d) Property, plant and equipment

Property, plant and equipment, buildings and construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset other than construction in progress over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Buildings	Over the remaining term of the relevant lease but not exceeding 30 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 8 years
Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	10 years

The gain or loss on disposal or retirement of a property, plant and equipment recognised in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

(e) Concession intangible asset

Concession intangible asset represents the rights to charge users of the public service, that the Target Group obtained under the service concession arrangements. Concession intangible asset is stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Amortisation of the concession intangible asset starts upon commencement of the operation of the concession intangible asset.

Amortisation for concession intangible asset with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

It is the Target Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective concession intangible asset. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Costs incurred during the period of construction of underlying concession intangible asset are recorded in concession intangible asset. Subsequent expenditures are capitalised in the concession intangible asset when it increases the future economic benefits embodied in the concession intangible asset. All other expenditures are recognised in profit or loss as incurred.

(f) Impairment of tangible assets and intangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible assets and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Value in use is based on the estimated future cash flows expected to be derived from the asset (or cash generating unit), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

(g) Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. Financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(iii) Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

– significant financial difficulty of the debtor;

– a breach of contract, such as default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(v) Derecognition of financial assets

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

(h) Financial liabilities and equity instrument issued by the Target Group

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

(i) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(ii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to group companies and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(iv) Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue of disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any differences between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the respective reporting period.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement benefits schemes

The Target Group located in the PRC participates in defined contribution retirement schemes organised by the local government authorities in the PRC. All of the PRC employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Target Company's PRC subsidiaries are required to contribute certain percentage ranged from 10% to 20% of the basic salaries of their PRC employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to profit or loss of the Target Group as they become payable in accordance with the rules of scheme.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances.

Toll income from the operation of toll road is recognised when the tolls are received or become receivable.

Interest income is recognised on time-proportion basis using effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment is established.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Target Group as lessee

Assets held under finance leases are recognised as assets of the Target Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) Related parties

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of key management personnel of the Target Group or its parent.

(b) An entity is related to the Target Group if any of the following conditions apply:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the Target Group (or of a parent of the Target Company).

(viii) The entity, or any member of a group of which is a group provides key management personnel services to the Target Group or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase depreciation charges where useful lives are less than previously technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of concession intangible asset

Concession intangible asset is the key operating asset for the Target Group's business and operation (the "**Key Operating Asset**"). Management tests whether the Key Operating Asset has suffered any impairment in accordance with the accounting policy as stated in Note 4(f). Management has assessed the recoverable amounts of the Key Operating Asset based on value-in-use calculations which require the use of estimate on the projections of cash inflows from continual use of the Key Operating Asset and discount rate.

(c) Impairment of available-for-sale investments

The directors of the Target Company review available-for-sale investments at the end of each reporting periods to assess whether they are impaired. The Target Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors of the Target Company evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

6. SEGMENT INFORMATION

The Target Group is principally engaged in expressway operation and auxiliary facility investment, operation, management and maintenance. For the purpose of resources allocation and performance assessment, the Target Group's management focuses on the operating results of the Target Group. As such, the Target Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

All external revenue generated by the Target Group during the Relevant Periods is attributable to customers located in the PRC.

All non-current assets were located in the PRC.

7. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Income from toll road operation	805,476	424,805	464,165	311,636	392,274

8. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Compensation income	2,481	1,282	1,775	981	399
Dividend income	1,520	1,850	–	–	–
Interest income	4,194	4,422	563	529	7,546
Net exchange gain	–	1,327	–	–	–
Gain on disposal of available-for-sale investments	–	2,409	1,374	1,374	–
Gain on disposal of a subsidiary	–	–	1,127	1,127	–
(Loss)/gain on disposal of property, plant and equipment	–	(86)	(3)	(3)	133
Others	11	(1,187)	(919)	(158)	13
	8,206	10,017	3,917	3,850	8,091

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest and finance costs on bank and other borrowings	818,710	657,202	561,443	432,413	417,656

10. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Auditor's remuneration	368	200	380	380	430
Depreciation of property, plant and equipment	76,178	77,731	70,024	52,569	53,270
Loss/(gain) on disposal of property, plant and equipment	–	86	3	3	(133)
Amortisation of concession intangible asset included in direct operating costs	494,834	494,834	475,268	356,451	356,451
Operating lease payments recognised as expenses	926	567	615	559	–
Staff costs (excluding directors' remuneration):					
– Salaries and allowances	52,565	37,980	30,073	21,869	20,143
– Defined contributions pension costs	7,055	5,802	6,148	4,624	4,235

11. INCOME TAX EXPENSE

The income tax expense comprises:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PRC enterprise income tax	–	–	–	–	–

The income tax expense for the Relevant Periods can be reconciled to the loss before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before income tax expense	(713,777)	(2,492,546)	(726,934)	(571,411)	(480,303)
Tax charges calculated at the domestic income tax rate of 25%	(178,444)	(623,136)	(181,734)	(142,853)	(120,076)
Tax effect of expenses not deductible for tax purposes	177,639	621,093	181,331	142,607	119,874
Tax effect of tax losses not recognised	805	2,043	403	246	202
Income tax expense	–	–	–	–	–

During the Relevant Periods, the statutory PRC enterprise income tax rate applicable to all other subsidiaries established and operating in the PRC was 25%.

The Target Company is entitled to a three-year exemption from PRC enterprise income tax followed by a 50% reduction in PRC enterprise income tax for subsequent three years (the "**Tax Holiday**"). As the Target Company has started operations during the year ended 31 December 2014, the Tax Holiday has been started in 2014. Consequently, the Target Company is exempted from PRC enterprise income tax rate from 2014 to 2016 and is subject to a 12.5% PRC enterprise income tax rate from 2017 to 2019.

12. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation for the Relevant Periods is as follows:

Year ended 31 December 2014

Name of directors	**Fees**	**Salaries and allowances**	**Contributions to defined contribution retirement plan**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhao Peng	–	330	–	330
Gao Zhiping	–	44	85	129
Wang Yin	–	55	100	155
Cao Zhong	–	–	–	–
Fung Tsun Pong	–	–	–	–
Total	–	429	185	614

Year ended 31 December 2015

Name of directors	Fees	Salaries and allowances	Contributions to defined contribution retirement plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhao Peng	–	217	–	217
Gao Zhiping	–	52	98	150
Wang Yin	–	30	–	30
Cao Zhong	–	–	–	–
Fung Tsun Pong	–	–	–	–
Total	–	299	98	397

Year ended 31 December 2016

Name of directors	Fees	Salaries and allowances	Contributions to defined contribution retirement plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhao Peng	–	–	–	–
Gao Zhiping	–	55	105	160
Wang Yin	–	64	52	116
Cao Zhong	–	–	–	–
Fung Tsun Pong	–	–	–	–
Total	–	119	157	276

Nine months ended 30 September 2016 (unaudited)

Name of directors	Fees	Salaries and allowances	Contributions to defined contribution retirement plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhao Peng	–	–	–	–
Gao Zhiping	–	44	85	129
Wang Yin	–	63	59	122
Cao Zhong	–	–	–	–
Fung Tsun Pong	–	–	–	–
Total	–	107	144	251

Nine months ended 30 September 2017

Name of directors	Fees	Salaries and allowances	Contributions to defined contribution retirement plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhao Peng	–	–	–	–
Gao Zhiping	–	41	79	120
Wang Yin	–	42	32	74
Cao Zhong	–	–	–	–
Fung Tsun Pong	–	–	–	–
Total	–	83	111	194

(b) During the Relevant Periods, the emoluments of the five highest paid individuals were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and other benefits	3,011	2,712	2,615	1,835	2,075
Contributions to pension schemes	139	273	339	203	251
	3,150	2,985	2,954	2,038	2,326

Their emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Nil to RMB1,000,000	5	5	5	5	5
RMB1,000,000 to RMB1,500,000	–	–	–	–	–
RMB1,500,000 to RMB2,000,000	–	–	–	–	–

13. DIVIDEND

The directors of the Target Company do not recommend the payment of a dividend for each of the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017.

14. LOSS PER SHARE

Loss per share of the Target Group is not presented as such information is not considered meaningful in the context of this report.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, machinery and equipment	Motor vehicles	Safety equipment	Communication and signalling systems	Toll collection equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2014	303,982	374	19,210	19,603	427,592	86,955	48,024	106,755	1,012,495
Additions	–	1,665	34,776	6,112	–	–	–	–	42,553
At 31 December 2014 and 1 January 2015	303,982	2,039	53,986	25,715	427,592	86,955	48,024	106,755	1,055,048
Additions	–	–	224	766	–	–	–	–	990
Disposal	–	–	–	(1,824)	–	–	–	–	(1,824)
At 31 December 2015 and 1 January 2016	303,982	2,039	54,210	24,657	427,592	86,955	48,024	106,755	1,054,214
Additions	37,347	–	439	119	–	–	–	4,721	42,626
Disposal	–	–	(6)	–	–	–	–	–	(6)
Disposal of a subsidiary (Note 28)	–	(374)	(31)	(1,540)	–	–	–	–	(1,945)
At 31 December 2016 and 1 January 2017	341,329	1,665	54,612	23,236	427,592	86,955	48,024	111,476	1,094,889
Additions	–	–	451	1,070	–	–	–	1,420	2,941
Disposal	–	–	(1,030)	–	–	–	–	–	(1,030)
At 30 September 2017	341,329	1,665	54,033	24,306	427,592	86,955	48,024	112,896	1,096,800
Accumulated depreciation and impairment:									
At 1 January 2014	844	–	648	3,586	3,563	725	400	–	9,766
Charge for the year	10,133	416	6,431	2,942	42,759	8,695	4,802	–	76,178
At 31 December 2014 and 1 January 2015	10,977	416	7,079	6,528	46,322	9,420	5,202	–	85,944
Charge for the year	10,133	489	7,832	3,021	42,759	8,695	4,802	–	77,731
Eliminated on disposal	–	–	–	(1,243)	–	–	–	–	(1,243)
Impairment loss *(Note 16(b))*	31,061	139	2,222	1,491	34,292	6,974	3,884	–	80,063
At 31 December 2015 and 1 January 2016	52,171	1,044	17,133	9,797	123,373	25,089	13,888	–	242,495
Charge for the year	9,020	342	7,396	2,747	38,428	7,815	4,276	–	70,024
Eliminated on disposal	–	–	(3)	–	–	–	–	–	(3)
Eliminated on disposal of a subsidiary (Note 28)	–	(374)	–	(1,162)	–	–	–	–	(1,536)
At 31 December 2016 and 1 January 2017	61,191	1,012	24,526	11,382	161,801	32,904	18,164	–	310,980
Charge for the period	7,699	217	5,451	2,014	28,821	5,861	3,207	–	53,270
Eliminated on disposal	–	–	(713)	–	–	–	–	–	(713)
At 30 September 2017	68,890	1,229	29,264	13,396	190,622	38,765	21,371	–	363,537
Net carrying value:									
At 31 December 2014	293,005	1,623	46,907	19,187	381,270	77,535	42,822	106,755	969,104
At 31 December 2015	251,811	995	37,077	14,860	304,219	61,866	34,136	106,755	811,719
At 31 December 2016	280,138	653	30,086	11,854	265,791	54,051	29,860	111,476	783,909
At 30 September 2017	272,439	436	24,769	10,910	236,970	48,190	26,653	112,896	733,263

Construction in progress mainly represented the construction costs incurred for petrol and gas station in the service areas of Zhunxing Expressway under the financing arrangement entered into between the Company and Joint Gain Holdings Limited for the construction of petrol and gas stations in the service areas of the Zhunxing Expressway by the Project Company as defined in Note 18.

16. CONCESSION INTANGIBLE ASSET

	RMB'000
Cost:	
At 1 January 2014, 31 December 2014, 2015, 2016 and 30 September 2017	15,834,684
Accumulated amortisation and impairment:	
At 1 January 2014	41,236
Charge for the year	494,834
At 31 December 2014 and 1 January 2015	536,070
Charge for the year	494,834
Impairment loss	1,535,872
At 31 December 2015 and 1 January 2016	2,566,776
Charge for the year	475,268
At 31 December 2016 and 1 January 2017	3,042,044
Charge for the period	356,451
At 30 September 2017	3,398,495
Net carrying value:	
At 31 December 2014	15,298,614
At 31 December 2015	13,267,908
At 31 December 2016	12,792,640
At 30 September 2017	12,436,189

(a) Descriptions of the concession intangible asset

The Target Company has entered into a service concession arrangement with the local government whereby the Target Company 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's approval documents and the relevant regulations, the Target Company 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 and management, maintenance and overhaul of the toll roads during the exclusive operating period. The Target Company is entitled to operate the toll road upon completion 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 period expires without any payments to be made to the Target Company. 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. The Target Company 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 information in similar industry and management's experience.

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

(b) Impairment testing of the concession intangible asset

For the purpose of the impairment testing, the concession intangible asset is allocated to the expressway cash-generating unit ("**Expressway CGU**").

During each of the three years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017, the recoverable amount of the Expressway CGU has been determined independently by Jones Lang LaSalle Corporate Appraisal and Advisory Limited by value-in-use calculation.

Key assumptions used for the value-in-use calculation are as follows:

	2014	**2015**	**2016**
Exclusive operating period (include trial run period of 2 years)	31 years	30 years	29 years
Discount rate	9.11%	9.58%	10.13%
Toll rate per kilometer per ton	RMB0.09	RMB0.09	RMB0.09
Long-term toll revenue growth rate over the concession period	1.8%	5.7%	8.1%
Average toll revenue growth rate for first two years	33.7%	15.9%	12.9%
Average toll revenue growth rate after second year to end of exclusive operating period	1.8%	8.16%	8.8%

The discount rate is a pre-tax measure estimated using the capital asset pricing model based on the industry average ratios and the Expressway CGU's specific risks. The average toll revenue growth rates were determined based on the forecast of traffic volume growth.

Based on the above review, the directors of the Target Company have assessed the recoverable amount of the Expressway CGU which is lower than its carrying value as at 31 December 2015. Based on the valuation, impairment losses of RMB1,535,872,000 and RMB80,063,000 (Note 15) were recognised in profit or loss for the year ended 31 December 2015 in respect of concession intangible asset and related property, plant and equipment, respectively. Impairment losses were recognised because of the poor market conditions for the coal industry which caused the decrease in the traffic volume of Zhunxing Expressway.

17. LONG-TERM DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for construction of expressway and related facilities	657,869	326,772	–	–
Deposits paid for acquisition of property, plant and equipment	51,587	74,190	39,626	39,626
	709,456	400,962	39,626	39,626

The prepayments for construction of expressway and related facilities at 31 December 2014 and 2015 were subsequently applied to offset the construction costs payable for the year ended 31 December 2016 and 2015.

18. PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2014, 2015 and 2016 and 30 September 2017 are set out below.

Name of subsidiaries	Place and date of establishment	Registered capital	Equity attributable to the Target Company: As at 31 December 2014 %	2015 %	2016 %	As at 30 September 2017 %	Principal activities	*Note*
Beijing Zhunxing Longbo Investment Company Limited (北京准興隆博投資有限公司) ("Zhunxing Longbo") ("**准興隆博**")	The PRC/ 30 March 2011	RMB20 million	100	100	–	–	Provision of management consulting services	(i)
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) (the "**Project Company**")	The PRC/ 22 April 2013	RMB10 million	100	100	100	100	Construction and operation of petrol and gas stations in the service areas of Zhunxing Expressway	(ii)
Hebei Zhunxing Supply Chain Management Company Limited (河北准興供應鏈管理有限公司) (deregistered on 20 October 2016)	The PRC/ 7 November 2014	RMB20 million	100	100	–	–	Supply of chain management services	(ii)

Notes:

(i) The statutory financial statements of the subsidiary for the years ended 31 December 2014 and 2015 were audited by Beijing Yongqin Certified Public Accountants Co., Ltd. This subsidiary was disposed to a fellow subsidiary of the Target Company during the year ended 31 December 2016 (Notes 28&30(b)).

(ii) No statutory financial statements have been prepared for these two subsidiaries as there is no statutory requirement in the PRC.

19. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Unlisted equity shares, at cost *(note i, iii)*	88,000	88,000	38,000	38,000
Current				
Unlisted money market fund, at fair value *(note ii)*	50,000	–	–	–

Notes:

(i) All unquoted long-term equity investments are measured at cost less accumulated impairment losses at the end of the reporting period as the directors of the Target Company are of the opinion that their fair values cannot be measured reliably. In addition, the directors of the Target Company have no intention to dispose such investments with a carrying amount of RMB38,000,000 at 30 September 2017.

(ii) The Target Group regards the money market fund as short-term investments. They are stated at fair value. The fair value measurement of the investments are categorised as level 2.

(iii) As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Group's investment in (i) Inner Mongolia Berun New Energy Company Limited (內蒙古博源新型能源有限公司) with carrying amount of RMB38,000,000, RMB38,000,000, RMB38,000,000 and RMB38,000,000; and (ii) Guo Kai Rui Ming (Beijing) Investment Fund Co., Limited (國開瑞明(北京)投資基金有限公司) with carrying amount of RMB50,000,000, RMB50,000,000, RMBNil and RMBNil respectively, which are classified as non-current unlisted equity shares, were pledged to a bank to secure for the Target Group's borrowings. Details please refer to Note 25.

20. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	5,688	6,485	7,618
Other receivables	12,586	30,595	31,437	32,883
Loan receivables	20,000	20,000	20,000	–
Deposits paid	233	203	167	135
Prepayments	3,615	4,131	7,091	14,066
	36,434	60,617	65,180	54,702

(a) Details of the ageing analysis of trade receivables (net of impairment losses) of the Target Group at the end of each of the reporting periods based on the invoice date is as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outstanding balances aged:				
0 to 30 days	–	5,688	6,485	7,618

(b) All trade receivables were not past due nor impaired at the end of each of the reporting periods.

21. AMOUNT(S) DUE FROM/(TO) NON-CONTROLLING SHAREHOLDER/FELLOW SUBSIDIARIES/ IMMEDIATE HOLDING COMPANY/ ULTIMATE HOLDING COMPANY

Except for the amount due to ultimate holding company of the Target Company not repayable within the next twelve months after the end of each reporting periods, the amounts due are unsecured, interest-free and repayable on demand.

22. PLEDGED DEPOSITS AND RESTRICTED CASH

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits for banking facilities	106,000	–	–	–

The amounts represented cash deposited in bank as pledged deposits for the Target Group's borrowings granted by the bank (Note 25).

23. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	70,852	32,322	19,124	5,703

RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits were made for varying periods depending on the immediate cash requirements of the Target Group, and earned interest at the respective short-term time deposit rates.

24. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note (c))*	–	–	–	365
Other payables and accruals *(note (a))*	1,675,000	1,223,696	971,385	930,734
	1,675,000	1,223,696	971,385	931,099

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

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction costs payable	1,438,595	1,010,997	665,548	611,322
Retention and guarantee deposit	202,597	170,568	162,378	164,778
Accrued interest on the bank borrowings	–	–	47,724	82,075
Other accruals	33,808	42,131	95,735	72,559
	1,675,000	1,223,696	971,385	930,734

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

(c) Details of the ageing analysis of trade payables of the Target Group are as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outstanding balances aged:				
Within 30 days	–	–	–	365

25. BORROWINGS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	9,374,071	9,330,588	9,665,837	9,790,518
Other borrowings	500,000	600,000	420,500	399,500
	9,874,071	9,930,588	10,086,337	10,190,018

The Target Group's borrowings were scheduled to repay as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	550,000	556,300	646,620	554,850
After 1 year but within 2 years	546,800	588,500	241,710	202,400
After 2 years but within 5 years	316,960	516,980	945,520	1,241,960
After 5 years	8,460,311	8,268,808	8,252,487	8,190,808
	9,324,071	9,374,288	9,439,717	9,635,168
	9,874,071	9,930,588	10,086,337	10,190,018

Note:

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

All of the banking facilities are subject to the fulfilment of covenants relating to certain clauses in the Target Group's loan agreements which give the lender the right at its sole discretion to demand immediate repayment if the Target Group has failed to comply with the covenants and failed to meet the scheduled repayment obligations.

The Target Group's borrowings were secured as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured *(note (a))*	9,274,071	9,230,588	9,612,087	9,790,518
Unsecured *(note (b))*	600,000	700,000	474,250	399,500
	9,874,071	9,930,588	10,086,337	10,190,018

Notes:

(a) The secured borrowings of the Target Group were secured by:

(i) the Target Company's receivables rights of toll income of the Zhunxing Expressway as at 31 December 2014, 2015 and 2016 and 30 September 2017;

(ii) the Target Group's available-for-sale investments with the carrying amount of RMB88,000,000, RMB88,000,000, RMB38,000,000 and RMB38,000,000 as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively (Note 19);

(iii) the pledged deposits of RMB106,000,000 of 31 December 2014 (Note 22);

(iv) the equity interests of the Project Company as at 31 December 2014, 2015 and 2016 and 30 September 2017;

(v) the equity interests of the Target Company as at 31 December 2016 and 30 September 2017; and

(vi) certain assets of the Target Company as at 31 December 2016 and 30 September 2017.

The secured borrowings of the Target Group were also guaranteed by (a) the Company; (b) the immediate holding company of the Target Company; (c) the Target Company; (d) a non-controlling shareholder of the Target Company and (e) a director of the Target Company and his spouse.

