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NATIONAL UNITED RESOURCES HOLDINGS LIMITED
國家聯合資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 254)

SECOND INTERIM RESULTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) of National United Resources Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated second interim results of the Group for the twelve months ended 31 December 2022.

This announcement, containing the full text of the 2022 Second Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ji Kaiping (*Chairman*)
Mr. Guo Peiyuan
Ms. Mao Na
Ms. Ma Wenjing
Mr. Qiu Keshan

Non-executive Director

Mr. An Jingwen

Independent Non-executive Directors

Mr. Li Wen
Mr. Qiu Ke
Ms. Chen Yen Yung

COMPANY SECRETARY

Ms. Mak Yuk Kiu

AUDIT COMMITTEE

Mr. Li Wen (*Committee Chairman*)
Mr. An Jingwen
Mr. Qiu Ke
Ms. Chen Yen Yung

REMUNERATION COMMITTEE

Mr. Qiu Ke (*Committee Chairman*)
Mr. An Jingwen
Mr. Li Wen
Ms. Chen Yen Yung

NOMINATION COMMITTEE

Mr. Ji Kaiping (*Committee Chairman*)
Mr. Li Wen
Mr. Qiu Ke
Ms. Chen Yen Yung

AUTHORISED REPRESENTATIVES

Mr. Ji Kaiping
Ms. Mak Yuk Kiu

LEGAL ADVISORS

Baker & McKenzie
Lau, Horton & Wise LLP

INDEPENDENT AUDITOR

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STOCK CODE

254

RESULTS

The board (the “Board”) of directors (the “Directors”) of National United Resources Holdings Limited (the “Company”) hereby presents the unaudited condensed consolidated second interim results of the Company and its subsidiaries (collectively, the “Group”) for the twelve months ended 31 December 2022 (the “Current Period”) together with the comparative figures for the twelve months ended 31 December 2021 (the “Corresponding Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the twelve months ended 31 December 2022

		Twelve months ended 31 December	
	Notes	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Revenue	5	77,074	142,814
Cost of revenue		(86,230)	(105,886)
Gross (loss)/profit		(9,156)	36,928
Other income	6	357,594	86,181
Administrative and other operating expenses		(49,438)	(41,009)
Profit from operations		299,000	82,100
Finance cost	7	(11,270)	(20,697)
Profit before tax		287,730	61,403
Income tax credit/(expense)	8	4,962	(2,792)
Profit for the period	9	292,692	58,611
Attributable to:			
Owners of the Company		300,283	54,756
Non-controlling interests		(7,591)	3,855
		292,692	58,611
Earnings per share attributable to owners of the Company			
Basic (HK cents per share)	10	11.04	8.54
Diluted (HK cents per share)		11.04	8.54

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December 2022

	Twelve months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Profit for the period	292,692	58,611
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(11,986)</u>	<u>(3,647)</u>
Total comprehensive income for the period	<u>280,706</u>	<u>54,964</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	290,368	52,037
Non-controlling interests	<u>(9,662)</u>	<u>2,927</u>
	<u>280,706</u>	<u>54,964</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	As at 31 December 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	74,317	94,738
Right-of-use assets		64,001	73,271
Deferred tax asset		11,298	7,046
Intangible assets		–	123
Goodwill	13	23,060	37,546
Prepayment	15	13,537	14,694
		<u>186,213</u>	<u>227,418</u>
Current assets			
Trade receivables	14	29,863	59,910
Prepayments, deposits and other receivables	15	85,878	25,076
Bank and cash balances		174,318	2,136
		<u>290,059</u>	<u>87,122</u>
Current liabilities			
Other payables and accruals	16	149,677	189,883
Borrowings	17	46,120	69,218
Convertible bonds	18	–	265,086
Non-convertible bonds	19	–	90,500
Lease liabilities		133,902	161,414
Tax payable		7,026	7,223
		<u>336,725</u>	<u>783,324</u>
Net current liabilities		<u>(46,666)</u>	<u>(696,202)</u>
Total assets less current liabilities		<u>139,547</u>	<u>(468,784)</u>

	Notes	As at 31 December 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		<u>673</u>	<u>1,663</u>
		<u>673</u>	<u>1,663</u>
NET ASSETS/(LIABILITIES)		<u>138,874</u>	<u>(470,447)</u>
Capital and reserves			
Share capital	20	3,507,369	3,178,754
Reserves		<u>(3,335,532)</u>	<u>(3,625,900)</u>
Equity attributable to owners of the Company		171,837	(447,146)
Non-controlling interests		<u>(32,963)</u>	<u>(23,301)</u>
TOTAL EQUITY		<u>138,874</u>	<u>(470,447)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2022

	Attributable to owners of the Company						
	Share capital HK\$'000	Equity component of convertible bonds HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (audited)	3,178,754	62,077	9,146	(3,749,160)	(499,183)	(26,228)	(525,411)
Profit for the year (audited)	-	-	-	54,756	54,756	3,855	58,611
Other comprehensive loss for the year (audited)	-	-	(2,719)	-	(2,719)	(928)	(3,647)
Total comprehensive (loss)/income for the year (audited)	-	-	(2,719)	54,756	52,037	2,927	54,964
At 31 December 2021 (audited)	3,178,754	62,077	6,427	(3,694,404)	(447,146)	(23,301)	(470,447)
At 1 January 2022 (audited)	3,178,754	62,077	6,427	(3,694,404)	(447,146)	(23,301)	(470,447)
Profit/(loss) for the period (unaudited)	-	-	-	300,283	300,283	(7,591)	292,692
Other comprehensive loss for the period (unaudited)	-	-	(9,915)	-	(9,915)	(2,071)	(11,986)
Total comprehensive income/(loss) for the period (unaudited)	-	-	(9,915)	300,283	290,368	(9,662)	280,706
Proceeds from share subscriptions (unaudited)	240,603	-	-	-	240,603	-	240,603
Proceed from open offer (unaudited)	65,212	-	-	-	65,212	-	65,212
Issued upon debt restructuring (unaudited)	22,800	-	-	-	22,800	-	22,800
Transfer from equity component of convertible bonds to accumulated losses (unaudited)	-	(62,077)	-	62,077	-	-	-
At 31 December 2022 (unaudited)	3,507,369	-	(3,488)	(3,332,044)	171,837	(32,963)	138,874