(b) The unsecured borrowings of the Target Group were guaranteed by (a) the Company; (b) the immediate holding company of the Target Company; (c) a non-controlling shareholder of the Target Company and (d) a director of the Target Company and his spouse.

(c) As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Group's available banking facilities were amounted to approximately RMB9,874,071,000, RMB9,930,588,000, RMB10,457,087,000 and RMB10,190,018,000, out of which RMB9,874,071,000, RMB9,930,588,000, RMB10,086,337,000 and RMB10,190,018,000 had been utilised, respectively.

26. PAID-UP CAPITAL

	RMB'000
Registered capital:	
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 30 September 2017	2,513,921
Paid-up capital:	
At 1 January 2014	1,627,016
Capital injections *(note (a))*	403,314
At 31 December 2014 and 1 January 2015	2,030,330
Capital injections *(note (a))*	102,552
Transfer from capital reserve *(note (b))*	355,760
At 31 December 2015 and 1 January 2016	2,488,642
Capital injections *(note (a))*	25,279
At 31 December 2016, 1 January 2017 and 30 September 2017	2,513,921

Notes:

(a) The capital injections have been verified by certified public accountants registered in the PRC.

(b) Please refer to Note 27(b)(ii) for details.

27. RESERVES/DEFICITS

(a) The amounts of the Target Group's reserves (or deficits) and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(b) Movements of the Target Company's reserves for the Relevant Periods are as follows:

	Share premium	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note i)	*(note ii)*	*(note iii)*	
At 1 January 2014	204,082	748,639	(475,276)	477,445
Loss and total comprehensive loss for the year	–	–	(210,023)	(210,023)
At 31 December 2014 and 1 January 2015	204,082	748,639	(685,299)	267,422
Capitalisation of amount due to immediate holding company	–	355,760	–	355,760
Transfer to paid-up capital from capital reserve	–	(355,760)	–	(355,760)
Loss and total comprehensive loss for the year	–	–	(1,989,219)	(1,989,219)
At 31 December 2015 and 1 January 2016	204,082	748,639	(2,674,518)	(1,721,797)
Loss and total comprehensive loss for the year	–	–	(258,294)	(258,294)
At 31 December 2016	204,082	748,639	(2,932,812)	(1,980,091)
At 1 January 2017	204,082	748,639	(2,932,812)	(1,980,091)
Loss and total comprehensive loss for the period	–	–	(122,951)	(122,951)
At 30 September 2017	204,082	748,639	(3,055,763)	(2,103,042)
At 1 January 2016	204,082	748,639	(2,674,518)	(1,721,797)
Loss and total comprehensive loss for the period	–	–	(221,922)	(221,922)
At 30 September 2016 (Unaudited)	204,082	748,639	(2,896,440)	(1,943,719)

The nature and purposes of reserves (or deficits) are as follows:

(i) Share premium

The amount represents excess of the capital contribution over paid-up capital.

(ii) Capital reserve

Pursuant to the board resolution dated 12 September 2013, amount due to immediate holding company of RMB748,639,000 was waived, and was capitalised in capital reserve accordingly.

Pursuant to the board resolution dated 29 December 2015, amount due to immediate holding company of RMB355,760,000 was waived, and was capitalised in capital reserve. In the same board resolution, the capital reserve of RMB355,760,000 was transferred to paid-up capital.

(iii) Accumulated losses

Cumulative net loss recognised in profit or loss.

28. DISPOSAL OF A SUBSIDIARY

On 25 May 2016, the Target Company entered into a share transfer agreement with a fellow subsidiary of the Target Group, Beijing Zhongzi Zhunxing Technology Company Limited (北京中資准興科技有限公司) ("Zhongzi Zhunxing") ("**中資准興**"), pursuant to which the Target Company agreed to sell, and Zhongzi Zhunxing (中資准興) agreed to purchase, 100% equity interest in Zhunxing Longbo (准興隆博) which was engaged in provision of management consulting services, at a consideration of approximately RMB10,670,000. The share transfer was completed on 14 June 2016.

The net assets of Zhunxing Longbo (准興隆博) at the date of disposal were as follows:

	2016
	RMB'000
Property, plant and equipment	409
Trade and other receivables	2,022
Cash and cash equivalents	12,743
Trade and other payables	(1,675)
Amounts due to fellow subsidiaries	(3,956)
Net assets	9,543
Net assets	9,543
Gain on disposal of a subsidiary	1,127
Total consideration	10,670
Satisfied by:	
Cash	10,670
Net cash outflows arising on disposal:	
Cash consideration received	10,670
Cash and bank balances disposed of	(12,743)
Net cash outflow	(2,073)

29. CAPITAL COMMITMENTS

Capital commitments outstanding at end of each of the reporting periods not provided for were as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for – acquisition of property, plant and equipment	41,728	20,919	18,282	17,946

30. RELATED PARTY TRANSACTIONS

(a) Transactions between the Target Company and its subsidiaries, which are related parties of the Target Company, have been eliminated on consolidation and are not disclosed in this note.

(b) Save as disclosed elsewhere, the Target Group had the following major transactions with related parties during the Relevant Periods:

Related party relationship	**Type of transactions**	As at 31 December			Nine months ended 30 September	
		2014	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Zhongzi Zhunxing (中資准興) (a fellow subsidiary of the Target Company)	Disposal of a subsidiary	–	–	10,670	10,670	–
	Interest expenses	–	–	575	575	283
Inner Mongolia Zhunxing New Energy Investment Company Limited (內蒙古准興新能源投資有限公司) (a fellow subsidiary of the Target Company)	Interest expenses	–	–	–	–	471

(c) Members of key management during the Relevant Periods comprised only of the directors and top five highest paid individuals whose remuneration is set out in Note 12.

31. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Group's business and financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are limited by the Target Group's financial management policies and practices described below.

(a) Interest rate risk

The Target Group's interest rate risk mainly arises from bank deposits and borrowings. Bank deposits and borrowings issued at variable rates and at fixed rates expose the Target Group to cash flow interest rate risk and fair value interest risk respectively. The Target Group's interest rate profile as monitored by management is set out below.

	As at 31 December						As at 30 September	
	2014		2015		2016		2017	
	Effective interest rate per annum	*RMB'000*	*Effective interest rate per annum*	*RMB'000*	*Effective interest rate per annum*	*RMB'000*	*Effective interest rate per annum*	*RMB'000*
Fixed-rate bank deposits	2.08%	106,000	–	–	–	–	–	–
Floating-rate bank deposits	0.35%	67,293	2.34%	32,316	1.35%	19,109	1.13%	5,530
		173,293		32,316		19,109		5,530
Fixed-rate borrowings	10.3537%	1,080,000	7.819%	1,115,000	8.8859%	808,250	11.0000%	399,500
Floating-rate borrowings	5.1450%	8,794,071	5.1469%	8,815,588	5.1328%	9,278,087	5.1314%	9,790,518
		9,874,071		9,930,588		10,086,337		10,190,018

At 31 December 2014, 2015 and 2016 and 30 September 2017, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Target Group's loss for the year/period and accumulated losses by approximately RMB85,812,000, RMB87,880,000, RMB92,591,000 and RMB97,851,000, respectively. Other components of consolidated equity would not have any impact.

(b) Foreign currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(c) Credit risk

The Target Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Target Group does not obtain collateral from customers.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

(d) Liquidity risk

The Target 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 longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Target Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Target Group can be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014						
Trade and other payables	1,675,000	1,675,000	1,675,000	–	–	–
Borrowings	9,874,071	16,874,832	1,180,455	1,112,185	1,916,525	12,665,667
Loan due to ultimate holding company	687,912	687,912	–	–	–	687,912
Amounts due to fellow subsidiaries	71,402	71,402	71,402	–	–	–
Amount due to immediate holding company	865,773	865,773	865,773	–	–	–
	13,174,158	20,174,919	3,792,630	1,112,185	1,916,525	13,353,579
31 December 2015						
Trade and other payables	1,223,696	1,223,696	1,223,696	–	–	–
Borrowings	9,930,588	15,357,415	1,084,991	1,075,920	1,837,795	11,358,709
Loan due to ultimate holding company	687,912	687,912	–	–	–	687,912
Amounts due to fellow subsidiaries	189,286	189,286	189,286	–	–	–
Amount due to immediate holding company	510,013	510,013	510,013	–	–	–
	12,541,495	17,968,322	3,007,986	1,075,920	1,837,795	12,046,621
31 December 2016						
Trade and other payables	971,385	971,385	971,385	–	–	–
Borrowings	10,086,337	15,711,350	1,213,026	765,445	2,438,840	11,294,039
Loan due to ultimate holding company	687,912	687,912	–	–	–	687,912
Amounts due to fellow subsidiaries	72,781	72,781	72,781	–	–	–
Amount due to immediate holding company	510,013	510,013	510,013	–	–	–
	12,328,428	17,953,441	2,767,205	765,445	2,438,840	11,981,951
30 September 2017						
Trade and other payables	931,099	931,099	931,099	–	–	–
Borrowings	10,190,018	15,103,137	1,076,678	699,517	2,609,445	10,717,497
Loan due to ultimate holding company	687,912	687,912	–	–	–	687,912
Amounts due to fellow subsidiaries	84,465	84,465	84,465	–	–	–
Amount due to immediate holding company	510,013	510,013	510,013	–	–	–
	12,403,507	17,316,626	2,602,255	699,517	2,609,445	11,405,409

32. CAPITAL RISK MANAGEMENT

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratios at 31 December 2014, 2015 and 2016 and 30 September 2017 are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	13,174,158	12,541,495	12,328,428	12,403,507
Total assets	17,341,466	14,674,569	13,759,847	13,354,623
Gearing ratio	76.0%	85.5%	89.6%	92.9%

33. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of the Target Group's financial assets and financial liabilities as recognised at end of each reporting periods may be categorised as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Loans and receivables	222,671	101,808	98,300	92,919
Available-for-sale investments				
– Unlisted equity shares, at cost	88,000	88,000	38,000	38,000
– Unlisted money market fund, at fair value	50,000	–	–	–
	360,671	189,808	136,300	130,919
Financial liabilities:				
Trade and other payables	1,675,000	1,223,696	971,385	931,099
Borrowings	9,874,071	9,930,588	10,086,337	10,190,018
Loan due to ultimate holding company	687,912	687,912	687,912	687,912
Amounts due to fellow subsidiaries	71,402	189,286	72,781	84,465
Amount due to immediate holding company	865,773	510,013	510,013	510,013
Financial liabilities measured at amortised cost	13,174,158	12,541,495	12,328,428	12,403,507

(i) Financial assets and liabilities not measured at fair value

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values.

(ii) Financial assets and liabilities measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Level 2 fair values of money market fund has been determined based on quotes from market makers or alternative pricing sources supported by observable inputs. The most significant input are market interest rates.

Summary of fair value of financial instruments

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2014

Recurring fair value measurement	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investment				
– Unlisted money market fund	50,000	–	50,000	–

As at 31 December 2015

Recurring fair value measurement	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investment				
– Unlisted money market fund	–	–	–	–

As at 31 December 2016

Recurring fair value measurement	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investment				
– Unlisted money market fund	–	–	–	–

As at 30 September 2017

Recurring fair value measurement	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investment				
– Unlisted money market fund	–	–	–	–

There were no transfers between levels during the Relevant Periods.

34. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 30 September 2017 RMB'000
Non-current assets					
Property, plant and equipment		861,101	704,184	672,321	620,307
Concession intangible asset		12,738,273	11,202,401	11,202,401	11,202,401
Long-term deposits and prepayments		709,456	396,442	39,626	39,626
Available-for-sale investments		88,000	88,000	38,000	38,000
Interests in subsidiaries		210,000	210,000	170,000	170,000
		14,606,830	12,601,027	12,122,348	12,070,334
Current assets					
Trade and other receivables		36,197	59,684	61,488	49,429
Available-for-sale investments		50,000	–	–	–
Amount due from a non-controlling shareholder		13,000	13,000	13,000	13,000
Amounts due from fellow subsidiaries		870	870	8,087	33,580
Amounts due from subsidiaries		6,946	16,410	15,679	18,804
Pledged deposits and restricted cash		106,000	–	–	–
Cash and cash equivalents		29,124	13,641	18,809	5,035
		242,137	103,605	117,063	119,848
Current liabilities					
Trade and other payables		1,740,189	1,288,749	1,036,450	994,807
Borrowings		550,000	556,300	646,620	554,850
Amounts due to fellow subsidiaries		71,182	189,037	72,781	84,465
Amount due to immediate holding company		865,773	510,013	510,013	510,013
Amount due to a subsidiary		–	19,400	–	–
		3,227,144	2,563,499	2,265,864	2,144,135
Net current liabilities		(2,985,007)	(2,459,894)	(2,148,801)	(2,024,287)
Total assets less current liabilities		11,621,823	10,141,133	9,973,547	10,046,047
Non-current liability					
Borrowings		9,324,071	9,374,288	9,439,717	9,635,168
Net assets		2,297,752	766,845	533,830	410,879
Equity					
Paid-up capital	26	2,030,330	2,488,642	2,513,921	2,513,921
Reserves/(deficits)	27	267,422	(1,721,797)	(1,980,091)	(2,103,042)
Total equity		2,297,752	766,845	533,830	410,879

35. SUBSEQUENT EVENT

On 18 December 2017, Cheer Luck and Inner Mongolia Yuanheng Investment Co. Ltd entered into a supplemental agreement to the disposal agreement dated 28 December 2016 in relation to the disposal of 25% equity interest of the Target Company, pursuant to which, the consideration has been adjusted from RMB1,125 million as stated in the disposal agreement to RMB1,145 million, a deposit of RMB50 million is expected to be paid on or before 28 February 2018; the second payment of RMB985.5 million is expected to take place on or before 31 March 2018 and the final payment of RMB109.5 million is to be paid on or before 30 April 2018.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2017.

Yours faithfully

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2018

Leung Chun Wa
Practising Certificate Number P04963

INTRODUCTION

On 28 December 2016, the China Resources and Transportation Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and Inner Mongolia Yuanheng Investment Co., Ltd (the "**Purchaser/Lender**"), an independent third party, entered into a disposal agreement, pursuant to which, the Group has agreed to dispose of and the Purchaser/Lender has agreed to buy 25% equity interest of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("**Zhunxing**") at a cash consideration of Renminbi ("**RMB**") 1,125 million, subject to an adjustment upon finalization of the valuation report issued by an independent PRC valuer appointed by the Purchaser/Lender and the Group shall have a mandatory obligation to buy back this 25% equity interest of Zhunxing from the Purchaser/Lender within 5 years from the registration of the Purchaser/Lender as a shareholder of Zhunxing at the Administration for Industry and Commerce of Inner Mongolia Autonomous Region (內蒙古自治區工商行政管理局) and the Bureau of Commerce of Inner Mongolia Autonomous Region (內蒙古自治區商務廳) (the "**Registration**") at a consideration same as the actual consideration to be paid by the Purchaser/Lender to which the Group shall guarantee a return of 4.5% per annum for the period commencing from the date of Registration to the buy-back date. On 18 December 2017, upon finalization of the valuation report issued by an independent PRC valuer, the Group and the Purchaser/Lender entered into a supplemental agreement, pursuant to which, the consideration for disposal of 25% equity interest of Zhunxing has been adjusted to RMB1,145 million. Based on terms of the disposal agreement dated 28 December 2016 and the supplemental agreement dated 18 December 2017 (collectively, the "**VST Agreements**"), both entered into between the Group and the Purchaser/Lender, the disposal and the mandatory buy-back of 25% equity interest of Zhunxing (collectively, the "**Very Substantial Transaction**") is, in substance, a borrowing with a term period of 5 years and pledge of 25% equity interest of Zhunxing in favour of the Purchaser/Lender. The guaranteed rate of return to the Purchaser/Lender of 4.5% per annum, as stipulated under the VST Agreements, is the coupon interest rate accruing on the outstanding long-term borrowing during the period till the repayment date, which is the buy-back date under the VST Agreements. The proceed of RMB1,145 million under the VST Agreements will be used to repay part of the outstanding non-convertible bonds of the Company. Upon completion of the disposal of 25% equity interest of Zhunxing under the VST Agreements, a long-term borrowing of RMB1,145 million will be recognised in the consolidated accounts of the Group and, by the reason of the Group's mandatory obligation to buy-back this 25% equity interest of Zhunxing at the same amount under the VST Agreements, the Group shall continue to recognise and consolidate this 25% equity interest of Zhunxing as part of its investment in Zhunxing.

The unaudited pro forma financial information of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared, based on the financial statements of the Group for the year ended 31 March 2017 and the unaudited interim financial statements of the Group for the six months ended 30 September 2017, after making certain pro forma adjustments and based on the following assumptions as set out below:

(a) the drawn-down of long-term borrowing of RMB1,145 million, in form of the disposal of 25% equity interest of Zhunxing under the VST Agreements, have been assumed to complete on 30 September 2017, for the purpose of the unaudited pro forma consolidated statement of financial position, and on 1 April 2016, for the purpose of the unaudited pro forma consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flows; and

(b) the repayment of long-term borrowing through buy-back of 25% equity interest of Zhunxing, under the VST Agreements, is assumed to complete on 30 September 2022, being the end of the 5th anniversary year after completion of the aforesaid disposal as mentioned in (a), for the purpose of the unaudited pro form consolidated statement of financial position of the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results and financial positions of the Group, after the recognition of the long-term borrowing through disposal of 25% equity interest of Zhunxing which had been assumed to complete on 1 April 2016 and 30 September 2017 or any future dates, till the date of repayment.

For the purpose of the Unaudited Pro Forma Financial Information, RMB has been translated into Hong Kong dollars ("**HK$**") at an exchange rate of RMB1 to HK$1.17 in the unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2017 and at an average exchange rate of RMB1 to HK$1.15 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 March 2017.

(i) Unaudited pro forma consolidated statement of financial position

	The Group as at 30 September 2017 HK$'000 (Note 1)	Pro forma adjustments HK$'000	Note	The Group upon completion of the disposal as at 30 September 2017 HK$'000	Pro forma adjustments HK$'000 (Note 5)	The Group upon completion of the buy-back as at 30 September 2022 HK$'000
Non-current assets						
Investment property	27,735			27,735		27,735
Property, plant and equipment	1,082,944			1,082,944		1,082,944
Prepaid lease payments and use of right of farmland	232,937			232,937		232,937
Concession intangible asset	14,656,302			14,656,302		14,656,302
Goodwill and other intangible assets	48,969			48,969		48,969
Biological assets	59,671			59,671		59,671
Long term deposits	46,482			46,482		46,482
Available-for-sale investments	80,025			80,025		80,025
Total non-current assets	16,235,065			16,235,065		16,235,065
Current assets						
Inventories	72,947			72,947		72,947
Trade and other receivables	250,458			250,458		250,458
Prepaid lease payments and use of right of farmland	2,766			2,766		2,766
Amounts due from non-controlling shareholders of subsidiaries	15,249			15,249		15,249
Cash and cash equivalents	63,073	1,339,650	(2)		(1,339,650)	
		(6,000)	(3)			
		(1,333,650)	(4)	63,073	–	(1,276,577)
Total current assets	404,493	–		404,493	(1,339,650)	(935,157)
Current liabilities						
Trade and other payables	1,853,763			1,853,763		1,853,763
Promissory note	313,825			313,825		313,825
Amount due to a non-controlling shareholder of a subsidiary	5			5		5
Borrowings	650,861			650,861		650,861
Non-convertible debt securities	4,395,648	(1,333,650)	(4)	3,061,998		3,061,998
Total current liabilities	7,214,102	(1,333,650)		5,880,452		5,880,452
Net current liabilities	(6,809,609)	1,333,650		(5,475,959)	(1,339,650)	(6,815,609)
Total assets less current liabilities	9,425,456	1,333,650		10,759,106	(1,339,650)	9,419,456

	The Group as at 30 September 2017 HK$'000 (Note 1)	Pro forma adjustments HK$'000	Note	The Group upon completion of the disposal as at 30 September 2017 HK$'000	Pro forma adjustments HK$'000 (Note 5)	The Group upon completion of the buy-back as at 30 September 2022 HK$'000
Non-current liabilities						
Borrowings	11,302,458			11,302,458		11,302,458
Deferred tax liabilities	42,776			42,776		42,776
Acreage fees payable	10,454			10,454		10,454
Other borrowing	–	1,339,650	(2)		(1,339,650)	–
		(6,000)	(3)	1,333,650	6,000	
Total non-current liabilities	11,355,688	1,333,650		12,689,338	(1,333,650)	11,355,688
Net liabilities	(1,930,232)	–		(1,930,232)	(6,000)	(1,936,232)
Capital and reserves						
Share capital	1,488,479			1,488,479		1,488,479
Reserves	(3,621,811)			(3,621,811)	(6,000)	(3,627,811)
	(2,133,332)			(2,133,332)	(6,000)	(2,139,332)
Non-controlling interests	203,100			203,100		203,100
Total deficit	(1,930,232)			(1,930,232)	(6,000)	(1,936,232)

Notes:

1. The balances are extracted from the unaudited consolidated statement of financial position as at 30 September 2017 as set out in the published interim report of the Company for the six months ended 30 September 2017.

2. This adjustment represents the receipt of RMB1,145,000,000 (equivalent to approximately HK$1,339,650,000, translated at the rate of HK$1.17/RMB1) as a long-term borrowing through disposal of 25% equity interest of Zhunxing under the VST Agreements, which has been assumed to complete on 30 September 2017.

3. The adjustment represents the estimated legal and professional fees of approximately HK$6,000,000, directly attributable to the financing arrangement for the long-term borrowing through disposal and buy-back of 25% equity interest of Zhunxing, shall be deducted against the proceed to be received from the Purchaser/Lender of RMB1,145,000,000 (equivalent to approximately HK$1,339,650,000, translated at the rate of HK$1.17/RMB1) (as referred to Note (2) above), being in substance a long-term borrowing to be carried at amortised cost, using the effective interest rate method, for the period till maturity (being the date of completion of the buy-back of 25% equity interest of Zhunxing by the Group under the VST Agreements), in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

4. The adjustment represents the net proceeds of approximately HK$1,333,650,000 (HK$1,339,650,000 less HK$6,000,000) from the financing arrangement through disposal and buy-back of 25% equity interest of Zhunxing under the VST Agreements, which will be used to repay the part of the outstanding non-convertible bonds of the Company.

5. The pro forma adjustment represents the completion of the buy-back for a total consideration equivalent to the same amount of the VST agreements, i.e. RMB1,145,000,000 (equivalent to HK$1,339,650,000) on 30 September 2022.

(ii) Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

	The Group for the year ended 31 March 2017 HK$'000 (Note 1)	Pro forma adjustment HK$'000	Note	The Group upon completion of the disposal for the year ended 31 March 2017 HK$'000	Pro forma adjustment HK$'000 (Note 2)	The Group upon completion of the buy-back for the year ending 31 March 2021 HK$'000
Revenue	727,616			727,616		727,616
Cost of sales and other direct operating costs	(878,435)			(878,435)		(878,435)
Gross loss	(150,819)			(150,819)		(150,819)
Loss on change in fair value of investment properties	(4,750)			(4,750)		(4,750)
Gain on change in fair value less costs to sell of biological assets	11,489			11,489		11,489
Impairment loss on goodwill and other tangible assets	(45,511)			(45,511)		(45,511)
Impairment loss recognised on interests in associates immediately prior to reclassification as disposal group held for sale	(362,078)			(362,078)		(362,078)
Other income and other gains or losses	9,884			9,884		9,884
Selling and administrative expenses	(265,030)			(265,030)		(265,030)
Finance costs	(977,207)	(60,348)	(2)	(1,037,555)	(60,546)	(1,098,101)
Share of results of associates	(8,655)			(8,655)		(8,655)
Loss before income tax credit	(1,792,677)	(60,348)		(1,853,025)	(60,546)	(1,913,571)
Income tax credit	8,234			8,234		8,234
Loss for the year	(1,784,443)	(60,348)		(1,844,791)	(60,546)	(1,905,337)
Loss for the year attributable to:						
– Owners of the Company	(1,676,202)	(60,348)		(1,736,550)	(60,546)	(1,797,096)
– Non-controlling interests	(108,241)			(108,241)		(108,241)
	(1,784,443)	(60,348)		(1,844,791)	(60,546)	(1,905,337)

	The Group for the year ended 31 March 2017	Pro forma adjustment	Note	The Group upon completion of the disposal for the year ended 31 March 2017	Pro forma adjustment	The Group upon completion of the buy-back for the year ending 31 March 2021
	HK$'000	*HK$'000*	*Note*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)				*(Note 2)*	
Loss for the year	(1,784,443)	(60,348)		(1,844,791)	(60,546)	(1,905,337)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Other comprehensive income	1,002			1,002		1,002
Total comprehensive income	(1,783,441)	(60,348)		(1,843,789)	(60,546)	(1,904,335)
Total comprehensive income attributable to:						
– Owners of the Company	(1,677,231)	(60,348)		(1,737,579)	(60,546)	(1,798,125)
– Non-controlling interests	(106,210)			(106,210)		(106,210)
	(1,783,441)	(60,348)		(1,843,789)	(60,546)	(1,904,335)

(iii) Unaudited pro forma consolidated statement of cash flows

	The Group for the year ended 31 March 2017	Pro forma adjustments	Note	The Group upon completion of the disposal for the year ended 31 March 2017	Pro forma adjustments	The Group upon completion of the buy-back for the year ending 31 March 2021
	HK$'000	*HK$'000*	*Note*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)				*(Note 2)*	
Cash flows from operating activities						
Loss before income tax	(1,792,677)	(60,348)		(1,853,025)	(60,546)	(1,913,571)
Adjustments for:						
Interest income	(14,772)			(14,772)		(14,772)
Finance costs	977,207	60,348	*(2)*	1,037,555	60,546	1,098,101
Depreciation of property, plant and equipment	89,677			89,677		89,677
Loss on change in fair value of investment properties	4,750			4,750		4,750
Gain on change in fair value less costs to sell of biological assets	(11,489)			(11,489)		(11,489)
Impairment loss of trade and other receivables, net	104,323			104,323		104,323
Impairment loss recognised on interests in associates immediately prior to reclassification as disposal group held for sale	362,078			362,078		362,078
Impairment loss on goodwill and other tangible assets	45,511			45,511		45,511
Amortisation of prepaid lease payments	945			945		945
Amortisation of concession intangible asset	552,023			552,023		552,023
Amortisation of customer relationships	1,593			1,593		1,593
Share of results of associates	8,655			8,655		8,655
Loss on disposal of subsidiaries	627			627		627
Loss on disposal of available-for-sale investments	6,166			6,166		6,166
Loss on disposal of an associate	1,629			1,629		1,629
Gain on disposal of forest prepaid lease payments and biological assets	(442)			(442)		(442)
Gain on disposal of property, plant and equipment	(300)			(300)		(300)

	The Group for the year ended 31 March 2017	Pro forma adjustments	Note	The Group upon completion of the disposal for the year ended 31 March 2017	Pro forma adjustments	The Group upon completion of the buy-back for the year ending 31 March 2021
	HK$'000	*HK$'000*	*Note*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)				*(Note 2)*	
Operating profit before changes in working capital	335,504			335,504		335,504
Decrease in inventories	23,909			23,909		23,909
Decrease in trade and other receivables	24,481			24,481		24,481
Increase in trade and other payables	18,251			18,251		18,251
Decrease of biological assets	159			159		159
Cash generated from operations	402,304			402,304		402,304
PRC tax paid	(560)			(560)		(560)
Net cash generating from operating activities	401,744			401,744		401,744

	The Group for the year ended 31 March 2017	Pro forma adjustments	Note	The Group upon completion of the disposal for the year ended 31 March 2017	Pro forma adjustments	The Group upon completion of the buy-back for the year ending 31 March 2021
	HK$'000	*HK$'000*	*Note*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)				*(Note 5)*	
Cash flows from investing activities						
Decrease in long-term deposits	977			977		977
Net cash outflow on disposal of subsidiaries	(176)			(176)		(176)
Decrease in loan receivables	36,779			36,779		36,779
Acquisition of property, plant and equipment	(6,577)			(6,577)		(6,577)
Proceeds from disposal of property, plant and equipment	371			371		371
Proceeds from disposal of available-for-sale investments	30,021			30,021		30,021
Proceeds from disposal of prepaid lease payments and biological assets	6,313			6,313		6,313
Proceeds from disposal of an associate	29,418			29,418		29,418
Payment of expressway construction costs	(78,658)			(78,658)		(78,658)
Interest received	10,454			10,454		10,454
Dividend income from an associate	3,771			3,771		3,771
Net cash generated from investing activities	32,693			32,693		32,693
Cash flows from financing activities						
Proceeds from borrowings	1,261,420			1,261,420		1,261,420
Repayment of non-convertible debt securities	–	(1,310,750)	*(4)*	(1,310,750)		(1,310,750)
Repayment of borrowings	(995,434)			(995,434)		(995,434)
Capital injection by a non-controlling shareholder of a subsidiary	1,982			1,982		1,982
Distribution to non-controlling interests upon dissolution of subsidiaries	(7,145)			(7,145)		(7,145)
Interest paid	(742,718)			(742,718)		(742,718)
Payment of coupon interest on borrowing through disposal and buy-back of 25% equity interest in Zhunxing	–	(59,254)	*(3)*	(59,254)	(59,254)	(118,508)
Net proceeds from borrowing through disposal and buy-back of 25% equity interest in Zhunxing	–	1,310,750	*(4)*	1,310,750	(1,316,750)	(6,000)
Net cash used in financing activities	(481,895)	(59,254)		(541,149)	(1,376,004)	(1,917,153)

	The Group for the year ended 31 March 2017	Pro forma adjustments	Note	The Group upon completion of the disposal for the year ended 31 March 2017	Pro forma adjustments	The Group upon completion of the buy-back for the year ending 31 March 2021
	HK$'000	*HK$'000*	*Note*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)					
Net decrease in cash and cash equivalents	(47,458)	(59,254)		(106,712)	(1,376,004)	(1,482,716)
Effect of foreign exchange rate changes	(15,336)			(15,336)		(15,336)
Cash and cash equivalents at beginning of year	116,529			116,529		116,529
Cash and cash equivalents at end of year	53,735	(59,254)		(5,519)	(1,376,004)	(1,381,523)

Notes (for the unaudited pro forma statement of profit or loss and other comprehensive income, and unaudited pro forma consolidated statement of cash flows):

1. The balances are extracted from the audited consolidated statement of profit and loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2017 as set out in the published annual report of the Company for the year ended 31 March 2017.

2. Pursuant to the disposal agreement, the Purchaser/Lender is entitled to a guaranteed return of 4.5% per annum of the Consideration of RMB1,145,000, from the day immediately following the registration till the fifth anniversary of the registration. The interest charged to the profit or loss would be calculated using the effective interest method, at the effective interest rate of 4.6041% per annum, on the net proceed of HK$1,310,750,000, being the gross proceed of RMB1,145,000,000 (equivalent to approximately HK$1,316,750,000, translated at the exchange rate of HK$1.15/RMB1) from long-term borrowing through disposal of 25% equity interest of Zhunxing under the VST Agreements, less HK$6,000,000 for the estimated directly attributable legal and professional costs, over the period till the maturity date (being the buy-back date at the end of the 5th anniversary year after the disposal).

3. The payment of yearly coupon interest to the Purchaser/Lender accruing, at the guaranteed rate of return at 4.5% per annum, the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument, i.e. five years on the gross proceed of RMB1,145,000,000 (equivalent to approximately HK$1,316,750,000, translated at the exchange rate of HK$1.15/RMB1), as the long-term borrowing through disposal under the VST Agreements, will be made at the end of each anniversary year. The yearly guaranteed coupon interest to the Purchaser/Lender would be approximately HK$59,254,000 (HK$1,316,750,000 x 4.5%) to be paid at the end of each anniversary year, after the completion of the long-term borrowing through disposal of 25% equity interest of Zhunxing under the VST Agreements. The finance cost and payment of interest will be charged from the year ended 31 March 2017 as if the disposal had been completed on 1 April 2016 for each year to 31 March 2021 as if the mandatory buy back will be made on 31 March 2021.

   The repayment of approximately RMB1,145 million, being the principal amount for long-term borrowing through the Group's mandatory buy-back for 25% equity interest of Zhunxing under the VST Agreements, will be made on 31 March 2021, being the end of the 5th anniversary year of the disposal under the VST Agreements.

4. The adjustment represents the net cash proceeds of approximately HK$1,310,750,000 (see Note (2) above), which would be used for repaying part of the outstanding non-convertible bonds of the Company as if the long-term borrowing through disposal of 25% of equity interest in Zhunxing under the VST Agreements had taken place on 1 April 2016.

5. The pro-forma adjustment represents the completion of the buy-back for a total consideration equivalent to the same amount of the VST agreements i.e. RMB1,145,000,000 (equivalent to HK$1,316,750,000 on 31 March 2021).

REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong
電話 Main +852 2894 6888
傳真 Fax +852 2895 3752
www.crowehorwath.hk

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China Resources and Transportation Group Limited

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of China Resources and Transportation Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), set out on pages III-1 to III-12 in Appendix III to the circular dated 26 March 2018 (the "**Circular**") of the Company, which has been prepared by the directors of the Company (the "**Directors**") for illustrative purposes only, to provide information about how the proposed disposal and the Group's undertaking of the buy-back obligation of 25% of the issued share capital of Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (collectively referred to the "**Very Substantial Transaction**") might have affected the financial information of the Group presented, for inclusion in Appendix III of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-12 of this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Very Substantial Transaction on the Group's financial position as at 30 September 2017 and the Group's financial performance and cash flows for the year ended 31 March 2017 as if the Very Substantial Transaction had taken place at 30 September 2017 and 1 April 2016, respectively. As part of this process, information about the Group's unaudited consolidated financial position has been extracted by the Directors from the Group's unaudited consolidated financial statements for the six months ended 30 September 2017, on which no audit or review report has been issued, and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2017, on which an auditor's report has been published.

Directors' responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 ("**AG 7**") *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Service Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in this Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Very Substantial Transaction at 30 September 2017 or 1 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effects to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed in pursuant to paragraph 4.29 (1) of the Listing Rules.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2018

Leung Chun Wa
Practising Certificate Number P04963

The following is the text of a letter prepared for inclusion in this circular, received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent business valuer, in connection with the business valuation for its valuation as at 31 December 2017 of the market value of 100% equity interest in Zhunxing Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C–030171

Dear Sirs,

In accordance with the instructions from China Resources and Transportation Group Limited ("**CRTG**" or the "**Company**"), we have undertaken a valuation exercise to express an independent opinion of the market value of 100% equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited and its subsidiary (the "**Target Group**" or "**Zhunxing Group**"), as at 31 December 2017 (the "**Valuation Date**"), for circular reference. This letter summarizes the principal conclusions stated in our valuation report dated 26 March 2018.

Our valuation was carried out on a market value basis. Market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

INTRODUCTION

The Target Group was established in Inner Mongolia in the People's Republic of China ("**PRC**"). It is principally engaged in expressway and auxiliary facility investment, operation, management and maintenance. It has the exclusive right to build, and operate for 30 years (excluding the construction period and a 2-year trial period), the first PRC heavy haul toll expressway designed for coal transportation in the Inner Mongolia Autonomous Region that will run from the Jungar Banner (准格爾旗) which is the major coal production area located south of Hohhot (呼和浩特) in the Ordos (鄂爾多斯), towards the northeast for 265 km to Xinghe County (興和縣) which is a major logistics hub for coal distribution in the Northern China (the "**Expressway**").

The Expressway is designed to sustain 100 ton trucks whereas most other expressways in the PRC can only allow 50-ton trucks. The Expressway was opened to traffic in November 2013.

VALUATION METHODOLOGY

Given the unique characteristics of the Target Group under valuation, there are substantial limitations for the market approach and the cost approach for valuing the underlying asset. The market approach requires market transactions of comparable assets as an indication of value. Market transactions on expressway assets tend to have very different transaction prices considering a number of factors including geographical areas, toll rates and traffic, and operational stages and status of the expressway assets. We have not identified any current market transactions which are comparable. The cost approach does not directly incorporate information about the economic benefits contributed by the underlying asset.

In view of the above, we have adopted the income approach for the valuation. The income approach allows for the prospective valuation of future profits and justifications for the present value of expected future cash flows. In this study, the market value of the Target Group is estimated based on the present worth of future economic benefits to be derived from the projected income, assuming no major change in the local Government policies and regulations. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' interest and the repayment of shareholder's loans to their present worth at discount rates which in our opinion are appropriate for the risks of the business. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance and the potential risks inherent in toll road operation.

SCOPE OF INVESTIGATION

Discussions with the management of the Target Group and the Company in relation to the history and nature of business of the Target Group, and review of the historical and projected financial information and other relevant documents of the Target Group were also conducted.

We have considered and relied to a considerable extent on the Traffic and Revenue Study (the "**Traffic Report**") prepared by Samuel Wong Consultancy Limited ("**SWCL**") for the Expressway.

In the Traffic Report, SWCL developed two future forecast scenarios: the "Optimistic" and "Conservative" scenarios for the Expressway of the Target Group. The "Optimistic" scenario assumes a high expectation of economic growth over the entire evaluation period. This scenario considers an optimistic outlook towards the future and assumes a quicker development pace. The "Conservative" scenario assumes a lower development growth potential and a much slower pace of growth than the Optimistic scenario.

SWCL also prepared a projection for the traffic flow and revenue with respect to the subject toll road covering the respective concession period. Their projection is mainly based on the expected annual GDP growth rate, vehicle types, existing road network and future transportation plan.

We believe that the revenue forecast projected by SWCL is reasonable and, therefore, we have adopted their findings in determining the market value of the Target Group.

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Committee ("**IVSC**"). The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the toll road. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

Our assessment of the feasibility of conducting a valuation on the market value of the Target Group was based on the requirements set by IVSC. The issues considered include, but not limited to, the following:

- Economic useful life of the subject asset;
- Legal existence and protection of the subject asset;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Group;
- Projected operating costs and management expenses;
- Projected traffic flow, passenger volume and toll rates;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Group.

VALUATION ASSUMPTIONS

In determining the market value of the Target Group, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

- We have assumed that the projected business can be achieved with the effort of the management of the Target Group and the Company;

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- Natural weather can have an impact on toll roads, including flooding and other types of inclement weather. We have assumed that no extended closure will occur;

- We have assumed the accuracy of the financial and operational information provided to us by the Target Group and the Company and relied to a considerable extent on such information in arriving at our opinion of value;

- We have assumed the capital structure of the Target Group will not change;

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date;

- The traffic volume and toll revenue for the Expressway will conform to the level as projected by SWCL in the average of conservative and optimistic scenarios. Their projection is mainly based on the expected annual GDP growth rate, vehicle types, existing road network and future transportation plan. We believe that the traffic growth rate and the toll charge growth rate projected by SWCL are reasonable;

- We have adopted the toll revenue forecast from the Traffic Report prepared by SWCL. The forecast revenues we used in the model are the average revenues under the Optimistic and Conservative scenarios projected by SWCL;

- We have projected the total depreciation and amortization expenses, the operating and management expenses, the selling, management and other expenses and the income tax based on the historical financial statements as of 31 December 2017 of the Target Group and the management forecast.

DISCOUNT RATE

In applying the discounted cash flow method to estimate the value in use, it is necessary to determine an appropriate discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns caused by changes in the general level of interest rates.

2. Purchasing power risk, which measures loss of purchasing power over time due to inflation.

3. Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price.

4. Market risk, which measures the effects of the general market on the price behavior of securities.

5. Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk, burden of management, degree of liquidity, and other factors affect the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base or safe rate to compensate for the extent of risk believed involved in the investment.

Weighted Average Cost of Capital

WACC is calculated by multiplying the cost of each capital component by its weight and then summing all subtotals:

$$WACC = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)$$

R_e = Required return on equity

R_d = Required return on debt

E = Fair value of the firm's equity

D = Fair value of the firm's debt

V = E+D

$\frac{E}{V}$ = Percentage of equity financing

$\frac{D}{V}$ = Percentage of debt financing

T_c = Corporate tax rate

Required Return on Equity Capital

We have used Capital Assets Pricing Model (the "**CAPM**") to estimate the required return on equity capital.

The CAPM is a fundamental tenet of modern portfolio theory which has been a generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital.

The equation of CAPM is shown as follows:

Expected Required Return on Equity = Risk Free Rate + Nominal Beta (β) x Risk Premium

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The Capital Asset Pricing Model ("**CAPM**") is used to calculate the required rate of return on equity investment by using publicly-traded companies.

PARAMETERS FOR CAPM

Risk free rate	4.02%	10-year yield of China Government BFV Curve as at 31 December 2017
Risk Premium	5.21%	Historical equity risk premium of the Shanghai Shenzhen CSI 300 Index
Relevered Beta	0.875	Based on the beta of comparable companies
Company specific risk	1%	As comparable companies have more than one toll road, the risk in this company is higher than the comparable companies; therefore, a 1% additional risk premium is included.
Size premium	1.66%	Source: 2017 Valuation Book, Duff & Phelps
Required return on equity	11.23%	

In determining the beta, we have considered the information of certain listed companies in Hong Kong which are engaged in the business of operating expressways in China. The following table summarizes the betas of these companies as at 31 December 2017:

Certain Hong Kong listed companies in expressway business	*5 year weekly beta*
Sichuan Expressway Co., Ltd.	1.079
Jiangsu Expressway Co., Ltd.	0.763
Shenzhen Expressway Co., Ltd.	0.756
Zhejiang Expressway Co., Ltd.	0.915
Anhui Expressway Co., Ltd.	0.846

Source: Bloomberg

The 5 year weekly beta was calculated based on the regression analysis on the weekly returns of the relevant shares of the companies against the weekly returns of Hang Seng Index for the period from 31 December 2012 to 31 December 2017.

The application of CAPM and WACC as outlined above yielded the following discount rates, which we believe to be fair and reasonable required return for the Company.

PARAMETERS FOR WACC

D/E ratio	56.94	Based on the D/E ratio of comparable companies
Cost of equity	11.23%	
After-tax cost of debt	4.39%	With reference to the Target Group's borrowing rate net of the standard corporate income tax rate
Corporate income tax rate	25%	
Applied WACC	8.75%	

Discount For Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this investment using put option method. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event getting shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the DLOM.

Parameter	Input	Source	Remark
Option Type	Put	Not Applicable	Assumed
Spot Price	HK$1.00	Not Applicable	Assumed
Exercise Price	HK$1.00	Not Applicable	Assumed
Risk Free Rate (%)	4.02	Bloomberg	10-year yield of China Government BFV Curve as at 31 December 2017
Volatility (%)	20.72	Bloomberg	Historical volatility of comparable companies
Implied DLOM (%)	**6.3**	**Not Applicable**	**Calculated**

DLOC is an amount by which the pro rata value of a minority interest is less than the pro rata value of a controlling interest a business enterprise reflecting the lack of a control. It recognizes that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block. The DLOC adopted in this valuation is 6.3%, with reference to a control premium study published by FactSet Research Systems Inc.