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2022

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Net cash (used in)/generated from operating activities	(78,527)	13,103
Cash flows from investing activities		
Interest received	335	8
Proceeds from disposal of property, plant and equipment	1,692	–
Purchase of property, plant and equipment	–	(855)
Net cash generated from/(used in) investing activities	2,027	(847)
Cash flows from financing activities		
Repayment of borrowings	(7,434)	(12,560)
Repayment of lease liabilities	(26,223)	(3,778)
Repayment of convertible bonds	(17,259)	–
Repayment of non-convertible bonds	(5,054)	–
Net proceeds from the share subscriptions	240,603	–
Net proceeds from the open offer	65,212	–
Net cash generated from/(used in) financing activities	249,845	(16,338)
Net increase/(decrease) in cash and cash equivalents	173,345	(4,082)
Effect of foreign exchange rate changes	(1,163)	1,651
Cash and cash equivalents at beginning of period	2,136	4,567
Cash and cash equivalents at end of period	174,318	2,136
Analysis of cash and cash equivalents		
Bank and cash balances	174,318	2,136

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve months ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. The address of its registered office is Suites 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong. The Company's shares (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the Current Period, the Group was engaged in car rental and shuttle bus services in the industry of commuter bus leasing market in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 2 December 2022, the Company's financial year end date has been changed from 31 December to 30 June commencing from financial year commenced on 1 January 2022 and ending on 30 June 2023. Accordingly, the current financial year will cover a period of eighteen months. The condensed consolidated financial statements now presented over a period of twelve months from 1 January to 31 December 2022. The comparative figures presented for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 January 2021 to 31 December 2021.

The financial information relating to the financial year ended 31 December 2021 that is included in this interim report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The unaudited condensed consolidated interim financial statements of the Group for the twelve months ended 31 December 2022 (“Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Interim Financial Statements should be read in conjunction with the Group’s 2021 annual financial statements. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Current Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the twelve months ended 31 December 2022 and 2021.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest and other income, finance costs and unallocated corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowings, tax payable and other unallocated corporate liabilities as these liabilities are managed on a group basis.

- (a) The Group has only one operating segment of provision of car rental and shuttle bus services. Information about reportable segment profit or loss and segment assets is as follows:

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Revenue from external customers	77,074	142,814
Segment result	(39,175)	13,569
Interest income on bank deposits	335	8
Other income	357,259	86,173
Unallocated expenses	(19,419)	(17,650)
Profit from operations	299,000	82,100
Finance cost	(11,270)	(20,697)
Profit before tax	287,730	61,403
Income tax credit/(expense)	4,962	(2,792)
Profit for the period	292,692	58,611
	As at 31 December 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Segment assets	232,169	302,673
Segment liabilities	291,278	360,183

(b) Geographical information:

The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Revenue		Non-current assets	
	Twelve months ended		At	At
	31 December		31 December	31 December
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
PRC	<u>77,074</u>	<u>142,814</u>	<u>186,213</u>	<u>227,418</u>

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue of the Group, is set out below:

	Twelve months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Customer A	N/A	20,900
Customer B	13,436	21,766
Customer C	<u>9,665</u>	<u>N/A</u>

5. REVENUE

Revenue represents the net invoiced value of services rendered during the Current Period.

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Car rental and shuttle bus services income	77,074	142,814

The major services are rental of car and shuttle bus services. The revenue is recognised at a point in time and the geographical market is located in PRC.

6. OTHER INCOME

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Bank interest income	335	8
Gain on debt restructuring (Note)	316,649	–
Gain on disposal of subsidiary	37,624	–
Gain on a waiver of other loan	–	85,786
Sundry income	2,986	387
	357,594	86,181

Note: The gain on debt restructuring represents the aggregate amount of outstanding debt owed by the Company settled under the debt restructuring after haircut from the creditors and finance costs related to such outstanding loan incurred, less (i) the cash settlement paid to the creditors; and (ii) fair value of creditors shares issued by the Company. Details of the debt restructuring were disclosed in circular of the Company dated 31 December 2021.

7. FINANCE COST

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Bank charges	2	22
Interest expenses on borrowings		
– interest on convertible bonds	899	5,393
– interest on non-convertible bonds	905	5,430
– interest on lease liabilities	9,341	9,358
– interest on bank borrowings	84	273
– interest on other borrowings	39	221
	11,270	20,697

8. INCOME TAX CREDIT/(EXPENSE)

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Current tax – the PRC Enterprise Income Tax Provision for the period/year	–	(2,792)
Deferred tax	4,962	–
	4,962	(2,792)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Current Period.

Under the Law of the PRC on Enterprise Income Tax, the applicable income tax rate of the Group's subsidiaries in the PRC is 25% (2021: 25%).

At 31 December 2022, the Group has tax losses of approximately HK\$19,846,000 (2021: Nil) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK4,962,000 (2021: Nil) of such losses.

9. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Directors' remuneration	4,810	3,905
Other staff salaries and benefits	38,919	45,050
Contributions to retirement benefit schemes	3,635	9,783
	47,364	58,738
Loss on disposal of property, plant and equipment	1,521	–
Depreciation of property, plant and equipment	10,885	17,806
Depreciation of right-of-use assets	5,539	6,631
Impairment on goodwill	11,530	–
Impairment on trade receivables	–	2,804
Impairment on other receivables	–	2,324
	–	–

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$300,283,000 (2021: profit of approximately HK\$54,756,000) and the weighted average number of ordinary shares of 2,720,635,968 (2021: 641,177,050, restated as to reflect the impact of share consolidation took effect on 25 January 2022) in issue during the Current Period.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the twelve months ended 31 December 2022 and 2021.

11. DIVIDENDS

The Directors do not declare the payment of any dividend in respect of the Current Period (twelve months ended 31 December 2021: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the Current Period, the carry amount of the motor vehicles disposed was approximately HK\$3,166,000 (twelve months ended 31 December 2021: Nil).

During the Current Period, no property, plant and equipment was acquired or written off by the Group (twelve months ended 31 December 2021: Addition of HK\$855,000).

13. GOODWILL

	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Cost:		
At 1 January	37,546	36,547
Exchange differences	<u>(2,956)</u>	<u>999</u>
At 31 December	<u>34,590</u>	<u>37,546</u>
Accumulated impairment losses:		
Impairment loss recognised at 1 January	-	-
Impairment loss recognised during the period/year	<u>11,530</u>	<u>-</u>
At 31 December	<u>11,530</u>	<u>-</u>
Carrying amount: At 31 December	<u>23,060</u>	<u>37,546</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to car rental service.

During the Current Period, the financial performance of car rental service was not as good as expected as the cashflow projection performed in the twelve months ended 2021 due to the second round COVID-19 outbreak which affects its forecast revenue. The Group determined its recoverable amount based on the value in use and prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax discount rate used to discount the forecast cash flows is 27%. As a result, the carrying amount of the CGU of car rental service exceeds its recoverable amount. Accordingly, an impairment loss of approximately HK\$11,530,000 has been recognised in the Current Period.

14. TRADE RECEIVABLES

The Group’s trading terms with customers are mainly on credit or received in advance. The credit period is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Overdue balances are reviewed regularly by the Directors. The Group has concentration of credit risk on certain customers. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest bearing.

The aging analysis of trade receivables, based on the invoice date, is as follows:

	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Within 30 days	5,321	7,409
31-90 days	5,325	10,488
91-365 days	13,192	31,694
Over 1 year	11,607	15,901
Less: Impairments	<u>(5,582)</u>	<u>(5,582)</u>
	<u>29,863</u>	<u>59,910</u>

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Other receivables	37,438	5,408
Prepayments and deposits	<u>64,301</u>	<u>36,686</u>
	101,739	42,094
Impairment	<u>(2,324)</u>	<u>(2,324)</u>
	99,415	39,770
Non-current portion of prepayment	<u>(13,537)</u>	<u>(14,694)</u>
	<u>85,878</u>	<u>25,076</u>

16. OTHER PAYABLES AND ACCRUALS

	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Other payables	123,637	145,868
Amount due to a director (Note)	6,507	5,338
Accruals	<u>19,533</u>	<u>38,677</u>
	<u>149,677</u>	<u>189,883</u>

Note: The amount due to a director is unsecured, interest free and repayable on demand.

17. BORROWINGS

	Notes	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Bank loan	(a)	–	2,996
Other loans	(b)	<u>46,120</u>	<u>66,222</u>
		<u>46,120</u>	<u>69,218</u>

Notes:

- (a) The bank loan is secured, bearing an interest rate of 6.175% and is repayable on demand or within one year.
- (b) Other loans are unsecured, among which approximately HK\$40,321,000 (2021: HK\$6,250,000) bear interest rates range from 2% to 6.5%. The remaining balances are interest free and are repayable on demand or within one year.

18. CONVERTIBLE BONDS

On 27 October 2015, the Company issued convertible bonds in the principal amount of HK\$65,735,900 which bear interest rate of 4.5% per annum (the “2015CB”). The 2015CB were convertible into ordinary shares of the Company within 24 months from the date of issue at a conversion price of HK\$0.265 per conversion share (subject to adjustment), and a maximum of 248,060,000 conversion shares can be issued. The outstanding principal amount was HK\$26,500,000, and outstanding interests was HK\$7,571,000. As at 31 December 2022, the liability component of the 2015CB being extinguished with the corresponding convertible bonds reserve was transferred to the accumulated losses while the liability component of the 2015CB was reclassified as other loans.

On 10 November 2015, the Company issued zero-coupon convertible bonds in the principal amount of HK\$120,000,000 (the “QDCB1”) as part of the consideration for the acquisition of 70% equity interest in the entire issued share capital of Million Fortune International Investment Limited. The QDCB1 were convertible into ordinary shares of the Company at any time between the date of issue and its maturity date at a conversion price of HK\$0.40 per conversion share (subject to adjustment), and a maximum of 300,000,000 conversion shares can be issued. As at 31 December 2022, QDCB1 had been taken up under the debt restructuring.

On 31 March 2017, the Company issued zero-coupon convertible bonds in the principal amount of HK\$13,220,018 (the “QDCB2”) as part of the consideration for the acquisition of 70% equity interest in the entire issued share capital of Million Fortune International Investment Limited. The QDCB2 were convertible into ordinary shares of the Company at any time between the date of issue and its maturity date at a conversion price of HK\$0.40 per conversion share (subject to adjustment), and a maximum of 33,050,045 conversion shares can be issued. As at 31 December 2022, QDCB2 had been taken up under the debt restructuring.

On 6 September 2016, the Company issued convertible bonds in the principal amount of HK\$140,000,000 (the “TMCB1”) which bear interest rate of 3% per annum as part of the consideration for the acquisition of 100% equity interest in the entire issued share capital of Gear World Development Limited. The TMCB1 were convertible into ordinary shares of the Company at any time between the date of issue and its maturity date at a conversion price of HK\$0.30 per conversion share (subject to adjustment), and a maximum of 466,666,666 conversion shares can be issued. As at 31 December 2022, TMCB1 had been settled under the debt restructuring.

The liability component of convertible bonds recognised at the end of the reporting period is analysed as follows:

	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Liability component		
At 1 January (audited)	265,086	259,693
Interest charged	899	5,393
Settled under debt restructuring	(231,914)	–
Transfer to other loans	(34,071)	–
	<hr/>	<hr/>
At the end of period/year	–	265,086
	<hr/>	<hr/>

19. NON-CONVERTIBLE BONDS

The non-convertible bonds of the Company (the “Bonds”) were redeemable at the discretion of the Company at 100% of the principal amount of such Bonds together with payment of interests accrued up to date of such early redemption by serving at least ten calendar days’ written notice at any time before the maturity date. The Bonds shall be redeemed on the date immediately following twelve to twenty-four months after the first date of issue of the Bonds. The Bonds carry interest at a rate of 6% per annum, which was payable annually in arrears.

	At 31 December 2022 HK\$’000 (unaudited)	At 31 December 2021 HK\$’000 (audited)
At beginning of the period/year	90,500	90,500
Interest charged	905	5,430
Interest payable classified to other payables	(905)	(5,430)
Settled under debt restructuring	<u>(90,500)</u>	<u>—</u>
At the end of the period/year	<u>—</u>	<u>90,500</u>

20. SHARE CAPITAL

	At 31 December 2022 HK\$’000 (unaudited)	At 31 December 2021 HK\$’000 (audited)
Issued and fully paid: 3,687,628,409 (2021: 6,411,770,500) ordinary shares	<u>3,507,369</u>	<u>3,178,754</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Share capital HK\$'000
At 1 January 2021 (audited), 31 December 2021 (audited) and 1 January 2022 (audited)		6,411,770,500	3,178,754
Shares consolidation	(a)	<u>(5,770,593,450)</u>	<u>—</u>
		641,177,050	3,178,754
Shares issued under share subscriptions	(b)	2,198,000,000	240,603
Shares issued under open offer	(c)	641,177,050	65,212
Shares issued under debt restructuring	(d)	<u>207,274,309</u>	<u>22,800</u>
At 31 December 2022 (unaudited)		<u>3,687,628,409</u>	<u>3,507,369</u>

Notes:

- (a) Effective on 25 January 2022, every ten issued ordinary shares of the Company were consolidated into one ordinary share of the Company (the “Consolidated Share”).
- (b) On 9 March 2022, the Company completed the allotment and issuance of a total of 1,588,000,000 ordinary shares to two subscribers at the subscription price of HK\$0.11 per subscription share raising a total proceeds of approximately HK\$170,573,000, net of share issue expenses of approximately HK\$4,107,000.
- On 8 November 2022, the Company completed the allotment and issuance of a total of 610,000,000 ordinary shares to two subscribers at the subscription price of HK\$0.115 per subscription share raising a total proceeds of approximately HK\$70,030,000, net of share issue expenses of approximately HK\$120,000.
- (c) On 9 March 2022, the Company completed the allotment and issuance of a total of 641,177,050 ordinary shares by way of an open offer on the basis of one offer share for every one existing Consolidated Share held by the qualifying shareholders on 8 February 2022 at an offer price of HK\$0.11 per offer share. The Company raised a total proceeds of approximately HK\$65,212,000, net of share issue expenses of approximately HK\$5,317,000.