As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, project documentation and other pertinent data concerning the project as has been made available to us. Such information has been provided by SWCL, the Target Group and the Company. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

We draw your attention to the fact that we have not undertaken structural or detailed civil engineering surveys and are not therefore able to confirm that the subject toll road will be free from structural defects.

We have only considered the revenue derived from the principal operation of the Target Group, namely: the collection of toll income and related expenses such as toll collection costs, management and administration costs and tax. Therefore, we have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, etc. in the valuation model.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of SWCL, the Target Group, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

SENSITIVITY ANALYSIS

A sensitivity analysis has been performed to determine the impact of changes in discount rate and revenue forecast scenarios on the market value of the equity interest in the Target Group. The result of the sensitivity analysis is as below.

Change in Discount Rate (% Point)	Discount Rate (%)	Market Value of 100% Equity Interest in the Target Group	Changes in Market Value (%)
+2	10.75	1,849,146,000	-59.54
+1	9.75	3,102,829,000	-32.11
0	8.75	4,570,383,000	0
-1	7.75	6,295,762,000	37.75
-2	6.75	8,333,026,000	82.33

Change in Revenue Forecast Scenario	Market Value of 100% Equity Interest in the Target Group	Changes in Market Value (%)
Optimistic	6,331,854,000	38.54
Average	4,570,383,000	0
Conservative	2,800,612,000	38.72

RISK FACTORS

The following factors may affect the result of this valuation.

- **Traffic volume**

  Traffic volume is affected by a number of factors including alternative means of transport, toll rates, fuel prices, and general economic conditions in the region. Any significant change in these factors could have a material impact on the profitability of the toll road. Furthermore, any major maintenance in the near future will also affect the traffic volume of the Expressway.

- **Traffic forecast**

  The forecast traffic flow and revenue of the Expressway are affected by a number of statistical factors, including the selection of samples, variance of independent variables, stability of correlations, etc. Any development in the future which deviates from the historical trends may affect the value of the Target Group.

- **Uncertainty of market competition**

The profitability of the Target Group may be affected by the existence of other means of transportation, including railways and planes and alternative routes to the Expressway. There can be no assurance that better quality competing roads which may allow for higher travelling speed and lower or even zero tolls will not be built in the latter years of this projection.

- **Toll increase**

The profitability of the Target Group is affected by the possibility of toll increases in the future. Any application for increase in the toll rate is required to be approved by local authorities. Any deviation from the estimated toll rate increase applied in this valuation will affect the resulting value.

- **Economic Considerations**

There is no assurance that the expected economic growth will be realized and future social and economic changes will be favorable to the Company.

- **Changes in Political, Economic and Regulatory Environment**

The Company is subject to various laws and regulations governing its operations in China. Future political and legal changes may have either favorable or unfavorable impacts on the Company.

- **Realization of Forecast and Projection**

This valuation is premised in part on the historical financial information and projections provided by the management of the Company. We assume accuracy of the information provided and rely to a considerable extent on such information in arriving at our opinion of value. Although appropriate tests and analyses have been carried out to verify the reasonableness and fairness of the information provided, events and circumstances frequently do not occur as expected. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent that any of the above mentioned information requires adjustment, the resulting investment value may differ.

LIMITING CONDITIONS

In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.

This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

Based on the results of our investigations and analyses, we are of the opinion that as at 31 December 2017 the market value of 100% equity interest in the Target Group is reasonably stated at the amount of **RMB4,570,383,000 (RENMINBI FOUR BILLION FIVE HUNDRED SEVENTY MILLION THREE HUNDRED AND EIGHTY THREE THOUSAND).**

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
FCPA
Regional Director

Note: Simon M.K. Chan is a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of CPA Australia, a fellow of the Royal Institute of Chartered Surveyors and a Chartered Valuer and Appraiser, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation services to numerous listed and private companies in different industries in Mainland China, Hong Kong, Singapore and the United States, including infrastructure companies like power plant companies and toll road companies.

The following is the report on traffic flow and toll revenue projections of Zhunxing Expressway prepared by Samuel Wong Consultancy Limited for the purpose of incorporation in this circular. The traffic study report was prepared in Chinese only and set out below is an English translation of such report. In case of any discrepancies between the Chinese and the English versions of this report, the Chinese version shall prevail.

1. OVERVIEW

1.1 Project Origin

Samuel Wong Consultancy Limited (hereinafter the "**Consultant**") was appointed by China Resources and Transportation Group Limited (hereinafter the "**Company**") in December 2017 to conduct a forecast study on the traffic volume and toll revenue of an expressway designed for coal transportation from Inner Mongolia Jungar to Xinghe (hereinafter the "**Project Expressway**" or "**Zhunxing Expressway**").

The study of the Consultant involves primarily the forecast of traffic volume and toll revenue of the Project Expressway for the coming years based on the historical information and economic and social development plans in the regions under study, historical information of traffic volume and toll revenue, future plans for expressway network and information collected during field investigation. The forecast period of traffic study for the Project Expressway is 2018 to 2045.

1.2 Project Background and Report Basis

The expressway from Inner Mongolia Jungar to Xinghe for coal transportation is a key project under the "11th Five-year Plan" of Inner Mongolia Autonomous Region and China Western Development Project, being the vital horizontal line in the road network of "eight horizontal lines, eight vertical lines, eight branch lines and eight loop lines" in Inner Mongolia. The Project Expressway is 265 km in length, starting from the west in Dalu County of Jungar Banner in Ordos City, via Qingshuihe County, Helin County of Hohhot City, Liangcheng County, Fengzhen City, Chahar Right Front Banner, and Xinghe County of Ulanqab City, stretching across three cities and seven banners or counties, and ending in Tuanjie Township of Xinghe County. With the designed annual cargo transportation volume of 150 million tonnes, the Project Expressway serves as a fast channel for coal transportation from the west to the east in Inner Mongolia. The opening of the Project Expressway offers a new channel for coal transportation from western Inner Mongolia to other regions and plays an important role to mitigate the severe traffic jam in Jingzang Expressway and facilitate the economic development of the central and western regions of Inner Mongolia.

In order to meet the requirement for heavy-haul coal transportation, the entire Project Expressway is designed in accordance with the heavy-haul expressway standards, being the dual 5-lane road with the designed speed of 80km/h. The lanes are paved with concrete. The heavy-haul direction from the west to the east comprises three lanes while the light-haul direction from the east to the west comprises two lanes. The Project Expressway commenced construction on 20 April 2007 and opened on 21 November 2013, interconnecting with Jingzang Expressway (G6), Jingxin Expressway (G7), Erguang Expressway (G55) and Hushuo Expressway (S29). The entire Project Expressway has 9 toll stations.

The project location map is shown in Figure 1.1.

Figure 1.1 Project Location Map

This report is prepared in prudent and conscientious manner by leveraging on the experience and professional skills of the Consultant on the basis of the field investigation and detailed research and analysis on the information collected. The primary bases of preparation are:

- the construction feasibility study report on the project
- the traffic volume and toll report provided by the project company
- the "13^{th} Five-year Plan" of Inner Mongolia Expressway
- the Coal Resources Development Plan for Inner Mongolia
- the outline of the 13^{th} Five-Year Plan for the National Economic and Social Development
- Information on the field investigation
- Other relevant information

1.3 Content and Scope of Work

The scope of work provided by the Consultant includes:

- Organizing the historical and the latest socio-economic information in regions under study, grasping their growing trends as well as making future forecasts; collecting the existing and the historical information on traffic, data about the traffic volume of toll stations and the toll revenue in regions under study as well as gathering information regarding the development planning on cities and traffic;

- Preparing forecast on the traffic volume of the Project Expressway based on the future economic growth of the regions under study. The base year for the research is 2017 and the forecast period is 2018 to 2045. The forecast results include two approaches – conservative and optimistic approaches;

- Preparing independent traffic volume forecast for each type of vehicles and making independent toll revenue forecast for each type of vehicles on the basis of existing toll standards;

- Preparing a report on the traffic volume and toll revenue forecasts including methodology and assumptions, in the form suitable for owners' review.

1.4 Main Findings

Traffic volume and toll revenue forecasts are prepared based the data for 2017, projecting the traffic volume and toll revenue until 2045.

Based on the traffic volume and toll revenue forecasts, in 2018, the average daily traffic volume of Zhunxing Expressway is 4,454 vehicles under conservative approach and 4,540 vehicles under optimistic approach respectively. In the forecast period of 2018 to 2045, the total toll revenue is RMB58.96 billion under conservative approach and RMB84.43 billion under optimistic approach respectively.

2. ECONOMIC STATUS AND DEVELOPMENT PLANNING IN REGIONS UNDER STUDY

Along with the implementation of open door policy and economic reform, China's economy has enjoyed sustained and rapid growth since the 1980s, and economic exchanges among regions have become increasingly frequent. At the same time, the economic development has put the existing transport infrastructure under pressure.

The future economic development is one of the main bases for the traffic volume forecast. Frequent economic activities increase the flow of goods, and therefore there are needs to improve the quantity and quality of truck traffic accordingly. Meanwhile, the economic growth also stimulates human mobility, thus driving up the travel frequency of people and promoting the development of private cars. The future economic development can be leveraged on in a certain extent through making forecast on the development of relevant economic indicators.

The traffic volume development of Project Expressway will be benefitted from the economic development in regions such as Inner Mongolia Autonomous Region, Hohhot, Beijing and Hebei and the increasingly frequent economic exchanges between those regions. In addition, the economic development of Tianjin Port, Ningxia, Ordos and Qinhuangdao Port and the inter-regional economic ties also exerts certain impact on the traffic volume growth of the project.

2.1 Regional Overview and Current Economic Development Status

2.1.1 Inner Mongolia Autonomous Region

Inner Mongolia Autonomous Region is located in the northern boundary of the People's Republic of China and its capital city is Hohhot. With the territory spanning from the Northeast China, Northern China to Northwest China and adjoining eight provinces, Inner Mongolia Autonomous Region is one of the provincial administrative regions having the highest number of neighboring provinces in the PRC. Bordering with Mongolia and the Russian Federation to the north, it is one of five minority autonomous regions of the PRC.

With a total area of 1.183 million sq. km, accounting for 12.3% of land area of the PRC, Inner Mongolia Autonomous Region is third largest province of the PRC. It has its eastern, southern and western sides adjacent to 8 provinces, being Heilongjiang, Jilin, Liaoning, Hebei, Shanxi, Shaanxi, Ningxia and Gansu, and it covers "Three-North" regions (i.e. Northeast China, Northern China and Northwest China). It is near to Beijing and Tianjin and bordered with Mongolia and Russian Federation to the north, with a border length of 4,200 km.

Inner Mongolia is rich in natural resources, thus being known as having "Forests in the East, Mines in the West, Farmlands in the South and Livestocks in the North". The area of grasslands, forests and arable lands per capita ranks the first in the PRC. It possesses the largest rare earth metal reserves in the world and the largest grassland and pastoral areas in the PRC.

Based on comparable prices, in 2016, Inner Mongolia achieved a GDP growth of 7.2% over last year to RMB 1,863.26 billion. Among which, the added value of the primary industry reached RMB 162.87 billion, representing an increase of 3%; the added value of the secondary industry was RMB 907.89 billion, representing an increase of 6.9%; and the added value of the tertiary industry was RMB 792.51 billion, representing an increase of 8.3%. The proportion of the three industries were 8.8 ∶ 48.7 ∶ 42.5. The contribution rate to GDP from the primary industry, the secondary industry and the tertiary industry were 3.8%,49.0% and 47.2%, respectively. The GDP per capita has increased by 6.9% year-on-year to RMB 74,069, equivalent to US$ 11,151 at annual average exchange rates.

In 2016, the added value of all industries throughout the year amounted to RMB 775.82 billion, representing a year-on-year increase of 7.0%. Among which, the added value of above-scale industrial enterprises grew by 7.2%, in which, the added value of state-controlled enterprises, collectively-owned enterprise, joint-equity enterprises, enterprises invested by foreign businessmen and Hong Kong, Macao and Taiwan compatriots and other economic kinds of enterprises recorded a growth of 1.4%, 0.9%, 7.2%, 3.1% and 20.5%, respectively. Among the above-scale industrial enterprises, the added value of light industry rose by 5.9%; the added value of heavy industry increased by 7.5%.

In terms of the output of the major industrial products, the production of coal in the region has amounted to 845.589 million tonnes, dropped 7.0% as compared to that of last year; the output of coke hit 28.167 million tonnes, representing a decrease of 7.4%. For natural gas, the output was 29.92 billion cubic meters, up 3.2%, while the power generation reached 394.98 billion kilowatt-hours, accounting for an increase of 0.5%. Among which, the wind power generation amounted to 46.42 billion kilowatt-hours, representing an increase of 13.8%; the output of steel was 20.168 million tonnes, up 6.3%; and the output of aluminum climbed up by 48.4% to 2.729 million tonnes.

During the first half of 2017, the added value of the above-scale industries in the region grew by 6.4% year-on-year from January to May, with 0.2 percentage points higher than the growth rate from January to April. In May, the added value further climbed up by 6.6%, which was 4.6 percentage points higher than the growth rate in April and 0.1 percentage points higher than the national average growth rate.

In terms of the three industries, the investment in the primary industry hit RMB 26.902 billion, accounting for an increase of 63.5% year-on-year; the investment in the secondary industry achieved RMB 169.929 billion, dropped by 1.6% year-on-year. Among which, the industrial investment recorded a year-on-year increase of 3.3%; the investment in the tertiary industry was RMB 192.113 billion, representing a growth of 22.0% year-on-year.

The historical GDP of Inner Mongolia Autonomous Region is shown in Table 2-1.

Table 2-1 **The GDP of Inner Mongolia Autonomous Region from 2011 to 2016** Unit: RMB 100 million

Year	GDP	Growth rate
2011	14,246.11	14.3%
2012	15,988.34	11.7%
2013	16,832.38	9.0%
2014	17,769.5	7.8%
2015	18,032.8	7.7%
2016	18,632.6	7.2%

Note: The data is extracted from statistical yearbooks; GDP represents the amounts for the then years and growth rates are calculated based on the comparable amount.

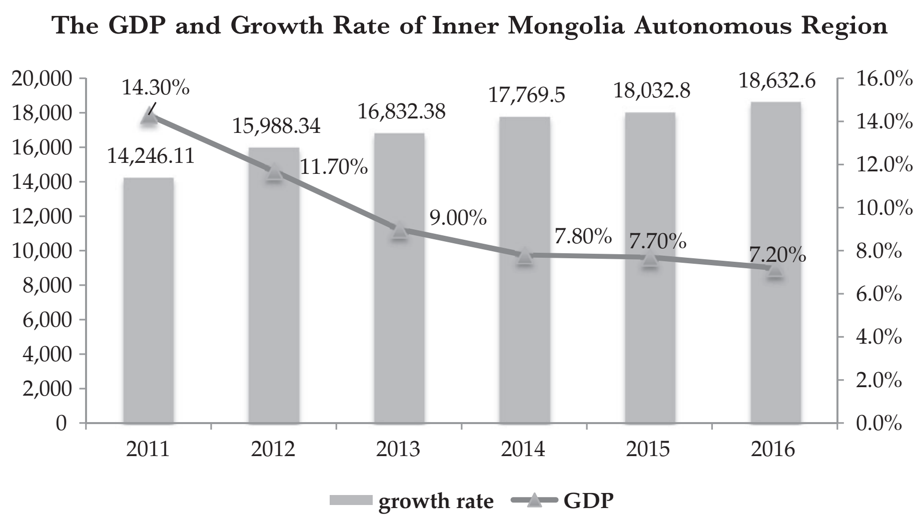

Chart 2.1 Changes in the GDP and Growth Rate of Inner Mongolia Autonomous Region (2011-2016)

According to the statistical analysis, driven by further reformation and development, the economy of the Inner Mongolia Autonomous Region grew rapidly. From 2011 to 2016, the GDP in the region improved prominently, however, the growth rate on the basis of comparable prices declined year by year.

2.1.2 Ordos City

Ordos City is located in the southwest of the Inner Mongolia Autonomous Region, laying on the hinderland of Ordos Plateau. It borders with Shanxi province on the east, Shaanxi province on the south, Ningxia province on the west, facing Baotou and Hohhot, the largest city and the capital of the Inner Mongolia Autonomous Region, to the north and the northeast across the river. Ordos City is approximately 400 km in length from west to east, 340 km in width from north to south, occupying 86,752 sq. km.

Ordos City is extremely rich in energy and mineral resources underground. As of 2012, 12 categories and 35 kinds of important mineral resources with industrial exploration value was identified. Among which, the proven natural gas reserve amounted to approximately 188 billion m^3, representing 1/3 of the national reserve; the proven kaolin and rare earth reserve represented half of the national reserve.

As of 2012, the proven coal reserve in Ordos City was more than 149.6 billion tonnes, representing approximately 1/6 of the national reserve. Taking into account the reserve 1,500 m underground, the total reserve amounted to nearly 1,000 billion tonnes. In the Ordos City with an area of more than 87,000 sq. km, 70% of the area contains coal reserves underground. By geographical location, the Ordos City can be divided into four coal field laying on the eastern, western, southern and northern part of the city, namely Jungar Coal Field, Zhuozishan Coal Field, Dongsheng Coal Field and Wulangeer Coal Field respectively. The coal reserve in Ordos City is not only rich, but also well known for its widespread distribution and complete variety, including ignite coal, long flame coal, non-caking coal, weakly-caking coal, gas coal, rich coal and coking coal. Most of the coal is shallow-buried, vertically-laid with deep thickness and are readily-exploited. For the four coal fields, except Wulangeer Coal Field, others are currently under exploitation.

The GDP of the city in 2016 was RMB 441.79 billion, accounting for an increase of 7.3% year-on-year, excluding price factor. In terms of three industries, the primary industry achieved an added value of RMB 10.76 billion, increased by 3.2%, with a contribution rate to the economic growth of 1.0% and boosting the GDP growth by 0.1 percentage points. The secondary industry recorded an added value of RMB 246.14 billion, up 7.5%, with a contribution rate to economic growth of 57.7% and boosting the GDP growth by 4.2 percentage points. The tertiary industry reached an added value of RMB 184.89 billion, representing a growth of 7.5%, with a contribution rate to economic growth of 41.3% and boosting the GDP growth by 3.0 percentage points. The proportion for the added value of three industries has been adjusted to 2.4:55.7:41.9.

The GDP of Ordos City in the first half of 2017 took over the lead in the autonomous region with its growth rate of 7.5%, which is 0.9% higher than the GDP growth rate in Inner Mongolia Autonomous Region.

The historical GDP of Ordos City is shown in Table 2-2.

Table 2-2 **The GDP of Ordos City from 2011 to 2016** Unit: RMB 100 million

Year	**GDP**	**Growth rate**
2011	3,218.5	15.10%
2012	3,656.8	13.00%
2013	3,955.9	9.60%
2014	4,162.2	8.00%
2015	4,226.1	7.70%
2016	4,417.9	7.30%

Note: The data is extracted from statistical yearbooks; GDP represents the amounts for the then years and growth rates are calculated based on the comparable amount.

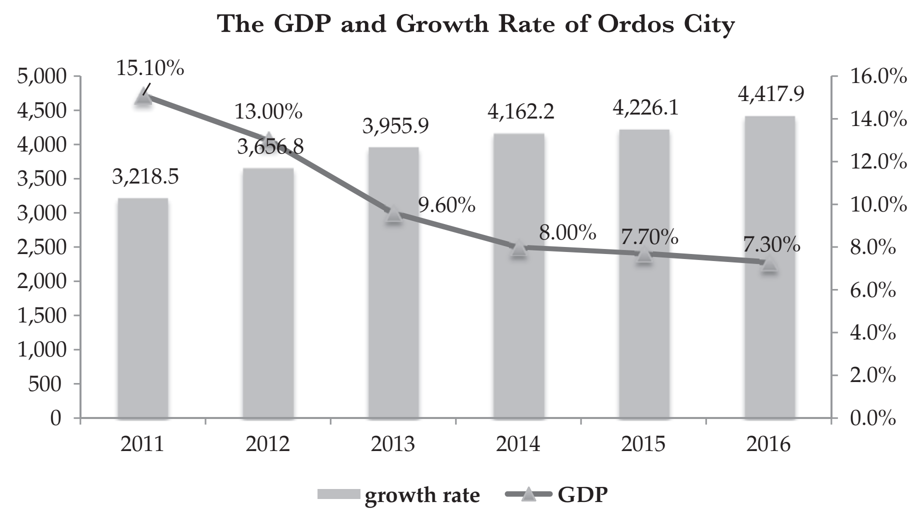

Chart 2.2 Changes in the GDP and Growth Rate of Ordos City (2011-2016)

According to the statistical analysis, the economy of Ordos City has grown steadily in the recent decade. Before 2013, the growth rate maintained 10% or above. Although the GDP remains an increasing trend in the recent years, the growth rate has started to slow down.

2.1.3 Ulanqab

Ulanqab City is located in central Inner Mongolia with 11 banners, counties, cities, districts and 1 economic and technological development zone, being Jining District, Chahar Economic and Technological Development Zone, Zhuozi County, Huade County, Shangdu County, Xinghe County, Liangcheng County, Siziwang Banner, Qahar Right Wing Front Banner, Qahar Right Wing Middle Banner, Qahar Right Wing Rear Banner and Fengzhen City, under its jurisdiction. It has a total area of 54,500 sq. km and a population of 2.89 million. It is a minority area native to Mongolians with Hans taking up most of the population.

In recent years, the socio-economy of Ulanqab has been developing rapidly. In 2016, Ulanqab's GDP hit RMB93.89 billion, representing a rise in constant price of 6.8% as compared to that of last year (similarly hereinafter), and a slowdown in growth by 1.2 percentage points as compared to the corresponding period of last year, which was 0.1 percentage points higher than the national average and 0.4 percentage points lower than the autonomous regional average. The growth pace ranked the 11th among the nation, of which the growth of primary, secondary, tertiary industry sector was 3.3%, 5.9% and 9.2% respectively, and the industrial structure of the three industry sectors was in the proportion of 13.6: 49.0: 37.4.

The historical GDP of Ulanqab are shown in Table 2-3.

Table 2-3 The GDP of Ulanqab from 2011 to 2016 Unit: RMB 100 Million

Year	GDP	Growth rate
2011	690.04	13.1%
2012	781.2	10.3%
2013	833.75	9.0%
2014	872.1	7.8%
2015	921	8.0%
2016	938.9	6.8%

Note: The data is extracted from statistical yearbooks; GDP represents the amounts for the then years and growth rates are calculated based on the comparable amount.

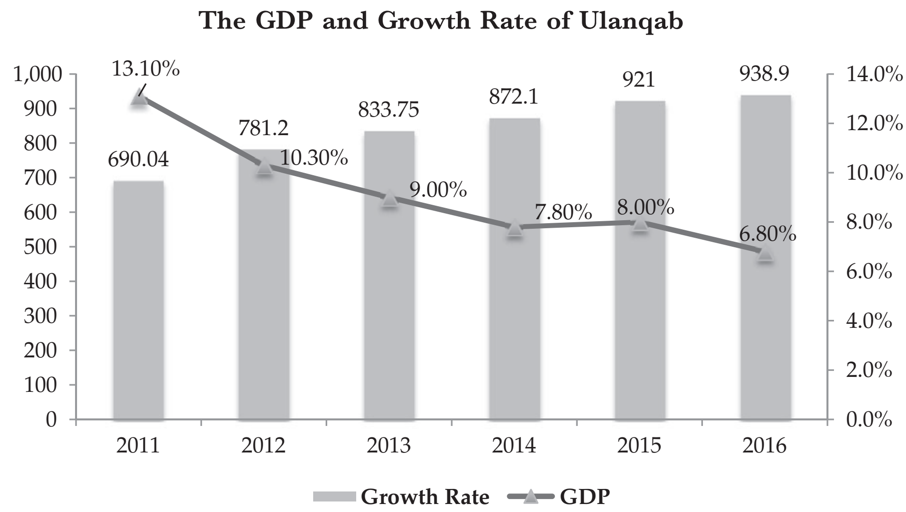

Chart 2.3: Changes in the GDP and growth rate of Ulanqab (2011-2016)

2.1.4 Beijing City

Beijing, where the offices of Central Committee of the Communist Party of China, the Central People's Government of the People's Republic of China and the National People's Representative Meeting are located, is the capital of the People's Republic of China, a municipality, a national central city, a megacity, and the national center for politics, culture, international exchanges and scientific and technical innovation. In the end of 2015, the resident population of Beijing City was 21.705 million, representing an increase of 189,000 people as compared to that in the end of 2014, of which 8.226 million people were immigrates, which make up 37.9% of the resident population.

The GDP of Beijing reached RMB2,489.93 billion in 2016, representing a growth of 6.7% over last year. Among which, the added value of primary industry sector was RMB12.96 billion, representing a decrease of 8.8%; while the added values of secondary industry sector and tertiary industry were RMB477.44 billion and RMB1,999.53 billion, representing growth of 5.6% and 7.1%, respectively. The industrial structure of the three industry sectors was adjusted from the proportion of 0.6: 19.7: 79.7 from last year to the proportion of 0.5: 19.2: 80.3. Beijing's GDP per capita calculated based on the resident population reached RMB115,000.

The historical GDP of Beijing are shown in Table 2-4.

Table 2-4 **The GDP of Beijing from 2011 to 2016** Unit: RMB 100 Million

Year	GDP	Growth rate
2011	16,000.4	8.1%
2012	17,801	7.7%
2013	19,501	7.7%
2014	21,330.8	7.3%
2015	22,968.6	6.9%
2016	24,899.3	6.7%

Note: The data is extracted from statistical yearbooks; GDP represents the amounts for the then years and growth rates are calculated based on the comparable amount.

Chart 2.4: Changes in the GDP and Growth Rate of Beijing (2011-2016)

2.1.5 Hebei Province

Hebei Province is surrounding Beijing the capital with a total area of 188,500 sq. km. Shijiazhuang City is the provincial capital. It is located around 283km to the north from Beijing, bordered to the east with Tianjin and adjacent to Bohai. Having the south-eastern and eastern part of it laying aside to Shandong Province and Henan Province, and the west near to Taihang Mountain and Shanxi Province, it is sharing a common border with Inner Mongilia Automous to the north-west and north, while being contiguous to Liaoning Province to the north-east.

The province's GDP reached RMB3,182.79 billion in 2016, representing an increase of 6.8% as compared to that of last year. Among which, the added values of the primary industry sector, the secondary industry sector and the tertiary industry sector were RMB349.28 billion, RMB1,505.85 billion and RMB1,327.66 billion, representing growth of 3.5%, 4.9% and 9.9%, respectively. The added value of the primary industry sector, the secondary industry sector and the tertiary industry sector took up 11.0%, 47.3% and 41.7%, respectively, of the province's GDP, which was 1.5 percentage points higher than last year.

The historical GDP of Hebei Province are shown in Table 2-5.

Table 2-5 The GDP of Hebei Province from 2011 to 2016 Unit: RMB 100 Million

Year	GDP	Growth rate
2011	24,228.2	11.3%
2012	26,575	9.6%
2013	28,301.4	8.2%
2014	29,421.2	6.5%
2015	29,806.1	6.8%
2016	31,827.9	6.8%

Note: The data is extracted from statistical yearbooks; GDP represents the amounts for the then years and growth rates are calculated based on the comparable amount.

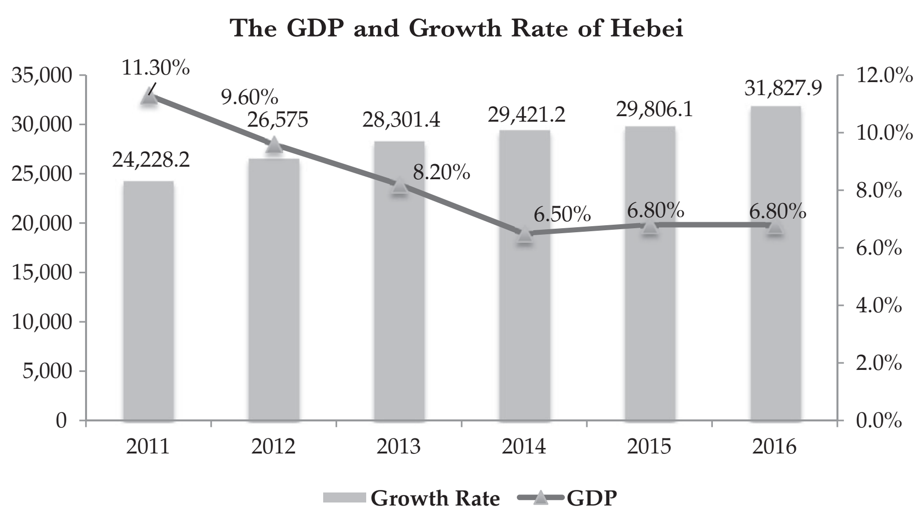

Chart 2.5: Changes in the GDP and Growth Rate of Hebei (2011-2016)

3. ROAD NETWORK FOR BASE YEAR IN THE REGIONS UNDER STUDY AND ITS DEVELOPMENT PLANS

3.1 Road network for Base Year

The existing road network as at 2017 is illustrated on Figure 3.1.

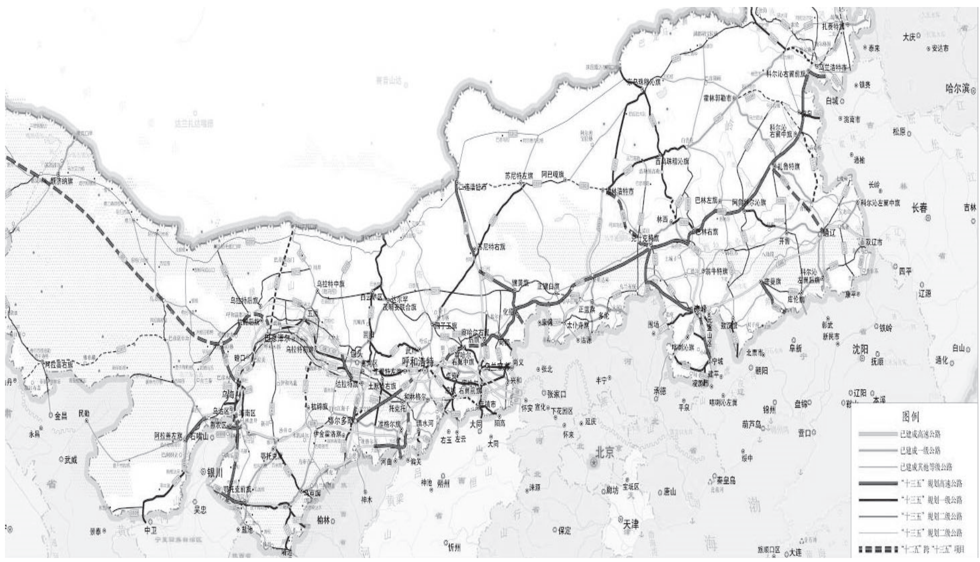

Figure 3.1 Road Network for Base Year

3.2 Analysis on the Coal Transportation Routes in the Regions affected by Project Expressway

Shanxi, Shaanxi and Inner Mongolia are the three major provinces where coal resources and outputs of China are concentrated in. Although those three provinces are known for their enormous coal consumption, their outputs are far more than their consumptions. At the same time, there are higher demand for coal in regions in Eastern and Southern China. The difference in the regional distribution of coal resources and the resulting conflicting situation between production and consumption have determined China's transportation landscape of "transporting coal from the west to the east" and "transporting coal from the north to the south".

Currently, Inner Mongolia, Shanxi, Shaanxi and Guizhou are the four major coal-exporting provinces, while provinces or regions namely Shandong, Henan, Hebei, Anhui, Hubei, Three Northeastern Provinces, Jiangsu-Zhejiang-Shanghai and Pearl River Delta are focusing on coal-importing. The main directions of coal distribution of each province are illustrated in Figure 3.2.

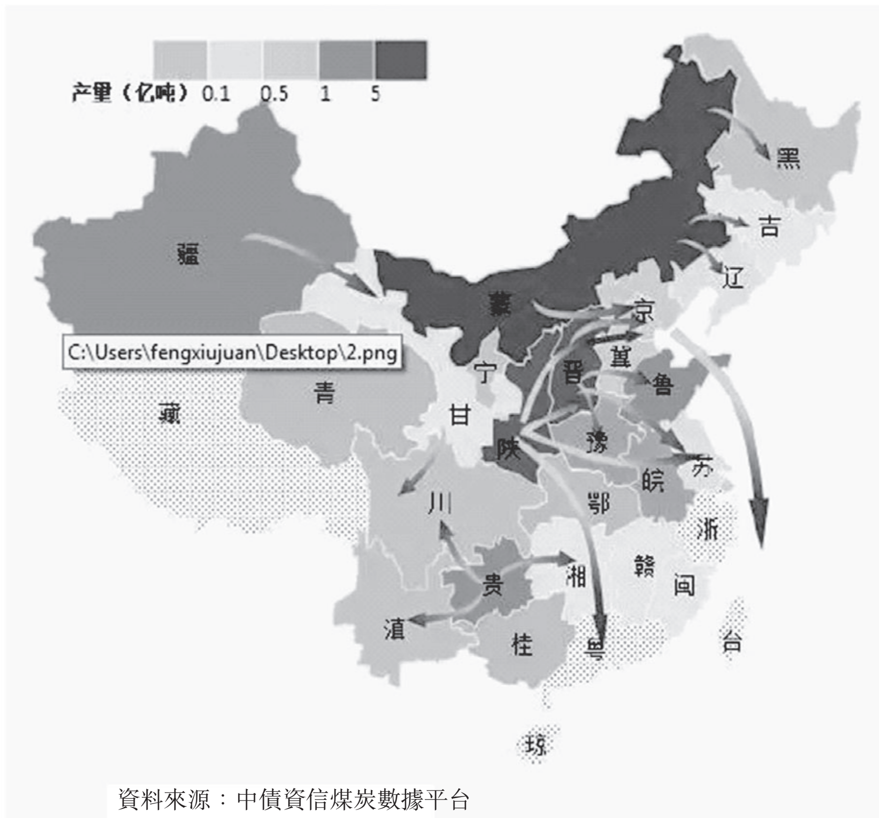

Figure 3.2 National Coal Import and Export

3.2.1 Ways of Coal Transportation

On a country-wide perspective, the two most crucial ways of coal transportation are railways and expressways, representing a similar proportion of approximately 40% to 45%, while waterways (including railway-waterway, expressway-waterway) occupies a relatively smaller proportion. Given a shorter distance for sales of coal within a province, expressways will be primarily applied (accounting for 73%), while railways (56%) and waterways (30%) will be more commonly used for sales of coal between provinces due to longer transportation distance.

With respect to the export of coal from major coal-producing provinces, the major way of coal export from Inner Mongolia is by waterways, while direct expressways are usually applied in Shaanxi region. For the coal importing provinces such as Hebei, Henan, Shandong and Anhui, direct railways is primarily used. With regards to the sales of coal within a province, a combination of expressways and railways is used in provinces like Inner Mongolia, Hebei, Henan and Anhui.

3.2.2 Expressway Transportation Routes for Coal

Expressways includes two segments, namely internal sales and external sales, both applying vehicle transportation. With regards to the transportation costs, expressway transportation involves the highest costs among all coal transportation methods. Acting as an important complement for railway transportation, short-distance transportation of coal between the coal-producing areas and the surrounding provinces, and the collection and distribution of coal through railways and ports are primarily conducted through expressways. Transportation by expressways for sales of coal within a province accounts for 73%, and for sales of coal between different provinces, the proportion amounts to 14%. Despite the fact that expressways typically cover a distance of less than 1,000 km and that expressways involve the highest transportation costs, expressways remain inevitable for the areas which are out of the coverage of railways or short-distance transportation within a province. Being an important components for "transporting coal from the west to the east" and acting as a complement to railways, Zhunxing Expressway plays a crucial role to external sales of coal in Mengxi region.

3.2.3 Effects of Coal Transportation Policies on Freight Charges

Not only did the coal transportation costs being affected by ways of transportation, transportation distance and fuel price, it is also subject to the relevant transportation policies, which mainly include adjustment to railway freight charges, adjustment to expressway freight charges and restrictions on overloading. Changes in transportation policies will affect the freight charges of the particular transportation ways on one hand, on the other hand, it may also extend its influence to other ways of transportation, eventually affecting the level of the overall coal freight charges.

In August 2016, the Ministry of Transport published on its website "Provisions on the Administration of the Running of Transport Vehicles with Out-of-gauge Goods on the Road" (超限運輸車輛行駛公路管理規定), which limits the total capacity of six-wheel vehicles to a maximum of 49 tonnes, otherwise it will be regarded as out-of-gauge. The provisions were officially implemented on 21 September 2016. The over-gauge limitation against the previously common practice of overloading in coal transportation through expressways led to rising transportation costs and freight charges.

As of 22 September 2016, the freight charges of coal through expressways increased by RMB20-30 per tonne, the freight charges for transportation distance within 1,000 km rose by RMB40-50 per tonne, while the freight charges for transportation distance over 1,000 km climbed up by RMB50-70 per tonne. In addition, the implementation of over-gauge limitation resulted to a shift of transportation volume to railways, thus driving the increase in the freight charges of railways. Various railway bureaus from regions such as Xian, Taiyuan, Urumqi and Zhengzhou announced adjustment to railway freight charges in October 2016, which cancelled the concession of price deduction by RMB 1 cent/tonne per kilometer for a vehicle fully loaded with coal (01) (upon adjustment to basic freight charge for coal by the National Development and Reform Commission in 2015, the concession of price reduction by RMB 1 cent/tonne per kilometer had been implemented since February 2016), and resumed the basic freight charge prescribed by the state (the base price 2 of coal readjusted upward to RMB 9.8 cent/tonne per kilometer). Given the nationally permitted maximum upward adjustment of 10% to the basic charge by railway transportation enterprises, such adjustment had already reached the cap of certain railway freight charges. Besides, the State seldom makes such adjustment. Therefore, the overall effect of the adjustment to policies for coal transportation through railways on the railway freight charges was minimal.

In general, the freight charges for coal transportation through expressway is more sensitive to the adjustment to transportation policies, the reaction thereon is more flexible and will be affected by any adjustment to other transportation policies (such as railways). With respect to the railway, given the nationally permitted maximum upward adjustment of 10% to the basic charge by railway transportation enterprises, and the State seldom makes adjustment to the basic charge. Therefore, the overall effect of the adjustment to the policies for coal transportation through railways on the railway freight charges was minimal.

3.3 Toll system for Base Year

(1) Standards of tolls for goods vehicles

Ever since the opening of the Project Expressway, the expressways in Inner Mongolia had implemented a toll-by-weight system for goods vehicles in the whole district, i.e. the standard of toll for vehicles in this forecast.

Pursuant to relevant provisions, the toll standards for the legitimate vehicles with normal loading on the Project Expressway are set out below:

Under the toll-by-weight standard on the Project Expressway for goods vehicles, a basic rate of RMB 0.09/tonne per kilometer is applied. For total tonnage (total weight) of less than or equal to 20 tonnes, a toll of RMB 0.09/tonne per kilometer will be charged. For vehicles with a total tonnage of more the 20 tonnes and less than or equal to 40 tonnes, the portion below or equal to 20 tonnes will be tolled by the basic rate, and the portion above 20 tonnes will be tolled according to the linear deduction of 50% of the basic rate. Vehicles with tonnage of less than 5 tonnes will be charged for 5 tonnes.

The toll standards for over-gauge vehicles are set out below:

For goods vehicles which overweigh within 30% (including 30%), the overloaded portion is temporarily charged at the basic toll rate for normal vehicles. For vehicles which overweigh between 30% and 100% (including 100%), in addition to the toll for normal loading, the overloaded portion will be charged at the linear increase to 6 times of the toll rate from 3 times of the basic rate. For vehicles which overweigh more than 100%, in addition to the toll for normal loading, the overloaded portion is charged at 6 times of the basic toll rate.

(2) The toll standard for passenger vehicles

As Project Expressway is a heavy haul toll expressway, for which vehicles with more than 7 seats are prohibited from entry. Hence, in this estimation, only the toll standard for the category 1 vehicles is taken into consideration, which is RMB0.40/km.

3.4 Historical Traffic Volume and Toll Collection Amount Analysis

The Consultant has collected and analyzed the data regarding traffic volume and toll collection amounts of each cross section, exit and entrance from the opening of Project Expressway till now. The outcome of which is stated in Table 3-1 and Table 3-2.

Table 3-1 Historical Revenue from Project Expressway Unit: Million

Month	2014 Revenue	2015 Revenue	2016 Revenue	2017 Revenue
January	41.45	50.01	39.34	29.26
February	27.37	22.38	17.57	27.15
March	64.34	37.26	38.01	38.63
April	62.00	29.34	31.83	35.45
May	70.09	29.96	29.28	38.49
June	62.05	34.51	26.51	49.68
July	57.73	39.50	36.27	58.20
August	63.14	32.94	52.76	69.33
September	67.95	36.61	51.21	60.08
October	79.47	49.42	56.22	64.72
November	70.21	30.14	62.61	64.79
December	61.98	43.40	38.89	64.52
Total	727.77	435.47	480.48	600.30

Notes: (1) The opening date of Project Expressway was 21 November 2013;

(2) The toll collection network was implemented in Inner Mongolia since 12 June 2015. Ever since June 2015, the relevant data was separated;

(3) The receivables from toll-free vehicles are not included.