- (d) On 9 March 2022, the Company completed the allotment and issuance of a total of 207,274,309 ordinary shares (the “Creditors Shares”) to eleven creditors at the fair value amount of HK\$0.11 per Creditors Share resulting in increase in share capital of approximately HK\$22,800,000.

21. CONTINGENT LIABILITIES

At the end of the Current Period, contingent liabilities not provided for in the condensed consolidated financial statements were as follows:

	At 31 December 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Indemnity related to a former subsidiary	6,881	7,469

At the end of the Current Period, the Directors do not consider it probable that a claim will be made against the Group under the above possible claim.

22. PENDING LITIGATION

According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group disposed of a subsidiary, World Giant Limited (“World Giant”), a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately an amount of RMB6,100,000 related to transactions on or before the completion date. The existing management of World Giant had indicated to the Directors that the amount in respect of transactions on or before the completion date should be paid by the Company.

In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6,100,000. However, such amounts were covered by the amount accrued in the financial statements of World Giant at the time of disposal.

Accordingly, in the opinion of the Directors, the Group has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6,100,000, equivalent to approximately HK\$6,881,000 (31 December 2021: HK\$7,469,000), has been shown as contingent liabilities in note 21 to these condensed consolidated financial statements.

The Writ of Summons was served on the Company in February 2005. The Company has not received further claims from the plaintiff up to the date of approval of these condensed consolidated financial statements.

23. RELATED PARTY TRANSACTIONS

- (a) Compensation of key management personnel of the Group:

	Twelve months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Short term employee benefits	<u>840</u>	<u>840</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended since 1 August 2016. On 5 August 2016, the Securities and Futures Commission of Hong Kong issued a direction pursuant to Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) to suspend the trading in the Shares from 1:00 p.m. on 5 August 2016.

After the new members of the Board and the management joined the Company, the Company submitted a proposal and a supplemental proposal for resumption of trading to the Stock Exchange on 19 June 2019 and 30 July 2019, respectively. The Restructuring and the transactions contemplated thereunder were approved at the general meeting of the Company (“GM”) held on 21 January 2022, and the independent shareholders of the Company passed by way of poll, amongst others, the resolutions regarding the Share Consolidation, the Subscription, the Debt Restructuring, the Open Offer and the Whitewash Waiver. Details of the Restructuring and the transactions contemplated thereunder, including the Share Consolidation, the Subscription, the Debt Restructuring, the Open Offer and the Whitewash Waiver, are set out in the circular of the Company dated 31 December 2021.

After years of unremitting efforts of the Directors and management of the Company and following the completion of the Restructuring, the Company made the announcement in relation to the fulfilment of resumption conditions and resumption of trading on 9 March 2022, and trading in the Shares on the Stock Exchange recommenced from 9:00 a.m. on 10 March 2022.

ACTIONS TAKEN BY THE COMPANY TO ADDRESS RELEVANT QUALIFIED OPINION

The auditors of the Company, ZHONGHUI ANDA CPA Limited (“Auditor”), had issued qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2021. The Company has taken actions to address the relevant audit qualifications as set out below:

Borrowings

There was no sufficient evidence provided to satisfy the Auditor, in relation to the existence, rights and obligations and valuation of the borrowings of approximately HK\$43,235,000 and HK\$42,257,000 as at 31 December 2021 and 2020 respectively.

The borrowings have subsequently been verified and there were defect on its existence, right, obligations and valuation. As a result, the Company, its relevant subsidiaries and the creditors of the borrowings have entered into legal documents, pursuant to which that the Company shall dispose the subsidiary which held all the borrowings to an independent third party with minimal consideration and all the repayment obligation of the Company shall be released. The disposal was completed on 11 February 2022. The subsidiary disposed of only held the borrowings and did not have any asset or business operation. Since the borrowings in the qualification is no longer in the books of the Group, the Auditor have agreed that this qualification will be removed in the auditor’s report for financial year ending 30 June 2024.

BUSINESS REVIEW AND OUTLOOK

The Group has been engaged in providing car rental and shuttle bus services through 北京天馬通馳汽車租賃有限公司 (Beijing Tian Ma Tong Chi Car Rental Co., Ltd*) (“TMTC Rental”) and 北京天馬通馳旅遊客運有限公司 (Beijing Tian Ma Tong Chi Travel Transportation Co., Ltd*) (“TMTC Travel”, together with TMTC Rental, “TMTC Group”) since September 2016. TMTC Group operates through two major subsidiaries, TMTC Rental (an indirect wholly owned subsidiary of the Company) and TMTC Travel (a 49% owned subsidiary of TMTC Rental). To align with the current operation model and to implement management arrangements, since 1 September 2019, TMTC Travel has been consolidated into TMTC Group’s account under HKFRS10 on the basis of full management control over TMTC Travel by TMTC Rental. For details, please refer to the announcement of the Company dated 2 March 2020. TMTC Group owns nearly 800 5- to 59-seater electric buses, fuel buses, and other vehicles in total. For car rental and shuttle bus services, TMTC Group provides (i) shuttle services between work places/schools and residential communities for employees/students of institutional customers; (ii) vehicle rental without chauffeur; and (iii) car rental with chauffeur for business and leisure travel and large government events based on the specific requirements on vehicle capacity, types of vehicles, point-to-point services, contracted bespoke services and routes/shuttle arrangements with specific timetables. In addition, with our years of experience in transportation logistics and resource management, we also provide resource management and planning services to our peers and other customers tailored to their needs.