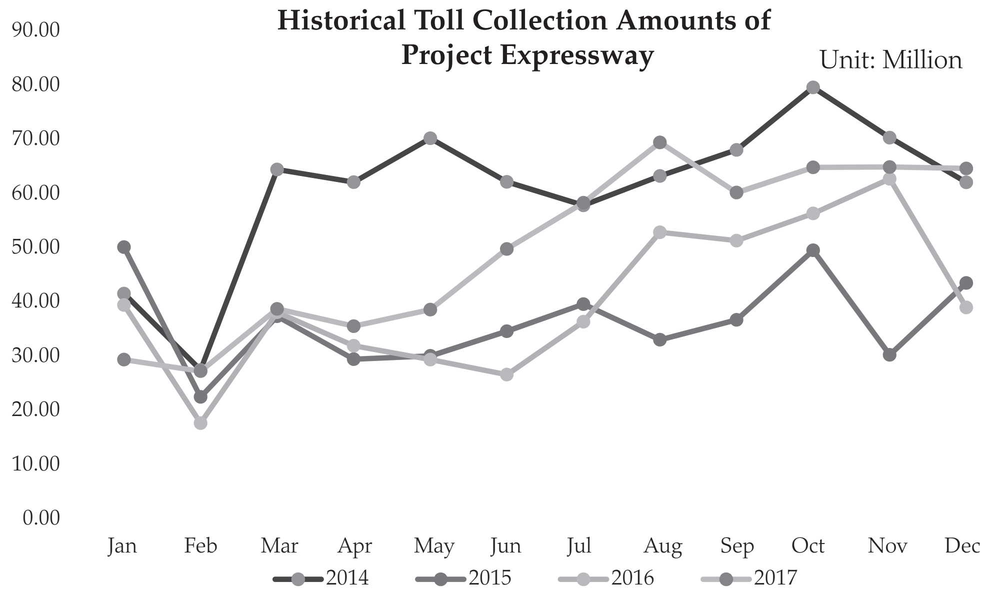

Chart 3.3 Comparison of Historical Toll Collection Amounts of Project Expressway

Table 3-2 Average Daily Traffic Volume of Project Expressway

Month	2014 Average Daily Traffic Volume	2015 Average Daily Traffic Volume	2016 Average Daily Traffic Volume	2017 Average Daily Traffic Volume
January	3,484	4,499	2,894	2,152
February	2,704	2,512	1,459	2,255
March	6,694	3,736	2,253	2,290
April	6,052	2,506	2,723	3,033
May	5,155	2,204	3,076	4,044
June	5,151	2,694	3,327	6,235
July	4,931	2,907	3,607	5,788
August	5,383	2,551	2,885	3,791
September	5,725	4,109	4,562	5,352
October	6,159	4,955	4,921	5,665
November	6,000	2,317	5,231	5,413
December	5,348	3,709	3,816	6,331

Notes: (1) The data represent the average daily traffic volume from each entrance, rather than cross section;

(2) Data from toll-free vehicles are included.

The above tables regarding historical toll collection and traffic volume showed a basically consistent trend of traffic volume from the entrances against toll collection amounts of Project Expressway since the opening of Project Expressway till now. There was a significant drop in traffic volume of 2015 as compared to that of 2014, representing a decrease of 48%, while the traffic volume and toll collection amounts of 2016 and 2017 recorded steady growth.

As the Project Expressway is a heavy haul toll expressway, regulatory policies and resources redeployment will cast material impact on the traffic volume of Project Expressway. The faster increase in traffic volume and toll collection amounts in 2017 than in 2016 was mainly attributed to:

(1) In August 2016, Ministry of Transportation announced "Provisions on the Administration of the Running of Transport Vehicles with Out-of-gauge Goods on the Road" (《超限運輸車輛行駛公路管理規定》), which prohibits heavy haul goods vehicles with load capacity of more than 49 tonnes from entering expressways. The implementation of such policy enabled transformation from "loading more" to "delivering faster", thereby driving rapid increase in the traffic volume of Project Expressway;

(2) In 2017, the coal output in Inner Mongolia increased due to restrictions on imported coal, which resulted to a rise in the number of transporting vehicles;

(3) Influenced by the green governance policies implemented in Beijing, Tianjin and Hebei Province, most of the coal mines in Zhangjiakou were shut down and relocated to Miaoliang Logistic Park, which brought about a higher traffic volume of Zhunxing Expressway;

(4) As two-way closure was imposed on the 10th section of Rongwu Expressway for maintenance on 22 July, most of the traffic flow were diverted to the Project Expressway, which led to higher growth in both toll collection amounts and traffic volume in August.

4. TRAFFIC FORECAST

4.1 Method of Forecasting

Method of elasticity coefficient was adopted for this traffic forecast. In general, the elasticity coefficient is generated based on the analysis and forecast on traffic volume and the national economy, which requires, firstly, an in-depth analysis on the changes in traffic or transportation volume and the national economy in the regions under study. The followings are needed in this regard:

(1) the historical growth rates of traffic or transportation volume as well as national economy; and

(2) future economic growth rates.

The elasticity coefficient method is generally adopted for the current traffic forecast of expressway network. The elasticity coefficients of expressway traffic and regional macroeconomic indexes provide a relatively objective reflection of their adaptation and relationship. The elasticity coefficient of the volume of expressway traffic or transportation volume to the economic indexes is the ratio between the change rate of traffic or transportation volume to the change rate of economic indexes (Gross Domestic Product (GDP) is generally applied), and is calculated as follows:

$$GV_r = GDP_r * e_{GV}$$

$$PV_r = GDP_r * e_{PV}$$

where：

GV_r :	average annual growth rate of traffic volume or transportation volume of goods vehicles in the regions under study
For example:	Growth rate of a specific year equals: $GV_r = (GV_t - GV_{t-1}) / GV_{t-1}$;
PV_r :	average annual growth rate of traffic volume or transportation volume of passenger vehicles in the regions under study
For example:	Growth rate of a specific year equals: $PV_r = (PV_t - PV_{t-1}) / PV_{t-1}$;
GDP_r:	average annual growth rate of GDP in the regions under study
e_{GV}:	elasticity coefficients for goods vehicles
e_{PV}:	elasticity coefficients for passenger vehicles

According to the formula above, the calculation of the elasticity coefficient between the traffic volume of passenger and goods vehicles and GDP may be deduced as follows:

$$e_{GV} = \frac{\partial\, GV / GV}{\partial\, GDP / GDP}$$

$$e_{PV} = \frac{\partial\, PV / PV}{\partial\, GDP / GDP}$$

The elasticity relationship between the traffic volume of passenger and goods vehicles and GDP is in line with the formula below:

$$Traffic = A * GDP^{B} \qquad (1)$$

Traffic: the traffic or transportation volume of the regions under study

GDP: the GDP index of the regions under study

A, B: calibration coefficient

Taking the logarithms on both sides of (1) to produce (2)

$$ln(Traffic) = ln(A) + B* ln(GDP) \qquad (2)$$

$$\frac{\partial(Traffic)}{Traffic} = B * \frac{\partial(GDP)}{GDP}$$

$$B = \frac{\partial(Traffic)}{Traffic} \Big/ \frac{\partial(GDP)}{GDP} \quad \text{(elasticity coefficient)}$$

4.2 Determination of Elasticity Coefficient

To determine the elasticity relationship between the economic index and the traffic volume, analysis on the historical GDP and the current traffic or transportation volume from expressway network are generally adopted. And, based on the future forecast of GDP of the regions under study, the linear regression model is applied to calculate and analyze the development level and growth rate of the traffic volume of the regions under study. Thereupon, the elasticity coefficients of traffic volume growth for passenger and goods vehicles can be calculated.

It is unlikely for the traffic volume to keep a simultaneous growth with GDP in a long run. The elasticity coefficient will gradually decrease as the number of private-owned vehicles and the travel frequency are restricted from willful growth, leading to a shift of consumption to other economic areas. For goods vehicles, time efficiency could be improved through the reduction of empty backhauls. With reference to the analysis on the future elasticity coefficient of the Inner Mongolia Highway Network (內蒙古高速公路網) and other important transportation infrastructure as well as its own experiences in similar projects, the future elasticity coefficients of passenger and goods vehicles in the regions affected by the Project Expressway are finally determined by the Consultant as set out in the table below.

Table 4-1 Future Elasticity Coefficients of Passenger Vehicles

Elasticity Coefficients of Passenger Vehicles	2018-2020	2021-2025	2025-2030	2031-2035	2036-2040	2041-2045
Inner Mongolia	1.21	1.20	1.19	1.18	1.17	1.16
Hohhot	1.21	1.20	1.19	1.18	1.17	1.16
Ulanqab	1.21	1.20	1.19	1.18	1.17	1.16
Jangar	1.21	1.20	1.19	1.18	1.17	1.16
Hebei	1.16	1.15	1.14	1.13	1.12	1.11
Shanxi	1.21	1.20	1.19	1.18	1.17	1.16
Shaanxi	1.11	1.10	1.09	1.08	1.07	1.06
Beijing	1.16	1.15	1.14	1.13	1.12	1.11
Tianjin	1.16	1.15	1.14	1.13	1.12	1.11

Table 4-2 Future Elasticity Coefficients of Goods Vehicles

Elastic Coefficients of Goods Vehicles	2018-2020	2021-2025	2025-2030	2031-2035	2036-2040	2041-2045
Inner Mongolia	1.16	1.15	1.14	1.13	1.12	1.11
Hohhot	1.16	1.15	1.14	1.13	1.12	1.11
Ulanqab	1.16	1.15	1.14	1.13	1.12	1.11
Jangar	1.16	1.15	1.14	1.13	1.12	1.11
Hebei	1.06	1.05	1.04	1.03	1.02	1.01
Shanxi	1.16	1.15	1.14	1.13	1.12	1.11
Shaanxi	1.01	1.00	0.99	0.98	0.97	0.96
Beijing	1.06	1.05	1.04	1.03	1.02	1.01
Tianjin	1.06	1.05	1.04	1.03	1.02	1.01

4.3 Determination of Approach

Based on the analysis on the historical economic development statistics of the relevant regions, information in relation to the Thirteenth Five-Year Plan, together with the economic development forecast made by the statistical department, and the characteristics of resources in the regions under study, the Consultant has conducted analysis on the future economic development trend of the regions under study, which led to final determination of annual average GDP growth rate in different stages. Given the inevitable uncertainties in forecast, both assumptions of "conservative approach" and "optimistic approach" are adopted. For details of future economic forecast results in different stages based on the above two approaches are set out in the tables below.

Table 4-3 Future GDPs of the Regions Under Study (Conservative Approach)

GDP Growth Factor	2018-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045
Inner Mongolia	7.0%	6.9%	6.8%	6.6%	6.4%	5.5%
Hohhot	7.3%	7.2%	7.0%	6.8%	6.6%	6.4%
Ulanqab	6.5%	6.4%	6.3%	6.1%	5.9%	5.7%
Jangar	7.0%	6.9%	6.8%	6.6%	6.4%	6.2%
Hebei	6.8%	6.7%	6.6%	6.4%	6.2%	5.8%
Shanxi	7.0%	6.9%	6.8%	6.6%	6.4%	6.2%
Shaanxi	8.0%	7.9%	7.8%	7.6%	7.4%	7.2%
Beijing	6.8%	6.7%	6.6%	6.4%	6.2%	5.8%
Tianjin	7.0%	6.9%	6.8%	6.6%	6.4%	6.2%

Table 4-4 Future GDPs of the Regions Under Study (Optimistic Approach)

GDP Growth Factor	2018-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045
Inner Mongolia	8.8%	8.7%	8.6%	8.4%	8.2%	7.3%
Hohhot	9.1%	9.0%	8.8%	8.6%	8.4%	8.2%
Ulanqab	8.3%	8.2%	8.1%	7.9%	7.7%	7.5%
Jangar	8.8%	8.7%	8.6%	8.4%	8.2%	8.0%
Hebei	8.6%	8.5%	8.4%	8.2%	8.0%	7.6%
Shanxi	8.8%	8.7%	8.6%	8.4%	8.2%	8.0%
Shaanxi	9.8%	9.7%	9.6%	9.4%	9.2%	9.0%
Beijing	8.6%	8.5%	8.4%	8.2%	8.0%	7.6%
Tianjin	8.8%	8.7%	8.6%	8.4%	8.2%	8.0%

Based on each approach, the trend of traffic volume for each predicted year can be calculated by applying the growth rate of traffic volume and the traffic volume of the base year.

5. KEY ASSUMPTIONS

After calculating the trend of traffic volume for each predicted year by using the method of elasticity coefficient above, and taking into consideration the impact of factors such as inducement and shift of traffic volume, the final forecast outcome on the traffic volume of Zhunxing Expressway can be generated. Please refer to Figure 5.1 for the basic forecasting procedures.

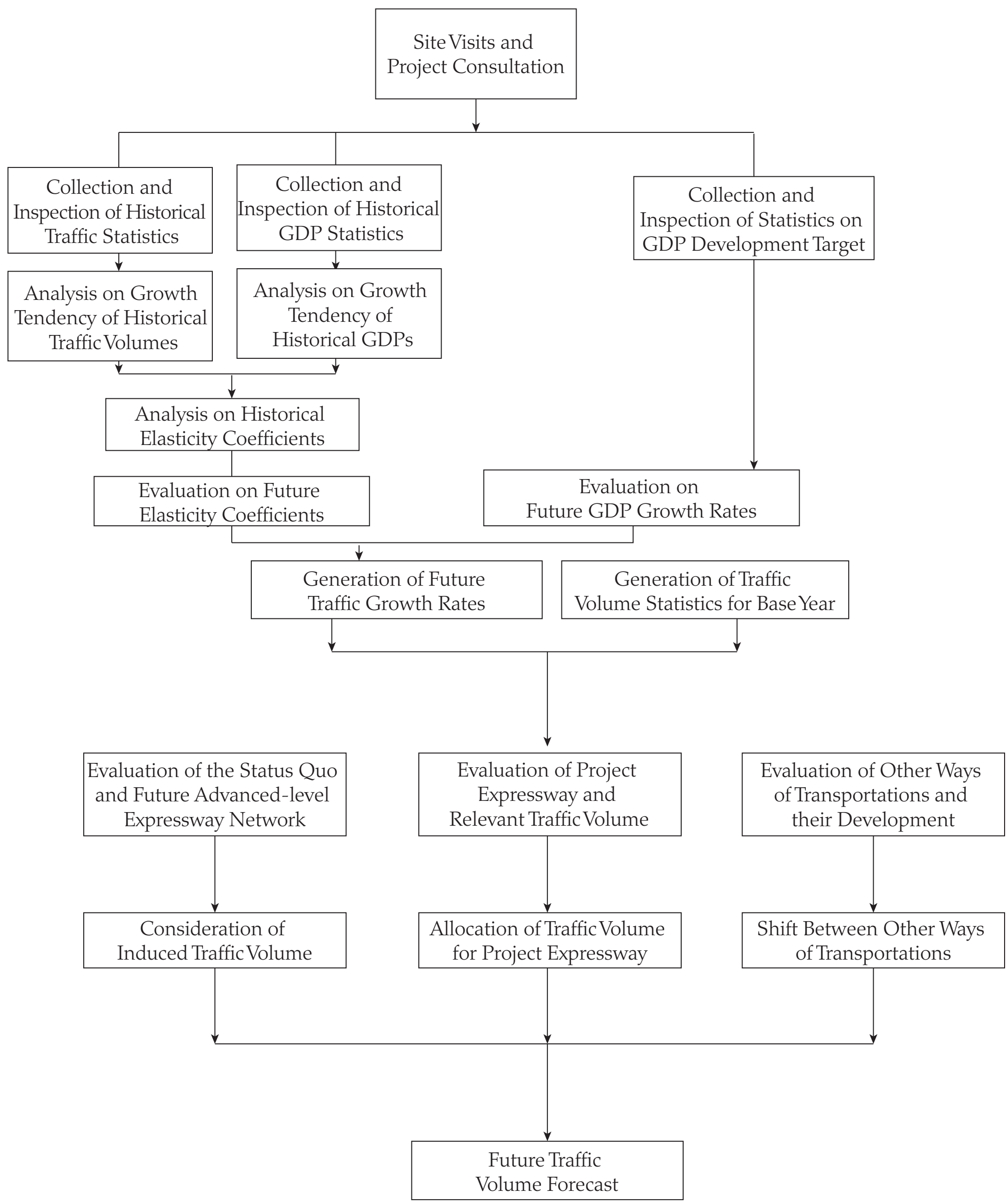

Figure 5.1 Forecasting Procedures

5.1 Calculation of Road Capacity

Upon calculation of the traffic volume for each forecasting year, the future traffic volume of the Project Expressway is subject to its capacity, and the traffic volume is unlikely to maintain unlimited growth, therefore it is necessary to calculate the road capacity of the Project Expressway.

The "Technical Standard of Highway Engineering" (公路工程技術標準) (JTG B01-2014) published in September 2014 by the Ministry of Transportation has standardized the classification of the level of service for highway into six grades (Grade 1 to 6). Grade 3 will be applied when generating the road capacity of expressways and arterial highways. The corresponding traffic density, velocity and the traffic volume of different levels of service are set out in Table 5-1, in which all numbers represent the result of small passenger cars.

Table 5-1 Level of Service for Expressway under "Technical Standard of Highway Engineering" (JTG B01-2014)

		Designed Speed (km/h)		
		120	100	80
Grading on Level of Service	v/C Value	The Maximum Traffic Volume pcu/(h.ln)	The Maximum Traffic Volume pcu/(h.ln)	The Maximum Traffic Volume pcu/(h.ln)
1	v/C ≤ 0.35	750	730	700
2	0.35 < v/C ≤ 0.55	1,200	1,150	1,100
3	0.55 < v/C ≤ 0.75	1,650	1,600	1,500
4	0.75 < v/C ≤ 0.90	1,980	1,850	1,800
5	0.90 < v/C ≤ 1.00	2,200	2,100	2,000
6	v/C > 1.00	0~2,200	0~2,100	0~2,000

Note: v/C value is the ratio of maximum traffic volume to basic road capacity under basic conditions, while basic road capacity is the corresponding maximum traffic flow per hour of the six grading on level of service.

In respect to the traffic flow, description on different level of service is as follows:

1. Grade 1 level of service: Free traffic flow, low traffic, high velocity and low traffic density. Drivers are free to choose the velocity they needed and they are not affected or unlikely to be affected by others drivers. A higher degree of travelling freedom, the better experience of comfort and convenience the drivers, passengers and pedestrians can have. There is relatively less traffic accidents, any obstacle on the way is easy to be eliminated so that there is no traffic queue up on the roads with accidents and the Grade 1 level of service can be resumed instantly.

2. Grade 2 level of service: Relatively free traffic flow. Drivers are likely to enjoy freedom in the choice of velocity, but need to be aware of other drivers. With drivers enjoying high level of comfort, there is minor traffic accident, or any obstacle on the way is easy to be eliminated, whilst the level of service is lower than Grade 1.

3. Grade 3 level of service: highly stable traffic flow. There is more interaction between vehicles. Choice of travelling speed is limited by other vehicles; caution should be exercised on change of lanes. In case of minor traffic accident, although it can be clean up easily, the level of service will be significantly lowered and cause a long queue lining up from serious congestion. Drivers can feel stressful.

4. Grade 4 level of service: Less stable traffic flow. Obviously affected by higher interaction between vehicles, freedom on the choice of velocity and lanes are seriously limited. A slightly increase on traffic flow will result in decline in both levels of service and comfort to drivers. It is difficult to clean up even minor accident, which causes quite a long queue of traffic.

5. Grade 5 level of service: traffic congestion where the maximum road capacity has been reached. Irrespective of traffic inflow from ramps or change of lanes, a disruption will be caused which cannot be eliminated. A quite long queue will be formed irrespective of types of traffic accident. Traffic flexibility is seriously unlimited which leads to bad experience to drivers.

6. Grade 6 level of service: Extreme congestion, which generally means a forced or blocked traffic flow. Under such level of service, the traffic demand goes far beyond the maximum capacity of a road, vehicles need to queue up and encounter a stop-and-go situation. The traffic status is unstable which may change under different traffic condition.

Zhunxing Expressway is a five-lane toll expressway located in Pingyuanweiqiu District with effective speed limit of 100km/hour. In accordance with "Technical Standard of Highway Engineering" (JTG B01-2014), the calculation of the road capacity of Zhunxing Expressway is set out below:

The formula:

$$C_D = C_B * (V/C) *N*F_w*F_p*F_{hv}$$

C_D : Designed road capacity on one way traffic;

C_B : Basic road capacity, i.e. 2,200pcu/h/ln based on Table 5-3;

v/C : Level of service, i.e. 0.75 when applying Grade 3 on level of service based on Table 5-7;

N : Number of one–way traffic lanes, i.e. 2 in this case;

F_w : Adjustment coefficient by combining net width of lane and hard shoulder, i.e. 1;

F_p : influence coefficient of drivers, i.e. 1;

F_{hv} : Correction coefficient of road capacity caused by heavy vehicles, the formula is as below:

$$F_{hv} = 1/[1+P_{hv}*(E_{hv}-1)]$$

P_{hv} : *Proportion of heavy vehicles*

E_{hv} : *Conversion coefficient between heavy vehicles and sedans*

Capacity of Project Expressway *(Cap)*:

$$(Cap) = C_D/PHF/F_D$$

PHF: Peak hour factor, i.e. 0.085 based on local situation;

F_D: Distribution coefficient of traffic direction, i.e. 0.55 based on the on-site survey.

Based on the above formula, the road capacity of Zhunxing Expressway is 75,000 vehicles/day.

5.2 Proportion of Kinds of Vehicles for the Coming Years

The forecasted proportion of kinds of vehicles for the coming years provided by the Consultant is set out on Table 5-2.

Table 5-2 Proportion of Kinds of Vehicles for the Coming Years

Tuanjie to G6 Xinghe Xi Intersection	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	46.00%	46.34%	46.86%	47.35%	48.22%	48.61%
Goods vehicles	54.00%	53.66%	53.14%	52.65%	51.78%	51.39%
G6 Xinghe Xi Intersection to Xinghe	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	18.50%	18.70%	19.03%	19.33%	19.88%	20.13%
Goods vehicles	81.50%	81.30%	80.97%	80.67%	80.12%	79.87%
Xinghe to G7 Sanruili Intersection	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	15.50%	15.68%	15.96%	16.23%	16.70%	16.92%
Goods vehicles	84.50%	84.32%	84.04%	83.77%	83.30%	83.08%
G7 Sanruili Intersection to Tuguiwu	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	13.50%	13.66%	13.91%	14.15%	14.58%	14.77%
Goods vehicles	86.50%	86.34%	86.09%	85.85%	85.42%	85.23%
Tuguiwuladong to G55 Intersection	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	14.20%	14.37%	14.63%	14.88%	15.32%	15.52%
Goods vehicles	85.80%	85.63%	85.37%	85.12%	84.68%	84.48%
G55 Intersection to Daihai	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	11.50%	11.64%	11.86%	12.07%	12.44%	12.61%
Goods vehicles	88.50%	88.36%	88.14%	87.93%	87.56%	87.39%
Daihai to Liangchengxi	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	13.70%	13.86%	14.12%	14.36%	14.79%	14.98%
Goods vehicles	86.30%	86.14%	85.88%	85.64%	85.21%	85.02%
Liangchengxi to Helindong	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	10.60%	10.73%	10.93%	11.13%	11.48%	11.63%
Goods vehicles	89.40%	89.27%	89.07%	88.87%	88.52%	88.37%

Helindong to Hushuo	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	14.90%	15.07%	15.35%	15.60%	16.07%	16.28%
Goods vehicles	85.10%	84.93%	84.65%	84.40%	83.93%	83.72%
Hushuo to Helinnan	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	16.70%	16.89%	17.19%	17.47%	17.98%	18.21%
Goods vehicles	83.30%	83.11%	82.81%	82.53%	82.02%	81.79%
Helinnan to Qingshunhe	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	13.80%	13.96%	14.22%	14.46%	14.90%	15.09%
Goods vehicles	86.20%	86.04%	85.78%	85.54%	85.10%	84.91%
Qingshunhe to Huanghe	**2017**	**2020**	**2025**	**2030**	**2040**	**2045**
Passenger vehicles	16.20%	16.38%	16.68%	16.95%	17.45%	17.67%
Goods vehicles	83.80%	83.62%	83.32%	83.05%	82.55%	82.33%

6. FINAL FORECAST RESULT

The future average daily traffic volume estimated by the Consultant through forecasting represents is a weighted average of average traffic on each road section. The base year for the forecast is 2017 and the period under forecast covers year 2018 to 2045. Results of the forecast of the average daily traffic volume of Zhunxing Expressway under traffic restriction based on conservative approach and optimistic approach are set out in Table 6-1 and Table 6-2.

The toll revenue is a product by multiplying the traffic volume of different kinds of vehicles with the standard toll chargeable in specific road sections. The Consultant took no consideration of the adjustment to the toll collection standard for the coming years, but conducted the forecast on future toll chargeable by Zhunxing Expressway based on the current standard. By reference to the Policies in respect of Green Transportation of Fresh Agricultural Products (鮮活農產品綠色通道政策) and Toll Free Policies (免費車政策) based on the relevant documents of Inner Mongolia, a discount to the toll will be made in accordance with the proportion of historical annual green transportation to toll-free vehicles. Toll revenue represents the price for the then year without taking into account any receivable from toll-free vehicles. Results of the forecast of annual toll revenue based on conservative approach and optimistic approach are set out in Table 6-1 and Table 6-2.

The forecast of traffic volume and toll revenue has assumed that there is no amendment on the policies in respect of limitation of entry into Beijing by non-local vehicles and no opening of new freight rail line for the coming years.

Table 6-1 Forecast Outcome of the Traffic Volume and Toll Collection Amount of Project Expressway – Conservative Approach

	Traffic Volume		Toll Collection Amount		
Year	Annual average daily traffic *(Vehicles/day)*	Growth Rate	Annual Revenue *(Ten Thousand RMB)*	Growth Rate	Accumulated Revenue *(Ten Thousand RMB)*
2018	4,454		67,084		67,084
2019	4,810	8.0%	72,416	7.9%	139,500
2020	5,194	8.0%	78,171	7.9%	217,671
2021	5,600	7.8%	84,241	7.8%	301,911
2022	6,037	7.8%	90,782	7.8%	392,693
2023	6,508	7.8%	97,831	7.8%	490,524
2024	7,016	7.8%	105,427	7.8%	595,951
2025	7,564	7.8%	113,613	7.8%	709,564
2026	8,147	7.7%	122,327	7.7%	831,891
2027	8,773	7.7%	131,676	7.6%	963,567
2028	9,444	7.7%	141,704	7.6%	1,105,271
2029	10,165	7.6%	152,457	7.6%	1,257,728
2030	10,938	7.6%	163,985	7.6%	1,421,712
2031	11,757	7.5%	176,201	7.4%	1,597,914
2032	12,632	7.4%	189,250	7.4%	1,787,163
2033	13,567	7.4%	203,180	7.4%	1,990,343
2034	14,565	7.4%	218,045	7.3%	2,208,388
2035	15,630	7.3%	233,901	7.3%	2,442,289
2036	16,756	7.2%	250,654	7.2%	2,692,943
2037	17,955	7.2%	268,496	7.1%	2,961,439
2038	19,233	7.1%	287,490	7.1%	3,248,929
2039	20,592	7.1%	307,701	7.0%	3,556,631
2040	22,039	7.0%	329,198	7.0%	3,885,828
2041	23,556	6.9%	351,722	6.8%	4,237,550
2042	25,158	6.8%	375,505	6.8%	4,613,056
2043	26,848	6.7%	400,594	6.7%	5,013,650
2044	28,631	6.6%	427,038	6.6%	5,440,688
2045	30,509	6.6%	454,883	6.5%	5,895,570

Table 6-2 Forecast Outcome of Traffic Volume and Toll Collection Amount for Project Expressway – Optimistic Approach

	Traffic Volume		Toll Collection Amount		
Year	Annual average daily traffic *(Vehicles/day)*	Growth Rate	Annual Revenue *(Ten Thousand RMB)*	Growth Rate	Accumulated Revenue *(Ten Thousand RMB)*
2018	4,540		68,363		68,363
2019	4,996	10.1%	75,203	10.0%	143,566
2020	5,499	10.1%	82,728	10.0%	226,294
2021	6,040	9.9%	90,839	9.8%	317,133
2022	6,636	9.9%	99,746	9.8%	416,878
2023	7,290	9.9%	109,526	9.8%	526,404
2024	8,008	9.9%	120,265	9.8%	646,669
2025	8,798	9.9%	132,057	9.8%	778,725
2026	9,655	9.7%	144,855	9.7%	923,580
2027	10,593	9.7%	158,855	9.7%	1,082,435
2028	11,619	9.7%	174,165	9.6%	1,256,601
2029	12,742	9.7%	190,904	9.6%	1,447,505
2030	13,970	9.6%	209,200	9.6%	1,656,705
2031	15,298	9.5%	228,978	9.5%	1,885,683
2032	16,745	9.5%	250,524	9.4%	2,136,207
2033	18,322	9.4%	273,987	9.4%	2,410,194
2034	20,039	9.4%	299,524	9.3%	2,709,718
2035	21,909	9.3%	327,309	9.3%	3,037,027
2036	23,924	9.2%	357,255	9.1%	3,394,282
2037	26,115	9.2%	389,783	9.1%	3,784,064
2038	28,495	9.1%	425,100	9.1%	4,209,165
2039	31,079	9.1%	463,431	9.0%	4,672,595
2040	33,883	9.0%	505,013	9.0%	5,177,609
2041	36,886	8.9%	549,510	8.8%	5,727,119
2042	40,125	8.8%	597,486	8.7%	6,324,605
2043	43,617	8.7%	649,170	8.7%	6,973,774
2044	47,377	8.6%	704,802	8.6%	7,678,576
2045	51,423	8.5%	764,636	8.5%	8,443,212

The following is the text of the letter dated 26 March 2018 from the reporting accountants of the Company, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, in relation to the discounted future estimated cash flow in connection with the business valuation as set out in Appendix IV, which has been prepared for the purpose of incorporation in this circular.

A. LETTER FROM CROWE HORWATH (HK) CPA LIMITED

26 March 2018

The Board of Directors
China Resources and Transportation Group Limited
中國資源交通集團有限公司
Room 1801-05, 18/F
China Resource Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs

China Resources and Transportation Group Limited (the "Company")

Independent Assurance Report on Underlying Discounted Future Estimated Cash Flows of the Business Valuation of the Target Group

In accordance with our agreed terms of engagement, we have examined the arithmetical calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 26 March 2018, prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the valuation of the 100% equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (the "**Target Company**") and its subsidiary (the "**Target Group**") as at 31 December 2017. The Valuation is set out in Appendix IV of the circular of the Company dated 26 March 2018 (the "**Circular**") in connection with the disposal of 25% equity interest of the Target Group which is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Rule 10 of the Hong Kong Code on Takeovers and Mergers (the "**Takeover Code**").

Responsibilities of the Directors of the Company

The Directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors of the Company as set out on pages IV-3 to IV-5 of the Circular. This responsibility includes designing, implementation and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Responsibilities of reporting accountants

It is our responsibility to form a conclusion, based on the arithmetical calculations of the discounted future estimated cash flows on which the Valuation is based and to report our conclusion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 (2) of the Listing Rules and Note 1(c) to Rules 10.1 and 10.4 of the Takeover Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

Basis of conclusion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out on pages IV-3 to IV-5 of the Circular. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Accordingly, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the equity interests in the Target Company, or an expression of an audit or review opinion of the Valuation.

Conclusion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set on pages IV-3 to IV-5 of the Circular.

Use of Report

Our report is intended solely for the use of the Company in connection with the submission to The Stock Exchange of Hong Kong Limited and for inclusion in the Circular of the Company in connection with its disposal of the 25% equity interests of the Target Group. This report may not be suitable for other purposes.

Yours faithfully
For and on behalf of
Crowe Horwath (HK) CPA Limited

Leung Chun Wa
Director

The following is the text of the letter dated 26 March 2018 from Asian Capital Limited, in relation to the discounted future estimated cash flow in connection with the business valuation as set out in Appendix IV, which has been prepared for the purpose of incorporation in this circular.

B. LETTER FROM ASIAN CAPITAL LIMITED

ASIAN CAPITAL
卓亞融資有限公司

26 March 2018

China Resources and Transportation Group Limited
Room 1801-05, 18/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Attention: The Board of Directors

Dear Sirs,

We refer to the valuation of the market value of the equity interest in 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) as at 31 December 2017 (the "**Valuation**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Valuer**") as set out in Appendix IV to the circular of the Company dated 26 March 2018 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

As stated in the valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Valuation Report**"), the Valuation has been arrived at based on income approach which takes into the account the future cash flow forecast of the Target Group. As such, the Valuation is regarded as a profit forecast pursuant to Rule 14.61 of the Listing Rules and Rule 10 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") and is required to be reported on (as set out below) by us pursuant to the Listing Rules and the Takeovers Code. Furthermore, our report on the qualifications and experience of the Valuer to prepare the Valuation Report is also required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us.

Pursuant to the applicable requirements under the Circular to Financial Advisers in relation to their Advisory Work on Valuations in Corporate Transactions issued by the Securities and Futures Commission of Hong Kong on 15 May 2017 and the Corporate Finance Adviser Code of Conduct, we have reviewed the forecast upon which the

* *For identification purpose only*

Valuation has been made, for which you as the Directors are solely responsible for, and have discussed with you, the Valuer and Samuel Wong Consultancy Limited, the traffic consultant of the Company, the basis and assumptions of the forecast as set on pages IV-4 to IV-5 of the Circular. We have also considered, and relied upon, the letter dated 26 March 2018 addressed to yourselves and ourselves from Crowe Horwath (HK) CPA Limited as set out in Appendix VI to the Circular regarding the forecast.

With regards to the qualifications and experience of the Valuer, based on the review work conducted by us, which includes reasonableness checks to assess the relevant qualifications, experience and expertise of the Valuer, we are satisfied that the Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

On the basis of the foregoing, we are satisfied that the forecast upon which the Valuation has been made, for which you as the Directors are solely responsible for, has been made after due and careful enquiry and consideration.

Our opinion has been given for the sole purpose of compliance with Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code and Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours very truly,

For and on behalf of
Asian Capital Limited

Joseph Lam
Executive Director

Set out below are the management discussion and analysis on the Target Group for the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 (the "**Reporting Period**").

Business review

During the Reporting Period, the Target Group is principally engaged in expressway operation and auxiliary facility investment, operation, management and maintenance.

Upon traffic opening and commencement of toll collection of Zhunxing Expressway on 21 November 2013, the Target Group actively introduced measures and promotions to build client base. Yet, the growth of both traffic volume and toll income of Zhunxing Expressway was affected by the following factors during the Reporting Period:

For the year ended 31 December 2014

(i) the remaining sluggish coal market in China and the drop of price and demand had lessened the number and loading of coal transport vehicles;

(ii) the interconnection with Beijing-Tibet Highway* (京藏高速公路) and Er-Guang Expressway* (二廣高速公路) had not yet been implemented;

(iii) the opening of part of Beijing-Lhasa Expressway* (京拉公路) ("**G109**") during the year had diverted some coal transport vehicles travelling to Hebei to run on G109, instead of using Zhunxing Expressway; and

(iv) the auxiliary facilities of some service areas and major petrol and gas stations were not in operation, which caused inconvenience to some users of Zhunxing Expressway.

For the year ended 31 December 2015

(i) the coal market remains sluggish under the influence of the national macroeconomic environment and environmental policy. Special political events in 2015 such as Olympic bidding and troops review posed negative impacts on the number and loading of coal transport vehicles;

(ii) the opening of part of G109 had diverted some coal transportation vehicles traveling to Hebei to run on G109, instead of running on Zhunxing Expressway; and

(iii) the auxiliary facilities of some service areas and major petrol and gas stations were not in operation, which caused inconvenience to some users of Zhunxing Expressway.

For the year ended 31 December 2016

(i) the implementation of capacity reduction in the coal industry has commenced in the PRC, targeting to close a number of coal mines by 2020 to curb overcapacity in the sector. The initial output cuts have posed negative impacts on the number and loading of coal transport vehicles;

(ii) the opening of the Shanxi section of G109 had diverted some coal transportation vehicles travelling to Shanxi to run on G109 at lower cost, instead of using the entire Zhunxing Expressway; and

(iii) the auxiliary facilities of some service areas and major petrol and gas stations were not in full operation, which caused inconvenience to some users of Zhunxing Expressway.

For the nine months ended 30 September 2017

(i) coal prices resurged following the implementation of coal capacity reduction policy, yet the crude oil prices for the year 2016-2017 were relatively low. As a result, a majority of coal chemical companies cut their production or became discontinued, which posed negative impacts on the number of coal transport vehicles; and

(ii) under the influence of the national macroeconomic environment and environmental policy, new measures to control air pollution in the Beijing Tianjin-Hebei region were introduced in early 2017. Before the end of September 2017, coals from all the distribution ports in Tianjin and Hebei must be transported by rail.

Financial review

The Target Group recorded accumulated toll fees of approximately RMB805.48 million, i.e. an average daily income of RMB2.21 million for the year ended 31 December 2014, approximately RMB424.18 million, i.e. an average daily income of RMB1.16 million for the year ended 31 December 2015, approximately RMB464.17 million, i.e. an average daily income of RMB1.27 million for the year ended 31 December 2016 and approximately RMB392.05 million, i.e. an average daily income of RMB1.44 million for the nine months ended 30 September 2017.

Losses attributable to shareholders were approximately RMB713.78 million, RMB2,492.55 million, RMB726.93 million and RMB480.30 million for the three years ended 31 December 2014, 2015, 2016 and the nine months ended 30 September 2017, respectively.

Liquidity review

The Target 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 Target Group's assets portfolio was mainly financed by its borrowings and paid-up capital.

The Target Group had outstanding borrowings of approximately RMB9,874.07 million as at 31 December 2014, approximately RMB9,930.59 million as at 31 December 2015, approximately RMB10,086.34 million as at 31 December 2016 and approximately RMB10,190.02 million as at 30 September 2017.

The Target Group had a paid-up capital of approximately RMB2,030.33 million as at 31 December 2014, approximately RMB2,488.64 million as at 31 December 2015, approximately RMB2,513.92 million as at 31 December 2016 and approximately RMB2,513.92 million as at 30 September 2017.

The cash and bank balances of the Target Group were approximately RMB70.85 million, RMB32.23 million, RMB19.12 million and RMB5.70 million as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017, respectively.

The Target Company received capital injections of approximately RMB403.31 million, RMB102.55 million, RMB25.28 million and RMBNil from its shareholders during the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, respectively. Further, during the year ended 31 December 2015, a capital reserve of approximately RMB355.76 million was transferred to paid-up capital (for the years ended 31 December 2014 and 31 December 2016 and the nine months ended 30 September 2017: Nil).

As at 31 December 2014, the Target Group's available banking facilities were amounted to RMB9,874.07 million, out of which approximately RMB9,874.07 million has been utilised. As at 31 December 2015, the Target Group's available banking facilities were amounted to RMB9,930.59 million, out of which approximately RMB9,930.59 million has been utilised. As at 31 December 2016, the Target Group's available banking facilities were amounted to approximately RMB10,457.09 million, out of which approximately RMB10,086.34 million has been utilised. As at 30 September 2017, the Target Group's available banking facilities were amounted to approximately RMB10,190.02 million, out of which approximately RMB10,190.02 million has been utilised.

All of the banking facilities were subject to the fulfilment of covenants relating to certain clauses in the Target Group's loan agreements which give the lender the right at its sole discretion to demand immediate repayment if the Target Group has failed to comply with the covenants and failed to meet the scheduled repayment obligations.

As at 31 December 2014, borrowings of approximately RMB550.00 million, RMB546.80 million, RMB316.96 million and RMB8,460.31 million were scheduled to repay 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. As at 31 December 2015, borrowings of approximately RMB556.30 million, RMB588.50 million, RMB516.98 million and RMB8,268.81 million were scheduled to repay 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. As at 31 December 2016, borrowings of approximately RMB646.62 million, RMB241.71 million, RMB945.52 million and RMB8,252.49 million were scheduled to repay 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. As at 30 September 2017, borrowings of approximately RMB554.85 million, RMB202.40 million, RMB1,241.96 million and RMB8,190.81 million were scheduled to repay 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 Target Group's borrowings, all being dominated in RMB, were carried at both floating rates and fixed rates. As at 31 December 2014, borrowings of approximately RMB1,080.00 million were carried at fixed-rates with effective interest rate of 10.35% per annum, borrowings of approximately RMB8,794.07 million were carried at floating-rates. As at 31 December 2015, borrowings of RMB1,115.00 million were carried at fixed-rates with effective interest rate of approximately 7.82% per annum, borrowings of approximately RMB8,815.59 million were carried at floating rates. As at 31 December 2016, borrowings of approximately RMB808.25 million were carried at fixed rates with effective interest rate of 8.89% per annum, borrowings of approximately RMB9,278.09 million were carried at floating rates. As at 30 September 2017, borrowings of approximately RMB399.50 million were carried at fixed rates with effective interest rate of 11% per annum, borrowings of approximately RMB9,790.52 million were carried at floating rates.

The gearing ratios of the Target Group, measured as total liabilities to total assets, was 75.97% as at 31 December 2014, 85.46% as at 31 December 2015. 89.60% as at 31 December 2016 and 92.88% as at 30 September 2017.

The capital commitments outstanding as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017 were approximately RMB41.73 million, RMB20.92 million, RMB18.28 million and RMB17.95 million, respectively.

The Target 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 during the Reporting Period.

For the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the nine months ended 30 September 2017, the Target Group did not have any plans on material investments or capital assets in the coming year.

Material acquisition/disposal and significant investment

For the year ended 31 December 2014

As at 31 December 2014, the Target Group had unquoted long-term equity investments of RMB88.00 million and unlisted money market fund of RMB50.00 million. The unquoted long-term equity investments represented the Target Group's investment in (i) Berun with carrying amount of RMB38.00 million and (ii) Guo Kai Rui Ming (Beijing) Investment Fund Co., Limited* (國開瑞明(北京)投資基金有限公司) ("**Guo Kai**") with carrying amount of RMB50.00 million. During the year, no gain or loss had been recognised by the Target Group in relation to these available-for-sale investments.

The Target Group did not make any material acquisition or disposal of subsidiary or associate during the year.

For the year ended 31 December 2015

As at 31 December 2015, the Target Group had unquoted long-term equity investments of RMB88.00 million, which represented the Target Group's investment in Berun with carrying amount of RMB38.00 million and (ii) Guo Kai with carrying amount of RMB50.00 million. During the year, the Target Group disposed its unlisted money market fund and recognised a disposal gain of approximately RMB2.41 million.

The Target Group did not make any material acquisition or disposal of subsidiary or associate during the year.

For the year ended 31 December 2016

As at 31 December 2016, the Target Group had unquoted long-term equity investments of RMB38.00 million, which represented the Target Group's investment in Berun with carrying amount of RMB38.00 million.

During the year, the Target Group disposed of its unquoted long-term equity investment in Guo Kai and recognised a disposal gain of approximately RMB1.37 million.

The Target Company disposed its entire equity interest in Beijing Zhunxing Longbo Investment Company Limited* (北京准興隆博投資有限公司) to a fellow subsidiary of the Target Company during the year ended 31 December 2016 at a consideration of approximately RMB10.67 million and recognised a disposal gain of approximately RMB1.13 million.