In 2022, the ongoing impact of COVID-19 lockdowns and controls has resulted in a reduction in the frequency and utilization of shuttle buses by TMTC Group's customers in Beijing, causing some slowdown in the shuttle bus business and thus affecting the Company's operations to a certain extent. However, in our view, customers' demand for shuttle buses will gradually recover to the pre-pandemic level with the full reopening and gradual recovery of society. To this end, TMTC Group will further improve and optimize its internal resources and strive to gradually overcome the difficulties encountered during the pandemic and prepare for the post-pandemic era. We now plan to optimize our fleet in terms of hardware and software to be better positioned in the highly competitive post-pandemic era. In the future, TMTC Group will explore new business opportunities, broaden our customer base, and exploit the Group's strengths in resource planning and control to increase the utilization rate of shuttles and surpass the limitations of the one business model for one location. We will provide a more convenient shuttle service for commuters in Beijing by marching into untapped markets for offering shuttle bus services to SMEs in the same region that do not have enough employees for their shuttle buses and allow sharing of costs, aiming to achieve business expansion. Meanwhile, we will also explore the "Passenger Transport Plus" operation model to provide customers with more value-added services and create more value for them during their commute. This project was shelved during the pandemic, but we are now ready to continue its development to realize our goal of generating more profit.

Moreover, the Group explores the business of resource planning and control integration and vigorously develops other promising businesses to improve their risk resilience and profitability. On top of the car rental and shuttle bus services, the management of the Group strives to expand the application of established businesses on the same technology level to develop the relevant business lines in a further sense.

The Company issued announcements on entering into of strategic cooperation agreements or a memorandum of understanding during or after the Current Period. The management has thoroughly analyzed whether each of these cooperations is in the interest of the Company and investors as a whole and consulted with various experts and advisors. It remains committed to exploring suitable investment or business development opportunities.

Through our years of cultivation in the car rental and shuttle bus services segment, we are sophisticated in resource planning and control, like resource management of vehicle and transportation data. In the future, we will realize our existing data and strengths in resource planning and control to vigorously develop more promising business areas and identify suitable business entry points.

Under the current status and development trend of carbon-neutral policy in China, the Group has sorted out its carbon emissions management and audit as well as its path to carbon neutrality. In view of the fact that the Group's business involves large passenger vehicles and may involve large freight vehicles in the future, which may be subject to restrictions on carbon emissions, we are proactively seeking opportunities to realize the Group's transportation data resources in the business relating to carbon emission rights. With our accumulated vehicle traffic data, we can predict vehicles' demand for carbon emission rights, and then rationally allocate carbon emission rights resources, which will not only enable the development of the Group's existing transportation business, but also provide the Group with additional profit grow point through external sales.

We seek to constantly optimize our technical know-how and experience in resource planning and control to improve the efficiency of resource management across our businesses. On 19 January 2023, we released a voluntary announcement regarding a memorandum of understanding in relation to possible acquisition of a technology company. The target company has extensive experience and technical know-how in resource planning and control, and the acquisition of the target company will provide the Group with more stable technical support and lower costs for its logistics and transportation management system, which will make the Group more competitive in the market.

To further realize our resource management of transportation data, we make use of our knowledge about vehicle transportation to further establish the highway short-sleep pod business. On 30 September 2022, we released a voluntary announcement regarding the strategic cooperation agreement with Wuji Technology (Shanghai) Co., Ltd on highway short-sleep pods.

We are of the view that future resource planning and control, for example, resource planning and control of vehicles in the transportation business, will be carried out and developed on the platform of the digital economy. Therefore, we expect that there will be more exploration regarding the digital economy and system integration in 2023 and will venture into this area through asset acquisitions, direct investments, and equity acquisitions when opportunities arise. On 1 September 2022, we entered into a business collaboration with China Business Update Magazine Publisher on the digital economy, digital culture and creativity, and cutting-edge technology. The management believes that the Group's resource planning and control in the transportation industry will be applied through the digital economy platform.

In the future, we will continue our exploration to realize the existing experience in data and resource planning and control in other areas and explore the expansion of the applications horizontally and vertically on the same technology level to improve the risk resilience and profitability of our business.

The Group intends to revamp and optimize the Group's existing businesses in 2023 for greater operational efficiency. Meanwhile, the management of the Group also seeks to capitalize on the momentum of the reopening after the pandemic to step up its efforts in the exploration of new business segments, aiming to develop some promising areas for more stable support for the Group's revenue and for maximizing the interests of the Group's shareholders and investors.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit

The Group's revenue generated from the car rental and shuttle bus services business amounted to approximately HK\$77,074,000 for the Current Period, representing a decrease by approximately HK\$ 65,740,000 or 46% as compared with that of approximately HK\$142,814,000 for the Corresponding Period.

The decrease in revenue for the Current Period due to the utilization of commutes buses and operation of the TMTG Group were adversely affected during April to June 2022 and December 2022, when COVID-19 outbreak in Beijing. As several districts in Beijing adopted lockdown and control measures one after another, some key customers of the TMTG Group advocated for quarantine or avoided travelling under control measures voluntarily; several international school customers delayed the start of school term or requested students to attend class at home via online teaching; and some corporate customers allowed their staff to work from home.

The cost of revenue for the Current Period of approximately HK\$86,230,000 decreased by approximately HK\$19,656,000 or 18.6%, as compared with that for the Corresponding Period of approximately HK\$105,886,000. The decrease in cost was mainly due to the decrease in car parking expenses, fuel and electricity and repair and maintenance. Due to the fixed costs such as depreciation of vehicles and salaries of drivers, the revenue fall by more than the cost.

As a result, the Group recorded gross loss of approximately HK\$9,156,000 for the Current Period and gross profit of approximately HK\$36,928,000 for the Corresponding Period. Negative gross profit margin for the Current Period was 11.9% and gross profit margin for the Corresponding Period was 25.9%.

Other Income

Other income of the Group for the Current Period and Corresponding Period were approximately HK\$357,594,000 and HK\$86,181,000 respectively, representing an increase of approximately HK\$271,413,000. The increase in other income for the Current Period was in result of (a) gain on disposal of a wholly owned subsidiary with net liabilities and (b) gain on Debt Restructuring representing the aggregate amount of outstanding debt owed by the Company settled under the Debt Restructuring after haircut from the creditors and finance costs related to such outstanding loan incurred, less (i) the cash settlement paid to the creditors; and (ii) fair value of Creditors Shares issued by the Company.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Current Period and Corresponding Period were approximately HK\$49,438,000 and HK\$41,009,000 respectively, representing an increase of approximately HK\$8,429,000 or 20.6%. The increase was mainly in the result of the settlement of various expenses associated with the Open Offer (as defined below), the First Subscription (as defined below) and the Debt Restructuring, including service fees for financial advisers, legal advisers and other professional parties, and commissions for underwriter and placing agent of the Open Offer. An impairment loss of approximately HK\$11,530,000 for goodwill has been provided in the Current Period. The details were set out in note 13 to the condensed consolidated interim financial statements.

Finance cost

Finance cost of the Group for the Current Period amounted to approximately HK\$11,270,000, by decreasing of approximately HK\$9,427,000 or 45.5% as compared with that for the Corresponding Period of approximately HK\$20,697,000. The finance cost included interests charged on convertible bonds, non-convertible bonds, lease liabilities, bank borrowings and other borrowings. During the Current Period, part of liabilities of the Group were settled according to Debt Restructuring, and since then the related finance cost were no longer accrued.

Profit attributable to the owners of the Company

As a result of the aforesaid, the Group recorded favourable profit for the Current Period as compared with the Corresponding Period. The profit for the period and profit attributable to the owners of the Company for the Current Period were approximately HK\$292,692,000 and HK\$300,283,000 respectively. The profit for the period and profit attributable to the owners of the Company for the Corresponding Period were approximately HK\$58,611,000 and HK\$54,756,000 respectively.

Non-current Assets

The non-current assets decreased by approximately HK\$41,205,000 from HK\$227,418,000 as at 31 December 2021 to HK\$186,213,000 as at 31 December 2022. The decrease in non-current assets was mainly attributable to the depreciation of property, plant and equipment and right-of-use assets and impairment of goodwill.

Current Assets

The current assets increased by approximately HK\$202,937,000 from HK\$87,122,000 as at 31 December 2021 to HK\$290,059,000 as at 31 December 2022. The increase in current assets was mainly attributable to: (i) the deposit paid by the Group to secure the operation right of local compliant passenger transport companies during the business expansion of the Group in other cities in PRC. The deposit is interest free and shall be recovered in accordance with terms under respective agreements of the pilot projects; (ii) the prepayments of approximately HK\$33,843,000 (equivalent to RMB30,000,000) paid for purchasing resources products in formulating the Group's commodity trading business; and (iii) increase in bank and cash balances due to the unutilised proceeds from the First Subscription and the Open Offer completed on 9 March 2022 and the Second Subscription (as defined below) completed on 8 November 2022.

Total Liabilities

The total of non-current and current liabilities of the Group decreased by HK\$447,589,000 from approximately HK\$784,987,000 as at 31 December 2021 to HK\$337,398,000 as at 31 December 2022. The decrease was attributable to (a) partially performed debt restructuring by (i) repayment by cash from fund raising in the First Subscription and the Open Offer and (ii) settlement by the Creditors Shares according to the Debt Restructuring completed on 9 March 2022, and (b) settlement of bank loan and other borrowings by repayment. The realized hair-cut portions in settlement of liabilities is accounted for other income if the debts owed to the creditors are fully settled.

Net Current Liabilities and Net Assets

After the current liabilities were settled nearly 57.0% and the current assets increased in deposit and prepayment, which mentioned in the above “Current Asset” in this section, the net current liabilities decreased by HK\$649,536,000 from approximately HK\$696,202,000 as at 31 December 2021 to approximately HK\$46,666,000 as at 31 December 2022.

The issuance of Shares and settlement of liabilities upon the First Subscription, the Debt Restructuring, the Open Offer and the Second Subscription overturned the financial position of the Group from net liabilities of approximately HK\$470,447,000 as at 31 December 2021 to net assets of approximately HK\$138,874,000 as at 31 December 2022.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the issued share capital of the Company was approximately HK\$3,507,369,000 divided into 3,687,628,409 Shares. During the Current Period, the Group finances its operations by cash flow from operating activities and proceeds from (i) the first share subscription (the “First Subscription”) and the open offer (the “Open Offer”) took place on 9 March 2022 and (ii) the second share subscription (the “Second Subscription”) took place on 8 November 2022. As at 31 December 2022, the cash and bank balances of the Group amounted to approximately HK\$174,318,000 (31 December 2021: HK\$2,136,000).

As at 31 December 2022, the Group had current assets of approximately HK\$290,059,000 (31 December 2021: HK\$87,122,000), while its current liabilities were approximately HK\$336,725,000 (31 December 2021: HK\$783,324,000). The current ratio of the Group was approximately 0.86 times (31 December 2021: 0.11 times) and gearing ratio (debts/total assets) was 37.9% (31 December 2021: 186.9%).

USE OF PROCEEDS FROM SHARE SUBSCRIPTIONS AND OPEN OFFER

The First Subscription, the Open Offer and the Debt Restructuring are integral parts of the Resumption Proposal to facilitate Resumption. During the Current Period, the Company completed its restructuring including the Capital Reorganisation, the First Subscription, the Debt Restructuring and the Open Offer. Details are as follows:

On 31 December 2021, a circular containing, among other things, a notice convening the GM held on 21 January 2022 and the information relating to (a) the Capital Reorganisation; (b) the First Subscription; (c) the Open Offer; and (d) the Debt Restructuring, was despatched to the shareholders of the Company (the “Shareholders”). On 21 January 2022, resolutions as set out in the GM notice were duly passed by the Shareholders or independent Shareholders (as the case may be).

The Capital Reorganisation comprises the Share Consolidation and the Change in Board Lot Size. Every 10 issued existing Shares were consolidated into one Consolidated Share with effect from 25 January 2022 and the Change in Board Lot Size from 10,000 Shares to 20,000 Consolidated Shares took effect on 10 March 2022.

The First Subscription

On 30 July 2019, the Company entered into the Subscription Agreement (as supplemented by a supplemental agreement dated 29 September 2020) with Mr. Ji Kaiping (“Mr. Ji”) and Mr. Guo Peiyuan (“Mr. Guo”). On 24 February 2021, 24 June 2021 and 24 December 2021, the Company, Mr. Ji, Thousand Joy Limited (“Thousand Joy”), Mr. Guo and Hontin Ocean Resources Limited (“Hontin”) entered into the Revised Subscription Agreement to amend and restate the Subscription Agreement, pursuant to which 1,588,000,000 new Consolidated Shares (“Subscription Shares”) in aggregate would be subscribed by Thousand Joy and Hontin in which (i) Thousand Joy has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 972,500,000 new Consolidated Shares; and (ii) Hontin has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 615,500,000 new Consolidated Shares at the Subscription Price of HK\$0.11 per Subscription Share. The gross proceeds of the First Subscription were HK\$174,680,000. The Subscription Price of HK\$0.11 per Subscription Share represents a discount of approximately 92.3% to the theoretical closing price of HK\$1.42 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.142 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 29 July 2016, being the last trading day of the Shares immediately prior to the suspension of trading of the Shares). The First Subscription completed on 9 March 2022. The 1,588,000,000 Subscription Shares were issued under a specific mandate obtained at the GM held on 21 January 2022. The net proceeds arising from the First Subscription after deducting related expenses amounted to approximately HK\$170,573,000 (equivalent to a net price of approximately HK\$0.107 per Subscription Share).