Save as aforesaid, the Target Group did not make any material acquisition or disposal of subsidiary or associate or significant investment during the year.

For the nine months ended 30 September 2017

As at 30 September 2017, the Target Group had unquoted long-term equity investment of RMB38.00 million, which represented the Target Group's investment in Berun with carrying amount of RMB38.00 million. During the period, no gain or loss had been recognised by the Target Group in relation to these available-for-sale investments.

The Target Group did not make any material acquisition or disposal of subsidiary or associate during the period.

Foreign currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Charges on assets

As at 31 December 2014, the secured borrowings of the Target Group were secured by (i) the Target Company's receivables rights of toll income of the Zhunxing Expressway; (ii) the Target Group's available-for-sale investments with carrying amount of RMB88.00 million; (iii) the pledged deposits of RMB106.00 million; and (iv) the equity interest of Zhunxing Expressway Management.

As at 31 December 2015, the secured borrowings of the Target Group were secured by (i) the Target Company's receivables rights of toll income of the Zhunxing Expressway; (ii) the Target Group's available-for-sale investments with carrying amount of RMB88.00 million; and (iii) the equity interest of Zhunxing Expressway Management.

As at 31 December 2016, the secured borrowings of the Target Group were secured by (i) the Target Company's receivables rights of toll income of the Zhunxing Expressway; (ii) the Target Group's available-for-sale investments with carrying amount of RMB38.00 million; (iii) the equity interest of Zhunxing Expressway Management; (iv) the equity interest of the Target Company; and (v) certain assets of the Target Company.

As at 30 September 2017, the secured borrowings of the Target Group were secured by (i) the Target Company's receivables rights of toll income of the Zhunxing Expressway; (ii) the Target Group's available-for-sale investments with carrying amount of RMB38.00 million; (iii) the equity interest of Zhunxing Expressway Management; (iv) the equity interest of the Target Company; and (v) certain assets of the Target Company.

Contingent liabilities

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017, the Target Group did not have any material contingent liabilities.

Employees and retirement benefit scheme

The number of employees of the Target Group was approximately 693, 386, 376 and 349 as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017, respectively. The Target Group ensures that the pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration policy.

Prospects

At present, measures on coal output cuts are imposed in the PRC to rebalance the supply and demand of the commodity. Following the improvements on the macroeconomy and the effective implementation of coal capacity reduction policy in the PRC, the coal price is expected to gradually resurge, and along with the forthcoming developments of Zhunxing Expressway and power plant operation in the Qingshuihe area, the traffic volume and toll income of the Zhunxing Expressway are expected to grow, bringing a turnaround to profit in the long run.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular, for which the Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised share capital		*HK$*
20,000,000,000	ordinary shares of HK$0.20 each	4,000,000,000
Issued and fully paid share capital		
7,442,395,970	ordinary shares of HK$0.20 each	1,488,479,194

All Shares in issue rank *pari passu* with each other in all respects including the rights as to voting and dividends.

As at the Latest Practicable Date, the number of share options outstanding under the Company's share option scheme adopted on 16 July 2004 was 34,833,324 and the exercise price was HK$4.05.

As disclosed in the Company's announcement dated 1 August 2017, the Company proposed to issue and allot (i) 14,268,559,826 consideration shares at HK$0.23 to satisfy the consideration payable for the Acquisition; (ii) 3,521,738,478 subscription shares at HK$0.23 under the Subscription; and (iii) 3,478,260,869 placing shares under the Placing, and is contemplating the issue of HK$1,200 million convertible bonds, which are convertible into 4,800,000,000 Shares at HK$0.25 per conversion share.

Save as disclosed above, no share, options, warrants, conversion rights or any equity or debt securities of the Company were outstanding or were proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

A. Directors' interests and short positions in Shares, underlying Shares, and debentures of the Company

As at the Latest Practicable Date, 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, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("**Model Code**") were as follows:

		As of the Latest Practicable Date	
Name of Directors	**Capacity**	**Number of Shares and/or underlying Shares**	**Approximate % of total issued Shares** *(Note 4)*
Cao Zhong ("**Mr. Cao**")	Beneficial owner	33,800,000	0.45
	Interest in controlled corporation	948,325,000 *(Note 1)*	12.74
Fung Tsun Pong ("**Mr. Fung**")	Beneficial owner	310,590,610	4.17
	Interest in controlled corporation	647,755,000 *(Note 2)*	8.70
Tsang Kam Ching, David	Beneficial owner	7,581,224	0.10
	Beneficial owner	3,111,111 *(Note 3)*	0.04
Duan Jingquan	Beneficial owner	3,111,111 *(Note 3)*	0.04
Gao Zhiping	Beneficial owner	3,111,111 *(Note 3)*	0.04

Name of Directors	Capacity	As of the Latest Practicable Date Number of Shares and/or underlying Shares	Approximate % of total issued Shares *(Note 4)*
Yip Tak On	Beneficial owner	555,555 *(Note 3)*	0.01
Jing Baoli	Beneficial owner	555,555 *(Note 3)*	0.01
Bao Liang Ming	Beneficial owner	555,555 *(Note 3)*	0.01

Notes:

1. Champion Rise International Limited ("**Champion Rise**") being wholly-owned by Mr. Cao was interested in 948,325,000 Shares, representing approximately 12.74% in the issued share capital of the Company. Champion Rise is a substantial shareholder of the Company and its shareholding in the Company is set out in the paragraphs headed "Disclosure of interests – substantial Shareholders' and other person's interests and long positions in Shares and underlying Shares of the Company" to this appendix.

2. Ocean Gain Limited ("**Ocean Gain**") being wholly-owned by Mr. Fung was interested in 647,755,000 Shares, representing approximately 8.70% in the issued share capital of the Company. Ocean Gain is a substantial shareholder of the Company and its shareholding in the Company is set out in the paragraphs headed "Disclosure of interests — substantial Shareholders' and other person's interests and long positions in Shares and underlying Shares of the Company" to this appendix.

3. The interests in underlying Shares of the Company represent interests in options granted to the Directors to subscribe for ordinary shares of HK$0.20 each of the Company at the subscription price of HK$4.05 per share under the Company's share option scheme adopted on 16 July 2004.

4. Based on 7,442,395,970 shares of HK$0.20 each in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which 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 deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

B. Substantial shareholders' and other person's interests and long positions in Shares and underlying Shares of the Company

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons and entities had interests or short positions in the Shares or underling Shares which would 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 were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group:

		As of the Latest Practicable Date	
Name of substantial Shareholders	**Capacity**	**Number of Shares**	**Approximate % of total issued Shares** *(Note 13)*
Champion Rise *(Note 1)*	Beneficial owner	948,325,000	12.74
Epoch Luck Investments Limited *(Note 2)*	Beneficial owner	690,000,000	9.27
Chan Wun Lun *(Note 2)*	Interest in controlled corporation	690,000,000	9.27
Bondic International Holdings Limited *(Note 3)*	Beneficial owner	650,000,000	8.73
Cheung Chung Kiu *(Note 3)*	Interest in controlled corporation	650,000,000	8.73
Ocean Gain *(Note 4)*	Beneficial owner	647,755,000	8.70
Miao Zhenguo *(Note 5)*	Beneficial owner	593,000,000	7.97
	Interest in controlled corporation	24,500,000	0.33
Turbo View Investment Limited *(Note 6)*	Beneficial owner	375,000,000	5.04
Gao Xiao Rui *(Note 6)*	Interest in controlled corporation	375,000,000	5.04

Name of substantial Shareholders	Capacity	Number of Shares	As of the Latest Practicable Date Approximate % of total issued Shares *(Note 13)*
Focal Sunshine Limited *(Note 7)*	Person having a security interest in shares	974,215,000	13.09
Mak Siu Hang Viola *(Notes 7 and 8)*	Interest in controlled corporation	1,652,670,000	22.21
Master Competent Limited *(Notes 7 and 8)*	Interest in controlled corporation	1,652,670,000	22.21
VMS Holdings Limited *(Note 7)*	Interest in controlled corporation	1,052,670,000	14.14
VMS Investment Group Limited *(Note 7)*	Interest in controlled corporation	1,052,670,000	14.14
Keywood Group Limited *(Note 8)*	Person having a security interest in shares	600,000,000	8.06
VMS Credit Holdings Limited *(Note 8)*	Interest in controlled corporation	600,000,000	8.06
VMS Finance Group Limited *(Note 8)*	Interest in controlled corporation	600,000,000	8.06
CITIC AMC *(Note 9)*	Beneficial owner	8,566,030,770	115.10
CITIC Group Corporation* (中國中信集團有限公司) *(Note 9)*	Interest in controlled corporation	8,566,030,770	115.10
Trendy Sky Limited ("**Trendy Sky**") *(Note 10)*	Beneficial owner	1,739,130,000	23.37

Name of substantial Shareholders	Capacity	As of the Latest Practicable Date Number of Shares	Approximate % of total issued Shares *(Note 13)*
Chan Po Siu *(Note 10)*	Interest in controlled corporation	1,739,130,000	23.37
Tibet Junhe Investment Co., Ltd.* (西藏君合投資有限公司) (“**Tibet Junhe**”) *(Note 11)*	Beneficial owner	1,492,936,791	20.06
Starry Wealth Holdings Limited (“**Starry Wealth**”) *(Note 12)*	Beneficial owner	869,565,000	11.68
Chen Jiarong *(Note 12)*	Interest in controlled corporation	869,565,000	11.68

Notes:

1. Champion Rise is wholly-owned by Mr. Cao, an executive Director and the chairman of the Company whose interest in Shares or underlying Shares is set out in the above section headed “Disclosure of interests — Directors’ interests and short positions in Shares, underlying Shares and debentures”.

2. Epoch Luck Investments Limited is wholly-owned by Mr. Chan Wun Lun.

3. Bondic International Holdings Limited is wholly-owned by Mr. Cheung Chung Kiu.

4. Ocean Gain is wholly-owned by Mr. Fung, an executive Director and the vice chairman of the Company whose interest in Shares or underlying Shares is set out in the above section headed “Disclosure of interests — Directors’ interests and short positions in Shares, underlying Shares and debentures”.

5. Goldtex Group Limited being wholly-owned by Mr. Miao was interested in 24,500,000 Shares, representing 0.33% in the issued share capital of the Company.

6. Turbo View Investment Limited is wholly-owned by Mr. Gao Xiao Rui.

7. Focal Sunshine Limited has a security interest in 974,215,000 Shares. Each of Mak Siu Hang Viola, Master Competent Limited, VMS Holdings Limited and VMS Investment Group Limited is interested in the 974,215,000 Shares held by Focal Sunshine Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

8. Keywood Group Limited has a security interest in 600,000,000 Shares. Each of Mak Siu Hang Viola, Master Competent Limited, VMS Credit Holdings Limited and VMS Finance Group Limited is interested in 600,000,000 Shares held by Keywood Group Limited by reason of interests of controlled corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

9. CITIC AMC was deemed to be interested in 8,566,030,770 consideration shares in relation to the Acquisition. CITIC AMC is wholly-owned by CITIC Group Corporation. Upon completion of the Acquisition, the Subscription and the Placing, both CITIC AMC and CITIC Group Corporation will become interested in or be deemed to be interested in 8,566,030,770 shares of HK$0.20 each, representing 29.80% of the Company's total shares in issue as enlarged by the allotment and issue of the consideration shares, the subscription shares and the placing shares (assuming that all of the outstanding employee share options in issue as at the Latest Practicable Date are exercised).

10. Trendy Sky was deemed to be interested in 1,739,130,000 subscription shares in relation to the Subscription. Trendy Sky is wholly-owned by Mr. Chan Po Siu. Upon completion of the Acquisition, the Subscription and the Placing, both Trendy Sky and Mr. Chan Po Siu will become interested in or be deemed to be interested in 1,739,130,000 shares of HK$0.20 each, representing 6.05% of the Company's total shares in issue as enlarged by the allotment and issue of the consideration shares, the subscription shares and the placing shares (assuming that all of the outstanding employee share options in issue as at the Latest Practicable Date are exercised).

11. Tibet Junhe was deemed to be interested in 1,492,936,791 consideration shares in relation to the Acquisition. Tibet Junhe is held as to 25%, 25%, 25% and 25% equity interest by Mr. Wang Jianping, Mr. Wu Jianzhong, Mr. Zhang Shenghua and Mr. Zhang Weichun. Upon completion of the Acquisition, the Subscription and the Placing, Tibet Junhe, Mr. Wang Jianping, Mr. Wu Jianzhong, Mr. Zhang Shenghua and Mr. Zhang Weichun will become interested in or be deemed to be interested in 1,492,936,791 shares of HK$0.20 each, representing 5.19% of the Company's total shares in issue as enlarged by the allotment and issue of the consideration shares, the subscription shares and the placing shares (assuming that all of the outstanding employee share options in issue as at the Latest Practicable Date are exercised).

12. Starry Wealth was deemed to be interested in 869,565,000 subscription shares in relation to the Subscription. Starry Wealth is wholly-owned by Mr. Chen Jiarong. Upon completion of the Acquisition, the Subscription and the Placing, both Starry Wealth and Mr. Chen Jiarong will become interested in or be deemed to be interested in 869,565,000 shares of HK$0.20 each, representing 3.02% of the Company's total shares in issue as enlarged by the allotment and issue of the consideration shares, the subscription shares and the placing shares (assuming that all of the outstanding employee share options in issue as at the Latest Practicable Date are exercised).

13. Based on 7,442,395,970 shares of HK$0.20 each in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no other persons or entities had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group.

4. FURTHER INFORMATION CONCERNING DIRECTORS

A. Competing interests

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

B. Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

C. Directors' interest in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased, or which were proposed to be acquired, disposed of by or leased to any member of the Group since 31 March 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

D. Directors' interest in contracts

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group was made up.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(i) the amendment agreement dated 13 June 2016 entered into between the Company and Strait CRTG Fund, L.P., pursuant to which, among others, the maturity date for and the expiry date for the exercise of conversion rights under the 9% convertible bonds in the aggregate principal amount of HK$700.00 million issued by the Company would change to 24 January 2017, and the conversion price of the bonds would be reset at HK$0.20 per Share;

(ii) the amendment agreement dated 10 August 2016 entered into between the Company and Strait Capital Service Limited, pursuant to which, among others, the maturity date for and the expiry date for the exercise of conversion rights under the 9% convertible bonds in the aggregate principal amount of HK$800.00 million issued by the Company would change to 24 January 2017, and the conversion price of the bonds would be reset at HK$0.20 per Share;

(iii) the amendment agreement dated 18 November 2016 entered into between the Company and China Life, pursuant to which, among others, the maturity date for the 9% convertible bonds in the aggregate principal amount of HK$700.00 million issued by the Company would change to 24 January 2017, and the conversion price of the bonds would be reset at HK$0.20 per Share;

(iv) the Disposal Agreements;

(v) the sale and purchase agreement dated 16 March 2017 and entered into between Epoch Luck Investments Limited as vendor and Cheer Luck Innovest Limited, a wholly-owned subsidiary of the Company, as purchaser pursuant to which the purchaser acquired from the vendor 60% of the issued share capital of Red Sino Investments Limited at a consideration of HK$138.00 million satisfied by the allotment and issue of 690,000,000 Shares at HK$0.20 each by the Company;

(vi) the settlement agreement dated 31 March 2017 and entered into among the Company and two of its wholly-owned subsidiaries, namely, Guangdong Jinjing Energy Company Limited* (廣東金晶能源股份有限公司), Shenzhenshi Qianhai Zitong Energy Company Limited* (深圳市前海資通能源有限公司) and a commercial bank in the PRC, pursuant to which the parties to the agreement agreed on the restructuring and settlement of certain debt owed by the Group to the bank and the bank would not apply to the court for a winding up petition of the Company;

(vii) the sale and purchase agreement dated 28 April 2017 and entered into between the Company and Shuren Wood (Shenzhen) Company Limited* (樹人木業(深圳)有限公司), a wholly-owned subsidiary of the Company, as vendors and Zhongxiang Zhengxing (Beijing) Technology Development Company Limited* (中翔正興(北京)科技發展有限公司) as purchaser, pursuant to which the vendors disposed of and the purchaser acquired 45% equity interest in Beijing Kaiyuanwanjia Management Consulting Company Limited* (北京開元萬嘉管理有限公司) (the "**Disposed Company**") and all the liabilities, obligations and indebtedness due by the Disposed Company and its subsidiaries to the vendors on 28 February 2017 at a consideration of RMB200.00 million;

(viii) the sale and purchase agreement entered into by the Company on 11 July 2017 in relation to the Acquisition;

(ix) the subscription agreement dated 11 July 2017 entered into between the Company, Starry Wealth, Trendy Sky, Oriental Gold Converge Limited* (東方匯金有限公司), Beijing Kaiweiming Investment Consulting Co. Ltd.* (北京凱韋銘投資諮詢有限公司) and Shenzhen Heruikang Investment Development Co. Ltd.* (深圳市合瑞康投資發展有限公司) in relation to the Subscription;

(x) the supplemental sale and purchase agreement entered into by the Company on 23 February 2018 in relation to the Acquisition; and

(xi) the Standstill Agreements.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Name	Qualifications
Asian Capital Limited	A licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional property and business valuers
Samuel Wong Consultancy Ltd	Traffic consultant

Each of Asian Capital Limited, Crowe Horwath (HK) CPA Limited, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Samuel Wong Consultancy Ltd has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report, as the case may be dated 26 March 2018, and reference to its name, and/or its advice in the form and context in which it respectively appears.

As at the Latest Practicable Date, each of Asian Capital Limited, Crowe Horwath (HK) CPA Limited, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Samuel Wong Consultant Ltd did not have any shareholding directly or indirectly, in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

Based on the best information, knowledge and belief of the Directors, as at the Latest Practicable Date, the companies comprising the Target Group were not involved in any litigation, arbitration or claim of material importance, and the Directors are not aware of any pending or threatened litigation, arbitration or claim of material importance against any member of the Target Group.

9. MISCELLANEOUS

(i) Sterling Trust (Cayman) Limited, the registered office of the Company is situated at Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands;

(ii) The head office and principal place of business in Hong Kong of the Company is situated at Room 1801-05, 18/F, China Resources Building, 26 Harbour Road, Wanchai;

(iii) Tricor Progressive Limited, the Company's branch share registrar is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong;

(iv) The company secretary of the Company since 22 September 2004 is Miss Ngan Wai Kam, Sharon, who is a practicing solicitor in Hong Kong; and

(v) In the event of inconsistency, the English version of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on business days at the office of the Company at Room 1801-05, 18/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of EGM:

(i) the memorandum and articles of association of the Company;

(ii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(iii) the "Letter from the Board" set out in the circular;

(iv) the accountants' report on the Target Group prepared by Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix II to this circular;

(v) the report prepared by Crowe Horwath (HK) CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(vi) the interim report of the Company for the six months ended 30 September 2017;

(vii) the annual reports of the Company for each of the three financial years ended 31 March 2015, 2016 and 2017;

(viii) the JLL Valuation Report, the text of which is set out in Appendix IV to this circular;

(ix) the traffic study report from Samuel Wong Consultancy Ltd, a summary of which is set out in Appendix V to this circular;

(x) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(xi) the letters from Crowe Horwath (HK) CPA Limited and Asian Capital Limited on the discounted future estimated cash flows in connection with the JLL Valuation Report, the text of which are set out in Appendix VI to this circular; and

(xii) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Resources and Transportation Group Limited (the "**Company**") will be held at 17th Floor, China Railway South Headquarters Building, No. 3333 Zhongxin Road (Shenzhen Bay Section) Nanshan District, Shenzhen, PRC (中國深圳市南山區中心路3333號(深圳灣段)中鐵南方總部大廈17樓), on Monday, 16 April 2018 at 11:00 a.m. for the purpose of considering the following ordinary resolution. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 26 March 2018 of which the notice convening the EGM forms part.

To consider and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution:

(1) "**THAT**

(A) the entering into of the Disposal Agreement A, a copy of which is produced to the meeting, marked "A" and initialled by the chairman of the EGM for the purpose of identification, be and is hereby approved, confirmed and ratified, and all the transactions contemplated thereunder (including but not limited to Disposal A and the undertaking of the Buy-back Obligation) be and are hereby approved, confirmed and ratified; and

(B) any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or agreements or deeds on behalf of the Company (including the affixation of the common seal of the Company where execution under seal is required) and to take all such steps which in his/her/their opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions contemplated under Disposal Agreement A."

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

Hong Kong, 26 March 2018

Principal place of business:
Room 1801-05, 18/F.,
China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

Notes:

(a) The register of members of the Company will be closed from Friday, 13 April 2018 to Monday, 16 April 2018, both days inclusive. No transfer of shares of the Company will be registered during that period. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share register in Hong Kong, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 12 April 2018.

(b) A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company but must be present in person to represent the member.

(c) If the appointer is a corporation, the form of proxy must be under its common seal, or under the hand of an officer or attorney duly authorised on its behalf.

(d) In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude a member from attending and voting at the meeting if he so wishes. In the event that he attends the meeting after having lodged the form of proxy, the form of proxy will be deemed to have been revoked.

(e) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote and will be accepted to the exclusion of other joint registered holders in respect hereof.

(f) The EGM is expected not to exceed half an hour, and all member and proxies shall be responsible for their own travelling expenses.

As at the date of this notice, 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.