The Open Offer

As part of the fund raising plan under the Resumption Proposal, the Company and Emperor Securities Limited (“Underwriter”) entered into the Underwriting Agreement on 24 June 2021, and the Supplemental Underwriting Agreements on 20 September 2021, 20 October 2021 and 30 November 2021 respectively. Pursuant to the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreements), the Underwriter conditionally agreed to fully underwrite 641,177,050 Consolidated Shares at the offer price of HK\$0.11 per Offer Share on the basis of one Offer Share for every one then existing Consolidated Share held by Qualifying Shareholder on the Open Offer Record Date (i.e. 8 February 2022). The Offer Shares not taken up by the Qualifying Shareholders will first be placed out by the Placing Agent under the Unsubscribed Shares Arrangement, and any Untaken Shares will then be taken up by the Underwriter, sub-underwriter(s) or subscriber(s) procured by them. The gross proceeds of the Open Offer were HK\$70,529,475.5. The Offer Price of HK\$0.11 per Offer Share was the same as the Subscription Price. The Open Offer completed on 9 March 2022. The Offer Shares were issued under a specific mandate obtained at the GM held on 21 January 2022. The net proceeds arising from the Open Offer after deducting related expenses amounted to approximately HK\$65,212,000 (equivalent to a net price per Offer Share of approximately HK\$0.102). The Company intends to utilise the entire net proceeds from the Open Offer for the settlement of debt under the Debt Restructuring.

As disclosed in the announcement of the Company dated 25 February 2022, a total of 7 valid applications had been received for a total of 108,260,129 Offer Shares as at 4:00 p.m. on 23 February 2022, representing approximately 16.88% of the total number of Offer Shares available for subscription under the Open Offer. The remaining 532,916,921 Unsubscribed Shares, representing approximately 83.12% of the total number of Offer Shares available for subscription under the Open Offer, were subject to the Unsubscribed Shares Arrangement. As at 4:00 p.m. on 4 March 2022, 4,360,000 Unsubscribed Shares had been placed by the Placing Agent. Accordingly, an aggregate of 528,556,921 Untaken Shares were taken up by the Underwriter/Sub-underwriters and their respective sub-underwriters and independent places procured by them pursuant to the terms of the Underwriting Agreement. The results of the Open Offer were announced on 8 March 2022 and the Offer Shares had been issued and allotted on 9 March 2022.

On 9 March 2022, the Board announced that (i) all the conditions precedent to the First Subscription had been fulfilled and 972,500,000 Subscription Shares and 615,500,000 Subscription Shares had been allotted and issued to Thousand Joy and Hontin, respectively in accordance with the terms of the Revised Subscription Agreement; and (ii) all the conditions precedent to the Debt Restructuring had been fulfilled and a total of 207,274,309 Creditors Shares had been allotted and issued to 11 Creditors under the Debt Restructuring.

Upon completion of the First Subscription, the Open Offer and the Debt Restructuring on 9 March 2022, the Company had fulfilled all the SFC Resumption Conditions and the Stock Exchange Resumption Conditions, trading in Shares resumed on 10 March 2022.

Capitalised terms used in the sub-sections headed “The First Subscription” and “The Open Offer” shall have the same meanings as those defined in the circular issued by the Company dated 31 December 2021, unless the context requires otherwise. For more details, please refer to the announcements of the Company dated 21 January 2022, 25 January 2022, 25 February 2022, 8 March 2022 and 9 March 2022, the circular of the Company dated 31 December 2021 and the prospectus of the Company dated 9 February 2022.

The Second Subscription

To strengthen the financial position (in particular the working capital and cash flow position) of the Group, on 26 October 2022, the Company entered into two separate conditional Subscription Agreements with Mr. Fan Lian and Mr. Tian Xin to proceed with the Second Subscription. Pursuant to the Subscription Agreements, Mr. Fan Lian and Mr. Tian Xin have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 610,000,000 Subscription Shares at a price of HK\$0.115 per Subscription Share. The completion of the Second Subscription took place on 8 November 2022. The 610,000,000 Subscription Shares were issued under the general mandate obtained at the annual general meeting of the Company held on 28 June 2022.

The gross proceeds arising from the Second Subscription were HK\$70,150,000. The Subscription Price of HK\$0.115 per Subscription Share was the same as the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 26 October 2022, being the date of the Subscription Agreements. After deduction of relevant expenses of the Second Subscription, the net proceeds arising from the Second Subscription amounted to approximately HK\$70,030,000 (equivalent to a net price per Subscription Share of approximately HK\$0.1148). The net proceeds arising from the Second Subscription would be used by the Company (i) as to approximately 70% or more of the net proceeds for enhancement of existing business of the Group and for business expansion of the Company, including but not limited to investment in freight and logistics services, digital economy related business, highway service and/or other potential business development when such opportunities arise; and (ii) the remaining net proceeds as general working capital of the Group.

Capitalised terms used in this sub-section headed “The Second Subscription” shall have the same meanings as those defined in the announcement of the Company dated 26 October 2022, unless the context requires otherwise.

Details of the breakdown and description of the use of net proceeds arising from the First Subscription, the Open Offer and the Second Subscription are set out below:

Intended use of net proceeds	Total planned amount HK\$'000	Net Proceeds		Expected timeline for the unutilised Net Proceeds
		Utilised amount during the Current Period HK\$'000	Unutilised amount as at 31 December 2022 HK\$'000	
Proceeds from the First Subscription and the Open Offer				
Settlement of debt under the				
Debt Restructuring	160,000	53,000	107,000	Year 2023
Business expansion	51,185	50,275	910	Year 2023
General working capital	24,600	24,600	-	-
Proceeds from the Second Subscription				
Business enhancement and				
business expansion	49,030	-	49,030	Year 2023
General working capital	21,000	4,604	16,396	Year 2023
Total	<u>305,815</u>	<u>132,479</u>	<u>173,336</u>	Year 2023

The net proceeds arising from the First Subscription, the Open Offer and the Second Subscription were used according to the intentions previously disclosed by the Company. Nevertheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plan against changing market conditions to ascertain the business growth of the Group.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS HELD

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the twelve months ended 31 December 2022 and did not have any significant investments held as at 31 December 2022.

FOREIGN EXCHANGE EXPOSURE

During the twelve months ended 31 December 2022, the majority of the Group's income and expenses were denominated in Renminbi and Hong Kong dollars. Up to 31 December 2022, the management of the Company was of the opinion that the Group has insignificant exposure to foreign exchange risk. The Group did not use any financial instruments for hedging against fluctuation in foreign exchange for the twelve months ended 31 December 2022. Nevertheless, the management of the Company will closely monitor and from time to time reassess the exchange risk exposures of the Group and enter into non-speculative hedging arrangements if considered necessary.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had 435 employees (including the Directors) in Hong Kong and the PRC (31 December 2021: 530). Information of staff cost for the Current Period is set out in note 9 to the condensed consolidated interim financial statements. The Group continues to provide remuneration packages to employees according to market practices, their experience and performance. Remuneration policy is basically determined with reference to individual performance as well as the financial results of the Group. Remuneration to staff will be reviewed from time to time when warranted considering the performance of staff. Other benefits include medical insurance scheme and contribution of statutory mandatory provident fund for the employees. The Group continues to provide necessary employee training on a regular basis in order to maintain the quality of business operation and services to customers. There has been no major change in employee policies during the twelve months ended 31 December 2022.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, the Group recorded the borrowings of approximately HK\$46,120,000. No assets had been pledged to banks for securing banking or other financing facilities granted to the Group since loan from bank was fully settled during the Current Period. All borrowings are repayable on demand or within one year.

As at 31 December 2021, the Group recorded the borrowings of approximately HK\$69,218,000 in which of approximately HK\$2,996,000 represents loan from bank and bears interest rate of 6.175% per annum with motor vehicles in carrying amount of approximately HK\$9,477,000 being pledged to secure the bank loan. All borrowings are repayable on demand or within one year.

CAPITAL COMMITMENTS

The Group had no significant capital commitments outstanding as at 31 December 2022 and 31 December 2021.

CONTINGENT LIABILITIES

Details of contingent liabilities were disclosed in note 21 to the condensed consolidated interim financial statements.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the Current Period and up to the date of this interim report.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Ji Kaiping ("Mr. Ji")	Interest of a controlled corporation	972,500,000 (Note 1)	26.37%
Guo Peiyuan ("Mr. Guo")	Interest of a controlled corporation	615,500,000 (Note 2)	16.69%
Ma Wenjing	Beneficial Owner	42,600,000	1.16%
Qiu Keshan	Beneficial Owner	3,140,000	0.09%

Notes:

- (1) Such Shares were registered in the name of Thousand Joy Limited (“Thousand Joy”), a company wholly owned by Mr. Ji. By virtue of the provisions of Part XV of the SFO, Mr. Ji is deemed to be interested in all the Shares held by Thousand Joy. Mr. Ji is a director of Thousand Joy.
- (2) Such Shares were registered in the name of Hontin Ocean Resources Limited (“Hontin Ocean”), a company wholly owned by Mr. Guo. By virtue of the provisions of Part XV of the SFO, Mr. Guo is deemed to be interested in all the Shares held by Hontin Ocean. Mr. Guo is a director of Hontin Ocean.

Save as disclosed above, as at 31 December 2022, none of the Directors and/or chief executive of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 14 December 2012, a share option scheme (the “Share Option Scheme”) was adopted by the Company. The Share Option Scheme expired on 13 December 2022 and no further share options shall be granted under the Share Option Scheme.

There were no outstanding share options granted under the Share Option Scheme as at 31 December 2022. No option was granted, exercised, cancelled or lapsed during the twelve months ended 31 December 2022.

As at 31 December 2022 and up to the date of this report, the Company has not adopted a new share scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests or short positions of every person, other than a Director or chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name	Capacity/ Nature of interest	Long position/ short position	Number of Shares held	Approximately percentage of total number of Shares in issue
Thousand Joy (Note 1)	Beneficial Owner	Long position	972,500,000	26.37%
Hontin Ocean (Note 2)	Beneficial Owner	Long position	615,500,000	16.69%
Tian Xin	Beneficial Owner	Long position	515,000,000	13.97%

Notes:

- (1) Thousand Joy is wholly owned by Mr. Ji.
- (2) Hontin Ocean is wholly owned by Mr. Guo.

Save as disclosed above, as at 31 December 2022, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the twelve months ended 31 December 2022 were rights to acquire benefits by means of the acquisition of Shares in, or debenture of, the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors nor their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the twelve months ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the twelve months ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Board and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all shareholders and enhance corporate value. The Company has adopted the principles and code provisions of the Corporate Governance Code ("CG Code") as set out in Part 2 of Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. During the twelve months ended 31 December 2022, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviations explained below.

The code provisions Reasons for the non-compliance and improvement actions took or to be taken

- | | |
|-------|---|
| C.1.8 | The Company requested insurance companies to provide relevant insurance but is given to understand such insurance can only be obtained after resumption of trading in the Shares on the Stock Exchange ("Resumption"). Immediately upon the Resumption, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities with effect from 24 March 2022. |
| C.2.1 | The Company has not appointed a chief executive officer as role and functions of chief executive officer have been performed by all the executive Directors collectively. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives effectively and efficiently in response to the changing environment. The Board will continuously assess whether any changes are necessary. |

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established with written terms of reference in compliance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Wen (as the chairman of the Audit Committee), Mr. Qiu Ke and Ms. Chen Yen Yung, and the non-executive Director, namely Mr. An Jingwen.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, and review of the Group’s financial information. The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim results for the twelve months ended 31 December 2022 and is of the opinion that such results complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the twelve months ended 31 December 2022.

The Company has also adopted the Model Code as the code of conduct for securities transactions by employees of the Company who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Model Code by the relevant employees of the Company was noted by the Company during the twelve months ended 31 December 2022.

On Behalf of the Board
National United Resources Holdings Limited
Ji Kaiping
Chairman

Hong Kong, 28 February 2023

As at the date of this report, the executive Directors are Mr. Ji Kaiping (Chairman), Mr. Guo Peiyuan, Ms. Mao Na, Ms. Ma Wenjing and Mr. Qiu Keshan, the non-executive Director is Mr. An Jingwen, and the independent non-executive Directors are Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the twelve months ended 31 December 2022 (Twelve months ended 31 December 2021: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Wen (as the chairman of the Audit Committee), Mr. Qiu Ke and Ms. Chen Yen Yung, and one non-executive Director, namely Mr. An Jingwen.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, and review of the Group’s financial information. The unaudited condensed consolidated financial statements of the Company for the twelve months ended 31 December 2022 have been reviewed by the Audit Committee.

By Order of the Board
National United Resources Holdings Limited
Ji Kaiping
Chairman

Hong Kong, 28 February 2023

As at the date of this announcement, the executive Directors are Mr. Ji Kaiping (Chairman), Mr. Guo Peiyuan, Ms. Mao Na, Ms. Ma Wenjing and Mr. Qiu Keshan, the non-executive Director is Mr. An Jingwen, and the independent non-executive Directors are Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung.