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 you should take, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, certified public accountant or other professional advisor.

If you have sold or transferred all your shares in **National United Resources Holdings Limited** (the **"Company"**), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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)

(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CONNECTED SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED OPEN OFFER;
(4) PROPOSED DEBT RESTRUCTURING AND CONNECTED SHARE ISSUANCE;
(5) APPLICATION FOR WHITEWASH WAIVER;
(6) PROPOSED APPOINTMENT OF DIRECTORS;
(7) ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS OF DIRECTORS AND AUDITOR; AND
(8) NOTICE OF GENERAL MEETING

Financial Advisors

禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

英皇融資有限公司
Emperor Capital Limited

Placing Agent and Underwriter to the Open Offer

英皇證券(香港)有限公司
Emperor Securities Limited

Independent Financial Advisor

紅日资本有限公司
RED SUN CAPITAL LIMITED

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 18 to 65 of this circular. A letter of advice from the Independent Financial Advisor is set out on pages 70 to 103 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 6 to 7 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer and the Restructuring will not proceed.

A notice convening the GM of the Company to be held at 2/F., 35-45B, Bonham Strand, Sheung Wan, Hong Kong on Friday, 21 January 2022 at 11:00 a.m. is set out on pages 266 to 271 of this circular. Whether or not you are able to attend the GM of the Company in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Abacus Limited, at Level 54, 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 fixed for the holding of the GM of the Company or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the GM of the Company or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

31 December 2021

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PRECAUTIONARY MEASURES FOR THE GM

In consideration of the control and prevent of spreading of coronavirus disease ("**COVID-19**") pandemic, the following precautionary measures will be implemented at the GM so as to safeguard the health and safety of the Shareholders who might be attending the GM in person:

Voting by proxy in advance of the GM: The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of Shareholders, the Company would strongly encourage Shareholders to exercise their right to vote at the GM by appointing the chairman of the GM as their proxy instead of attending the GM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the GM or any adjournment thereof should they subsequently so wish.

Completed forms of proxy must be returned to the Company's share registrar and transfer office, Tricor Abacus Limited, at Level 54, 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 of the GM or any adjournment thereof.

Shareholders are strongly encouraged to cast their votes by submitting a form of proxy and appointing the chairman of the GM as their proxy.

Under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation 2020 (Chapter 599G of the Laws of Hong Kong) (the "**Regulation**"), group gatherings of more than a designated number of persons as prescribed under the Regulation for shareholders' meetings are required to be accommodated in separate rooms or partitioned areas (the "**Requirement**"). The Company will limit attendance in person at the GM venue in compliance with the Requirement prevailing at the time of the GM. Given the limited capacity of the GM venue and the requirements for social distancing to ensure attendee safety, only Shareholders and/or their representatives and relevant GM staff will be admitted to the GM. Admission to the GM venue will not be granted in excess of the capacity of the GM venue. The Company will make arrangement for Shareholders and/or their representatives who cannot be admitted to the GM for completing the voting procedures.

The Company will also implement the following additional precautionary measures at the GM to ensure the health and safety of the attendees at the GM:

(1) Compulsory body temperature screening/checks will be carried out on every attendee before registration at the entrance of the GM venue. The Company reserves the right to deny entry of any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms into the GM venue or require such person to leave the GM venue so as to ensure the health and safety of the attendees at the GM. The Company will request such persons to stay in an isolated place for completing the voting procedures.

(2) Every attendee will be compulsorily required to wear a surgical face mask throughout the GM and every attendee will be assigned a designated seat at the time of registration to ensure social distancing.

(3) No food or beverages will be served and no gifts will be distributed to attendees at the GM.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Government or has close contact with any person under quarantine; or (c) has any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the GM venue at the absolute discretion of the Company as permitted by law.

Shareholders are requested (a) to consider carefully the risk of attending the GM, which will be held in an enclosed environment; (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the GM; and (c) not to attend the GM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Attendees are requested to observe and practise good personal hygiene at all times at the GM venue.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the GM arrangements at short notice. Shareholders should check the Company's website at http://www.irasia.com/listco/hk/nur for future announcements and updates on the GM arrangements when necessary.

Appointment of proxy by non-registered Shareholders: non-registered Shareholders whose Shares are held through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.

EXPECTED TIMETABLE

The expected timetable set out below is for indicative purposes only and the expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

	2021
Despatch of this circular	Friday, 31 December
	2022
Latest time for lodging transfers of Shares on the Stock Exchange to be qualified for attendance and voting at the GM	4:30 p.m. on Friday, 14 January
Register of members of the Company closes for determining entitlement to attend and vote at the GM (both dates inclusive)	Monday, 17 January to Friday, 21 January
Latest time for lodging proxy forms for the GM	11:00 a.m. on Wednesday, 19 January
Record date for attending and voting at the GM	Friday, 21 January
Time and date of the GM	11:00 a.m. on Friday, 21 January
Announcement of results of the GM	before 7:00 p.m. on Friday, 21 January
Register of members of the Company re-opens	Monday, 24 January
Expected effective date of the Share Consolidation	Tuesday, 25 January
Last day of cum-entitlements of the Consolidated Shares for the Open Offer	Tuesday, 25 January
First day of free exchange of the existing share certificates for new share certificates for the Consolidated Shares	Tuesday, 25 January
First day of ex-entitlements of the Consolidated Shares for the Open Offer	Wednesday, 26 January
Latest time for lodging transfer of the Consolidated Shares with the Company's share registrar in order to qualify for the Open Offer	4:30 p.m. on Thursday, 27 January

Event	2022
Closure of register of members to determine the eligibility of the Open Offer (both dates inclusive)	Friday, 28 January to Tuesday, 8 February
Open Offer Record Date	Tuesday, 8 February
Register of members of the Company re-opens	Wednesday, 9 February
Despatch of the Prospectus Documents (in the case of the Excluded Shareholders, the Prospectus only)	Wednesday, 9 February
Latest Time for Acceptance and payment of the Offer Shares	4:00 p.m. on Wednesday, 23 February
Announcement of the number of the Unsubscribed Shares subject to the Unsubscribed Arrangement	Friday, 25 February
Latest Time for Termination of the Underwriting Agreement by the Underwriter	4:00 p.m. on Monday, 28 February
Open Offer becomes unconditional	Monday, 28 February
Commencement of placing of the Unsubscribed Shares by the Placing Agent, on best effort basis	Monday, 28 February
End of the Placing Period for placing the Unsubscribed Shares	Friday, 4 March
Announcement of the results of the Open Offer (including the results of the Placing)	Tuesday, 8 March
If the Open Offer is terminated, refund cheque to be despatched	Wednesday, 9 March
Completion of the Subscription, the Open Offer and the Debt Restructuring and despatch of certificates for the Subscription Shares, the Offer Shares and the Creditors Shares, and completion of all the Resumption Conditions and publication of an announcement relating to the Resumption	Wednesday, 9 March
Resumption and dealing in the Consolidated Shares commence	9:00 a.m. on Thursday, 10 March

	2022
Odd lot matching arrangement	9:00 a.m. on Thursday, 10 March to 4:00 p.m. on Thursday, 31 March
Last day of free exchange of the existing share certificates for new share certificates for the Consolidated Shares	Thursday, 31 March

Notes:

1. Potential investors and Shareholders are reminded to complete the lodging of transfer of the Consolidated Shares to the Company's share registrar on or before 4:30 p.m. on Thursday, 27 January 2022 in order to qualify for the Open Offer and to receive the new share certificates for the Consolidated Shares after the Capital Reorganisation.

2. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:30 a.m. and before the above meeting time of the GM, the meeting will be postponed. The Company will post an announcement on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.irasia.com/listco/hk/nur) to notify Shareholders of the date, time and place of the rescheduled GM.

3. Unless otherwise specified, all reference to times and dates in this circular are references to Hong Kong times and dates.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal number 8 or above, or "extreme conditions" caused by super typhoons or a "black" rainstorm warning is:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 23 February 2022. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same day instead;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 23 February 2022. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on 4:00 p.m. on Wednesday, 23 February 2022, the dates mentioned in the section headed "Expected Timetable" in this circular may be affected. The Company will notify the Shareholders by way of announcements on any change to the excepted timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

(1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurs; or

(4) any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company,

the Underwriter shall be entitled by notice in writing to the Company, provided that such notice is served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by a notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination any material breach of any of the representations, warranties or undertakings comes to the knowledge of the Underwriter. Any such notice shall be served to the Company prior to the Latest Time for Termination.

In the event that the Underwriter terminates the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party save for legal fees and other out-of-pocket expenses (excluding any commission, costs, fees and expenses incurred in connection with any sub-underwriting arrangement) reasonably incurred by the Underwriter in connection with the underwriting of the Underwritten Shares to the extent agreed by the Company be borne by the Company or any antecedent breaches under the Underwriting Agreement. The Open Offer will accordingly not proceed in this case and the Restructuring will fall through.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Open Offer and the Restructuring will not proceed.

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

"Acquisition"	the acquisition of the entire issued share capital of Gear World by the Company;
"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"Application Form"	the form of application to be issued to the Qualifying Shareholders to apply for the Offer Shares for their assured entitlement under the Open Offer;
"Articles"	the articles of association of the Company;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Auditors"	ZHONGHUI ANDA CPA Limited, the auditors of the Company;
"Beijing Dingyan"	北京鼎岩盛世科技發展有限公司 (Beijing Dingyan Shengshi Technology Development Co., Ltd.*), a company established in the PRC and owner of 51% equity interest in TMTC Travel. Beijing Dingyan is ultimately owned by Mr. Xing Jie, an Independent Third Party and one of the founders of TMTC Group;
"Board"	the board of Directors;
"Business Day"	a day (other than a Saturday or Sunday or public holiday and any other day on which a tropical cyclone warning no. 8 or above or a "black" rain warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong;
"BVI"	the British Virgin Islands;
"Capital Reorganisation"	the proposed reorganisation of the share capital of the Company comprising the Share Consolidation and the Change in Board Lot Size;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"Change in Board Lot Size"	the change in board lot size from 10,000 Shares to 20,000 Consolidated Shares with effect from Resumption;

"China" or "PRC"	the People's Republic of China, but for the purposes of this circular and for geographical reference only (unless otherwise indicated), excluding the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan;
"Company"	National United Resources Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Subscription, the Open Offer and the Debt Restructuring;
"concert parties"	the parties acting in concert within the meaning of the Takeovers Code;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consolidated Share(s)"	ordinary share(s) of the Company immediately after the Share Consolidation becoming effective;
"Creditor(s)"	the 13 creditors of the Company, who agreed to the Debt Restructuring and entered into legally binding agreements with the Company;
"Creditors Shares"	207,274,309 Consolidated Shares to be allotted and issued to 11 Creditors (including Blissful Elite Limited) under the Debt Restructuring;
"Debt Restructuring"	the debt restructuring proposed by the Company under the Resumption Proposal;
"Director(s)"	the director(s) of the Company;
"Excluded Shareholder(s)"	those Overseas Shareholders whom the Directors, after making relevant enquiry as required under the Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account of either the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

"First Subscriber"	Thousand Joy Limited, a company incorporated in Hong Kong and the entire issued share capital of which is legally and beneficially owned by Mr. Ji;
"Gear World"	Gear World Development Limited, a company incorporated under the laws of the BVI with limited liability and an indirect wholly owned subsidiary of the Company;
"GM"	the general meeting of the Company to be held for the purpose of considering and, if thought fit, passing the resolutions to approve, among others, the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver;
"Gold Vantage"	Gold Vantage Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee A"	an independent board committee which comprises all the independent non-executive Directors, namely Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring (in respect of the connected share issuance to Blissful Elite Limited);
"Independent Board Committee B"	an independent board committee which comprises all the non-executive Director and independent non-executive Directors, namely Mr. An Jingwen, Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver;

"Independent Board Committees"	Independent Board Committee A and Independent Board Committee B;
"Independent Financial Advisor"	Red Sun Capital Limited, the independent financial advisor to the Independent Board Committees in relation to the Restructuring and the Whitewash Waiver, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Independent Shareholder(s)"	Shareholders other than the Subscribers, its associates and the parties acting in concert with any of them and other Shareholders who are interested or involved in the Subscription, the Debt Restructuring, the Whitewash Waiver, the Share Consolidation or the Open Offer (other than in their capacity as a Shareholder);
"Independent Third Party(ies)"	third party(ies) (who are not Shareholders) independent of the Company and its subsidiaries and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates;
"Independent Underwriting Placees"	third parties (who are not Shareholders) independent of, not acting in concert with and not connected with the Subscribers, the Directors, chief executive or substantial Shareholders or their respective associates;
"Internal Control Advisor"	Netis Advisory Limited, the internal control advisor engaged by the Company to assist the Company in fulfilling the Resumption Conditions on demonstrating it has put in place adequate internal control systems;
"Last Trading Day"	29 July 2016, being the last trading day of the Shares immediately prior to the suspension of trading of the Shares;
"Latest Lodging Time"	4:30 p.m. on Thursday, 27 January 2022 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of Consolidated Shares in order to qualify for the Open Offer;

"Latest Practicable Date"	28 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining information of this circular;
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 23 February 2022, being the latest time for acceptance of, and payment for, the Offer Shares under the Open Offer;
"Latest Time for Termination"	4:00 p.m. on Monday, 28 February 2022 (or such other time and date as the Company and the Underwriter may agree in writing), being the latest time to terminate the Underwriting Agreement;
"Latest Time for Unsubscribed Shares Arrangement"	4:00 p.m. on Friday, 4 March 2022, being the latest time for the Placing Agent to determine the list of Placing Placees and to notify the Company and the Underwriter of the results of the Placing;
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange;
"Listing Review Committee"	the listing review sub-committee of the board of directors of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Guo"	Mr. Guo Peiyuan, an executive Director;
"Mr. Ji"	Mr. Ji Kaiping, the chairman of the Board and an executive Director;
"No Action Shareholder(s)"	Qualifying Shareholders who do not subscribe for the Offer Shares (whether partially or fully) in their assured entitlements or the Excluded Shareholders (as the case may be);
"Offer Price"	HK$0.11 per Offer Share;
"Offer Share"	641,177,050 new Consolidated Shares proposed to be allotted and issued under the Open Offer;

"Open Offer"	the proposed offer for subscription of the Offer Shares on the basis of one (1) Offer Share for every one (1) existing Consolidated Share held on the Open Offer Record Date at the Offer Price;
"Open Offer Record Date"	Tuesday, 8 February 2022, or such other date as the Company and the Underwriter may agree in writing, being the record date for ascertaining entitlements to the Open Offer;
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Open Offer Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong;
"Placing"	the placing of the Unsubscribed Shares on and subject to the terms and conditions set out in the Placing Agreement;
"Placing Agent"	Emperor Securities Limited, the placing agent and a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, engaged by the Company for the purpose of the Unsubscribed Shares Arrangement;
"Placing Agreement"	the placing agreement dated 24 June 2021 entered into between the Company and the Placing Agent in respect of the Unsubscribed Shares Arrangement;
"Placing Period"	a period commencing from the third (3rd) Business Day immediately after the Latest Time for Acceptance and ending on the Latest Time for Unsubscribed Shares Arrangement (both days inclusive);
"Placing Placee(s)"	the placees to be procured by the Placing Agent to subscribe for the Unsubscribed Shares under the Unsubscribed Shares Arrangement;
"Placing Price"	the placing price of the Unsubscribed Shares shall be at least equal to the Offer Price and the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Shares during the process of placement;

"Posting Date"	the date of despatch of the Prospectus Documents to the Qualifying Shareholders or as applicable, the Prospectus to the Excluded Shareholders for information only;
"PRC Legal Advisor"	Beijing Lizhou Law Firm, the legal advisor to the Company in relation to PRC laws;
"Prospectus"	the prospectus to be issued by the Company in relation to the Open Offer;
"Prospectus Documents"	the Prospectus and the Application Form to be used by the Qualifying Shareholders to apply for the Offer Shares;
"Qualifying Shareholders"	Shareholders other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Open Offer Record Date;
"Relevant Period"	the period from the date falling six months prior to 24 June 2021 (being the date of the Company's first announcement in respect of, among other things, the Restructuring) to the Latest Practicable Date;
"Restructuring"	the restructuring of the Company which includes the Capital Reorganisation, the Subscription, the Debt Restructuring and the Open Offer;
"Resumption"	the resumption of trading in the Consolidated Shares on the Stock Exchange;
"Resumption Condition(s)"	the conditions set out by the Stock Exchange for the Company to resume the trading of its Shares;
"Resumption Proposal"	the resumption proposal dated 19 June 2019 and the supplemented proposal dated 30 July 2019 submitted by the Company to the Stock Exchange for the Resumption;
"Revised Subscription Agreement"	the Subscription Agreement as amended and restated by a deed of adherence and amendment dated 24 February 2021, a second deed of amendment dated 24 June 2021 and a third deed of amendment dated 24 December 2021 entered into among the Company, Mr. Ji, the First Subscriber, Mr. Guo and the Second Subscriber and as amended from time to time;

"RMB"	Renminbi, the lawful currency of the PRC;
"Second Subscriber"	Hontin Ocean Resources Limited, a company incorporated in Hong Kong and the entire issued share capital of which is legally and beneficially owned by Mr. Guo;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shandong Gold Vantage"	山東金衛電子科技發展有限公司 (Shandong Gold Vantage Electronic Technology Development Company Limited*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company;
"Share(s)"	ordinary share(s) in the share capital of the Company;
"Share Consolidation"	the proposed consolidation of every ten (10) issued existing Shares into one (1) Consolidated Share;
"Shareholder(s)"	holder(s) of the Share(s) or Consolidated Share(s) (as the case may be);
"Shareholder Control Agreement"	an agreement dated 1 September 2019 entered into between TMTC Rental and Beijing Dingyan pursuant to which Beijing Dingyan irrevocably delegated its management right over TMTC Travel to TMTC Rental;
"Specific Mandate"	the specific mandate to be granted by the Independent Shareholders to the Board at the GM to issue the Subscription Shares, the Offer Shares and the Creditors Shares;
"Stock Exchange"	the Stock Exchange of Hong Kong Limited;
"Subscribers"	the First Subscriber and the Second Subscriber;
"Subscription"	the proposed subscription for the Subscription Shares by the Subscribers pursuant to the Revised Subscription Agreement;

"Subscription Agreement"	the subscription agreement dated 30 July 2019 (as supplemented by a supplemental agreement dated 29 September 2020) entered into between the Company, Mr. Ji and Mr. Guo in relation to the Subscription;
"Subscription Price"	HK$0.11 per Subscription Share;
"Subscription Shares"	1,588,000,000 new Consolidated Shares in aggregate to be subscribed by the Subscribers pursuant to the Revised Subscription Agreement;
"Sub-underwriters"	Realord Asia Pacific Securities Limited, sub-underwriter A, sub-underwriter B, sub-underwriter C and sub-underwriter D;
"Supplemental Underwriting Agreements"	supplemental agreement to the Underwriting Agreement dated 20 September 2021, second supplemental agreement to the Underwriting Agreement dated 20 October 2021 and third supplemental agreement to the Underwriting Agreement dated 30 November 2021;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time);
"TMTC Group"	TMTC Rental and TMTC Travel;
"TMTC Rental"	北京天馬通馳汽車租賃有限公司 (Beijing Tian Ma Tong Chi Car Rental Co., Ltd*), a company established in the PRC on 3 July 2006 and an indirect wholly owned subsidiary of the Company;
"TMTC Travel"	北京天馬通馳旅遊客運有限公司 (Beijing Tian Ma Tong Chi Travel Transportation Co., Ltd*), a company incorporated in the PRC on 24 April 1990 and owned as to 49% by TMTC Rental;
"Underwriter"	Emperor Securities Limited, the underwriter and a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, engaged by the Company for underwriting the Offer Shares which have not been taken up by the Qualifying Shareholders under the Open Offer and placed out by the Placing Agent under the Unsubscribed Shares Arrangement;

"Underwriting Agreement"	the underwriting agreement dated 24 June 2021 (as supplemented by the Supplemental Underwriting Agreements) entered into between the Company and the Underwriter in relation to the Open Offer;
"Underwritten Shares"	the total number of Offer Shares which Shareholders are entitled pursuant to the Open Offer in accordance with the Underwriting Agreement;
"Unsubscribed Shares"	the Offer Shares (if any) which have not been subscribed by the Qualifying Shareholders (whether partially or fully) in their assured entitlements and Offer Shares which would otherwise have been allotted to the Excluded Shareholders;
"Unsubscribed Shares Arrangement"	the placement of Unsubscribed Shares by the Placing Agent to the Placing Placees pursuant to the terms of the Placing Agreement;
"Untaken Shares"	those Unsubscribed Shares which have not been successfully placed out by the Placing Agent under the Unsubscribed Shares Arrangement;
"US$"	United States dollars, the lawful currency of the United States of America;
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all of the Consolidated Shares not already owned or agreed to be acquired by the Subscribers or parties acting in concert with any of them as a result of the allotment and issue of the Subscription Shares, the Offer Shares and the Creditors Shares; and
"%"	per cent.

Notes:

1. "*" *for identification purposes only*

2. For illustration purposes, the exchange rate of RMB1.00 = HK$1.135 and US$1 = HK$7.8 are used throughout this circular. This exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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)

Executive Directors:
Mr. Ji Kaiping *(Chairman)*
Mr. Guo Peiyuan

Non-executive Director:
Mr. An Jingwen

Independent non-executive Directors:
Mr. Li Wen
Mr. Qiu Ke
Ms. Chen Yen Yung

Registered office and principal place of business:
Suites 1106-08, 11th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

31 December 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CONNECTED SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED OPEN OFFER;
(4) PROPOSED DEBT RESTRUCTURING AND CONNECTED SHARE ISSUANCE;
(5) APPLICATION FOR WHITEWASH WAIVER;
(6) PROPOSED APPOINTMENT OF DIRECTORS;
(7) ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS OF DIRECTORS AND AUDITORS; AND
(8) NOTICE OF GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 19 June 2019, 31 July 2019, 18 September 2019, 5 November 2019, 25 November 2019, 31 January 2020, 19 February 2020, 27 February 2020, 2 March 2020, 31 March 2020, 2 April 2020, 29 April 2020, 13 July

2020, 31 July 2020, 17 September 2020, 30 October 2020, 29 January 2021, 30 April 2021, 24 June 2021, 15 July 2021, 30 July 2021, 16 August 2021, 14 September 2021, 16 September 2021, 21 September 2021, 30 September 2021, 20 October 2021, 29 October 2021, 22 November 2021, 30 November 2021 and 22 December 2021.

Trading in the Shares on the Stock Exchange has been suspended since 1 August 2016.

On 19 June 2019 and 30 July 2019, the Company submitted the Resumption Proposal to the Stock Exchange. Key terms of the Resumption Proposal include the following elements:

(a) Subscription – subscription of new Consolidated Shares by Mr. Ji and Mr. Guo, both being executive Directors, to provide new equity capital to the Company;

(b) Open Offer – to provide existing Shareholders pre-emptive right to subscribe new Consolidated Shares at the same price of the Subscription Share should they so wish to provide new equity capital to the Company; and

(c) Debt Restructuring – debt restructuring plan agreed with the Creditors to significantly reduce liabilities of the Company.

On 26 August 2019, the Listing Department of the Stock Exchange informed the Company that it would recommend the Listing Committee to cancel the listing of the Company under Rule 6.01A(2)(b)(ii) of the Listing Rules. On 3 September 2019, the Company received a letter from the Stock Exchange informing the Company that the Listing Committee decided to cancel the Company's listing under Rule 6.01A(2) of the Listing Rules.

The Company made a review request against the Listing Committee's decision on 16 September 2019 and the hearing of the Listing Review Committee was held on 15 January 2020. At the hearing, the Listing Review Committee requested the Company to provide further information and invited the Company for a further hearing. The further hearing was held on 9 September 2020.

Having considered further information submitted by the Company, the Listing Review Committee overturned the Listing Committee's decision on 16 September 2020.

The purpose of this circular is to provide Shareholders with details of (i) the Restructuring, which includes, among other things, details relating to (a) the Capital Reorganisation; (b) the Subscription; (c) the Open Offer; and (d) the Debt Restructuring; (ii) the Whitewash Waiver; (iii) the proposed appointment of Directors; (iv) the proposed adoption of audited financial statements of the Group for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 respectively and the reports of the Directors and the auditor of the Company thereon; (v) the letters from the Independent Board Committees to the Independent Shareholders in relation to the Restructuring and the Whitewash Waiver; (vi) the letter from the Independent Financial Advisor to the Independent Board Committees and the Independent Shareholders in relation to the Restructuring and the Whitewash Waiver; (vii) a notice of the GM; and (viii) other information as required under the Listing Rules and the Takeovers Code.

THE RESTRUCTURING

A. Capital Reorganisation

As at the Latest Practicable Date, the issued share capital of the Company is HK$3,178,754,000 divided into 6,411,770,500 Shares. In order to facilitate the issue of the Subscription Shares, the Offer Shares and the Creditors Shares under the Subscription, the Open Offer and the Debt Restructuring, respectively and enable the Company to comply with the trading requirements under the Listing Rules, the Company proposes to implement the Share Consolidation and the Change in Board Lot Size.

Share Consolidation

The Company proposes to implement the Share Consolidation on the basis of every ten (10) issued existing Shares be consolidated into one (1) Consolidated Share. As a result, 6,411,770,500 Shares will be consolidated into 641,177,050 Consolidated Shares.

Conditions precedent to the Share Consolidation

The Share Consolidation is conditional upon the fulfilment of the following conditions:

(i) the passing of an ordinary resolution to approve the Share Consolidation by the Independent Shareholders at the GM;

(ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and

(iii) the compliance with the relevant procedures and requirements under the applicable laws and the Listing Rules to effect the Share Consolidation.

Application for listing of the Consolidated Shares

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of the approval of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, upon the Share Consolidation becoming effective, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Fractional Entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor and may wish to consider the possibility of buying or selling the Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Proposed Change in Board Lot Size

The existing Shares are currently traded in board lots of 10,000 Shares each. Upon the Change in Board Lot Size becoming effective, the Consolidated Shares will be traded in board lots of 20,000 Consolidated Shares each.

The Company will appoint an agent to arrange matching services to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Capital Reorganisation. Please refer to the sub-section headed "Odd lots arrangements and matching services" under the section headed "C. Open Offer" below.

Reason for the Capital Reorganisation

The Board considers that the Capital Reorganisation is pivotal to the issue of the Subscription Shares, the Offer Shares and the Creditors Shares and will enable the Company to comply with the trading requirements under the Listing Rules.

Other than the relevant expenses to be incurred, the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled to. Accordingly, the Directors (including members of the Independent Board Committees whose views are set out in the letter from the Independent Board Committees in this circular after taking into account the advice of the Independent Financial Advisor) are of the view that the implementation of the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole.

B. 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 and Mr. Guo. On 24 February 2021, 24 June 2021 and 24 December 2021, the Company, Mr. Ji, the First Subscriber, Mr. Guo and the Second Subscriber entered into the Revised Subscription Agreement to amend and restate the Subscription Agreement.

Summary of principal terms of the Revised Subscription Agreement are as follows:

Date:	30 July 2019 (as supplemented by a supplemental agreement dated 29 September 2020 and as amended and restated by the Revised Subscription Agreement)
Parties:	(1) the Company (as issuer); (2) the First Subscriber; (3) the Second Subscriber; (4) Mr. Ji; and (5) Mr. Guo
Number of Subscription Shares:	(1) the First Subscriber subscribes for 972,500,000 Subscription Shares; and (2) the Second Subscriber subscribes for 615,500,000 Subscription Shares
Subscription Price:	HK$0.11 per Subscription Share
Gross consideration:	HK$174,680,000

Subscription Shares

Assuming no Shares or Consolidated Shares (as the case may be) are to be issued or repurchased by the Company from the Latest Practicable Date to the date of Completion, the Subscription Shares to be allotted and issued represent:

(i) approximately 247.7% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation;

(ii) approximately 71.2% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares; and

(iii) approximately 51.6% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

Subscription Price

The Subscription Price of HK$0.11 per Subscription Share represents:

(i) 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;

(ii) a discount of approximately 92.8% to the average theoretical closing price of HK$1.52 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK$0.152 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 92.9% to the average theoretical closing price of HK$1.55 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK$0.155 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately HK$0.94 to the Group's unaudited net liabilities value per Consolidated Share as at 30 June 2021 of approximately HK$0.83; and

(v) a premium of approximately HK$0.93 to the Group's audited net liabilities value per Consolidated Share as at 31 December 2020 of approximately HK$0.82.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers after taking into account (i) financial difficulties faced by the Group, including net loss of approximately HK$1,442.4 million, HK$137.2 million, HK$15.3 million for the years ended 31 December 2016, 2017 and 2018 respectively, and net current liabilities and net liabilities of approximately HK$682.3 million and HK$599.4 million respectively as at 31 December 2018; (ii) capital requirement for settlement of outstanding liabilities, general working capital and business expansion, including purchase of new vehicles; and (iii) the prolonged suspension of trading of the Shares since 1 August 2016.

Status of the Subscription Share

The Subscription Shares, when issued and fully-paid, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of completion of the Subscription, free from all encumbrances together with all rights attaching thereto upon allotment and issue and at any time thereafter, including all rights to any dividend or other distribution declared, made or payable.

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained upon approval by the Independent Shareholders at the GM.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Conditions precedent to the Subscription

Completion of the Subscription is conditional upon the fulfilment of the following conditions:

(i) all necessary approvals, waivers relevant for the Subscription required under the Articles, applicable laws (including the Takeovers Code, the Listing Rules, the SFO and otherwise) having been obtained, including:

   (a) the passing by the Shareholders or the Independent Shareholders (as appropriate) at the GM of all resolutions required under relevant laws and regulations, including the Listing Rules and the Takeovers Code, in respect of, among other things: (i) the Share Consolidation; (ii) the Subscription and the Specific Mandate; (iii) the Open Offer; (iv) the Debt Restructuring, including the issue of Creditors Shares under the Specific Mandate; and (v) the Whitewash Waiver;

   (b) the granting of the approval for the listing of, and permission to deal in, the Subscription Shares by the Listing Committee (and such approval or permission not having been revoked or withdrawn); and

(c) the Executive having granted the Whitewash Waiver to the Subscribers and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn;

(ii) where applicable, all necessary approvals, permissions, consents, waivers (including those from the Shareholders or Independent Shareholders, regulators and creditors of the Company) required under the Articles, applicable laws (including the Takeovers Code, the Listing Rules, the SFO and otherwise) having been obtained in respect of transaction(s) or matter(s) in connection with or relating to or otherwise for the purpose of the Resumption (including without limitation, any open offer, subscription and debt restructuring of the Company);

(iii) the obtaining of the approval-in-principle of the Resumption from the SFC and the Stock Exchange;

(iv) the entering into of the Underwriting Agreement and all conditions precedent set out therein having been fulfilled;

(v) all necessary consents and approvals (if applicable) required to complete the Subscription by the Subscribers (save for those consents and approvals required from the government and regulators) under applicable laws having been obtained and remained valid and subsisting; and

(vi) all necessary government, regulatory consents and approvals required to complete the Subscription by the Subscribers having been obtained and remained valid and subsisting.

None of the conditions set out above can be waived by any parties to the Revised Subscription Agreement. As at the Latest Practicable Date, save for the approvals and filings required by the Stock Exchange and the SFC in relation to certain announcements and circulars, the Company is not aware of any material approvals, permissions, consents, waivers (including those from the Shareholders or Independent Shareholders, regulators, governments and creditors of the Company) that are required in relation to the Revised Subscription Agreement and/or the transactions contemplated thereunder which must be obtained by the Company on or before completion of the Subscription.

In the event that any of the conditions is not being fulfilled prior to 30 June 2022 (or such other date as the parties may agree in writing), then none of the parties to the Revised Subscription Agreement shall be bound to proceed with the Subscription contemplated under the Revised Subscription Agreement and (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach), the parties to the Revised Subscription Agreement shall be released and discharged from their respective obligations under the Revised Subscription Agreement and the Subscription will not proceed.

As at the Latest Practicable Date, except for entering into of the Underwriting Agreement, none of the above conditions has been fulfilled. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the GM, the Subscription, the Open Offer and the Debt Restructuring will not proceed.

Completion of the Subscription

Completion of the Subscription will take place within ten Business Days on which all the conditions above have been fulfilled as the Company and the Subscribers may mutually agree, or failing agreement, on the tenth Business Day thereof.

C. Open Offer

As part of the fund raising plan under the Resumption Proposal, the Company proposes to carry out the Open Offer on the basis of one (1) Offer Share for every one (1) then existing Consolidated Share held by Qualifying Shareholders on the Open Offer Record Date.

Since the Subscribers and parties acting in concert with any of them are not interested in any Shares as at the Latest Practicable Date, they are not entitled to participate in the Open Offer.

The Open Offer will be underwritten by the Underwriter on a fully underwritten basis pursuant to the terms of the Underwriting Agreement. 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.

Set out below are the principal terms of the Open Offer (assuming that no Shares or Consolidated Shares to be issued or repurchased by the Company from the Latest Practicable Date and up to the Open Offer Record Date):

Information on the Open Offer

Basis of the Open Offer:	One (1) Offer Share for every one (1) existing Consolidated Share held by Qualifying Shareholders on the Open Offer Record Date
Offer Price:	HK$0.11 per Offer Share
Number of Consolidated Shares expected to be in issue as at the Open Offer Record Date:	641,177,050 Consolidated Shares
Number of Offer Shares:	641,177,050 Offer Shares

Fund to be raised before expenses: HK$70,529,476

Underwriter: Emperor Securities Limited

The Offer Shares

As at the Latest Practicable Date, the Company has no outstanding share options, warrants, convertible bonds or other securities in issue which are convertible into or give rights to subscribe for, convert or exchange into, any Shares.

Assuming that there is no Shares or Consolidated Shares (as the case may be) to be issued or repurchased by the Company from the Latest Practicable Date and up to the Open Offer Record Date, 641,177,050 Offer Shares to be issued and allotted represents:

(i) 100% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation; and

(ii) approximately 20.8% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and enlarged by the allotment and issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

As the Open Offer Record Date will fall on a date prior to completion of the Subscription and the Debt Restructuring, none of the Subscribers and Creditors will be Qualifying Shareholders in respect of their respective interest in the Subscription Shares and the Creditors Shares respectively.

The Offer Price

The Offer Price of HK$0.11 per Subscription Share represents:

(i) 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;

(ii) a discount of approximately 92.8% to the average theoretical closing price of HK$1.52 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK$0.152 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 92.9% to the average theoretical closing price of HK$1.55 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK$0.155 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately HK$0.94 to the Group's unaudited net liabilities value per Consolidated Share as at 30 June 2021 of approximately HK$0.83; and

(v) a premium of approximately HK$0.93 to the Group's audited net liabilities value per Consolidated Share as at 31 December 2020 of approximately HK$0.82.

The Offer Price of HK$0.11 per Offer Share is equal to the Subscription Price of HK$0.11 per Subscription Share. The basis of the determination of the Subscription Price is set out in the sub-section headed "Subscription Price" under the section headed "B. Subscription" above.

Status of the Offer Shares

The Offer Shares, when issued and fully-paid, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of allotment of the Offer Shares, free from all encumbrances together with all rights attaching thereto upon allotment and issue and at any time thereafter, including all rights to any dividend or other distribution declared, made or payable.

The Offer Shares will be allotted and issued under the Specific Mandate to be obtained upon approval by the Independent Shareholders at the GM.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Offer Shares.

Qualifying Shareholders

The Open Offer will only be available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Open Offer Record Date and not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Open Offer Record Date, all transfer of Consolidated Shares must be lodged (together with the relevant share certificate(s)) with the Company's share registrar and transfer office, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the Latest Lodging Time.

Excluded Shareholders

The Prospectus Documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. As at the Latest Practicable Date, there are 23 Overseas Shareholder with registered address located in the BVI, Malaysia, Singapore, Holland, Macau, Taiwan, the United States of America, Canada and Australia. The Company will make enquiries as to whether the extension of the Open Offer to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange and details and results of such enquiries will be included in the Prospectus. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be extended to such Overseas Shareholders.

The result of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus. The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send the Application Form to the Excluded Shareholders.

The Offer Shares which would otherwise have been allotted to the Excluded Shareholders will form part of the Unsubscribed Shares under the Unsubscribed Shares Arrangement. Please refer to the sub-section headed "Procedures in respect of the Unsubscribed Shares and the Unsubscribed Shares Arrangement" below for further details.

No excess application for the Offer Shares

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, the Company decided that no excess Offer Shares will be offered to the Qualifying Shareholders since the Company will be required to put in additional effort and costs to administer the excess application procedures.

Instead, pursuant to Rule 7.26A(1) of the Listing Rules, the Company must make arrangement to dispose of the Unsubscribed Shares for the benefit of the No Action Shareholders. In compliance with the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent for the Unsubscribed Shares Arrangement. Please refer to the sub-section headed "Procedures in respect of the Unsubscribed Shares and the Unsubscribed Shares Arrangement" below for further details.

The Untaken Shares will be fully underwritten by the Underwriter and sub-underwriter(s) to be procured by the Underwriter.

Closure of register of members

The register of members of the Company will be closed from Monday, 17 January 2022 to Friday, 21 January 2022, both days inclusive, to determine the eligibility of the Shareholders to attend and vote at the GM. No transfer of Shares will be registered during this period. The register of members of the Company will be closed from Friday, 28 January 2022 to Tuesday, 8 February 2022, both days inclusive, and to determine the entitlements to the Open Offer. No transfer of Shares will be registered during this period.

Fractional entitlements

On the basis of allotment of one (1) Offer Share for every one (1) then existing Consolidated Share held on the Open Offer Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

Procedures in respect of the Unsubscribed Shares and the Unsubscribed Shares Arrangement

In order to comply with Rule 7.26A(1) of the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent for the Unsubscribed Shares Arrangement.

Upon and subject to the terms and conditions set out in the Placing Agreement, the Placing Agent agrees, as agent of the Company, during the Placing Period to procure, on a best effort basis, Placing Placees to subscribe for the Unsubscribed Shares (which comprise (i) the Offer Shares (if any) which have not been subscribed by the Qualifying Shareholders (whether partially or fully) in their assured entitlements; and (ii) Offer Shares which would otherwise have been allotted to the Excluded Shareholders) at the Placing Price. The Placing Agent may carry out the Placing itself and/or, at its own expenses, through such other agents as the Placing Agent may agree with the Company. The Placing Agent shall procure that such other agents (the "**Sub-agents**") shall comply with all relevant obligations to which the Placing Agent is subject under the terms of the Placing Agreement. The Placing Agent also confirmed that it will procure that the Sub-agents (if any) and their respective ultimate beneficial owners are Independent Third Parties (who are not Shareholders) and are not acting in concert with the Subscribers, their beneficial owners and respective concert parties.

Any Untaken Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Set out below are the principal terms of the Placing Agreement:

Date:	24 June 2021
Placing Agent:	Emperor Securities Limited
Placing Price:	The placing price of the Unsubscribed Shares shall be at least equal to the Offer Price and the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Shares during the process of placement
Placing Period:	A period commencing from Monday, 28 February 2022, being the third (3rd) Business Day immediately after the Latest Time for Acceptance and ending on Friday, 4 March 2022, being the Latest Time for Unsubscribed Shares Arrangement (both days inclusive)
Placing Placee(s):	Any person or entity procured by the Placing Agent or its agent(s) (save for (i) any person or entity connected with the Subscribers, the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their respective subsidiaries or associated companies or any of their respective associates; (ii) a party acting in concert (as defined in the Takeovers Code) with any of them or other Placing Placees; or (iii) any Shareholder) to subscribe for any Unsubscribed Share. The Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Placing in compliance with Rule 8.08 of the Listing Rules
Placing commission:	Subject to completion of the Placing, 1.5% of the amount which is equal to the Placing Price multiplied by the number of the Unsubscribed Shares successfully placed by the Placing Agent

If all or any of the Unsubscribed Shares are successfully placed, any premium over the Offer Price and the Subscription Price will be distributed to the relevant No Action Shareholders. If all of the Unsubscribed Shares are successfully placed, the underwriting obligations of the Underwriter under the Underwriting Agreement will be terminated forthwith. If and only if there remain any Untaken Shares will the Underwriter be obliged to take up the Untaken Shares at the Offer Price.

The Placing Agent is independent of and not connected with the Company or its connected persons. As at the Latest Practicable Date, the Placing Agent is not interested in any Shares.

None of the Placing Agent and its concert parties is acting in concert with the Subscribers, their respective ultimate beneficial owner or any of the parties acting in concert with any of them. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms are on normal commercial terms.

The Company considers that the Unsubscribed Shares Arrangement will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Company's Independent Shareholders, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Odd lots arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Open Offer and the Share Consolidation, the Company will appoint an agent to arrange for matching services, on a best effort basis, to the Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares for the period from Thursday, 10 March 2022 to Thursday, 31 March 2022 (both dates inclusive). Holders of odd lots of the Consolidated Shares who wish to take advantage of this matching service either to dispose of their odd lots Consolidated Shares or to top up to board lots of 20,000 Consolidated Shares, may contact Mr. Leung Shiu Keung of Emperor Securities Limited at 23rd to 24th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong at telephone number +852 2919 2919 during this period. Any Shareholders, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its professional advisors.

Shareholders should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot trading arrangement is recommended to consult his/her/its own professional advisors.

No transfer of nil-paid entitlements

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares. Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out under the sub-section headed "Conditions precedent to the Open Offer" below, share certificates for all fully-paid Offer Shares shall be posted to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares on or before Wednesday, 9 March 2022 by ordinary post at their own risk.

If the Open Offer is terminated, refund cheques in respect of the applications for Offer Shares are expected to be posted on or before Wednesday, 9 March 2022 by ordinary post to the applicants at their own risk.

Conditions precedent to the Open Offer

The Open Offer is conditional upon, *inter alia*, the fulfillment of the conditions set out under the sub-section headed "Conditions of the Underwriting Agreement" below. Therefore, the Open Offer may or may not proceed.

Underwriting Agreement

Principal terms of the Underwriting Agreement entered into between the Company and the Underwriter are set out as follows:

Date:	24 June 2021 (as supplemented by the Supplemental Underwriting Agreements)
Parties:	(1) the Company; and (2) Emperor Securities Limited, the Underwriter
Number of Underwritten Shares:	If and to the extent that at the Latest Time for Unsubscribed Shares Arrangement, there shall be any Untaken Shares which have not been successfully placed out by the Placing Agent under the Unsubscribed Shares Arrangement, then the Underwriter shall subscribe or procure subscription for all of the Untaken Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Prospectus Documents. The maximum underwriting commitment of the Underwriter shall be up to 641,177,050 Offer Shares at the Offer Price assuming no further issue of new Share(s) or Consolidated Shares on or before the Open Offer Record Date
Underwriting commission:	2% of the aggregate Offer Price in respect of the Underwritten Shares

The Underwriter is independent of and not connected with the Company or its connected persons. As at the Latest Practicable Date, the Underwriter is not interested in any Shares.

None of the Underwriter and its concert parties is acting in concert with the Subscribers, their respective ultimate beneficial owner or any of the parties acting in concert with any of them. Under the Underwriting Agreement, the Underwriter may appoint any other person to be its sub-underwriter(s) for the purposes of sub-underwriting the Underwritten Shares. Any commission, costs, fees and expenses incurred by the sub-underwriter(s) and/or the Underwriter in connection with any sub-underwriting arrangement shall be borne solely by the Underwriter.

The Underwriter undertakes with the Company that (i) it shall use all reasonable endeavours to provide that each of the subscribers or purchasers of Underwritten Shares procured by it and the sub-underwriters (a) shall be third parties independent of, not acting in concert with and shall not be connected with the Subscribers, the Directors, chief executive or substantial Shareholders or their respective associates; and (b) shall not be a Shareholder (the "**Independent Underwriting Placees**"); (ii) it shall use all reasonable endeavours to ensure that each sub-underwriter procured by it is independent of and not connected with the Company nor acting in concert with the Subscribers, their respective ultimate beneficial owner or any of the parties acting in concert with any of them and will enter into sub-underwriting agreements such that none of the Underwriter and the sub-underwriters (together with parties acting in concert with each of them) will hold 10% or more of the issued Consolidated Shares immediately after the Open Offer; and (iii) the Underwriter shall and shall cause the sub-underwriters to procure Independent Underwriting Placees to take up such number of Offer Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Open Offer.

The Underwriter confirmed to the Company that it has entered into sub-underwriting agreements with Realord Asia Pacific Securities Limited, sub-underwriter A, sub-underwriter B, sub-underwriter C and sub-underwriter D (the "**Sub-underwriters**"), who are Independent Third Parties, not acting in concert with and not connected with any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates, in respect of its underwriting obligation as to 549,417,050, 50,000,000, 34,640,000, 4,360,000 and 2,760,000 Offer Shares (representing approximately 17.9%, 1.6%, 1.1%, 0.1% and 0.1% of the enlarged issued share capital of the Company upon Completion), respectively. As all the Underwritten Shares have been sub-underwritten by the Sub-underwriters, the Underwriter will not be committed to take up any Underwritten Shares. The Underwriter has entered into sub-underwriting agreement with each of the Sub-underwriters pursuant to which each Sub-underwriter has also undertaken to the Underwriter that it (together with parties acting in concert with each of it) will not hold 10% or more of the issued Consolidated Shares immediately after the Open Offer to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Open Offer. To ensure the compliance of the public float requirements under the Listing Rules can be fulfilled by the Company, the Underwriter advised that, as at the Latest Practicable Date, Realord Asia Pacific Securities Limited has approached three sub-underwriters (who are Independent Third Parties) and is negotiating on the commercial terms. Each of the sub-underwriter will underwrite less than 10% of the enlarged issued share capital of the Company upon Completion.

Terms of the Underwriting Agreement (including but not limited to the underwriting commission) were determined after arm's length negotiations between the Company and the Underwriter with reference to the then applicable market rate. The Directors (including members of the Independent Board Committees whose views are set out in the letter from the Independent Board Committees in this circular after taking into account the advice of the Independent Financial Advisor) are of the opinion that the terms of the Underwriting Agreement are on normal commercial terms and in the best interest of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional upon the following being fulfilled:

(i) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;

(ii) the conditions precedent to the Revised Subscription Agreement having been fulfilled (save and except for the condition that all conditions precedent set out in the Underwriting Agreement having been fulfilled);

(iii) the Independent Shareholders approving the Open Offer at the GM;

(iv) the issue by the Stock Exchange of a certificate of authorisation of registration in respect of, and the registration of one duly signed copy (by every Director or his/ her agent authorised in writing) of, each of the Prospectus Documents (and all other documents required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong prior to the Posting Date;

(v) the filing of one duly signed copy of the Prospectus with the Registrar of Companies in Hong Kong, prior to, on or as soon as practicable after the Posting Date;

(vi) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date;

(vii) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in the Offer Shares by no later than the first day of Resumption;

(viii) the representations and warranties made by the Company remaining true and accurate and not misleading in all material respects at all times prior to the Latest Time for Termination;

(ix) compliance with and performance of all the undertakings and obligations of the Underwriter under the Underwriting Agreement;

(x) the Placing Agreement having become unconditional; and

(xi) the obligations of the Underwriter becoming unconditional and the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

None of the conditions set out above can be waived. The obligations of the Underwriter will cease if the conditions have not been satisfied prior to 31 March 2022 (or such other time and/or date as the Company and the Underwriter may determine in writing) and no party shall have any claim against any other party save for legal fees and other out-of-pocket expenses (excluding any commission, costs, fees and expenses incurred in connection with any sub-underwriting arrangement) reasonably incurred by the Underwriter in connection with the underwriting of the Offer Shares to the extent agreed by the Company to be borne by the Company or any antecedent breaches.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

(i) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(iii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurs; or

(iv) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company,

the Underwriter shall be entitled by notice in writing to the Company, provided that such notice is served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by a notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination any material breach of any of the representations, warranties or undertakings comes to the knowledge of the Underwriter. Any such notice shall be served to the Company prior to the Latest Time for Termination.

In the event that the Underwriter terminates the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party save for legal fees and other out-of-pocket expenses (excluding any commission, costs, fees and expenses incurred in connection with any sub-underwriting arrangement) reasonably incurred by the Underwriter in connection with the underwriting of the Underwritten Shares to the extent agreed by the Company be borne by the Company or any antecedent breaches under the Underwriting Agreement. The Open Offer will accordingly not proceed in this case and the Restructuring will fall through.

Use of Proceeds

The gross proceed of the Open Offer is approximately HK$70.5 million. The estimated expenses of the Open Offer will be approximately HK$5.9 million, which include underwriting commission (assuming none of the Offer Shares are taken up) and professional fees payable to financial advisors, legal advisors, financial printer and share registrar involved in the Open Offer. The net proceeds of the Open Offer will be up to approximately HK$64.6 million (assuming none of the Qualifying Shareholders take the Offer Shares and all the Unsubscribed Shares have been placed fully by the Placing Agent). The Company intends to utilise the entire net proceeds from the Open Offer for the settlement of debt under the Debt Restructuring. The net proceeds of the Open Offer constitutes part of the fund raised under the Restructuring, please refer to the sub-section headed "Use of Proceeds" under the section headed "Reasons for the Subscription, the Debt Restructuring and the Open Offer and use of proceeds" for further details in relation to the use of proceeds of the Subscription and the Open Offer as a whole.

The Directors (including members of the Independent Board Committees whose views are set out in the letter from the Independent Board Committees in this circular after taking into account the advice of the Independent Financial Advisor) consider that the terms of the Open Offer, including the Offer Price, the commission rate of the Placing and the commission rate of the Underwriting, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Open Offer, which forms part of the Restructuring, is in the interests of the Company and the Shareholders as a whole.

D. Debt Restructuring

As at the Latest Practicable Date, the estimated total debt of the Company in the Debt Restructuring amounted to approximately HK$545.7 million.

After haircut from the Creditors, the total debt of HK$498.8 million in the Debt Restructuring will be settled by way of HK$182.9 million in cash and HK$315.9 million in Creditors Shares. It is proposed that the initial amount of approximately HK$160.0 million required for the Debt Restructuring will be funded out of the proceeds from the Subscription and the Open Offer.

The Company entered into various legally binding agreements with the Creditors. The repayment structures were tailored based on different circumstances of the Creditors, which can be summarised below:

Debt Restructuring A	Seven (7) Creditors with an aggregate outstanding debt amount of approximately HK$241.4 million agreed to receive 10% of their outstanding debt in cash and remaining 90% in Creditors Shares with issue price of HK$2.0 per Creditors Share
Debt Restructuring B	Four (4) Creditors with aggregate outstanding debt amount of approximately HK$103.8 million agreed to receive 5% of their outstanding debt in cash and the remaining 95% in Creditors Shares with issue price of HK$1.0 per Creditors Share
Debt Restructuring C	One (1) Creditor with outstanding debt of approximately HK$156.6 million agreed to reduce the debt amount to approximately HK$122.7 million with settlement by tranches
Debt Restructuring D	One (1) Creditor with outstanding debt of approximately HK$43.9 million agreed to reduce the debt amount to approximately HK$30.9 million

Set out below are the details of the Debt Restructuring:

(a) Debt Restructuring A

Seven (7) Creditors with an aggregate outstanding debt amount of approximately HK$241.4 million agreed to receive (i) 10% of their outstanding debt in cash, which amounted to approximately HK$24.1 million; and (ii) remaining 90% in 108,624,831 Creditors Shares with issue price of HK$2.0 per Creditors Share, which amounted to approximately HK$217.2 million.

Creditors	**Date of legally binding agreements entered into with the Company**	**Outstanding debt amount as at the date of legally binding agreements** *(Approximate HK$)* *(a)*	**Cash settlement to be paid by the Company** *(Approximate HK$)* *(a x 10% = b)*	**Remaining debt amount after cash settlement** *(Approximate HK$)* *(a – b = c)*	**Conversion of remaining debt amount to Creditors Shares** *(c/HK$2.0)*	**Approximate percentage of issued share capital of the Company as enlarged by the Subscription Shares, the Offer Shares and the Creditors Shares**
Creditor A [Note 1]	7 May 2019	1,983,003	198,300	1,784,703	892,352 Consolidated Shares	0.03%
Creditor B [Note 2]	7 May 2019	2,644,004	264,400	2,379,604	1,189,802 Consolidated Shares	0.04%
Creditor C [Note 3]	24 May 2019	34,346,005	3,434,600	30,911,405	15,455,703 Consolidated Shares	0.50%
Creditor D [Note 4]	24 May 2019	4,627,006	462,700	4,164,306	2,082,153 Consolidated Shares	0.07%
Creditor E [Note 5]	7 May 2019	25,200,000	2,520,000	22,680,000	11,340,000 Consolidated Shares	0.37%
Creditor F [Note 6]	24 May 2019	91,294,246	9,129,424	82,164,822	41,082,411 Consolidated Shares	1.34%
Creditor G [Note 7]	10 June 2019	81,294,246	8,129,424	73,164,822	36,852,410 Consolidated Shares	1.19%
Total		241,388,510	24,138,848	217,249,662	108,624,831 Consolidated Shares	3.54%

Notes:

1. Creditor A, a limited company incorporated in the Republic of Seychelles wholly and beneficially owned by Mr. Sun Xiaoyang, an Independent Third Party, is one of the vendors of the acquisition of 70% equity interest in the entire issued shares of Million Fortune International Investment Limited by the Company in 2015 (the "**Million Fortune Acquisition**").

   The debt represents consideration of HK$1,983,003 for the Million Fortune Acquisition, of which Creditor A has received in the form of convertible bonds with conversion price of HK$0.40 per conversion Share. The convertible bonds issued to Creditor A have matured and the Company failed to redeem the convertible bonds.

2. Creditor B, a limited company incorporated in the Republic of Seychelles wholly and beneficially owned by Mr. Sun Xiaoyang, is one of the vendors of the Million Fortune Acquisition.

   The debt represents consideration of HK$2,644,004 for the Million Fortune Acquisition, of which Creditor B has received in the form of convertible bonds with conversion price of HK$0.40 per conversion Share. The convertible bonds issued to Creditor B have matured and the Company failed to redeem the convertible bonds.

3. Creditor C, a limited company incorporated in the Republic of Seychelles wholly and beneficially owned by Mr. Zhang Zhijie, is one of the vendors of the Million Fortune Acquisition.

   The debt represents consideration of HK$34,346,005 originally due for the Million Fortune Acquisition, of which Creditor C has received in the form of convertible bonds with conversion price of HK$0.40 per conversion Share. The convertible bonds issued to Creditor C have matured and the Company failed to redeem the convertible bonds.

4. Creditor D, a limited company incorporated in the BVI wholly and beneficially owned by Mr. Sun Xiaoyang, is one of the vendors of the Million Fortune Acquisition.

   The debt represents consideration of HK$4,627,006 for the Million Fortune Acquisition, of which Creditor D has received convertible bonds with conversion price of HK$0.40 per conversion Share. The convertible bonds issued to Creditor D have matured and the Company failed to redeem the convertible bonds.

5. Creditor E, an individual, Ms. Sun Xiaoqing who is an Independent Third Party, holds convertible bonds in the aggregate principal amount of approximately HK$25.2 million with conversion price of HK$0.40 per conversion Share, of which HK$18.0 million were transferred from Creditor A and HK$7.2 million were transferred from Creditor B on 22 January 2016.

6. Creditor F, a company incorporated in the BVI wholly and beneficially owned by Ms. Gu Baorong, an Independent Third Party, is one of the vendors of the acquisition of the entire issued share capital of Gear World by the Company in 2016 (the "**Gear World Acquisition**").

The debt represents consideration of HK$15.0 million for the Gear World Acquisition, of which Creditor F has received convertible bonds in the aggregate principal amount of approximately HK$70.0 million with conversion price of HK$0.30 per conversion Share. The convertible bonds issued to Creditor F have matured and the Company failed to redeem the convertible bonds.

7. Creditor G, Blissful Elite Limited, a company incorporated in the BVI wholly and beneficially owned by Mr. Jason Shi, the son of Mr. Ji, is one of the vendors of the Gear World Acquisition.

   The debt represents consideration of HK$5.0 million for the Gear World Acquisition, of which Creditor G has received convertible bonds in the aggregate principal amount of approximately HK$70.0 million with conversion price of HK$0.30 per conversion Share. The convertible bonds issued to Creditor G have matured and the Company failed to redeem the convertible bonds.

   The issue of Creditors Shares to Creditor G constitutes a connected transaction under Rule 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirement.

Pursuant to the legally binding agreements entered into between the Company and the Creditors under Debt Restructuring A:

(i) the Creditors Shares shall be allotted and issued immediately prior to Resumption and will be subject to a lock up period of one year upon the Resumption;

(ii) the cash settlement will be paid by the Company within three months upon the Resumption; and

(iii) all the conversion rights to Shares attaching to convertible bonds of the Company held by respective Creditors will be forgone and the convertible bonds shall be cancelled by the Company.

(b) Debt Restructuring B

Four (4) Creditors with an aggregate outstanding debt amount of approximately HK$103.8 million agreed to receive (i) 5% of their outstanding debt in cash, which amounted to approximately HK$5.2 million; and (ii) remaining 95% in 98,649,478 Creditors Shares with issue price of HK$1.0 per Creditors Share, which amounted to approximately HK$98.6 million.

Creditors	Date of legally binding agreements entered into with the Company	Outstanding debt amount as at the date of legally binding agreements *(Approximate HK$)* *(a)*	Cash settlement to be paid by the Company *(Approximate HK$)* *(a x 5% = b)*	Remaining debt amount after cash settlement *(Approximate HK$)* *(a − b = c)*	Conversion of remaining debt amount to Creditors Shares *(c/HK$1.0)*	Percentage of issued share capital of the Company as enlarged by the Subscription Shares, the Offer Shares and the Creditors Shares
Creditor H [Note 1]	26 May 2019	61,017,616	3,050,880	57,966,736	57,966,736 Consolidated Shares	1.88%
Creditor I [Note 1]	26 May 2019	40,068,767	2,003,438	38,065,329	38,065,329 Consolidated Shares	1.24%
Creditor J [Note 2]	27 May 2019	2,249,315	112,465	2,136,850	2,136,850 Consolidated Shares	0.07%
Creditor K [Note 3]	27 May 2019	505,855	25,292	480,563	480,563 Consolidated Shares	0.02%
Total		103,841,553	5,192,075	98,649,478	98,649,478 Consolidated Shares	3.21%

Notes:

1. Creditor H and Creditor I, namely Mr. Gao Xin and Mr. Cheng Peng respectively, are Independent Third Parties, are holders of bonds issued by the Company in principal amount of HK$55.5 million and HK$35 million respectively. The bonds held by Creditor H and Creditor I were issued between January and June 2016 pursuant to the bond placing agreement entered between the Company and China Times Securities Limited on 17 November 2015 and were matured on or before 30 June 2018 (the "**2015 Bonds**").

   The debt represents the amount due for redemption of principle amount and interest of the 2015 Bonds.

2. Creditor J, a limited company incorporated in Hong Kong and is a holder of Hong Kong money lender license. Creditor J is beneficially owned as to 90% by Ms. Tsang Wai Yee Terri and 10% by Mr. Frank Yu. Creditor J and its beneficial owners are Independent Third Parties. Creditor J entered into a loan agreement with the Company on 31 March 2017, pursuant to which, Creditor J lent HK$2 million to the Company.

The debt represents the amount principle amount and interest of such loan.

3. Creditor K, a limited company incorporated in the BVI beneficially owned as to 38.18% by Mr. Choi Jong Ho, 32.73% by Mr. Lee Sang Yoon, 20.00% by Mr. Jin Do Yoon and 9.09% by Mr. Frank Yu. Creditor K and its beneficial owners are Independent Third Parties. Creditor K entered into a loan agreement with the Company on 3 April 2017, pursuant to which, Creditor K lent HK$450,000 to the Company.

   The debt represents the amount principle amount and interest of such loan.

Pursuant to the legally binding agreements entered into between the Company and the Creditors under Debt Restructuring B:

(i) the Creditors Shares shall be allotted and issued immediately prior to Resumption and will be subject to a lock up period of one year upon the Resumption; and

(ii) the cash settlement will be paid by the Company within three months upon the Resumption.

(c) Debt Restructuring C

On 6 June 2019, the Company and Creditor L entered into a legally binding agreement in relation to the outstanding debt owed by the Company for a financial lease of 295 electric buses in September 2016.

Pursuant to which, Creditor L agreed to reduce outstanding debt owed by the Company from approximately RMB131.6 million (equivalent to approximately HK$156.6 million) to approximately RMB103.1 million (equivalent to approximately HK$122.7 million) and settle in the following manner:

(i) HK$40 million (or equivalent in RMB) will be paid by Company on or before the end of 2022; and

(ii) the remaining outstanding balance will be paid by the Company on or before the end of 2023.

Creditor L, a limited company incorporated in the PRC, is owned as to 64.16% by 中民投租賃控股有限公司 (China Minsheng Investment Leasing Holdings Limited*), which in turn is wholly-owned by China Minsheng Investment Group, a group that was founded by 59 leading private companies in 2014 with approval from the State Council of the PRC; 25.00% by Hana Bank; 7.50% by 中民國際投資控股有限公司 (China Minsheng International Investment Holdings Limited*); 1.67% by 陝西榮民文化產業發展有限公司 (Shaanxi Rongmin Cultural Industry Development Limited*); and 1.67% by 北京德瑞高投資管理有限公司 (Beijing Derui Investment Management Limited*). Creditor L and its ultimate beneficial owners are Independent Third Parties.

(d) Debt Restructuring D

On 6 June 2019, the Company and Creditor M, a limited company incorporated in the PRC, which is indirect wholly owned by Hanhua Financial Holding Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 3903), and an Independent Third Party, entered into a legally binding agreement in relation to the outstanding debt owed by the Company for a financial lease of 105 electric buses in September 2016.

Pursuant to which, Creditor M agreed to reduce the outstanding debt owed by the Company from approximately HK$43.9 million (equivalent to approximately RMB38.7 million) to approximately HK$30.9 million (equivalent to approximately RMB27.2 million) and settle within three months upon the Resumption.

Issue Price of the Creditors Shares

It is expected that an aggregate of 207,274,309 Creditors Shares will be issued upon completion of the Debt Restructuring, representing (i) 32.3% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation; and (ii) approximately 6.7% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

The Company has undertaken negotiations with the different Creditors, the issue price of Creditors Share for Debt Restructuring A and Debt Restructuring B are at HK$2.0 and HK$1.0 per Creditor Share respectively. The Company proposed multiple debt restructuring plans with various settlement methods to the different Creditors in view of the diverse nature and terms of the respective debts. As a result of these separate extensive arm's length negotiations and different circumstances surrounding the debts, the Company and the Creditors reached different settlement proposals. The Directors consider that the different proposals are reasonable and in the interests of the Company in the respective circumstances.

Status of the Creditors Shares

The implementation of the Debt Restructuring is conditional on the Capital Reorganisation becoming effective, completion of the Subscription and the Open Offer and obtaining of the approval-in-principle of Resumption from the SFC and the Stock Exchange. All the legally binding agreements entered into between the Company and the Creditors will lapse if the Resumption fails to materialise.

As at the Latest Practicable Date, none of the Creditors own any Shares.

The Creditors Shares, when allotted, issued and credited as fully-paid, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of allotment and issue of the Creditors Shares, free from all encumbrances together with all rights attaching thereto upon allotment and issue and at any time thereafter, including all rights to any dividend or other distribution declared, made or payable.

The Creditors Shares will be allotted and issued under the Specific Mandate to be obtained upon approval by the Independent Shareholders at the GM.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Creditors Shares.

REASONS FOR THE SUBSCRIPTION, THE DEBT RESTRUCTURING AND THE OPEN OFFER AND USE OF PROCEEDS

Suspension of Trading

Trading in the Shares on the Stock Exchange has been suspended since 1 August 2016. On 5 August 2016, the SFC issued a direction under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571 of the laws of Hong Kong) to suspend trading in the Shares at 1:00 p.m. on 5 August 2016 because it appeared to the SFC that (i) the interim report of the Company for the six months ended 30 June 2015 and the annual report of the Company for the year ended 31 December 2015, and other reports or statements published by the Company contained materially false or misleading information; (ii) it is necessary or expedient to do so in the interest of maintaining an orderly and fair market in the Shares; and (iii) it is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in the Shares to do so. Despite trading suspension, the acquisition of Gear World was completed on 31 August 2016. Gear World indirectly owned the entire equity interest of TMTC Rental, and in turn owned as to 49% of the equity interest of TMTC Travel. All other business of the Group ceased in 2017.

Resumption Conditions

On 26 July 2018, the Stock Exchange issued a letter to the Company setting out the following Resumption Conditions, failing which the Company would be delisted from the Stock Exchange:-

(i) demonstrate that the Company has put in place adequate internal control systems; and

(ii) publish all outstanding financial results in accordance with the Listing Rules and address any audit modifications.

For Resumption Condition (i), the Company has appointed Netis Advisory Limited as the Internal Control Advisor to conduct an internal control review. The key internal control weaknesses of the Group were rectified during the follow-up review conducted by the Internal Control Advisor. Please refer to the sub-section headed "Internal Control and Risk Management" under the section headed "I. Business of the Group" in "Further Information of the Group" to this circular.

For Resumption Condition (ii), the Group has published all the outstanding annual results for the financial year ended 31 December 2016, 2017, 2018, 2019 and 2020, and interim results for the six months ended 30 June 2016, 2017, 2018, 2019, 2020 and 2021.

As for audit modifications, the Auditors did not express an opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2020. The basis of disclaimer opinion are (i) limited accounting books and records of two subsidiaries – First Concept Industrial Group Limited ("**First Concept**") and iFrontier LLC ("**iFrontier**"); (ii) loss on deconsolidation of the subsidiaries; (iii) borrowing; and (iv) going concern.

Basis of disclaimer opinion		**Actions taken**
a.	Limited accounting books and records of two subsidiaries	First Concept and iFrontier have been disposed in July 2019 and it has no ongoing effect. This disclaimer will be removed in financial year ending 31 December 2021 ("**FY2021**").
b.	Loss on deconsolidation of subsidiaries	Subject subsidiaries have been disposed in July 2019, there is no ongoing effect. Other subsidiaries that has not been disposed of have been dissolved by the PRC government. This disclaimer will be removed in FY2021.
c.	Borrowings	There were insufficient evidence as to the existence, right, obligations and valuation, etc. of borrowings of approximately HK$42.3 million and HK$40.0 million as at 31 December 2020 and 2019 respectively (the "**Borrowings**"). As disclosed in the Company's annual report for the year ended 31 December 2020, the Borrowings can be repaid with proceeds from the Subscription and the Open offer after the Borrowings have been verified.

Basis of disclaimer opinion	Actions taken
	As at the Latest Practicable Date, the Borrowings has been verified and with defect on its existence, right, obligations and valuation, the Company, its relevant subsidiaries and the creditors of the Borrowings (the "**Borrowing Creditors**") have agreed to enter into legal documents, pursuant to which, the Borrowing Creditors will release all the repayment obligation of the Company, and the Company will dispose the subsidiary which bears all the Borrowings to an Independent Third Party with minimal consideration. The subsidiary to be disposed only bears the Borrowings and does not have any asset or business operation. The Company expects the legal documents can be executed by mid-January 2022. Since the Borrowings in the disclaimer will no longer be on the books of the Group, the Auditors have agreed that upon the execution of the abovementioned legal documents can remove the qualification. This disclaimer shall be removed in financial year ending 31 December 2022 ("**FY2022**").
d. Going Concern	The Group had net liabilities of approximately HK$525,411,000 for the year ended 31 December 2020, the Company will, subject to Shareholders' approval, implement (i) the Subscription; (ii) the Open Offer; and (iii) the Debt Restructuring, to reduce debt and raise capital for expansion and for working capital. Upon Completion, the financial position of the Company will be significantly improved, and the disclaimer on going concern will be removed. This disclaimer shall be removed in FY2022.

Benefits of the Subscription, the Open Offer and the Debt Restructuring

The Subscription, the Open Offer and the Debt Restructuring are integral parts of the Resumption Proposal to facilitate Resumption. The Subscription will introduce the First Subscriber and the Second Subscriber as Shareholders. The Open Offer will provide an opportunity to the Shareholders to participate in the Restructuring and business development of the Group, it will also reduce the dilutive effect of the Subscription on the shareholding of the Shareholders. The Subscription and Open Offer will strengthen the financial position of the Group for business expansion and, in conjunction with the Debt Restructuring, relieve the indebtedness of the Company. It will also raise additional working capital for the Company.

The Debt Restructuring will significantly reduce the debt level of the Company, and hence improve the financial position of the Company.

Use of Proceeds

The gross proceeds from the Subscription and the Open Offer will be approximately HK$245.2 million in aggregate, which will be applied as to (i) approximately HK$160.0 million for the settlement of debt under the Debt Restructuring; (ii) approximately HK$60.6 million for business expansion, including purchase of new vehicles, set up of charging stations, acquisition in vertical and/or horizontal business, such as electric car battery manufacturer, electric bus manufacturer, etc; and (iii) approximately HK$24.6 million for general working capital.

Having considered the factors above, the Directors (including members of the Independent Board Committees whose views are set out in the letter from the Independent Board Committees in this circular after taking into account the advice of the Independent Financial Advisor) consider that the terms of the Subscription, the Open Offer (including the transactions contemplated under the Placing Agreement and the Underwriting Agreement), and the Debt Restructuring are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fund raising alternative available to the Group

Having considered the net deficit financial position and the Shares being in prolonged suspension, there were very limited fund raising alternatives available to the Group. In particular, the Group (i) were not able to obtain any bank facilities or borrowings under the existing position; (ii) cannot carry out rights issue when Shares are in prolonged suspension; and (iii) were not able to find any potential investor to subscribe new securities of the Company. On the other hand, the Subscription and the Open Offer forms part of the Restructuring and can cover the costs of the Restructuring and improve the financial positions of the Company. As such, upon the Company exhausted all other fund raising alternatives for the Group, the Directors consider the Subscription and the Open Offer are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation becoming effective; (iii) upon Completion (assuming all Qualified Shareholders fully subscribed for the Offer Shares); and (iv) upon Completion (assuming none of the Qualified Shareholders subscribed for the Offer Shares), assuming that there will not be any other changes in the issued share capital and shareholding structure of the Company from the Latest Practicable Date up to Completion:

Shareholders	**As at the Latest Practicable Date**		**Upon the Share Consolidation becoming effective**		**Upon Completion (assuming all the Qualifying Shareholders take up the Offer Shares)**		**Upon Completion (assuming none of the Qualifying Shareholders take up the Offer Shares)**	
	Number of Shares	*%*	*Number of Consolidated Shares*	*%*	*Number of Consolidated Shares*	*%*	*Number of Consolidated Shares*	*%*
Subscribers								
First Subscriber	–	–	–	–	972,500,000	31.60	972,500,000	31.60
Second Subscriber	–	–	–	–	615,500,000	19.99	615,500,000	19.99
Blissful Elite Limited	–	–	–	–	36,582,410	1.19	36,582,410	1.19
Subscribers and parties acting in concert with any of them	–	–	–	–	1,624,582,410	52.78	1,624,582,410	52.78
Creditors (excluding Blissful Elite Limited)	–	–	–	–	170,691,899	5.55	170,691,899	5.55
Former Directors								
Yang Fan	810,759,648	12.64	81,075,965	12.64	162,151,930	5.27	81,075,965	2.63
Li Hui	1,801,000	0.03	180,100	0.03	360,200	0.01	180,100	0.01
Tian Songlin	470,000	0.01	47,000	0.01	94,000	0.00	47,000	0.00
	813,030,648	12.68	81,303,065	12.68	162,606,130	5.28	81,303,065	2.64
Substantial Shareholders								
Liu Zidong	605,050,000	9.44	60,505,000	9.44	121,010,000	3.93	60,505,000	1.97
Wang Yi	585,533,845	9.13	58,553,384	9.13	117,106,768	3.81	58,553,384	1.90
	1,190,583,845	18.57	119,058,384	18.57	238,116,768	7.74	119,058,384	3.87
Placing Placee(s), Underwriter, sub-underwriters, and Independent Underwriting Placees	–	–	–	–	–	–	641,177,050	20.83
Other public Shareholders	4,408,156,007	68.75	440,815,601	68.75	881,631,202	28.65	440,815,601	14.33
Total	**6,411,770,500**	**100.00**	**641,177,050**	**100.00**	**3,077,628,409**	**100.00**	**3,077,628,409**	**100.00**

Notes:

1. As at the Latest Practicable Date, none of the Directors is interested in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

2. One of the Creditors, Blissful Elite Limited, is wholly owned by Mr. Jason Shi who is the son of Mr. Ji and will be interested in 36,582,410 Consolidated Shares upon completion of the Debt Restructuring. As such, the First Subscriber, Mr. Ji and parties acting in concert with them (including the Second Subscriber and Mr. Guo) will be interested in 1,624,582,410 Consolidated Shares, representing 52.78% of the enlarged total number of Consolidated Shares upon Completion.

3. None of the Underwriter and the sub-underwriters (together with parties acting in concert with each of them) will hold 10% or more of the issued Consolidated Shares immediately after the Open Offer and the Underwriter shall and shall cause the sub-underwriters to procure Independent Underwriting Placees to take up such number of Offer Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Open Offer.

4. Upon Completion, shareholding interest of (i) the Creditors (excluding Blissful Elite Limited); (ii) former Directors; (iii) substantial Shareholders (prior to Completion); (iv) the Placing Placee(s), the Underwriter, sub-underwriters, and Independent Underwriting Placees; and (v) other public Shareholders will be considered as public Shareholders.

As at the Latest Practicable Date, the existing public Shareholders hold approximately 87.3% of the total number of Shares in issue. Upon the Share Consolidation becoming effective and completion of the Subscription, the Debt Restructuring and the Open Offer (assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders), the public Shareholders will hold approximately 47.2% of the enlarged total number of Consolidated Shares in issue.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon Completion in compliance with Rule 8.08 of the Listing Rules.

The Underwriter undertakes with the Company that (i) it shall use all reasonable endeavours to provide that each of the subscribers or purchasers of Underwritten Shares procured by it shall be Independent Underwriting Placees; (ii) it shall use all reasonable endeavours to ensure that each sub-underwriter procured by it is not a Shareholder, and is independent of and not connected with the Company nor acting in concert with the Subscribers, their respective ultimate beneficial owner or any of the parties acting in concert with any of them and will enter into sub-underwriting agreements such that none of the Underwriter and the sub-underwriters (together with parties acting in concert with each of them) will hold 10% or more of the issued Consolidated Shares immediately after the Open Offer; and (iii) the Underwriter shall and shall cause the sub-underwriters to procure Independent Underwriting Placees to take up such number of Offer Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Open Offer.

FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

Assets and Liabilities

As set out in the section headed "Unaudited pro forma financial information" in Appendix II to this circular, assuming completion of the Restructuring, including, *inter alia*, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Open Offer; and (iv) the Debt Restructuring had taken place on 30 June 2021, the pro forma total assets of the Group as at 30 June 2021 would increase from approximately HK$322.0 million to approximately HK$457.7 million; total liabilities of the Group will decrease from approximately HK$855.0 million to approximately HK$362.1 million.

Earnings

As set out in the section headed "Unaudited pro forma financial information" in Appendix II to this circular, assuming completion of the Restructuring, including, *inter alia*, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Open Offer; and (iv) the Debt Restructuring took place on 1 January 2020, the Group's net profit of the year ended 31 December 2020 would increase from approximately HK$40.0 million to approximately HK$392.0 million, which was primarily attributable to gain on the Debt Restructuring of approximately HK$341.0 million, which equals to the aggregate amount of outstanding debt owed by the Company to be settled by Debt Restructuring and finance costs related to such outstanding loan incurred in the year ended 31 December 2020, less (i) the cash settlement payable to the Creditors; and (ii) value of Creditors Shares to be issued by the Company to the Creditors based on the issue price of HK$0.11 per Creditors Share (equals to the Subscription Price and the Offer Price).

Please refer to notes 4 to 9 to the "Unaudited pro forma financial information" of the Group set out in Appendix II to this circular for details of calculation of gain on the Debt Restructuring.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this circular.

INFORMATION OF THE SUBSCRIBERS

The First Subscriber is a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Ji. The principal business activity of the First Subscriber is investment holding.

The Second Subscriber is a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Guo. The principal business activity of the Second Subscriber is investment holding.

For Mr. Ji and Mr. Guo's biography, please refer to the section headed "Proposed appointment of Directors" below.

As at the Latest Practicable Date, save for the disposal of certain subsidiaries of the Company on 24 July 2019 to third parties (who are not Shareholders) independent to the Company and the Subscribers as disclosed in the announcement of the Company dated 26 July 2019, the Subscribers and parties acting in concert with any of them do not have any plans, negotiations and discussions with any parties in respect of injections or disposals of business and assets relating to the Company.

As at the Latest Practicable Date, the Subscribers and parties acting in concert with any of them are not interested in any Shares.

INFORMATION OF THE COMPANY

The Company is a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. Prior to the suspension of trading of the Shares, the Group was principally engaged in resources trading business, media and advertising business and provision of online platform for trading and deferred spot delivery services of precious metals mainly being silver and copper, and other associated services including transaction settlement management, commodity delivery management and related consulting services to customers nationwide in the PRC.

As at the Latest Practicable Date, the Group operates its bus transportation services, passenger operation and car rental services through two major subsidiaries, being TMTC Rental and TMTC Travel. Please refer to the section headed "Further Information of the Group" in this circular for further information.

PROPOSED APPOINTMENT OF DIRECTORS

As at the Latest Practicable Date, the Board comprises Mr. Ji and Mr. Guo as executive Directors, Mr. An Jingwen as non-executive Director, and Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung as independent non-executive Directors. It is proposed that (i) each of Mr. Ji and Mr. Guo will be appointed as an executive Director, (ii) Mr. An Jingwen will be appointed as a non-executive Director and (iii) each of Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung will be appointed as an independent non-executive Director in accordance with the Articles.

Applicable laws and procedures

Pursuant to Article 69 of the Articles, the Company may by ordinary resolution appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. Accordingly, ordinary resolutions regarding the proposed appointment of Directors will be presented at the GM in accordance with the Articles. The Directors appointed or elected at the GM shall be eligible for re-election at the next following general meeting of the Company.

Biographies of the proposed Directors

Set out below are the biographies of the proposed Directors:

Mr. Ji Kaiping, aged 58, has been appointed as an executive Director with effect from 29 August 2017 and appointed as the chairman of the Board with effect from 29 November 2018. He is also an authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules, the chairman of the nomination committee of the Company (the "**Nomination Committee**") and director of various subsidiaries of the Group. He completed the course of master's degree in business administration at International Business Administration School of the University of International Business and Economics in China in November 2005. He founded TMTC Rental in 2006 and serves as its chairman. Mr. Ji is responsible for the overall management of the actual operation of TMTC Rental. Mr. Ji has extensive experience in management. Mr. Ji has entered into a service contract with the Company on 30 November 2018 pursuant to which he agreed to act as executive Director for a term of one year commencing from 29 August 2017, which is automatically renewable for successive term of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation. Pursuant to the terms of the service contract, he is entitled to a monthly director's remuneration of HK$100,000 which was determined by the Board with reference to his duties and responsibilities with the Company.

Mr. Guo Peiyuan, aged 50, has been appointed as an executive Director with effect from 4 April 2018. He has almost 20 years' experience in passenger transport management. From 1999 to 2004, he worked in 北京青年旅行社有限公司 (Beijing Youth Travel Service Company Limited*) as department manager, mainly responsible for scheduling of sightseeing buses, business development and customer relationship etc. From 2004 to 2006, Mr. Guo worked in 北京天馬旅遊汽車公司 (Beijing Tianma Travel Automobile Company*) as deputy team leader, mainly responsible for fleet management, business development and customer relationship etc. In 2006, he founded TMTC Rental and currently serves as its general manager. In 2008, he acquired 北京市民運旅行社 (Beijing Minyun Travel Agent*) and changed its name to TMTC Travel. Currently, Mr. Guo participants in management of TMTC Travel but does not hold any interest in such company. Mr. Guo has entered into a service contract with the Company on 30 November 2018 pursuant to which he agreed to act as executive Director for a term of one year commencing from 4 April 2018, which is automatically renewable for successive term of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation. Pursuant to the terms of the service contract, he is entitled to a monthly director's remuneration of HK$90,000 which was determined by the Board with reference to his duties and responsibilities with the Company.

Mr. An Jingwen ("**Mr. An**"), aged 66, has been appointed as a non-executive Director with effect from 3 December 2018. He is also a member of each of the audit committee (the "**Audit Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company. He obtained a Doctor's degree in Management Science and Engineering from China University of Mining and Technology (Beijing) in 2010 and the qualification certificate of independent director issued by the Shanghai Stock Exchange in May 2012. Mr. An is a professor of school of management of China University of Mining & Technology (Beijing) and tutor of postgraduate candidates. Mr. An has over 30 years' experience in teaching and research work and has extensive experience in the coal industry and corporate training, as well as in the areas of standardization and quality management. Mr. An is currently a member of each of 中國煤炭工業協會煤炭工業技術委員會 (Coal Industry Technology Committee of China National Coal Association) and 中國標準化研究院第五屆科學技術委員會 (the Fifth Science and Technology Committee of China National Institute of Standardization). Mr. An served as an independent director of Pingdingshan Tianan Coal Mining Co., Ltd. (stock code: 601666) from May 2013 to November 2019, the shares of which are listed on the Shanghai Stock Exchange. Mr. An has entered into a service contract with the Company on 29 November 2018 pursuant to which he agreed to act as non-executive Director for a term of one year commencing from 3 December 2018, which is automatically renewable for successive term of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation. Pursuant to the terms of the service contract, he is currently entitled to a monthly director's remuneration of HK$25,000 which was determined by the Board with reference to his duties and responsibilities with the Company.

Mr. Li Wen ("**Mr. Li**"), aged 66, has been appointed as an independent non-executive Director with effect from 4 April 2018. He is also the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee. He obtained bachelor of laws from China University of Political Science and Law in 1983 and master of laws from Graduate School of Chinese Academy of Social Sciences in 1986. In 1986, he passed the Chinese National Lawyer's Qualification examination in Beijing and obtained legal professional qualification. From August 1986 to December 1992, Mr. Li served as lawyer in 中國法律事務中心 (China Legal Affairs Centre*) and practiced in law firms in Hong Kong, London and Los Angeles during the period from June 1988 to January 1991. From December 1992 to June 1994, he founded Beijing Zhong Lun Law Firm and served as principal. From June 1994 to July 2007, Mr. Li founded Beijing Li Wen & Partners and served as principal. Beijing Li Wen & Partners principally engaged in corporate, international trading, real estate and finance. From July 2007 to January 2018, subsequent to the change of name from Beijing Li Wen & Partners to 北京信和律師事務所 (Beijing Xinhe Law Firm*), through merger with Beijing Hao Tian Law Office, Beijing Hylands Law Firm had been established, and Mr. Li served as partner. From January 2018, Beijing Hylands Law Firm, Beijing Anli Partners and Guangzhou Kunlun Law Firm merged into 北京浩天安理律師事務所 (Hylands Law Firm) and Mr. Li became partner of 北京浩天安理律師事務所 (Hylands Law Firm). Mr. Li has entered into a letter of appointment with the Company on 4 April 2018 pursuant to which he agreed to act as independent non-executive Director for a term of one year commencing from 4 April 2018, which is automatically renewable for successive term of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation. Pursuant to the terms of the letter of appointment, he is currently entitled to a monthly director's fee of HK$15,000 which was determined by the Board with reference to his duties and responsibilities as well as his qualifications, experience and the prevailing market conditions.

Mr. Qiu Ke ("**Mr. Qiu**"), aged 50, has been appointed as an independent non-executive Director with effect from 1 June 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He obtained a Bachelor's degree in economics from Capital University of Economics and Business (formerly known as Beijing College of Economics) in 1994, and obtained a Master's degree in business administration from Renmin University of China in 2003. He also obtained a vocational education diploma in accounting studies in Canada in 2004. From 1995 to 2005, Mr. Qiu served as assistant analyst in credit card department of Beijing Branch of China Construction Bank and has in-depth knowledge and extensive experience in financial industry and products. Thereafter, he has involved in works of accounting in Canada and has a profound theoretical knowledge and extensive practical experience in all aspects of international trading, management in accounting industry, various types of financial statements, letter of credit and telegraphic transfer. Mr. Qiu has entered into a letter of appointment with the Company on 1 June 2018 pursuant to which he agreed to act as independent non-executive Director for a term of one year commencing from 1 June 2018, which is automatically renewable for successive term of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation. Pursuant to the terms of the letter of appointment, he is currently entitled to a monthly director's fee of HK$15,000 which was determined by the Board with reference to his duties and responsibilities as well as his qualifications, experience and the prevailing market conditions.

Ms. Chen Yen Yung ("**Ms. Chen**"), aged 50, has been appointed as an independent non-executive Director with effect from 17 April 2019. She is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. She has over 20 years' experience in the accounting and finance field. She is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Ms. Chen is currently the company secretary of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd*) (stock code: 8211), a joint stock limited company incorporated in the PRC, whose H shares are listed on GEM of the Stock Exchange. During the period from September 2018 to June 2019, she served as the independent non-executive director of Mayer Holdings Limited (stock code: 1116), whose shares are listed on the Main Board of the Stock Exchange. Ms. Chen has entered into a letter of appointment with the Company on 17 April 2019 pursuant to which she agreed to act as independent non-executive Director for a term of one year commencing from 17 April 2019, which is automatically renewable for successive term of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation. Pursuant to the terms of the letter of appointment, she is currently entitled to a monthly director's fee of HK$25,000 which was determined by the Board with reference to her duties and responsibilities as well as her qualifications, experience and the prevailing market conditions.

Subject to the passing of relevant ordinary resolution(s) at the GM, each of the executive Directors will enter into a new service contract with the Company for a term of three years commencing from the date of appointment, which is automatically renewable for successive terms of three years upon the expiry of the then current term and to continue thereafter until terminated by three months' notice in writing served by either party on the other without payment of compensation. Each of the non-executive Director and independent non-executive Directors will enter into a new service contract or letter of appointment with the Company for a term of one year commencing from the date of appointment, which is automatically renewable for successive terms of one year upon the expiry of the then current term and to continue thereafter until terminated by one month's notice in writing served by either party on the other without payment of compensation.

Each of the Directors will be entitled to the amount of annual emolument for acting as the director of, committee member of and/or holding other positions with the Company or other members of the Group to be recommended by the Remuneration Committee and determined by the Board with reference to his/her duties and responsibilities as well as his/her qualifications, experience and the prevailing market conditions. Each of the executive Directors may also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to the performance of each Director concerned and the Group's performance for the financial year concerned and based on the recommendation from the Remuneration Committee.

Save as disclosed above, none of the Directors:

(i) held any other positions in the Company or other members of the Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management of the Company or substantial Shareholders or controlling Shareholders as at the Latest Practicable Date;

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and

(iv) is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of the Company.

As at the Latest Practicable Date, except for such interests of Mr. Ji and Mr. Guo which are disclosed above and in paragraph 3 under "Appendix III – General Information" to this circular, each of the Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

ADOPTION OF AUDITED FINANCIAL STATEMENTS

Following the suspension of trading of the Shares on 1 August 2016, no general meeting of the Company was convened to approve, confirm and ratify the audited consolidated financial statements of the Company and its subsidiaries for the years ended 31 December 2016, 2017, 2018, 2019 and 2020.

An ordinary resolution will be proposed at the GM to approve, confirm and ratify the audited consolidated financial statements of the Company for the years ended 31 December 2016, 2017, 2018, 2019 and 2020.

IMPLICATIONS UNDER THE LISTING RULES

For the Subscription, as the First Subscriber is a company wholly owned by Mr. Ji and the Second Subscriber is a company wholly owned by Mr. Guo, each being an executive Director and therefore each a connected person of the Company under the Listing Rules, the Revised Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements.

For the Open Offer, as the Offer Shares will be issued pursuant to the Specific Mandate, in accordance with Rule 7.24A(1) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders at the GM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the resolution(s) relating to the Open Offer.

For the Debt Restructuring, as the Company proposes to allot and issue 36,582,410 Creditors Shares to Blissful Elite Limited in relation to the indebtedness due to Blissful Elite Limited, a company wholly owned by Mr. Jason Shi who is the son of Mr. Ji, such allotment and issuance of the Creditors Shares constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the issuer can demonstrate that there are exceptional circumstances (for example, the issuer is in financial difficulties and the proposed issue forms part of the rescue proposal).

The Subscription and the Open Offer will result in a theoretical dilution effect of 72.04%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Board considers the Company falls within the exceptional circumstances based on the reason that (i) the Company is in net deficit financial position which amounted to approximately HK$533.0 million as at 30 June 2021; and (ii) the Subscription and Open Offer form part of a rescue proposal to resume trading of the Shares. In addition, as the Shares has been in prolonged suspension since 1 August 2016, theoretical dilution effect which is calculated based on the average closing price of the Shares for the last five consecutive trading days up to the Last Trading Day does not reasonably reflect the existing condition of the Company.

Prior to entering into the Subscription Agreement, the Company had explored all other fund raising options, including loans or borrowings from banks and financial institutions, rights issue and issue of securities to potential investor(s). However, the Company could not obtain any bank facilities or borrowings under the existing position, rights issue cannot be carried out when Shares are in prolonged suspension and no agreement were reached with any potential investor to subscribe securities of the Company. The Board considers that the Subscription together with the Open Offer is the only viable option available to the Company to cover the costs of the Restructuring and improve the financial positions of the Company. When determining the Subscription Price and the Offer Price, the Directors made references to other resumption proposals announced by companies listed on the Stock Exchange, where trading of shares of those companies had been resumed after implementation of their resumption proposals, the discount of approximately 92.3% represented by Subscription Price and the Offer Price to the theoretical closing price per Consolidated Share on the Last Trading Day and is comparable to the issue price of new shares set out in the resumption proposals of those companies. In addition, given (i) the Restructuring proposal is the only viable rescue proposal available to the Company; (ii) the Company is in net deficit financial position as at 30 June 2021; and (iii) the Company was loss making in the years ended 31 December 2016, 2017 and 2018, the Directors (including members of the Independent Board Committees whose views are set out in the letter from the Independent Board Committees in this circular after taking into account the advice of the Independent Financial Advisor) considers the Subscription Price and the Offer Price are fair and reasonable despite having a relatively deep discount to the historical trading prices of the Shares.

As (i) completion of the Subscription is conditional upon all conditions precedent set out in the Underwriting Agreement having been fulfilled; and (ii) completion of the Open Offer is conditional upon the conditions precedent to the Revised Subscription Agreement having been fulfilled (save and except for the condition that all conditions precedent set out in the Underwriting Agreement in relation to the underwriting of the Open Offer having been fulfilled), completion of the Open Offer and the Subscription and the allotment and issue of the Offer Shares, the Subscription Shares and the Creditors Shares are expected to take place simultaneously.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Whitewash Waiver

As at the Latest Practicable Date, the Subscribers, their respective ultimate beneficial owner and parties acting in concert with any of them are not interested in any Shares and none of the Creditors are interested in any Shares. Upon completion of the Subscription, the Subscribers will be interested in 1,588,000,000 Consolidated Shares, representing (i) approximately 71.2% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares; and (ii) approximately 51.6% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

One of the Creditors, Blissful Elite Limited, is wholly owned by Mr. Jason Shi who is the son of Mr. Ji and will be interested in 36,582,410 Creditors Shares upon completion of the Debt Restructuring. As such, immediately after the Completion, the Subscribers and their concert parties will be interested in an aggregate of 1,624,582,410 Consolidated Shares, representing approximately 52.8% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares. Therefore, the Subscription will trigger an obligation for the Subscribers to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all issued Consolidated Shares (not already owned or agreed to be acquired by the Subscribers and parties acting in concert (as defined in the Takeovers Code) with any of them), upon completion of the Subscription, unless a waiver is granted by the Executive.

Given the interests of the Subscribers and their concert parties in the Company will exceed 50% upon Completion, if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, the Subscribers may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Subscribers has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among others, the approval of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring by more than 50% of the votes cast by the Independent Shareholders by way of poll at the GM and approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll at the GM in accordance with Note 1 on dispensation from Rule 26 of the Takeovers Code. If the Whitewash Waiver is not granted, the Revised Subscription Agreement will lapse and consequentially the Subscription, the Open Offer and the Debt Restructuring will not proceed.

As at Latest Practicable Date, the Company is not aware that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible and make further announcement(s) to update the Shareholders and the public on the latest developments of the Restructuring.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, save for the transactions contemplated under the Revised Subscription Agreement and the legally binding agreements under the Debt Restructuring, the Subscribers and their respective ultimate beneficial owner confirms that neither of them nor parties acting in concert with any of them:

(i) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the Latest Practicable Date;

(ii) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(iii) has any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription, the Open Offer and the Whitewash Waiver;

(iv) has received any irrevocable commitment to vote for/against the resolution approving the transactions contemplated under the Subscription, the Open Offer and the Whitewash Waiver;

(v) has any agreements or arrangements to which the Subscribers or parties acting in concert with any of them is a party which relate to the circumstances in which the Subscribers or parties acting in concert with any of them may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription, the Open Offer and the Whitewash Waiver;

(vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(vii) has any dealings in any Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares during the six months prior to the Latest Practicable Date;

(viii) save for the consideration for the Subscription Shares, there is no consideration, compensation or benefit in whatever form paid or to be paid by the Subscribers or parties acting in concert with any of them to the Company or any party acting in concert with the Company in connection with the Subscription Shares;

(ix) there is no understanding, arrangement, agreement or special deal as contemplated under Rule 25 of the Takeovers Code between the Subscribers or parties acting in concert with any of them on the one hand, and the Company and parties acting in concert with the Company on the other hand; and

(x) there is no understanding, arrangement or agreement or special deal as contemplated under Rule 25 of the Takeovers Code between any Shareholder and the Subscribers and parties acting in concert with any of them.

As at the Latest Practicable Date, save for the transactions contemplated under the Revised Subscription Agreement and the legally binding agreements under the Debt Restructuring, there is no understanding, arrangement or agreement or special deal as contemplated under Rule 25 of the Takeovers Code between any Shareholder and the Company, its subsidiaries or associated companies.

Following the Restructuring, the Subscribers intend to continue with the Group's existing principal business. The Subscribers have no intention to (i) introduce any major changes to the existing business and operations of the Group following the close or lapse of the Restructuring; (ii) discontinue the employment of any employees of the Group; or (iii) dispose of or re-deploy the fixed assets of the Company other than in its ordinary and usual course of business. The Subscribers will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group in long term.

LISTING APPLICATION

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, the Offer Shares and the Creditors Shares arising from the Share Subscription, the Open Offer and the Debt Restructuring. Subject to the granting of the listing of, and the permission to deal in, the Subscription Shares, the Offer Shares and the Creditors Shares on the Stock Exchange, the Subscription Shares, the Offer Shares and the Creditors Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subscription Shares, the Offer Shares and the Creditors Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee A comprising all independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring (in respect of the connected share issuance to Blissful Elite Limited).

The Independent Board Committee B comprising all non-executive Director and independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver.

Red Sun Capital Limited has been appointed, with the approval of the Independent Board Committees, as the Independent Financial Advisor to advise the Independent Board Committees and the Independent Shareholders in these regards.

The GM

A notice convening the GM to be held at 2/F., 35-45B, Bonham Strand, Sheung Wan, Hong Kong on Friday, 21 January 2022 at 11:00 a.m. is set out on pages 266 to 271 of this circular for the purpose of considering and, if thought fit, passing the resolutions to approve the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring, the Whitewash Waiver, the appointment of Directors and the adoption of the audited financial statements of the Group for each of the years ended 31 December 2016, 2017, 2018, 2019 and 2020. The resolutions in relation to the Subscription, the Open Offer, the Debt Restructuring, the Whitewash Waiver and the appointment of Directors at the GM will be voted on by the Independent Shareholders by way of a poll.

So far as the Directors are aware and having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolutions to be proposed at the GM.

A form of proxy for use at the GM is enclosed. If you are unable to attend the GM in person, you are requested to complete and return the form of proxy to Tricor Abacus Limited, the Company's share registrar and transfer office, at Level 54, 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 of the GM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

RECOMMENDATION

Based on the above, the Directors (including members of the Independent Board Committees whose views are set out in the letter from the Independent Board Committees in this circular after taking into account the advice of the Independent Financial Advisor) consider that the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring, the Whitewash Waiver, appointment of Directors, the adoption of the audited financial statements of the Group for each of the years ended 31 December 2016, 2017, 2018, 2019 and 2020 and all the transactions contemplated thereunder are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the GM as set out in the notice of GM attached to this circular.

The issuance of this circular does not mean that trading in the Shares will be resumed and listing of the Subscription Shares, the Offer Shares and the Creditors Shares, if applicable, will be approved by the Stock Exchange.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in other sections and the appendices to this circular and notice of the GM. You are also advised to read carefully the letter from the Independent Financial Advisor as set out on pages 70 to 103 of this circular.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 1 August 2016, remains suspended and will continue to be so until further notice.

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

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)

31 December 2021

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CONNECTED SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED OPEN OFFER;
(4) PROPOSED DEBT RESTRUCTURING AND CONNECTED SHARE ISSUANCE;
(5) APPLICATION FOR WHITEWASH WAIVER;
(6) PROPOSED APPOINTMENT OF DIRECTORS; AND
(7) ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS OF DIRECTORS AND AUDITORS

We have been formed to make a recommendation to the Independent Shareholders on the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring (in respect of the connected share issuance to Blissful Elite Limited), details of which are set out in the circular issued by the Company to the Shareholders dated 31 December 2021, of which this letter forms part. With the approval of the Independent Board Committee A, Red Sun Capital Limited has been appointed by the Company as the independent financial advisor to advise us in this regard.

Terms defined in this circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Advisor set out on pages 18 to 65 and pages 70 to 103 of this circular respectively, and the additional information set out in the appendices to this circular.

Having taken into account the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring (in respect of the connected share issuance to Blissful Elite Limited) and the principal factors and reasons considered by Independent Financial Advisor and its conclusion and advice, we concur with the view of Independent Financial Advisor and consider that the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring (in respect of the connected share issuance to Blissful Elite Limited) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and the Independent Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the GM to approve the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring (in respect of the connected share issuance to Blissful Elite Limited).

Yours faithfully,
For and on behalf of the
Independent Board Committee A
Li Wen **Chen Yen Yung** **Qiu Ke**
Independent Non-executive Directors

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)

31 December 2021

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CONNECTED SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED OPEN OFFER;
(4) PROPOSED DEBT RESTRUCTURING AND CONNECTED SHARE ISSUANCE;
(5) APPLICATION FOR WHITEWASH WAIVER;
(6) PROPOSED APPOINTMENT OF DIRECTORS; AND
(7) ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS OF DIRECTORS AND AUDITORS

We have been formed to make a recommendation to the Independent Shareholders on the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 31 December 2021, of which this letter forms part. With the approval of the Independent Board Committee B, Red Sun Capital Limited has been appointed by the Company as the independent financial advisor to advise us in this regard.

Terms defined in this circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Advisor set out on pages 18 to 65 and pages 70 to 103 of this circular respectively, and the additional information set out in the appendices to this circular.

Having taken into account the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver and the principal factors and reasons considered by Independent Financial Advisor and its conclusion and advice, we concur with the view of Independent Financial Advisor and consider that the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and the Independent Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the GM to approve the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the
Independent Board Committee B

An Jingwen
Non-executive Director

Li Wen
Independent Non-executive Director

Qiu Ke
Independent Non-executive Director

Chen Yen Yung
Independent Non-executive Director

The following is the full text of the letter of advice from the Independent Financial Advisor which sets out its advice to the Independent Shareholders for inclusion in this circular.

紅日資本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

31 December 2021

To the Independent Shareholders of National United Resources Holdings Limited

Dear Sirs or Madams,

(1) PROPOSED CAPITAL REORGANISATION; (2) PROPOSED CONNECTED SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE; (3) PROPOSED OPEN OFFER; (4) PROPOSED DEBT RESTRUCTURING AND CONNECTED SHARE ISSUANCE; AND (5) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Advisor to the Independent Board Committees and the Independent Shareholders in respect of the Restructuring and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 31 December 2021 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to the announcements of the Company dated 19 June 2019, 31 July 2019, 18 September 2019, 5 November 2019, 25 November 2019, 31 January 2020, 19 February 2020, 27 February 2020, 2 March 2020, 31 March 2020, 2 April 2020, 29 April 2020, 13 July 2020, 31 July 2020, 17 September 2020, 30 October 2020, 29 January 2021, 30 April 2021, 24 June 2021, 15 July 2021, 30 July 2021, 16 August 2021, 14 September 2021, 16 September 2021, 21 September 2021, 30 September 2021, 20 October 2021, 29 October 2021, 22 November 2021 and 30 November 2021. Trading in the Shares on the Stock Exchange has been suspended since 1 August 2016.

On 19 June 2019 and 30 July 2019, the Company submitted the Resumption Proposal to the Stock Exchange. Key terms of the Resumption Proposal include the following elements:

(a) Subscription – subscription of new Consolidated Shares by Mr. Ji and Mr. Guo, both being executive Directors, to provide new equity capital to the Company;

(b) Open Offer – to provide existing Shareholders pre-emptive right to subscribe new Consolidated Shares at the same price of the Subscription Share should they so wish to provide new equity capital to the Company; and

(c) Debt Restructuring – debt restructuring plan agreed with the Creditors to significantly reduce liabilities of the Company.

On 26 August 2019, the Listing Department of the Stock Exchange informed the Company that it would recommend the Listing Committee to cancel the listing of the Company under Rule 6.01A(2)(b)(ii) of the Listing Rules. On 3 September 2019, the Company received a letter from the Stock Exchange informing the Company that the Listing Committee decided to cancel the Company's listing under Rule 6.01A(2) of the Listing Rules.

The Company made a review request against the Listing Committee's decision on 16 September 2019 and the hearing of the Listing Review Committee was held on 15 January 2020. Further to the hearing, the Listing Review Committee requested the Company to provide further information and invited the Company for a further hearing. The further hearing was held on 9 September 2020.

Having considered further information submitted by the Company, the Listing Review Committee overturned the Listing Committee's decision on 16 September 2020.

The Subscription

As the First Subscriber is a company wholly-owned by Mr. Ji and the Second Subscriber is a company wholly-owned by Mr. Guo, each being an executive Director and therefore each a connected person of the Company under the Listing Rules, the Revised Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements.

The Open Offer

As the Offer Shares will be issued pursuant to the specific mandate of the Company, in accordance with Rule 7.24A(1) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders at the GM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the resolution(s) relating to the Open Offer.

The Debt Restructuring

As the Company proposes to allot and issue 36,582,410 Creditors Shares to Blissful Elite Limited in relation to the indebtedness due to Blissful Elite Limited, a company wholly-owned by Mr. Jason Shi who is the son of Mr. Ji, such allotment and issuance of the Creditors Shares constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements.

The Whitewash Waiver

As at the Latest Practicable Date, the Subscribers and parties acting in concert with any of them are not interested in any Shares and none of the Creditors are interested in any Shares. Upon completion of the Subscription, the Subscribers will be interested in 1,588,000,000 Consolidated Shares, representing (i) approximately 71.2% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares; and (ii) approximately 51.6% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

As one of the Creditors, Blissful Elite Limited, is wholly-owned by Mr. Jason Shi who is the son of Mr. Ji and will be interested in 36,582,410 Creditors Shares upon completion of the Debt Restructuring, immediately after Completion, the Subscribers and their concert parties will be interested in an aggregate of 1,624,582,410 Consolidated Shares, representing approximately 52.8% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares. Therefore, the Subscription will trigger an obligation for the Subscribers to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all issued Consolidated Shares (not already owned or agreed to be acquired by the Subscribers and parties acting in concert (as defined in the Takeovers Code) with any of them), upon completion of the Subscription and the Debt Restructuring, unless a waiver is granted by the Executive.

Given the interests of the Subscribers and their concert parties in the Company will exceed 50% upon Completion, if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, the Subscribers may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Subscribers has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among others, the approval of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring by more than 50% of the votes cast by the Independent Shareholders by way of poll at the GM and approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll at the GM in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code. If the Whitewash Waiver is not granted, the Revised Subscription Agreement will lapse and consequentially the Subscription, the Open Offer and the Debt Restructuring will not proceed.

As at the Latest Practicable Date, the Company is not aware that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible and make further announcement(s) to update the Shareholders and the public on the latest developments of the Restructuring.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company that could reasonably be regarded as relevant to the independence of Red Sun Capital Limited. We are not associated or connected with the Company, Subscribers or the Creditors, their respective substantial shareholders or any party acting in concert with any of them. In the last two years, we have not acted as the independent financial advisor or financial advisor to the Independent Board Committees and the Independent Shareholders of the Company.

Apart from the normal advisory fee payable to us in connection with this appointment as the Independent Financial Advisor, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice to the Independent Board Committees and the Independent Shareholders, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the management of the Company (the "**Management**"). We have assumed that all information, representations and opinions contained or referred to in the Circular which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be as at the Latest Practicable Date. The Shareholders will be notified of any material changes to such information and representations made to us and/or our opinions as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisors and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted any independent investigation into the business or affairs of the Company or any of their respective subsidiaries and associates.

This letter is issued for the information of the Independent Board Committees and the Independent Shareholders solely in connection with their consideration of the Restructuring and the transactions contemplated thereunder and, except for its inclusion in the Circular, are not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Restructuring and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Background of the Restructuring

1.1 Background of the Restructuring

Prior to the suspension of trading of the Shares on 1 August 2016, the Group was principally engaged in resources trading business, media and advertising business and provision of online platform for trading and deferred spot delivery services of precious metals mainly being silver and copper, and other associated services including transaction settlement management, commodity delivery management and related consulting services to customers nationwide in the PRC. On 5 August 2016, the SFC issued a direction under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571 of the laws of Hong Kong) to suspend trading in the Shares at 1:00 p.m. on 5 August 2016 because it appeared to the SFC that (i) the interim report of the Company for the six months ended 30 June 2015 and the annual report of the Company for the year ended 31 December 2015, and other reports or statements published by the Company contained materially false or misleading information; (ii) it is necessary or expedient to do so in the interest of maintaining an orderly and fair market in the Shares; and (iii) it is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in the Shares to do so. Despite trading suspension, the acquisition of Gear World was completed on 31 August 2016. Gear World indirectly owned the entire equity interest of TMTC Rental, and in turn owned as to 49% of the equity interest of TMTC Travel. TMTC Rental is engaged in vehicle rental service only (without chauffeur), majority of its vehicles are rented to TMTC Travel and the remaining are rented to third parties or as relief in case of maintenance or breakdown. TMTC Travel provides vehicle rental services or vehicle rental with chauffeur exclusively to third parties, it also operates charging stations. Over 90% of TMTC Group's business with third parties were operated through TMTC Travel. All other business of the Group ceased in 2017.

On 19 June 2019 and 30 July 2019, the Company has submitted the Resumption Proposal to the Stock Exchange pursuant to which the Company will carry out, among others, (i) the Subscription; (ii) the Open Offer; and (iii) the Debt Restructuring.

On 30 July 2019, the Company entered into the Subscription Agreement (as supplemented by a supplemental agreement dated 29 September 2020) with Mr. Ji and Mr. Guo. On 24 February 2021, 24 June 2021 and 24 December 2021, the Company, Mr. Ji, the First Subscriber, Mr. Guo and the Second Subscriber entered into the Revised Subscription Agreement to amend and restate the Subscription Agreement.

As part of the fund raising plan under the Resumption Proposal, the Company proposes to carry out the Open Offer on the basis of one (1) Offer Share for every one (1) then existing Consolidated Share held by Qualifying Shareholders on the Open Offer Record Date.

The Open Offer will be underwritten by the Underwriter on a fully underwritten basis pursuant to the terms of the Underwriting Agreement. 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.

After haircut from the Creditors, the total debt of HK$498.8 million in the Debt Restructuring will be settled by way of HK$182.9 million in cash and HK$315.9 million in Creditors Shares. The Company entered into various legally binding agreements with the Creditors. The repayment structures were tailored based on different circumstances of the Creditors.

1.2 Information on the Group

The following table summarises the consolidated financial information of the Group for the three years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021 as extracted from the section headed "Financial Information of the Group" as set out in Appendix I in the Circular.

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	54,697	97,767	134,527	61,737	74,118
Gross Profit	42,328	52,812	30,959	11,359	19,877
Other income	15,619	500	69,472	273	202
Administrative and other operating expenses	(22,841)	(42,961)	(33,229)	(13,944)	(13,981)
Profit/(Loss) for the year	(15,308)	69,365	40,011	(10,672)	(4,519)
Attributable to:					
– Owners of the Company	(14,673)	61,556	36,726	(9,936)	(4,515)
– Non-controlling interests	(635)	7,809	3,285	(736)	(4)

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	168,491	252,865	242,435	228,568
Current assets	196,795	129,085	84,932	93,447
Current liabilities	879,051	903,916	842,006	846,005
Non-current liabilities	85,623	41,808	10,772	8,969
Total equity/(deficit)	(599,388)	(563,774)	(525,411)	(532,959)

For the year ended 31 December 2019

The Group's revenue all came from car rental business, which amounted to HK$97.8 million for the year ended 31 December 2019, representing an increase of approximately HK$43.1 million or 78.7% compared to the year ended 31 December 2018. The increase was due to the consecutive increment in the number of buses leased. The car rental business generated gross profit margin with 54.0% and 77.4% for the year ended 31 December 2019 and 2018 respectively. The changes of gross margin results from consolidating TMTC Travel which has borne lower margin but relatively massive gross income. The Group recorded a profit for the year ended 31 December 2019 compared to a loss for the year ended 31 December 2018 due to an one-off gain on disposal of subsidiaries of approximately HK$100.2 million.

During the year ended 31 December 2019, the total asset of the Group remained stable at approximately HK$365.3 million and HK$382.0 million as at 31 December 2018 and 2019, respectively. The total liabilities of the Group remained stable at approximately HK$964.7 million and HK$945.7 million as at 31 December 2018 and 2019, respectively. As a result, the total deficit of the Group remained stable at approximately HK$599.4 million and HK$563.8 million as at 31 December 2018 and 2019, respectively.

For the year ended 31 December 2020

The Group's revenue generated from the car rental and shuttle bus services business amounted to approximately HK$134.5 million for the year ended 31 December 2020, representing an increase of approximately HK$36.8 million or 37.6% compared to approximately HK$97.8 million for the year ended 31 December 2019 due to the financial results of TMTC Travel has been consolidated into Group's account pursuant to HKFRS 10. However, the gross profit of the Group decreased by approximately HK$21.8 million or 41.3% from approximately HK$52.8 million for the year ended 31 December 2019 to approximately HK$31.0 million for the year ended 31 December 2020 due to the consolidation of TMTC Travel into the Group since September 2019. Before consolidating TMTC Travel, the costs incurred were mainly depreciation of vehicles from TMTC Rental. After consolidating TMTC Travel, the costs incurred mainly comprise the operation entity in TMTC Group's shuttle bus service, direct costs for the business including salaries of drivers, depreciation of vehicles, car parking expenses, fuel and electricity and repair and maintenance which were now reflected in the Group's account. The Group earnt a profit for the year ended 31 December 2020 due to a one-off compensation for litigation of approximately HK$48.4 million and a gain on other payable written off of approximately HK$13.0 million.

On 24 June 2015, First Concept Industrial Group Limited ("**First Concept**"), the then wholly-owned subsidiary of the Company served a notice of arbitration (the "**Notice**") on SouthGobi Sands LLC ("**SGS**"), being a subsidiary of SouthGobi Resources Ltd. In the Notice, First Concept sought the advanced payment from SGS, according to a coal supply agreement dated 19 May 2014 between First Concept and SGS, representing the prepayment amount advanced by First Concept for the supply of coking coal by SGS to First Concept under such agreement. The arbitral proceedings are deemed to have commenced on 24 June 2015, as the date when the respondent received the Notice. As at the date of the annual report for the year ended 31 December 2020 of the Company, the arbitral proceedings are in closing stage.

First Concept paid in advance to SGS for purchasing coals from SGS. However, SGS supplied and First Concept collected zero tonne of coal in the contracted period and SGS refused to repay the advanced payment to First Concept. It was justified for First Concept to recover the advanced payment from SGS by legal action, and First Concept proceeded accordingly as mentioned above.

SGS has been ordered to pay the sum of approximately HK$89,700,000 (US$11.5 million) (which SGS had received as a prepayment for the purchase of coal) together with interest accrued to First Concept pursuant to a partial arbitration award dated 4 January 2018 ("**Partial Award**").

First Concept and SGS entered into a deed of settlement on 16 November 2018 (“**Settlement Deed**”), pursuant to which First Concept has agreed to accept the sum of approximately HK$111,400,146 (US$14,282,070) as full and final satisfaction of the sums payable according to the Partial Award. Under the Settlement Deed, SGS shall pay the sum of US$14,282,070 to First Concept in 12 monthly instalments with the last instalment payable on or before 30 September 2019. However, SGS was in default according to the Settlement Deed as it failed to follow the repayment schedule as agreed in the Settlement Deed. SGS had only paid First Concept approximately HK$69,420,000 (US$8,900,000) by 30 September 2019.

After that, First Concept continued to proceed legal actions in Mongolia to recover debts due from SGS. First Concept succeeded to freeze bank accounts of SGS in Mongolia and recovered approximately HK$6,240,000 (US$800,000). Finally, a final settlement agreement (“**Last Agreement**”) were entered into between First Concept and SGS and compromised the remaining balance of debt and compensation to First Concept for its cost incurred in the arbitration against SGS. According to the Last Agreement, SGS paid a final settlement sum of approximately HK$62,400,000 (US$8,000,000) to First Concept during the year 2020. Thereon, all claims, obligations, liabilities and demands between First Concept and SGS were released and discharged.

First Concept was disposed in the year 2019. First Concept had transferred all sums recovered from SGS to the Group in year 2020 as obligated in the disposal of First Concept.

During the year ended 31 December 2020, the total asset of the Group decreased by approximately HK$54.6 million or 14.3% from approximately HK$382.0 million as at 31 December 2019 to approximately HK$327.4 million as at 31 December 2020. Such decrease was mainly attributable to the decrease in prepayments, deposits and other receivables of approximately HK$56.5 million. Total liabilities of the Group decreased by approximately HK$92.9 million or 9.8% from approximately HK$945.7 million as at 31 December 2019 to approximately HK$852.8 million as at 31 December 2020. Such decrease was mainly attributable to the (i) decrease in other payables and accruals of approximately HK$75.3 million; and (ii) decrease in long term lease liabilities of approximately HK$31.0 million. As a result, the Group recorded a total deficit of approximately HK$525.4 million as at 31 December 2020 as compared to the total deficit of approximately HK$563.8 million recorded as at 31 December 2019.

For the six months ended 30 June 2021

The Group' s revenue generated from the car rental and shuttle bus services business amounted to approximately HK$74.1 million for the six months ended 30 June 2021, representing an increase of approximately HK$12.4 million or 20.1% compared to the six months ended 30 June 2020 of approximately HK$61.7 million. The gross profit of the Group increased from approximately HK$11.4 million for the six months ended 30 June 2020 to approximately HK$19.9 million for the six months ended 30 June 2021 as a result of utilising idle resources due to the COVID-19 situation. As advised by the Management, the gross profit margin was improved which mainly attributable to the increase in revenue as the result of the utilisation of idle resources due to the COVID-19 situation (i.e. recovery in 2021) in covering the fixed cost, including depreciation of motor vehicle, annual vehicle examination expenses, insurance and parking, for the six months ended 30 June 2021, and hence leading to a decrease in losses suffered for the six months ended 30 June 2021 of approximately HK$4.5 million compared to approximately HK$10.7 million for the six months ended 30 June 2020.

For the six months ended 30 June 2021, the total asset of the Group remained stable at approximately HK$322.0 million compared to approximately HK$327.4 million as at 31 December 2020. Total liabilities of the Group also remained stable at approximately HK$855.0 million as at 30 June 2021 compared to approximately HK$852.8 million as at 31 December 2020. As a result, the total deficit of the Group remained stable at approximately HK$533.0 million as at 30 June 2021 compared to approximately HK$525.4 million as at 31 December 2020.

It is also noted that the Group has been in a net liabilities position for the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. Furthermore, the auditors of the Company had issued a disclaimer for the Company's annual reports for the three years ended 31 December 2018, 2019 and 2020 stating that there is indication of the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As such, we consider that it is in the interests of the Group and its Shareholders to carry out the Restructuring, in order to achieve a net assets position and address the going concern issue.

2. Overview of the China Shuttle/commuter Bus Services Industry

We have obtained and reviewed an industry research report with respect to China commuter bus services industry prepared by iResearch Consulting Group, an independent research company (the "**iResearch**", and the report, the "**iResearch Report**"). We have conducted an interview with iResearch. It is confirmed that iResearch is independent from the Company. We also obtained its credentials and reviewed its scope of research, and note that it is appropriate to the opinion required to be given and we are not aware of any circumstances which might have an adverse impact on the degree of assurance given by the iResearch Report. We also discussed and reviewed the research methodology of the iResearch Report and understood that it contains extensive primary and secondary data sources and involved study of a number of factors affecting the China commuter bus services industry including government policy, market environment, competitive landscape, historical data, future trends and technologies development, etc. In terms of the market size estimation, we understood that both (i) top-down approach, which based on the national macro statistics and industry statistics, iResearch defines the scope of the target industry from the macro to micro level, thus measuring the historical market size and iResearch makes cautious forecasts of market size for subsequent years by taking into account the macroeconomic indicators; and (ii) bottom-up approach, which iResearch splits the segmented areas of the target market, measures the market size of each segment based on specific business models, and respectively predicts the growth rate of the market size in the future and, on the other hand, iResearch summarises the relevant business income of major participants in the market through research methods such as analysis of public information and expert interviews, and verifies the market size through market share indicators, were used to validate the size of the commuter bus service market in China.

During the year 2016 to 2020, the shuttle/commuter bus service market in Beijing as seen a compound annual growth rate ("**CAGR**") of approximately 1.7%. This growth is expected to increase from 2021 to 2025, reaching a CAGR of approximately 9.3%, according to the iResearch Report. The market is expected to be on an upward trend due to the fact that Beijing has the largest number of employees in urban areas when compared to other tier one cities, implying a higher potential in demand for shuttle/commuter buses. Beijing is also the only city with an average one-way commute that takes more than 45 minutes for travelling individuals, with the largest number of employees in urban areas compared to other tier one cities. This indicate that a customized shuttle/commuter bus is a better solution for transportation, due to its convenience and lower cost the shuttle/commuter bus service will be able to better tailor for a more direct and efficient pathway for picking up the most employees.

In addition, group travelling, which is regarded as more environmentally friendly in terms of carbon dioxide emission per unit compared to private cars, will drive demand for shuttle/commuter bus services as large companies become more conscious of carbon emission as part of their environmental, social and corporate governance initiatives. Enterprises and institutions are also beginning to relocate functions or departments less critical to them to outside of Beijing, which makes commuting by car or taxi more expensive for employees. Besides, the public transportation development between these areas may not be as convenient as it is in the core business districts in Beijing. As such, shuttle/commuter bus service will help address this as it can provide a customized mode of transport to help individuals travel to specific locations.

As stated in the interim report of the Company for the six months ended 30 June 2021, the Group has signed service agreements with several new customers, including well-known real estate agents and technology companies, and is negotiating cooperation with several potential customers to expand its business. Given the above, we therefore concur with the Directors' view that the Group and the industry in which it is in will continue to experience growth in the near future.

3. The Capital Reorganisation

3.1 Share Consolidation

As at the Latest Practicable Date, the issued share capital of the Company is HK$3,178,754,000 divided into 6,411,770,500 Shares. In order to facilitate the issue of the Subscription Shares, the Offer Shares and the Creditors Shares under the Subscription, the Open Offer and the Debt Restructuring, respectively and enable the Company to comply with the trading requirements under the Listing Rules, the Company proposes to implement the Share Consolidation and the Change in Board Lot Size.

The Company proposes to implement the Share Consolidation on the basis of every ten (10) issued existing Shares be consolidated into one (1) Consolidated Share. As a result, 6,411,770,500 Shares will be consolidated into 641,177,050 Consolidated Shares.

3.2 Change in Board Lot Size

The existing Shares are currently traded in board lots of 10,000 Shares each. Upon the Change in Board Lot Size becoming effective, the Consolidated Shares will be traded in board lots of 20,000 Consolidated Shares each.

Other than the relevant expenses to be incurred, the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled to.

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the "**Trading Arrangement Guide**"), the expected value per board lot should be greater than HK$2,000 taking into account the minimum transaction costs for a securities trade. Based on the Subscription Price of approximately HK$0.11 per Subscription Share if the Shares would continue to be traded in board lots of 10,000 Shares, the value of each board lot of Shares would be below HK$2,000. As such, we concur with the Directors' view that the Capital Reorganisation is pivotal to the issue of the Subscription Shares, the Offer Shares and the Creditors Shares and will enable the Company to comply with the trading requirements under the Listing Rules.

4. The Subscription and the Open Offer

4.1 Principal terms of the 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 and Mr. Guo. On 24 February 2021, 24 June 2021 and 24 December 2021, the Company, Mr. Ji, the First Subscriber, Mr. Guo and the Second Subscriber entered into the Revised Subscription Agreement to amend and restate the Subscription Agreement.

Summary of principal terms of the Revised Subscription Agreement are as follows:

Date:	30 July 2019 (as supplemented by a supplemental agreement dated 29 September 2020 and as amended and restated by the Revised Subscription Agreement)
Parties:	(1) the Company (as issuer); (2) the First Subscriber; (3) the Second Subscriber; (4) Mr. Ji; and (5) Mr. Guo
Number of Subscription Shares:	(1) the First Subscriber subscribes for 972,500,000 Subscription Shares; and (2) the Second Subscriber subscribes for 615,500,000 Subscription Shares

Subscription Price:	HK$0.11 per Subscription Share
Gross consideration:	HK$174,680,000

4.2 Subscription Shares

Assuming no Shares or Consolidated Shares (as the case may be) are to be issued or repurchased by the Company from the Latest Practicable Date to the date of Completion, the Subscription Shares to be allotted and issued represent:

(i) approximately 247.7% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation;

(ii) approximately 71.2% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares; and

(iii) approximately 51.6% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

4.3 Conditions precedent of the Subscription

Completion of the Subscription shall be subject to the fulfilment of certain conditions on or before 31 December 2021 (or such later date as the parties may agree in writing), details of which are set out in the paragraph headed "B. Subscription – Conditions precedent to the Subscription" in the Letter from the Board.

4.4 Principal terms of the Open Offer

As part of the fund raising plan under the Resumption Proposal, the Company proposes to carry out the Open Offer on the basis of one (1) Offer Share for every one (1) then existing Consolidated Share held by Qualifying Shareholders on the Open Offer Record Date.

The Open Offer will be underwritten by the Underwriter on a fully underwritten basis pursuant to the terms of the Underwriting Agreement. 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.

Set out below are the principal terms of the Open Offer (assuming that no Shares or Consolidated Shares to be issued or repurchased by the Company from the Latest Practicable Date and up to the Open Offer Record Date):

Issue statistics

Basis of the Open Offer:	One (1) Offer Share for every one (1) existing Consolidated Share held by Qualifying Shareholders on the Open Offer Record Date
Offer Price:	HK$0.11 per Offer Share
Number of Consolidated Shares expected to be in issue as at the Open Offer Record Date:	641,177,050 Consolidated Shares
Number of Offer Shares:	641,177,050 Offer Shares
Fund to be raised before expenses:	HK$70,529,476
Underwriter:	Emperor Securities Limited

As at the Latest Practicable Date, the Company has no outstanding share options, warrants, convertible bonds or other securities in issue which are convertible into or give rights to subscribe for, convert or exchange into, any Shares.

Offer Shares

Assuming that there is no Shares or Consolidated Shares (as the case may be) to be issued or repurchased by the Company from the Latest Practicable Date and up to the Open Offer Record Date, 641,177,050 Offer Shares to be issued and allotted represents:

(i) 100% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation; and

(ii) approximately 20.8% of the total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and enlarged by the allotment and issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

As the Open Offer Record Date will fall on a date prior to completion of the Subscription and the Debt Restructuring, none of the Subscribers and Creditors will be Qualifying Shareholders in respect of their respective interest in the Subscription Shares and the Creditors Shares respectively.

4.5 Conditions of the Open Offer

Completion of the Open Offer will be subject to the fulfilment of certain conditions, details of which are set out in the Letter from the Board.

4.6 Reasons and benefit of the Subscription, Open Offer and the use of proceeds

The Subscription, the Open Offer and the Debt Restructuring are integral parts of the Resumption Proposal to facilitate Resumption. The Subscription will introduce the First Subscriber and the Second Subscriber as Shareholders. The Open Offer will provide an opportunity to the Shareholders to participate in the Restructuring and business development of the Group, and it will also reduce the dilutive effect of the Subscription on the shareholding of the Shareholders. The Subscription and Open Offer will strengthen the financial position of the Group for business expansion and, in conjunction with the Debt Restructuring, relieve the indebtedness of the Company. It will also raise additional working capital for the Company.

Although the Offer Price represents a discount to the Company's share price on the Last Trading Day, it is considered to be fair and reasonable as explained in the paragraph headed "Offer Price" below. It is further noted that the Open Offer will be completed simultaneously with the Subscription and the Debt Restructuring prior to Resumption to allow Shareholders to participate in the Restructuring whilst reducing any dilutive effect. We noted the potential dilution to the existing Shareholders if they decide not to participate. Nonetheless, taking into account that (i) the Group is heavily insolvent; (ii) the Company was under prolonged suspension of trading in the Shares since 1 August 2016; (iii) the implementation of the Subscription, the Open Offer and the Debt Restructuring are crucial for the Company and the Shareholders as a whole as it provides an opportunity to restore a net asset position of the Group, to achieve Resumption and to allow Shareholders to recover their investments, and failing which the Company may be delisted; (iv) the aforementioned level of dilution to the shareholding interests of the existing public Shareholders was within the range of the dilution impact of the Comparables and below the average of that of the Comparables as discussed in the subsection headed "3.8 The Subscription Price and the Offer Price"; and (v) the terms under the Restructuring being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders being inevitable but acceptable.

The gross proceeds from the Subscription and the Open Offer will be approximately HK$245.2 million in aggregate, which will be applied as to (i) approximately HK$160.0 million for the settlement of debt under the Debt Restructuring; (ii) approximately HK$60.6 million for business expansion, including purchase of new vehicles, set up of charging stations, acquisition in vertical and/or horizontal business, such as electric car battery manufacturer, electric bus manufacturer, etc; and (iii) approximately HK$24.6 million for general working capital.

As advised by the management, the shortfall of HK$22.9 million between the total debt amount and the proceeds to be applied for the settlement of debt under the Debt Restructuring will be settled using the Group's internal resources generated through its operating activities and financial activities.

4.7 The Subscription Price and the Offer Price

Subscription Price

The Subscription Price of HK$0.11 per Subscription Share represents:

(i) 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;

(ii) a discount of approximately 92.8% to the average theoretical closing price of HK$1.52 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK$0.152 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 92.9% to the average theoretical closing price of HK$1.55 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK$0.155 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately HK$0.94 to the Group's unaudited net liabilities value per Consolidated Share as at 30 June 2021 of approximately HK$0.83; and

(v) a premium of approximately HK$0.93 to the Group's audited net liabilities value per Consolidated Share as at 31 December 2020 of approximately HK$0.82.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers after taking into account (i) financial difficulties faced by the Group, including net loss of approximately HK$1,442.4 million, HK$137.2 million, HK$15.3 million for the years ended 31 December 2016, 2017 and 2018 respectively, and net current liabilities and net liabilities of approximately HK$682.3 million and HK$599.4 million respectively as at 31 December 2018; (ii) capital requirement for settlement of outstanding liabilities, general working capital and business expansion, including purchase of new vehicles; and (iii) the prolonged suspension of trading of the Shares since 1 August 2016.

Offer Price

The Offer Price of HK$0.11 per Subscription Share represents:

(i) 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;

(ii) a discount of approximately 92.8% to the average theoretical closing price of HK$1.52 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK$0.152 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 92.9% to the average theoretical closing price of HK$1.55 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK$0.155 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately HK$0.94 to the Group's unaudited net liabilities value per Consolidated Share as at 30 June 2021 of approximately HK$0.83 and a premium of approximately HK$0.93 to the Group's audited net liabilities value per Consolidated Share as at 31 December 2020 of approximately HK$0.82.

The Offer Price of HK$0.11 per Offer Share is equal to the Subscription Price of HK$0.11 per Subscription Share. The basis of the determination of the Subscription Price is set out in the sub-section headed "Subscription Price" above.

In order to assess the fairness and reasonableness of the Subscription Price and the Offer Price, we have searched for all resumption proposals announced by companies listed on the Stock Exchange within the five-year period before the date of the Announcement (i.e. 24 June 2021) with the criteria that (i) their shares had been suspended for more than one year; (ii) the trading of shares of those companies had been resumed after implementation of their resumption proposals; (iii) the resumption proposals of those companies constituted open offers or subscription of shares to their respective existing shareholders; and (iv) in a similar line of business as the Company. However, we were unable to identify any company based on the above criteria. As such we expanded our scope to include companies from any business and have identified an exhaustive list of six comparables under the aforesaid criteria (the "**Comparable(s)**").

In view that for prolonged suspension companies, it is a common market practice to price the offer share of the open offer or rights issue at a discount to the market price of relevant shares in order to encourage subscription by their shareholders, we believe that the Comparables may reflect the trend of open offers in the market for long suspended companies. Set out below are the details of the Comparables:

Stock Code	Company	Principal business	Date of announcement/ circular	Date of suspension of trading of relevant shares	Type of transaction	Basis of entitlement	Premium/ (discount) of offer price/subscription price over/(to) net asset value *(note 1)* (%)	Discount of offer price/subscription price to closing price on last trading day *(note 1)* (%)	Maximum dilution effect to the shareholding of existing public shareholders after Completion if all take up their entitlements *(note 1)* (%)	Maximum dilution effect to the shareholding of existing public shareholders after Completion if none take up their entitlements *(note 1)* (%)	Underwriting commission *(note 1)* (%)
1116	Mayer Holdings Limited	Principally engaged in (i) the processing, manufacturing and selling of steel sheets, steel pipes and other steel products in the PRC, and (ii) urban renewal project planning and consulting in the PRC	20 Jul 2018	9 Jan 2012	Open offer	4 for 1	(69.7)	18.7	1.1	80.2	2.5
1007	Longhui International Holdings Limited ("**Longhui**")	Principally engaged in the hotpot restaurant business in the PRC	2 May 2018	22 Mar 2012	Open offer	1 for 5	Net liabilities position	97.0	90.6	92.1	2.5
948	Z-Obee Holdings Limited	Principally engaged in the trading of milk powder and baby foods and the provision of mobile handset solution	22 Sep 2017	27 Jun 2014	Open offer	2 for 5	213.7	70.3	79.0	85.0	3.0
8299	Grand T G Gold Holdings Limited	Principally engaged in gold exploration, mining and mineral processing with gold concentrate as its product	24 Feb 2017	11 Nov 2010	Open offer	1 for 2	141.0	72.2	16.8	44.5	3.5

Stock Code	Company	Principal business	Date of announcement/ circular	Date of suspension of trading of relevant shares	Type of transaction	Basis of entitlement	Premium/ (discount) of offer price/subscription price over/(to) net asset value *(note 1)* *(%)*	Discount of offer price/subscription price to closing price on last trading day *(note 1)* *(%)*	Maximum dilution effect to the shareholding of existing public shareholders after Completion if all take up their entitlements *(note 1)* *(%)*	Maximum dilution effect to the shareholding of existing public shareholders after Completion if none take up their entitlements *(note 1)* *(%)*	Underwriting commission *(note 1)* *(%)*
1073	Da Yu Financial Holdings Limited ("**Da Yu**") *(note 2)*	Principally engaged in the provision of corporate finance advisory services and asset management services	27 Apr 2019	18 Sep 2014	Subscription of shares	N/A	Net liabilities position	78.8	88.7	N/A	N/A
8132	China Oil Gangran Energy Group Holdings Limited ("**Gangran**") *(note 2)*	Principally engaged in (i) power and data cords business; (ii) trading of refined oil and chemicals business; and (iii) trading of commodities	19 Mar 2021	2 Jul 2019	Subscription of shares	N/A	Net liabilities position	87.6	83.3	N/A	N/A
						Maximum	213.7	18.7	90.6	92.1	3.5
						Minimum	(69.7)	97.0	1.1	44.5	2.5
						Average	95.0	70.8	59.9	75.5	2.88
	The Company						Net liabilities position	92.3	58.3	79.2	2.0

Source: website of the Stock Exchange (www.hkex.com.hk)

Note:

1. Based on the figures disclosed in the respective circular of the Comparables.

2. Subscription of shares instead of open offers were completed for these Comparables, thus no basis of entitlement is applicable.

As depicted in the table above, the discount of the offer prices of the Comparables to their respective closing prices on last trading day ranges from approximately 97.0% to approximately 18.7%, with an average discount of approximately 70.8%. The discount of approximately 92.3% represented by the Subscription Price and the Offer Price to the theoretical closing price per Consolidated Share on the Last Trading Day is within the aforementioned range of that of the Comparables. Furthermore, as seen in the table above, the maximum dilution for existing shareholders after Completion if none take up their entitlements for the Comparables ranges from approximately 44.5% to approximately 92.1%, with an average dilution of approximately 75.5%. The dilution of approximately 79.2% for the Company falls within the range of the Comparables and is very close to the average.

Although the Company's discount of the offer price to the closing price on the last trading day and the maximum dilution effect to the shareholding of existing shareholders after Completion if none take up their entitlements are both higher than the average, it should be noted that, similar to one of the Comparables, namely Longhui, the Company is and had been in a net liabilities position. It is also noted that due to its net liabilities position, Longhui's offer price also required a steeper discount to its closing price and had the highest dilution effect. Similar to Longhui, both Da Yu and Gangran required a steeper discount and had higher dilution effects. As such, we are of the view that the Longhui's, Da Yu's and Gangran's situations are more akin to the Company's and the higher discounts and dilution effects as noted by the Company's Offer Price is justified due to its net liabilities position and they are required to better attract shareholders to participate in their respective subscriptions/ open offers.

In view of (i) the Subscription Price and the Offer Price were determined after arm's length negotiations, (ii) the prolonged suspension in the trading of the Shares, the net liabilities position of the Group as at 31 December 2020; (iii) the Subscription and the Open Offer forms part of the Resumption Proposal seeking the resumption of trading in the Shares; (iv) as mentioned in the paragraph headed "Overview of the China Shuttle/commuter Bus Services Industry" in this letter, the shuttle/commuter bus service market is expected to experience growth in the near future, in particular, (a) the shuttle/commuter bus service market in Beijing is expected to increase from 2021 to 2025, reaching a CAGR of approximately 9.3%; and (b) the market is expected to be on an upward trend due to the fact that Beijing has the largest number of employees in urban areas when compared to other tier one cities, implying a higher potential in demand for shuttle/commuter buses; (v) the Offer Price is significantly lower than the issue price for each Creditors Shares of HK$2.0 and HK$1.0 respectively, meaning the Shareholders can actually subscribe for Shares of the Company at a much lower price than the Creditors thus getting terms which is more favourable; (vi) the discount to the Subscription Price and the Offer Price falls will within the range of the Comparables; (vii) as the Company is in a net liabilities position, the steeper discount and higher dilution effects are comparable to the Comparables with a net liabilities position; and (viii) assuming the Restructuring had been completed on 30 June 2021, the Group is expected to record a pro forma net assets, we are of the view that the Subscription and the Open Offer, including the Subscription Price and the Offer Price, are fair and reasonable, allowing Shareholders to participate in the possible future growth of the Company and in the interests of the Company and the Shareholders as a whole.

Excess application

As noted from the Letter from the Board, the Company decided that no excess Offer Shares will be offered to the Qualifying Shareholders since the Company will be required to put in additional effort and costs to administer the excess application procedures.

Instead, pursuant to Rule 7.26A(1) of the Listing Rules, the Company must make arrangement to dispose of the Unsubscribed Shares for the benefit of the No Action Shareholders. In compliance with the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent for the Unsubscribed Shares Arrangement.

The Untaken Shares will be fully underwritten by the Underwriter and sub-underwriter(s) to be procured by the Underwriter.

Given that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, we are of the opinion that the excess application arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Placing Agreement

In order to comply with Rule 7.26A(1) of the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent for the Unsubscribed Shares Arrangement.

Upon and subject to the terms and conditions set out in the Placing Agreement, the Placing Agent agrees, as agent of the Company, during the Placing Period to procure, on a best effort basis, Placing Placees to subscribe for the Unsubscribed Shares (which comprise (i) the Offer Shares (if any) which have not been subscribed by the Qualifying Shareholders (whether partially or fully) in their assured entitlements; and (ii) Offer Shares which would otherwise have been allotted to the Excluded Shareholders) at the Placing Price. The Placing Agent may carry out the Placing itself and/or, at its own expenses, through such other agents as the Placing Agent may agree with the Company. The Placing Agent shall procure that such other agents (the "**Sub-agents**") shall comply with all relevant obligations to which the Placing Agent is subject under the terms of the Placing Agreement. The Placing Agent also confirmed that it will procure that the Sub-agents (if any) and their respective ultimate beneficial owners are Independent Third Parties (who are not Shareholders) and are not acting in concert with the Subscribers, their beneficial owners and respective concert parties.

Any Untaken Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Placing Agent is independent of and not connected with the Company or its connected persons, or the Subscribers and their concert parties. As at the Latest Practicable Date, the Placing Agent is not interested in any Shares.

Set out below are the principal terms of the Placing Agreement:

Date:	24 June 2021
Placing Agent:	Emperor Securities Limited
Placing Price:	The placing price of the Unsubscribed Shares shall be at least equal to the Offer Price and the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Shares during the process of placement
Placing Period:	A period commencing from Monday, 28 February 2022, being the third (3rd) Business Day immediately after the Latest Time for Acceptance and ending on Friday, 4 March 2022, being the Latest Time for Unsubscribed Shares Arrangement (both days inclusive)
Placing Placee(s):	Any person or entity procured by the Placing Agent or its agent(s) (save for (i) any person or entity connected with the Subscribers, the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their respective subsidiaries or associated companies or any of their respective associates; (ii) a party acting in concert (as defined in the Takeovers Code) with any of them or other Placing Placees; or (iii) any Shareholder) to subscribe for any Unsubscribed Share. The Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Placing in compliance with Rule 8.08 of the Listing Rules

Placing commission:	Subject to completion of the Placing, 1.5% of the amount which is equal to the Placing Price multiplied by the number of the Unsubscribed Shares successfully placed by the Placing Agent

Underwriting Agreement

Principal terms of the Underwriting Agreement entered into between the Company and the Underwriter are set out as follows:

Date:	24 June 2021 (as supplemented by the Supplemental Underwriting Agreements)
Parties:	(1) the Company; and (2) Emperor Securities Limited, the Underwriter
Number of Underwritten Shares:	If and to the extent that at the Latest Time for Unsubscribed Shares Arrangement, there shall be any Untaken Shares which have not been successfully placed out by the Placing Agent under the Unsubscribed Shares Arrangement, then the Underwriter shall subscribe or procure subscription for all of the Untaken Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Prospectus Documents. The maximum underwriting commitment of the Underwriter shall be up to 641,177,050 Offer Shares at the Offer Price assuming no further issue of new Share(s) or Consolidated Shares on or before the Open Offer Record Date
Underwriting commission:	2% of the aggregate Offer Price in respect of the Underwritten Shares

The Underwriter is independent of and not connected with the Company or its connected persons, or the Subscribers and their concert parties. As at the Latest Practicable Date, the Underwriter is not interested in any Shares.

To assess whether the placing commission and underwriting commission payable to the Placing Agent and the Underwriter as fair and reasonable, we have reviewed the underwriting commission of the Comparables.

As set out in the table of Comparables, the underwriting commission of the Comparables range from 2.5% to 3.5% with an average of approximately 2.9%. Therefore, the placing commission and underwriting commission of 1.5% and 2.0% chargeable by the Placing Agent and the Underwriter respectively are below the range of underwriting commissions of the Comparables and as such the placing commission and underwriting commission chargeable by the Placing Agent and the Underwriter respectively are slightly lower than the commissions chargeable by the placing agents and underwriters of the Comparables. Accordingly, we are of the view that the placing commission and underwriting commission chargeable by the Placing Agent and the Underwriter respectively are favourable to the Company compared to the Comparables thus are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

5. The Debt Restructuring

As at the Latest Practicable Date, the estimated total debt of the Company in the Debt Restructuring amounted to approximately HK$545.7 million.

After haircut from the Creditors, the total debt of HK$498.8 million in the Debt Restructuring will be settled by way of HK$182.9 million in cash and HK$315.9 million in Creditors Shares. It is proposed that the initial amount of approximately HK$160.0 million required for the Debt Restructuring will be funded out of the proceeds from the Subscription and the Open Offer. As advised by the management, the shortfall of HK$22.9 million between the total debt amount and the proceeds to be applied for the settlement of debt under the Debt Restructuring will be settled using the Group's internal resources generated through its operating activities and financial activities.

The Company entered into various legally binding agreements with the Creditors. The repayment structures were tailored based on different circumstances of the Creditors.

Reasons for the Debt Restructuring

As advised by the Company, to accommodate the financial situation the Group is facing, the Company seeks the Creditors support for the repayment of the debts to the Creditors, which would allow the Company to allocate the funds raised on its business development.

We note that the Company propose to settle its indebtedness by way of the Debt Restructuring via entering into various legally binding agreements with the Creditors. Based on our discussion with the Company, in view of the unaudited net liabilities position of the Company as at 30 June 2021, it is unlikely the Group is in a position to repay such loans owed to the Creditors in the near future.

The Debt Restructuring, through the issuing of the Creditors Shares and settlement through cash, would strengthen the capital base, reduce the debt level and improve the liquidity of the Company. Further, we consider the strengthening of the capital base and improving liquidity of the Company would allow the Company to utilize its other resources in the development and operation of its business. In addition, through the Debt Restructuring, after the haircut from the Creditors, the estimated total debt of the Company will be reduced from approximately HK$545.7 million to approximately HK$498.8 million, in which the estimated total debt (after the haircut) of approximately HK$498.8 million will be settled by way of HK$182.9 million in cash and HK$315.9 million in Creditors Shares. It is noted that through the issuance of Creditors Shares as part of the repayment of the total debt, the Company will be able to reduce its debt without any actual cash outflow and ultimately significantly reduced the amount of debt that is required to be repaid, which is favourable to the Company and the Shareholders. As advised by the Management, the Debt Restructuring, specifically the haircut and the issue price of the Creditors Shares were agreed through arms-length negotiations and that it is at a premium to the issue price of the Open Offer, allowing Shareholders to participate in the offering by the Company at a more favourable term than the Creditors. As such, we consider that the issue price of the Creditors Shares, being the haircut and premium to the issue price of the Open Offer, to be fair and reasonable in this regard.

Considering the above, we are of the opinion that the Debt Restructuring is in the interests of the Company and the Shareholders as a whole.

6. The Whitewash Waiver

As at the Latest Practicable Date, the Subscribers, their respective ultimate beneficial owner and parties acting in concert with any of them are not interested in any Shares and none of the Creditors are interested in any Shares. Upon completion of the Subscription, the Subscribers will be interested in 1,588,000,000 Consolidated Shares, representing (i) approximately 71.2% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares; and (ii) approximately 51.6% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares.

One of the Creditors, Blissful Elite Limited, is wholly-owned by Mr. Jason Shi who is the son of Mr. Ji and will be interested in 36,582,410 Creditors Shares upon completion of the Debt Restructuring. As such, immediately after the Completion, the Subscribers and their concert parties will be interested in an aggregate of 1,624,582,410 Consolidated Shares, representing approximately 52.8% of the enlarged total number of Consolidated Shares in issue as adjusted for the effect of the Share Consolidation and the issue of the Subscription Shares, the Offer Shares and the Creditors Shares. Therefore, the Subscription will trigger an obligation for the Subscribers to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all issued Consolidated Shares (not already owned or agreed to be acquired by the Subscribers and parties acting in concert (as defined in the Takeovers Code) with any of them), upon completion of the Subscription and the Debt Restructuring, unless a waiver is granted by the Executive.

The Subscribers have made an application to the Executive for granting of the Whitewash Waiver pursuant to Note 1 on dispensations under Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) approval of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring by way of ordinary resolutions; and (ii) the approval of the Whitewash Waiver by way of special resolution, by the Independent Shareholders at the GM by way of poll.

If (i) the Whitewash Waiver is granted by the Executive and approved by 75% of the Independent Shareholders and (ii) the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and all the transactions contemplated thereunder approved by 50% of the Independent Shareholders, the Subscribers and parties acting in concert with them will not be required to make a mandatory offer which would be otherwise required as a result of the Subscription. The Executive may not grant a whitewash waiver in respect of a transaction involving the issue of new securities under Note 1 on dispensations from Rule 26 if the subject transaction does not comply with other applicable rules and regulations (including the Listing Rules) notwithstanding that all relevant requirements under the Takeovers Code may have been complied with. If the Whitewash Waiver is not granted, the Revised Subscription Agreement will lapse and consequentially the Subscription, the Open Offer and the Debt Restructuring will not proceed.

Having taken into account that (i) the approval of the Whitewash Waiver and the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and all the transactions contemplated thereunder by the Independent Shareholders and the granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Restructuring; (ii) the Whitewash Waiver would allow the Restructuring and the transactions contemplated thereunder to proceed and thus lead to resumption of trading in the Shares; and (iii) the reasons for and possible benefits of the Restructuring as discussed above, and that the terms under the Restructuring being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is one of the conditions precedent to the Restructuring which is crucial to the implementation of the Restructuring, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Restructuring.

7. Effects on the Company's Shareholdings Structure

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation becoming effective; (iii) upon Completion (assuming all Qualified Shareholders fully subscribed for the Offer Shares); and (iv) upon Completion (assuming none of the Qualified Shareholders subscribed for the Offer Shares), assuming that there will not be any other changes in the issued share capital and shareholding structure of the Company from the Latest Practicable Date up to Completion:

Shareholders	As at the Latest Practicable Date		Upon the Share Consolidation becoming effective		Upon Completion (assuming all the Qualifying Shareholders take up the Offer Shares)		Upon Completion (assuming none of the Qualifying Shareholders take up the Offer Shares)	
	Number of Shares	*%*	*Number of Consolidated Shares*	*%*	*Number of Consolidated Shares*	*%*	*Number of Consolidated Shares*	*%*
Subscribers								
First Subscriber	–	–	–	–	972,500,000	31.60	972,500,000	31.60
Second Subscriber	–	–	–	–	615,500,000	19.99	615,500,000	19.99
Blissful Elite Limited	–	–	–	–	36,582,410	1.19	36,582,410	1.19
Subscribers and parties acting in concert with any of them	–	–	–	–	1,624,582,410	52.78	1,624,582,410	52.78
Creditors (excluding Blissful Elite Limited)	–	–	–	–	170,691,899	5.55	170,691,899	5.55
Former Directors								
Yang Fan	810,759,648	12.64	81,075,965	12.64	162,151,930	5.27	81,075,965	2.63
Li Hui	1,801,000	0.03	180,100	0.03	360,200	0.01	180,100	0.01
Tian Songlin	470,000	0.01	47,000	0.01	94,000	0.00	47,000	0.00
	813,030,648	12.68	81,303,065	12.68	162,606,130	5.28	81,303,065	2.64
Substantial Shareholders								
Liu Zidong	605,050,000	9.44	60,505,000	9.44	121,010,000	3.93	60,505,000	1.97
Wang Yi	585,533,845	9.13	58,553,384	9.13	117,106,768	3.81	58,553,384	1.90
	1,190,583,845	18.57	119,058,384	18.57	238,116,768	7.74	119,058,384	3.87
Placing Placee(s), Underwriter, sub-underwriters, and Independent Underwriting Placees	–	–	–	–	–	–	641,177,050	20.83
Other public Sharheolders	4,408,156,007	68.75	440,815,601	68.75	881,631,202	28.65	440,815,601	14.33
Total	6,411,770,500	100.00	641,177,050	100.00	3,077,628,409	100.00	3,077,628,409	100.00

As set out in the paragraph headed "Effect on the shareholding structure of the Company" in the Letter from the Board, the shareholding of the existing public Shareholders would be reduced from approximately 68.8% as at the Latest Practicable Date to, (i) assuming all the Qualifying Shareholders take up the Offer Shares, approximately 28.7% immediately after the Completion, representing a dilution effect of approximately 58.3%; and (ii) assuming none of the Qualifying Shareholders take up the Offer Shares, approximately 14.3% immediately after the Completion, representing a dilution effect of approximately 79.2%.

We noted the aforementioned potential substantial dilution to the existing public Shareholders' shareholding interests in the Company. Nonetheless, taking into account that (i) the Group is heavily insolvent; (ii) the Company was under prolonged suspension of trading in the Shares since 1 August 2016; (iii) the implementation of the Subscription, the Open Offer and the Debt Restructuring are crucial for the Company and the Shareholders as a whole as it provides an opportunity to restore a net asset position of the Group, to achieve Resumption and to allow Shareholders to recover their investments, and failing which the Company may be delisted; (iv) the aforementioned level of dilution to the shareholding interests of the existing public Shareholders was within the range of the dilution impact of the Comparables and below the average of that of the Comparables as discussed in the subsection headed "3.8 The Subscription Price and the Offer Price"; and (v) the terms under the Restructuring being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders being inevitable but acceptable.

8. Financial effects of the Restructuring

The possible financial effects of the Restructuring are based on the unaudited pro forma financial information (the "**Pro Forma**") as contained in Appendix III to the Circular which demonstrated the financial effects on the Group upon Completion:

(a) Net assets/(liabilities) and gearing

It is expected the Group will achieve a net assets position from a net liabilities position upon Completion.

Based on the foregoing, the gearing level of the Group (calculated on the basis of the Group's total debts divided by total assets) would improve upon Completion.

(b) Working capital

As at 30 June 2021, the Group only had cash and bank balances of approximately HK$660,000. Upon Completion, the cash and bank balances of the Group will be increased by the remaining portion of the proceeds from the Subscription and the Open Offer after settling the consideration of the Debt Restructuring.

As disclosed in the paragraph headed "Working capital" in the section headed "Financial information of the Group" as set out in Appendix I to the Circular, the Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseen circumstances, following completion of the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver, and taking into account of the financial resources available to the Group, the Group has sufficient working capital for its normal business for at least the twelve months from date of the Circular. As such, following Completion, it is expected that the Group's working capital position will be strengthened and the Group will be able to meet its working capital requirements in the near future.

RECOMMENDATION

Despite (i) the potential substantial dilution to the existing public Shareholders' shareholding interest in the Company, having considered and balanced by the abovementioned principal factors and reasons:

(a) for the Restructuring, in particular that:

(i) the discount of Subscription Price and the Offer Price to the closing price of the Shares on the Last Trading Day is within the range of the Comparables;

(ii) the proceeds from the Subscription and the Open Offer will fund the Debt Restructuring, provide the Group with additional resources for its operations and strengthen the financial and liquidity position of the Group upon Completion;

(iii) the Debt Restructuring will allow the Group to reduce its liabilities significantly and turn from its net liabilities position to a net assets position;

(iv) the Open Offer provides the Shareholders an opportunity to participate in the future growth and development of the Group upon successful restructuring of the Company; and

(v) as set out in the subsection headed "6. Effects on the Company's Shareholdings Structure", the level of dilution to the shareholding interests of the existing public Shareholders being inevitable but acceptable,

(b) for the Whitewash Waiver, in particular that:

(i) the approval of the Whitewash Waiver and the Share Consolidation, the Subscription, the Open Offer, the Debt Restructuring and all the transactions contemplated thereunder by the Independent Shareholders and the granting of the Whitewash Waiver by the Executive is a non-waivable condition precedent to the Restructuring; and

(ii) obtaining the Whitewash Waiver is one of the conditions precedents of the Subscription and the Open Offer,

we are of the view that the terms under the Restructuring, including the Subscription, the Open Offer and the Debt Restructuring, the Whitewash Waiver and the respective transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver to be proposed at the GM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in corporate finance industry.

I. BUSINESS OF THE GROUP

OVERVIEW

The Group operates its bus transportation, passenger operation and car rental services through TMTC Group. As at 31 August 2021, TMTC Group had a vehicle fleet of 858 vehicles consisting 449 electric buses, 401 fuel buses and 8 limousines with capacity of 5 to 59 seats.

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 be consistent with the current operation model and to formalise the management arrangement, on 1 September 2019, TMTC Travel were consolidated into TMTC Group's account under HKFRS10 on the basis of full management control over TMTC Travel by TMTC Group.

TMTC Rental is engaged in non-chauffeured vehicle rental business only, leasing its vehicles mainly to TMTC Travel. TMTC Travel is principally engaged in the provision of (i) routed shuttle/commuter bus transportation; (ii) chauffeured vehicles rental; (ii) non-chauffeured vehicles rental; and (iv) chauffeurs hire service.

TMTC Group offers customise transportation solutions to satisfy different needs of its customers. According to research by iResearch, in term of revenue, TMTC Group was the largest non-state-owned shuttle/commuter bus transportation provider with a market share of approximately 7.0% in 2020 in the Beijing shuttle/commuter bus service market (including both state-owned and non-state-owned companies). Through investing in quality vehicles and provide outstanding services, TMTC Group has built a prestigious brand image. Customers of TMTC Group include prominent institutional cooperations, as well as the PRC government, the US Embassy in Beijing and prestigious educational institutes.

As disclosed in the Company's audited financial reports for the years ended 31 December 2018, 2019 and 2020 and the unaudited interim financial report for the six months ended 30 June 2021, for years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, TMTC Group recorded revenue of approximately HK$54.7 million, HK$97.8 million, HK$134.5 million and HK$74.1 million respectively.

COMPETITIVE STRENGTHS

Leading provider of shuttle/commuter bus transportation in Beijing

TMTC Group is one of the leading providers of shuttle/commuter bus transportation services in Beijing.

It is strategic focus on Beijing, one of the most populous capital cities in the world, has contributed to the previous growth of TMTC Group and shall provide sufficient capacity for future growth. According to research by iResearch, the shuttle/commuter bus service market size in Beijing was approximately RMB1.7 billion in 2020 with a CAGR of approximately 1.7% between 2016 and 2020. It is expected that the shuttle/commuter bus service market size in Beijing will reach RMB2.6 billion in 2025, representing a CAGR of approximately 9.3% between 2020 and 2025.

In terms of revenue, in 2020, TMTC Group was the largest non-state-owned shuttle bus transportation provider in Beijing with a market share of approximately 7.0% (including both state-owned and non-state-owned companies). Overall, TMTC Group was the third largest shuttle bus transportation provider in Beijing in terms of revenue, with the two largest shuttle bus transportation providers being state-owned enterprise with market share of approximately 13.0% and 12.4% respectively.

Diversified portfolio of service offerings

TMTC Group offers customised transportation solutions to satisfy different needs of its customers. Customers can also choose from a wide variety of vehicles ranging from 5 seater limousines to buses which carry up to 59 passengers, as well as choices of electric vehicles and conventional fuel vehicles.

TMTC Group believes that by offering a wide range of services, it will be able to satisfy the transportation needs of a broader range of customers, allowing TMTC Group to penetrate into different niche markets, introducing itself to customers from different segments and open up new business opportunities.

TMTC Group also believes that provision of diverse services will improve customers' loyalty, increase its brand recognition and enhance business operations and financial performance.

Prestigious brand image and well-known customer base

Through investing in quality vehicles and provided services to the PRC government, high profile corporate and institutional customers and prestigious educational institutes, TMTC Group has built a prestigious brand image within the bus transportation service industry in Beijing.

TMTC Group strives to deliver quality services that address its customers' needs and improve its customer satisfaction through systematic management and adherence to ISO9001 quality management system certification. Such certification is a testament for TMTC Group's service quality. TMTC Group also provides regular trainings to its staff members aimed at improving customer experience and enhancing competitiveness of TMTC Group in the industry.

Leveraging on its brand image and quality of its services, TMTC Group believes that it is positioned to attract new customers in need of shuttle bus services. TMTC Group also carefully monitors the performance of drivers and condition and maintenance of vehicles in order to constantly improve its service quality.

Loyal customer network

By offering standardised and high-quality services to customers, TMTC Group has enjoyed strong customer loyalty and stickiness. For the six months ended 30 June 2021, approximately 79% of its customers were recurring customers. On another hand, between 30 June 2021 and the Latest Practicable Date, TMTC Group entered into four service contracts with three new customers. TMTC Group generally signs contracts with a term ranging from a few months to five years with its customers, reflecting the customers' long-term commitment and solid relationship with TMTC Group.

Leveraging on its loyal customer base, TMTC Group believes it is able to achieve stable operation and realize economies of scale, laying a solid foundation for sustainable and profitable growth going forward.

Extensive experience in operation

TMTC Group has extensive experience in managing and operating bus services, bus related and transport business thus ensuring in particular that its businesses are being operated under effective cost control system; and the efficient and effective deployment of fleet of buses to maximize its utilisation rate and its ability to provide a diversified range of bus services.

Professional and dedicated management

The management team has extensive experience and strong commercial success in the bus transportation and car rental service industry with a successful track record. The team has vast knowledge in the market and new technology and offers innovative solutions in connection with service provided. The integrity, professionalism and dedication to excellence of the management team will contribute to the continuous enhancement of the service quality of TMTC Group and its operating performance.

Environmental consciousness

Approximately 52% of the TMTC Group's fleet are electric vehicles. Electric vehicles produce no direct or tailpipe emission when running. The noise and vibration level of electric vehicles are much lower than that of internal combustion engines, therefore, electric vehicles preforms better than traditional vehicles in low speed. TMTC Group's electric vehicles have a range of over 100 km for every charge, and the time for charging is about two to three hours.

TMTC Group also established infrastructure to support its electric vehicles fleet, with logistics support base in Haidian District, Beijing, for parking, charging, maintenance service, and emergency response. TMTC Group plans to further expand its electric vehicles fleet in the future. Save for its own charging station, TMTC Group also uses electric charging services provided by Independent Third Parties.

Given the growing awareness on global warming and pollution, the ever tightening emission regulations and the carbon neutrality "before 2060" target announced by the PRC Government, TMTC Group believes that its early adoption of electric vehicles reduces its exposure to future risk of regulation on emission levels and provide incentive for environmentally conscious customers to choose TMTC Group over its competitors.

BUSINESS STRATEGIES

TMTC Group strives to achieve its long-term goal of expanding its quality shuttle bus and vehicle rental services in the PRC. In particular, TMTC Group intends to implement the following business strategies:

Continue to maintain and strengthen TMTC Group's presence in the passenger transportation business

Given that passenger transportation is a relatively niche transportation option in Beijing as compared to Beijing's subway system and public bus service, TMTC Group targets to further expand its vehicle fleet, particularly its electric vehicle fleet, to provide more bus services to strengthen its position in the passenger transportation business in Beijing and promote shuttle/commuter bus service as a legitimate and cost-effective transportation option.

As at 30 June 2021, TMTC Group has 858 vehicles, it targets to expand its vehicle fleet with the proceeds from the Subscription and the Open Offer to acquire 30-40 new electric bus, if necessary.

The expansion in TMTC Group's vehicle fleet will allow it to serve new customers and expand beyond Beijing to realize economies of scale and strengthen its market position as well as financial performance.

Continuously enhance customer experience and strengthen TMTC brand

TMTC Group intends to continuously provide quality service and value to its customers by continuing to provide reliable shuttle services, provide further training to its employees and offering new car models. TMTC Group is also seeking ways to utilise technology, such as mobile applications and GPS technology, to enhance aspects of its services. In addition, TMTC Group intends to enhance customer service by proactively soliciting customer feedbacks. TMTC Group believes that continuous efforts in enhancing customer experience will help increase customer loyalty and strengthen brand image.

Retaining and attract talent pool

TMTC Group's management team has extensive experience in the passenger transport industry with a proven track record. It is in TMTC Group's interest to retain experienced management to ensure its operation will not be interrupted by departure of any key management figure.

Quality of chauffeurs is also vital for TMTC Group, as good chauffeurs have lower accident rate, less delays and can reduce vehicle maintenance costs in the long run. TMTC Group aims to continue to retain chauffeurs with good track record and offer attractive package to attract new chauffeurs with experience and good track record to join.

TMTC Group also provide regular trainings to all staff members aimed at improving customer experience and enhancing competitiveness of TMTC Group in the industry.

Innovation upgrade

Following the National 13th Five-Year Development Plan, TMTC Group has taken initiative in transformation and innovation, and aims to develop an operation management system and integrates with its market resources.

Specifically, TMTC Group will take measures such as building an information network platform and establishing a big data management center. TMTC Group believes that data center can help TMTC Group to use big data analysis and offline integration capabilities to accurately match customer needs with travel routes. For instance, TMTC Group uses specific software to analysis client's employees' addresses for routed shuttle/commuter bus transportation services to design routes, pick up/drop-off points, fleet size, in view to optimize the balance between economic benefits and customer experience. With new mobile internet technology, TMTC Group uses data management to reduce operating costs and optimize service operation logistics by leveraging traffic data to modify routes so as to avoid congestions, road works and traffic accidents and thus provide better services to customers.

TMTC Group will optimize, improve and enhance all internal processes and reshape the relationship with the customers with advance information management. Besides, TMTC Group believes that with the help of mobile applications, it can promote itself through internet platform and enhance its social influence and market penetration.

BUSINESS MODEL

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 be consistent with the current operation model and to formalise the management arrangement, on 1 September 2019, TMTC Travel were consolidated to TMTC Group's account under HKFRS10 on the basis of full management control over TMTC Travel by TMTC Group.

TMTC Rental is engaged in non-chauffeured vehicle rental business only, leasing its vehicles mainly to TMTC Travel. TMTC Travel is principally engaged in the provision of (i) routed shuttle bus/commuter transportation; (ii) chauffeured vehicles rental; (iii) non-chauffeured vehicles rental; and (iv) chauffeurs hire service.

Set out below is the breakdown of revenue generated by each of TMTC Group's operating segment:

Segment	Four months period ended 31 December 2019 *Note*		Year ended 31 December 2020		Six months period ended 30 June 2021	
	HK$'000 *(Audited)*	*%*	*HK$'000* *(Audited)*	*%*	*HK$'000* *(Unaudited)*	*%*
Routed shuttle bus/commuter transportation	46,582	73.5%	96,157	71.5%	66,002	89.1%
Chauffeured vehicles rental	3,044	4.8%	11,879	8.8%	957	1.3%
Non-chauffeured vehicles rental	13,711	21.7%	17,836	13.3%	3,803	5.1%
Chauffeurs hire service	–	–	8,655	6.4%	3,356	4.5%
Total	**63,337**	**100%**	**134,527**	**100%**	**74,118**	**100%**

Note:

TMTC Travel was accounted as associate of the Group between 1 September 2016 and 31 August 2019. After entering into of the Shareholder Control Agreement, financial results of TMTC Travel has been consolidated into TMTC Rental's account pursuant to HKFRS 10 commencing from 1 September 2019. As such, revenue of TMTC Travel prior to 1 September 2019 are not included.

As at 31 August 2021, TMTC Group has a vehicle fleet of 858 vehicles consist of 449 electric buses, 401 fuel buses and 8 fuel limousines with capacity of 5 to 59 seats. TMTC Rental owns all 449 electric buses, as well as 47 fuel buses and 8 fuel limousines; TMTC Travel owns 354 fuel buses.

TMTC Group provides its customers with customise transportation solutions with capacity requirements, type of vehicles, point to point services, contracted tailor-made services, routes/commute served with specified timetable, etc. For the year ended 31 December 2020, TMTC Group provided shuttle bus services to over 140 customers.

As disclosed in the Company's audited financial reports for the years ended 31 December 2018, 2019 and 2020 and the unaudited interim financial report for the six months ended 30 June 2021, TMTC Group recorded revenue of approximately HK$54.7 million, HK$97.8 million, HK$134.5 million and HK$74.1 million respectively.

Routed shuttle/commuter bus transportation

TMTC Group has long-term and well-established relationships with its routed shuttle/commuter bus transportation services clients, who are generally multinational corporations/international education institutions that require transportation for their employees/students for commute to/from the workplaces/schools. Corporate customers of TMTC Group cover a wide variety of industries, including telecommunications, information technology and consumer goods, many of which are Fortune Global 500 companies. Pursuant to the service contracts entered into between TMTC Group and its customers, TMTC Group provides routed shuttle/commuter bus transportation services with chauffeur for terms generally ranging from one to five years.

For multinational corporations, they normally require TMTC Group to provide home-office routed shuttle/commuter bus transportation services for its employees in the morning and the evening. When not providing these designated routes services at specified time, buses are parked off-site and are to be used by TMTC Group for other business purposes for other clients.

For example, one of TMTC Group's customers is a multinational technology conglomerate, TMTC Group provides home-office commute for about 10,000 employees at its headquarters in Beijing. According to interviews with the customer, TMTC Group provided 80% of its total bus transportation services for its Beijing headquarters. TMTC Group designed optimum bus utilisation solution for the client and is able to provide (i) 43 buses for home-office routes at designated pick-up points for its employees in the morning and evening; (ii) 29 buses for home-office routes for night shift employees, (iii) 14 buses for office-Beijing underground station routes; and (iv) 14 buses for office-office routes.

TMTC Group also provides routed shuttle/commuter bus transportation services to international education institutions, which demand high standard on hygiene, vehicle safety, and chauffeurs' overall quality such as experience, emergency response ability and first aid qualification.

For education institution customers, TMTC Group is required to park all buses on campus for security, safety and hygiene reasons. Buses are used for morning and evening commute purposes and sports events away from school. For example, one of TMTC Group's customers is a renowned education institution which set a very high standard in screening bus transportation service providers. TMTC Group is the sole bus transportation service provider of the customer. Due to service quality and reputation, this customer relies solely on TMTC Group for home-school commuting buses for its students as well as employees. TMTC Group provides 54 buses on a four-year contracts, renewable every four years. TMTC Group believes this is a show case of the quality of TMTC Group's services.

Service network

As at the Latest Practicable Date, all routed shuttle/commuter bus service provided by TMTC Group are in Beijing, operating over 400 shuttle bus routes in 14 out of 16 districts in Beijing, with Yanqing District and Mentougou District being the only two districts where TMTC Group does not provide routed shuttle/commuter bus service.

Map showing 16 districts of Beijing

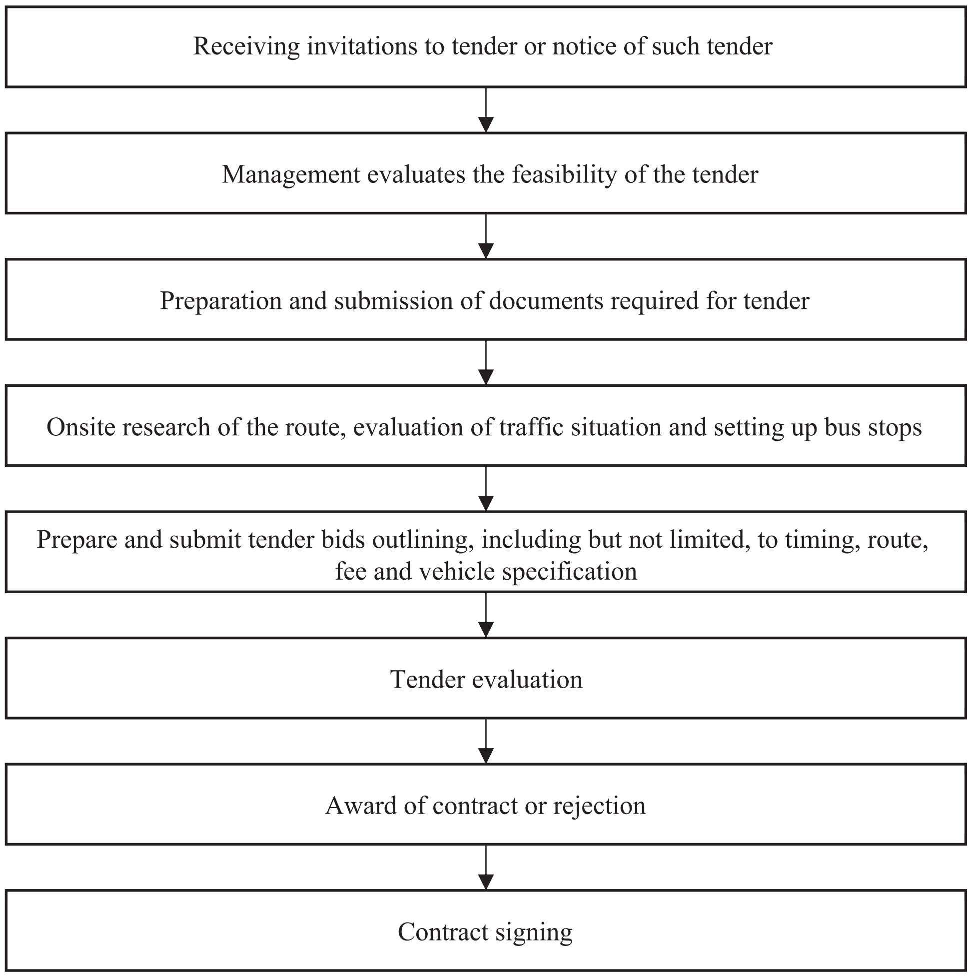
Management of TMTC Group are actively seeking viable opportunities to expand services beyond Beijing.

Service process

Procurement of new customers and contracts

TMTC Group generally procures new customers and routed shuttle/commuter bus transportation service contracts by referral from existing customers and participating in public tenders a process whereby corporate and educational institutes select from multiple routed shuttle/ commuter bus transportation service providers. Invitations to tender are usually issued by corporate and educational institutes.

The following flow chart illustrates each stage of typical tender process for obtaining routed shuttle/commuter bus service agreements.



Once TMTC Group is invited to or notified of tender opportunity to provide routed shuttle/commuter bus transportation services, management of TMTC Group will evaluate the feasibility of the tender, based on the nature of service required, the budget of potential client, term of service and whether vehicle and chauffeur capacity of TMTC Group are sufficient to satisfy the service required etc.

Once the management has decided to participate in the tender, TMTC Group will commence preparation of documents required for entering the tender, including proof of ownership of vehicles, proof of insurance, proposal of service to be provide etc.

In the meantime, TMTC Group will also commence site visits and trial runs of the routes to be proposed in the tender, gathering data on the local traffic, route time and traffic restrictions for picking up and dropping off passengers, which are helpful in estimating cost of service to be provided.

Upon completion of research and preparation of the tender documents, TMTC Group will submit a formal tender bid which includes detailed terms of fee, service to be provided and other guarantees.

After submitting the tender bid, TMTC Group will be notified of the results of the tender. In the event that TMTC Group successfully win the tender, TMTC Group will enter into a formal service agreement agreeable by both parties.

Provision of routed shuttle/commuter bus transportation

Once the service agreement is executed, TMTC Group will allocate the designated vehicles and chauffeurs for the agreed service to be provided.

In order to comply with PRC regulations on passenger transportation, TMTC Group adopted the "separation of drivers and vehicles" system for all of its routed shuttle/commuter bus transportation business. TMTC Group's service agreements for routed shuttle/commuter bus transportation are entered between TMTC Travel and customers. For electric bus services, TMTC Travel would rent the electric bus from TMTC Rental, while TMTC Travel only provide chauffeurs required for the agreed services. For fuel vehicles services, TMTC Travel may rent the vehicles from TMTC Rental or utilise its vehicles but procure external chauffeurs from independent agencies to drive its vehicles.

To ensure "separation of drivers and vehicles" system is strictly in force, TMTC Travel divides its chauffeurs into eight teams, team one is responsible for managing and allocating all vehicles and chauffeurs of TMTC Group, team two to team five, which are made up of TMTC Travel's own chauffeurs, are allocated to provide (i) chauffeur services to TMTC Rental's vehicles; or (ii) third party chauffeur hire services, and team six to team eight are made up of external chauffeurs procured from 北京未來英才人力資源管理有限公司 (Beijing Future Yingcai Human Resources Limited*, "**Yingcai Resources**"), an Independent Third Party, to provide chauffeur services to TMTC Travel's vehicles only, the cost of which are accounted as staff cost under cost of sales.

TMTC Group will typically assign designated vehicles and chauffeurs for each route. In doing so, TMTC Group believes that it can reduce risks of accidents, as the chauffeurs are more familiar with the route and the mechanics of the vehicles, as well as building long term relationships and trust with the passengers.

Routed shuttle/commuter bus transportation service will be provided in accordance with the agreed schedule. Each vehicle of TMTC Group is subject to routine servicing and maintenance, to minimise any unexpected mechanical issue which may affect the routed shuttle bus operation. Such servicing and maintenance include, but not limited to, oil change, tyre replacement, safety inspection and full mechanical inspection.

Sales and marketing department of TMTC Group will also contact existing customers on a regular basis during term of service to gather feedbacks and provide suggestions to management of TMTC Group to improving service and customer satisfaction.

Renewal of service agreement

Upon expiry of each service contract, sales and marketing department of TMTC Group will contact the customer, with the aim to renew the service agreement. Negotiations may take place between TMTC Group and its customers upon renewal of service agreements, on certain terms such as fee and service to be provided.

Salient terms of service agreement

TMTC Group normally enters into service agreements with corporations and education institutions. Key terms of service agreement are summarised as below:

Term	Service agreements generally have a term ranging from a few months to five years
Specification of service to be provided	Service agreements specifies the service to be provided, including the route, schedule, number of shuttle buses and chauffeurs and type of vehicles to be provided
Payment and credit term	TMTC Group generally charges a monthly fee for its routed shuttle bus services. Under service agreements, TMTC Group issues invoice to its customers on a monthly basis. TMTC Group generally provide credit terms of 30 days.
Insurance	Service agreements specifies the insurance provider and insurance coverage
Termination	If the agreement cannot be performed by either party, the service agreement may be terminated.
Renewal	Certain service contracts contain terms of automatic renewal upon completion of term of service.

Chauffeured vehicles rental

TMTC Group also offers vehicle rental services with chauffeur for business and leisure purposes, such as pickup services between major transportation hubs (airports, train stations, key exhibition/convention centres, hotels, etc) and major business districts/residential communities/ sight-seeing points as requested by government, institutional or individual customers. Depending on the number of passengers and service points, TMTC Group will select appropriate commercial vehicles.

For instance, TMTC Group provided chauffeured bus service for the US Embassy in Beijing to support its activities. TMTC Group's excellent performance has earned it an Appreciation Honour award from the embassy to acknowledge its exemplary services.

TMTC Group has also provided services for celebrations of both the 60th Anniversary and 70th Anniversary of the PRC in 2009 and 2019. Due to security reason in view of passengers' political background (including provincial and national leaders and officials), screening and requirement on buses and chauffeurs are exceptionally high. Prior to the official ceremony, chauffeurs and buses were not allowed to leave the site for each rehearsal within 24 hours for security reasons. There was also exact requirement on chauffeurs' background, experience and work performance as well as on the buses (i.e. years in service, maintenance record, accidents record, etc). Numerous rehearsals for the events organised by the government for security and logistic purpose took place prior to the actual events. Any private enterprise providing transportation to national events indicates the highest honour and acknowledgment by the government. For private enterprise to provide services for political events in Beijing, it must be on the approved vendor list of the Central Government procurement system as well as the Beijing Municipality procurement system (the "**Two Lists**"). One of the pre-requisites to be on the Two Lists is full compliance with all the laws and regulations and demonstration of outstanding professional and security performance. TMTC Group is proud to be on the Two Lists since 2008.

In order to comply with PRC regulations on passenger transportation, when vehicle of TMTC Rental is being leased, TMTC Travel will provide chauffeurs required. Whereas when vehicle of TMTC Travel is being leased, external chauffeurs from an independent supplier will be engaged to provide the chauffeuring.

Non Chauffeured vehicles rental

TMTC Group also rent out vehicles to its customers without chauffeur. Customer requiring this service are generally travel agencies which requires buses to transport tourists between hotel and tourist attractions as well as corporations renting limousines for their senior managements.

TMTC Group believes that in providing vehicle rental services without chauffeur can improve the utilisation rate of its vehicle fleet. However, management are aware that vehicle rental business shall not jeopardise operation and commitments of TMTC Group's other services.

Chauffeurs hire service

TMTC Group provides chauffeurs hire service to customer who wishes to hire chauffeurs to operate their vehicles. Customer of this service are generally institutions with self-owned vehicles who wish to hire licensed chauffeurs to provide transportation services to their management/ employees on a temporary or flexible basis.

CUSTOMERS

Customers of TMTC Group are generally multinational corporations, education institutions, government departments, transportation service providers and travel agencies. TMTC Group's trading terms with customers are mainly on credit or received in advance. The credit period is generally 30 days. TMTC Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk.

The tables below sets forth the details of TMTC Group's five largest customers for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021:

Five largest customers for the year ended 31 December 2018

Customers	Principal business	Service provided	Period of service	Revenue HK$'000	Percentage of total revenue
TMTC Travel *Note*	Provision of shuttle/ commuter bus transportation services in Beijing	Vehicle rental	10 years	53,576	97.95%
Customer A	Company engaged in the tourism industry providing domestic and international sightseeing tours	Vehicle rental	1 year	146	0.27%
Customer B	PRC primary school located in Daxing District, Beijing, PRC	Vehicle rental	1 year	88	0.16%
Customer C	Beijing government department	Vehicle rental	1 year	40	0.07%
Customer D	Company engaged in the tourism industry	Vehicle rental	1 year	24	0.04%

Five largest customers for the year ended 31 December 2019

Customers	Principal business	Service provided	Period of service	Revenue HK$'000	Percentage of total revenue
TMTC Travel Note	Provision of shuttle/ commuter bus transportation services in Beijing	Vehicle rental	11 years	35,345	28.97%
Customer E	PRC multinational technology conglomerate engaged in entertainment, artificial intelligence, and other technology	Routed shuttle bus transportation	3 years	10,272	10.51%
Customer F	PRC vehicle rental company	Vehicle rental	1 year	6,130	6.27%
Customer G	PRC vehicle rental company	Vehicle rental	1 year	4,021	4.11%
Customer H	PRC private international school located in Shunyi District, Beijing, PRC	Routed shuttle bus transportation	4 years	3,863	3.95%

Five largest customers for the year ended 31 December 2020

Customers	Principal business	Service provided	Period of service	Revenue HK$'000	Percentage of total revenue
Customer E	PRC multinational technology conglomerate engaged in entertainment, artificial intelligence, and other technology	Routed shuttle bus transportation	4 years	19,436	14.45%
Customer H	PRC private international school located in Shunyi District, Beijing, PRC	Routed shuttle bus transportation	5 years	9,728	7.23%
Customer I	PRC multinational technology company specializing in internet-related services, products and artificial intelligence	Routed shuttle bus transportation	5 years	7,039	5.23%
Customer J	The PRC branch of one of the largest automobile manufacturer in the world	Routed shuttle bus transportation	5 years	6,046	4.49%
Customer K	An international corporate services provider	Routed shuttle bus transportation	2 years	6,021	4.48%

Five largest customers for the six months ended 30 June 2021

Customers	Principal business	Service provided	Period of service	Revenue HK$'000	Percentage of total revenue
Customer E	A PRC multinational technology conglomerate engaged in entertainment, artificial intelligence, and other technology	Routed shuttle bus transportation	5 years	10,745	14.50%
Customer H	A PRC private international school located in Shunyi District, Beijing, PRC	Routed shuttle bus transportation	6 years	5,762	7.77%
Customer L	A PRC private international school located in Chaoyang District, Beijing, PRC	Routed shuttle bus transportation	6 years	3,802	5.13%
Customer M	A PRC private international school located in Chaoyang District, Beijing, PRC	Routed shuttle bus transportation	3 years	3,071	4.14%
Customer N	A major supplier of alternating current (AC) and direct current (DC) drives and programmable logic controllers	Routed shuttle bus transportation	10 years	2,882	3.89%

Note:

TMTC Travel was accounted as associate of the Group between 1 September 2016 and 31 August 2019. After entering into of the Shareholder Control Agreement, financial results of TMTC Travel has been consolidated into TMTC Rental's account pursuant to HKFRS 10 commencing from 1 September 2019. As such, revenue of TMTC Travel after 31 August 2019 are not included as the five largest customer of TMTC Group.

Revenue derived from TMTC Group's five largest customers accounted for approximately 98.5%, 53.8%, 35.9% and 35.4% of its total revenue for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

After the financial results of TMTC Travel has been consolidated into TMTC Rental's account pursuant to HKFRS 10 commencing from 1 September 2019, revenue generated from the five largest customers accounted for less than 40% of total revenue for the year ended 31 December 2020 and the six months ended 30 June 2021. As such, the Directors are of the view that as at the Latest Practicable Date, TMTC Group is not under any significant customer concentration risk.

Save for TMTC Travel, all of TMTC Group's five largest customers for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are Independent Third Parties. None of the Directors or their associates has any interest in any of the five largest customers that are required to be disclosed under the Listing Rules.

Customer service

TMTC Group recognises that excellent customer service is critical in upholding its reputation in the market and cultivating customer loyalty. As at 30 June 2021, TMTC Group had 4 employees in its sales and marketing department to provide supporting and advocating services to its customers.

Directors confirm that they had not experienced any material complaints from customers and did not have any disputes with them from 1 January 2018 and up to the Latest Practicable Date.

SUPPLIERS

TMTC Group's suppliers mainly include supplier of petroleum fuel, third party chauffeur, electric vehicle charging services and vehicle servicing and maintenance services. TMTC Group considers that it is commercially beneficial to maintain close and long-term business relationships with our key suppliers.

TMTC Group has formulated a comprehensive set of criteria for selecting suppliers, including their market reputation, financial condition, quality control, pricing, quality of products, after sales service and product recall system. TMTC Group also requires its suppliers to comply with all applicable emission and safety regulations imposed by the PRC government.

For years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, purchases from TMTC Group's five largest suppliers amounted to HK$0.7 million, HK$6.2 million, HK$19.0 million and HK$11.2 million, representing 5.7%, 13.7%, 18.4% and 20.8% of our total purchases, respectively.

The table below sets forth the details of TMTC Group's five largest suppliers for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021:

Five largest suppliers for the year ended 31 December 2018

Suppliers	Service provided	Purchase amount HK$'000	Percentage of total purchase
Supplier A	Electric vehicle charging	415	3.36%
Supplier B	Car parking space	146	1.18%
Supplier C	Car parking space	142	1.15%

For the year ended 31 December 2018 there are only three suppliers which has a purchase amount greater than 1% of total purchase of TMTC Group.

Five largest suppliers for the year ended 31 December 2019

Suppliers	Service provided	Purchase amount HK$'000	Percentage of total purchase
Supplier D	Fuel	2,848	6.33%
Supplier E	Fuel	994	2.21%
Supplier F	Electric vehicle charging	825	1.84%
Supplier G	Vehicle servicing and maintenance	777	1.73%
Supplier H	Highway toll fee	713	1.59%

Five largest suppliers for the year ended 31 December 2020

Suppliers	Service provided	Purchase amount HK$'000	Percentage of total purchase
Supplier D	Fuel	9,071	8.76%
Supplier I	Third party chauffeurs	3,463	3.34%
Supplier G	Electric vehicle charging	2,593	2.50%
Supplier J	Electric vehicle charging	2,099	2.03%
Supplier K	Fuel	1,778	1.72%

Five largest suppliers for the six months ended 30 June 2021

Suppliers	Service provided	Purchase amount HK$'000	Percentage of total purchase
Supplier D	Fuel	4,071	7.51%
Supplier I	Third party chauffeurs	2,026	3.74%
Supplier L	Insurance	1,898	3.50%
Supplier M	Rental vehicles	1,647	3.04%
Supplier N	Vehicle servicing and maintenance	1,607	2.96%

To the best knowledge and belief of the Directors after making all reasonable enquiries, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, TMTC Group's five largest suppliers and their respective beneficial owners are Independent Third Parties.

VEHICLE FLEET

As at 31 August 2021, TMTC Group has a fleet of 858 vehicles, table below set forth breakdown of its vehicle fleet:

	Buses		Limousines	
	Fuel	**Electric**	**Fuel**	**Electric**
TMTC Rental	47	449	8	–
TMTC Travel	354	–	–	–
Total	401	449	8	–

Bus

Bus fleet of TMTC Group comprises of 409 conventional fuel powered vehicles and 449 electric powered vehicles with capacity varying from 11 to 59 passengers.

Limousine

Limousines of TMTC Group can carry up to 7 passengers, and are generally used to provide transportation services to senior management or guests of its customers.

Vehicle support station

In view of the substantial fleet of electric buses, TMTC Group has set up logistics support base in Haidian District in Beijing, for parking, charging, maintenance service, and emergency response.

Vehicle acquisition

TMTC Group has established strong relationships with shuttle bus dealerships of major brands. TMTC Group negotiates purchasing terms, including price and delivery terms, directly with dealerships. TMTC Group's substantial purchase volume allows it to secure favorable terms from these dealerships for its vehicle acquisitions. Cost savings from favorable purchasing terms enable TMTC Group to offer customers competitive price for its services, which in turn helps TMTC Group attract more customers and build customer relationship.

Vehicle financing

TMTC Group generally finances its vehicle acquisition with facilities from banks and capital lease companies in the PRC for vehicle financing.

Vehicle maintenance

TMTC Group repairs and services its fleet through its own mechanics and outsource to third-party service providers, including automobile dealerships and independent automotive service providers.

Third-party service providers are selected based on their respective specialty, costs, timeliness and TMTC Group's past experience with the service provider.

Vehicle age and depreciation

Table below set out the summary of the age of TMTC Group's vehicle fleet at the Latest Practicable Date:

Age	Number of Electric Vehicle	Number of Fuel Vehicle	Percentage
0-3 Years	16	66	9.6%
4-6 Years	433	250	79.6%
7-9 Years	–	43	5.0%
10 Years or above	–	50	5.8%

Depreciation of TMTC Group's vehicles are calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. Annual depreciation rates of TMTC Group's vehicles ranges from 6% to 25%, electric vehicles typically have a lower depreciation rate as compared with fuel vehicles. Typically the residual value of TMTC Group's vehicles rages from 0% to 5%, which is in line with common practice of the industry.

PRICING

TMTC Group's business is customer-oriented and therefore pricing of its services depends on customer's specifications and terms of service agreements reached after negotiation between TMTC Group and its customers.

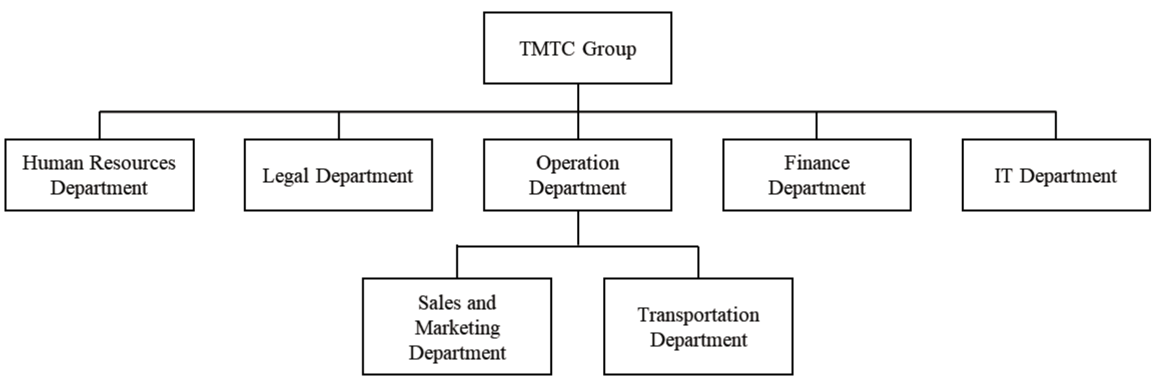
TMTC Group adopts a cost-plus pricing policy, when determining service fees of its services, TMTC Group takes into account fixed costs such as depreciation of vehicle, insurances and parking cost; and variable costs such as fuel/electricity cost, labor costs of chauffeurs and maintenance costs of vehicles.

The percentage TMTC Group mark up on its cost of sales depends on a number of factors, including the type of service, prevailing market rates, service term and TMTC Group's bargaining power. TMTC Group targets to achieve 15% to 25% of gross profit margin for its services. As disclosed in the Company's annual report for the year ended 31 December 2020 and unaudited interim report for the six months ended 30 June 2021, following the consolidation of TMTC Travel's financial results into TMTC Group, TMTC Group's gross profit margin were 23.0% for the year ended 31 December 2020 and 26.8% for the six months ended 30 June 2021.

TMTC Group considers that its cost-plus pricing policy, which takes into account the cost of sales and targeted margin, is the key success factor in maintaining a reasonable profit margin and preventing TMTC Group from incurring loss.

ORGANIZATIONAL STRUCTURE

The following diagram illustrates TMTC Group's organizational structure:



EMPLOYEES

As of 30 June 2021, TMTC Group had 534 full-time employees. All of the employees are located in the PRC. TMTC Group believes that well-trained employees with extensive industry experience are essential to overall business operation and development of TMTC Group's services.

The following table sets forth the number of TMTC Group's employees by function as of 30 June 2021.

	Number of employees	
	TMTC Travel	TMTC Rental
Senior management	5	–
Transportation department		
– Management	3	3
– Chauffeur	497	3
– Mechanics	5	–
– Quality control	2	–
Finance department	5	–
Sales and marketing department	4	–
IT department	3	–
Human resources department	3	–
Legal department	1	–
Total	528	6

Recruitment

TMTC Group recruit its personnel primarily through recruiting websites, recruiters and job fairs. TMTC Group enter into employment contracts with its employees to cover matters such as wages, benefits and grounds for termination. TMTC Group make contributions to social insurance as required by the PRC laws and regulations.

Relationship with staff

TMTC Group maintains a good working relationship with its staff. The Directors believe that TMTC Group's working environment and benefits offered to its employees have contributed to building good staff relations and thus maintain a healthy retention rate. TMTC Group has not experienced any labour dispute with its staff which had a material effect on business or results of operations.

WORK SAFETY AND ENVIRONMENTAL PROTECTION

TMTC Group strives to conduct its business in a manner that protects the environment and the health and safety of its employees and communities.

TMTC Group has adopted specific environmental protection policies to make its operations more energy efficient and environmentally friendly and to ensure effective compliance with applicable PRC environmental laws and regulations. To ensure TMTC Group's operations are in compliance with applicable laws and regulations, it has also established a series of policies and procedures with respect to health and work safety, which primarily include policies regulating operation of vehicle and equipment, fire safety, detection and management of safety risks and on-site safety risk inspection. TMTC Group conducts periodic training for its employees to strengthen their awareness and knowledge on environmental protection, safety procedures and accident prevention.

TMTC Group has been minimising its carbon emission by adopting electric vehicle in its vehicle fleet. As at 30 June 2021, approximately 52% of TMTC Group's vehicle fleet is electric powered, it expects the proportion will continue to grow in the future. TMTC Group believes that adopting electric vehicles not only reduces its carbon footprint, but may also help complying future emission regulations in Beijing which suffers from air population problem.

TMTC Group has not been subject to any administrative penalties relation to safety which would have a material adverse effect on its financial position or results of operations as a whole.

INTERNAL CONTROL AND RISK MANAGEMENT

In order to address one of the Resumption Conditions to demonstrate that the Company has put in place adequate internal control systems, the Company engaged the Internal Control Advisor as its internal control advisor to conduct a review on the effectiveness of the risk management and internal control systems of the Group and provide recommendations to the Company.

The Internal Control Advisor conducted an initial review to identify weaknesses of the Group's risk management and internal control systems in 2019, and a follow-up review in which reviewed weaknesses identified in the Initial Review which required further remedial actions in 2019 and 2021. The internal control review conducted by the Internal Control Advisor covering the Company's corporate governance and business operating cycles.

The key internal control weaknesses identified by the Internal Control Advisor in the reviews, corresponding recommendations for rectification, the Company's response and the remediation status are summarised as follows:

No.	Key internal control weakness	Rectification Recommendations	Company's response and remediation status
1	The Company failed to publish interim and annual financial results announcements and reports within the permitted period under the Listing Rules for the financial periods of 2016, 2017 and 2018	The Company shall issue all outstanding financial results announcement and reports as soon as practicable	The Company has published all outstanding interim and annual financial results announcements and reports
2	The Company failed to provide management discussion and analysis in the annual report within the specified period under the Listing Rules for the financial year of 2016, 2017 and 2018	The Company shall issue all outstanding financial results reports as soon as practicable	Management discussion and analysis of each financial year have been disclosed in the published annual results announcement and reports
3	TMTC Rental and TMTC Travel had ceased to pay housing provident fund for its employees since August 2018, which violates the regulations of the Several Provisions of Beijing Municipality on Implementation of the Regulations on Management of Housing Provident Fund	TMTC Rental and TMTC Travel shall repay all outstanding housing provident fund	TMTC Rental and TMTC Travel had been directly paying the housing provident fund to its employee as housing subsidy since August 2018. TMTC Rental and TMTC Travel have required employees to sign consent letter to agree to pay the housing provident fund themselves

No.	Key internal control weakness	Rectification Recommendations	Company's response and remediation status
4	TMTC Rental and TMTC Travel failed to pay wages on time, which violated the Social and Labor Law of the People's Republic of China	TMTC Rental and TMTC Travel shall comply with Social and Labor Law of the People's Republic of China and pay wages on a timely basis by bank transfer	TMTC Rental and TMTC Travel have been paying wages in accordance with the Social and Labor Law of the People's Republic of China since June 2019
5	Repayment of certain finance lease loans of TMTC Group, have not been repaid in accordance with loan agreement since 2017, which may result in claims from the creditor	TMTC Group shall repay all outstanding debt immediately to avoid any claims from creditor	In May 2019, the Company and the creditor agreed to settle the outstanding debt by the Debt Restructuring
6	The Company did not have complete records of vouchers and prepare financial statements in accordance with the latest International Financial Reporting Standards 16 on rental income and expenditure, which led to failure in preparing the consolidated financial statements	The Company shall record vouchers and prepare financial statements in accordance with the latest International Financial Reporting Standards 16 and review the existing records and financial statements	The Company has prepared relevant financial statements on the Group's consolidated financial statements in 2019 in accordance with the relevant provisions of International Financial Reporting Standards 16
7	Certain computer software used by TMTC Group were not licensed, which may give rise to legal risks	TMTC Group shall acquire license for all software used by TMTC Group	All software used by TMTC Group as at the Latest Practicable Date are fully licensed

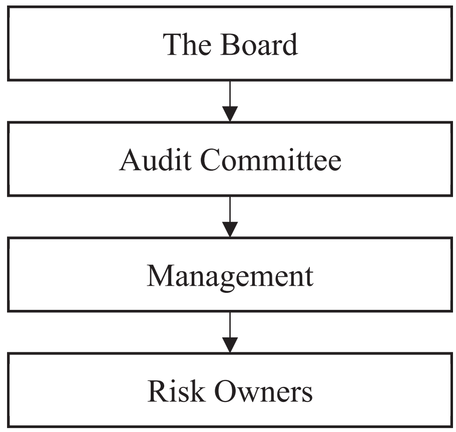
No.	Key internal control weakness	Rectification Recommendations	Company's response and remediation status
8	The Group has not provided insurance cover for potential legal action against its Directors	The Group shall provide insurance cover for its Directors	The Company is now obtaining the insurance quotation from insurance companies and propose to be obtained on or before the Resumption

The Internal Control Advisor confirmed that the key internal control weaknesses of the Group were rectified during its follow-up review.

The Company has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

Control Environment	a set of standards, processes and structures that provide the basis for carrying out internal control across the Group
Risk Assessment	a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed
Control Activities	actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out
Information and Communication	internal and external communication to provide the Group with the information needed to carry out day-to-day controls
Monitoring	ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning

The Group's risk management structure and the major responsibilities of each role of the structure are summarized below:



Responsibilities

The Board

- determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives;
- oversees management in the design, implement and monitoring of the risk management and internal control systems; and
- oversees the Group's risk management and internal control systems on an ongoing basis and ensures the Company establishes and maintains appropriate and effective risk management and internal control systems

Audit Committee

- reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;
- reviews the emerging risks of the Group annually, and the risk management and the internal controls in place to address those risks;

	•	discusses the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function and to rectify any weaknesses that may be revealed from time to time; and
	•	considers major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Group's management's response to these findings.
Management	•	designs, implements and ongoing assesses the Group's risk management and internal control systems;
	•	gives prompt responses to, and follow up the findings on risk management and internal control matters as delegated by the Board, on Audit Committee's initiative or raised by the external risk management and internal control review advisor(s); and
	•	provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.
Risk Owners	•	ultimately accountable for ensuring the risk is managed appropriately; and
	•	responsible for, or oversight of, activities to manage each identified risk.

Risk assessment report and internal control review report are submitted to the Audit Committee and the Board annually. The Board, through the Audit Committee, had performed a review on the effectiveness of the Group's risk management and internal control systems, including, but not limited to, (i) the changes, in the nature and extent of significant risks and the Company's ability to respond to changes in its business and the external environment, (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, (iii) the extent and frequency of communication of monitoring results to the Audit Committee and the Board which enables them to assess control of the Company and the effectiveness of risk management, (iv) significant control failings or weaknesses that have been identified, and (v) the effectiveness of the Company's processes for financial reporting and Listing Rules compliance, and considered that the risk management and internal control systems were effective and adequate as at the Latest Practicable Date. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified.

The Board will continue to work with the management of the Company to discuss, review and improve the Company's risk management and internal control systems and to monitor the risks of the Group in the coming future.

INSURANCE

TMTC Group maintains insurance policies that are required under PRC laws and regulations as well as based on its assessment of its operational needs and industry practice. The insurance TMTC Group maintain primarily include auto insurance. The Directors consider that existing insurance coverage is sufficient for TMTC Group's present operations and in line with the industry practice in the PRC.

INTELLECTUAL PROPERTY

TMTC Group places significant emphasis on developing its brand image and pays great attention to the protection of its intellectual property rights. TMTC Group believes that the brand of "TMTC" ("天馬通馳") is well known in Beijing. TMTC Group built up the brand primarily through delivery of high quality shuttle bus services. TMTC Group relies to a significant extent on the brand of "TMTC" ("天馬通馳") in marketing its services but its business is otherwise not materially dependent on any intellectual property.

As at the Latest Practicable Date, TMTC Group had a registered domain name "itongchi.com". The registration is due to expire on 24 September 2023. The Company does not anticipate any difficulty in renewing the registration of the domain name. It is expected that the domain name will continue to be used by TMTC Group.

LICENSES AND PERMITS

TMTC Group's PRC legal advisor has advised that, as of the Latest Practicable Date, TMTC Group had obtained all requisite licenses, approvals and permits from, and completed registrations with the relevant government authorities that are material for its current business operations in the PRC pursuant to the relevant laws and regulations or the requirements of the competent authority. TMTC Group had not experienced any material difficulty in renewing the required certificates, permits or licenses, and had not been subject to any material administrative penalties in relation to maintenance and renewal of material certificates, permits and licenses. For further information, please refer to the section headed "PRC Legal Opinion" below.

COMPETITION

According to research from iResearch, the passenger transportation industry in Beijing is competitive and fairly concentrated, with the top ten shuttle/commute bus service providers holding approximately 55.3% of market share in 2020. TMTC Group is the third largest shuttle/ commute bus service providers in Beijing and the largest non-state-owned provider, TMTC Group holds a market share of approximately 7.0% in 2020 (included both state-owned and non-state-owned companies).

The passenger transportation business is asset-heavy, requiring significant capital investment in the early stage, and the vehicles need to be maintained and updated continuously during operation.

TMTC Group believes the key competitive factors in this industry include, among other things, fleet size, network coverage, operational efficiency, brand recognition, pricing, and service quality. TMTC Group excel in all these areas: (i) TMTC Group's vehicle fleet is the fourth largest amongst other shuttle/commuter bus transportation providers in Beijing, consisting 850 buses and 8 limousines; (ii) TMTC Group's services covers fourteen out of sixteen districts in Beijing, only Yanqing District and Mentougou District, which are located in the outskirts of Beijing are not covered by TMTC Group; (iii) the management of TMTC Group utilizes their industry knowledge and experience, as well as, technologies such as enterprise resource planning systems to streamline operation of TMTC Group; (iv) through operating in the shuttle/commuter bus transportation business for over a decade and provided services to the PRC Government, US Embassy and numerous multinational corporations, TMTC Group believes it has built up a positive brand reputation; (v) TMTC Group strives to offer competitive pricing to its customers by keeping its operation costs low through its experienced management and adoption of new technologies such as enterprise resource planning systems and electric buses; and (vi) TMTC Group pays great care to the quality of its services, and received positive feedbacks and reviews from its customers.

LEGAL PROCEEDINGS

TMTC Group may be involved in legal proceedings in the ordinary course of business from time to time. As at the Latest Practicable Date, TMTC Group were not involved in any litigation, arbitration or administrative proceedings, which had a material adverse impact on its business, financial condition or results of operations.

As of the Latest Practicable Date, the Directors were not aware of any pending or threatened litigation, arbitration or administrative proceedings against TMTC Group, which would have a material and adverse impact on its business, financial condition or results of operations.

II. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL PERFORMANCE

On 15 January 2016, the Company entered into a sale and purchase agreement in relation to the Acquisition. The Acquisition was completed in August 2016, and financial results of TMTC Group has been consolidated into the Group's from 1 September 2016.

Since the completion of the Acquisition, TMTC Group has been major operating subsidiary of the Company, contributing 28.9% and 61.0% of the Group's total revenue for the two years ended 31 December 2016 and 2017 respectively, and had been contributing 100% of the Group's revenue since the financial year ended 31 December 2018.

On 1 September 2019, TMTC Rental and Beijing Dingyan, which owns 51% equity interest in TMTC Travel, entered into the Shareholder Control Agreement, pursuant to which Beijing Dingyan irrevocably delegated its management rights over TMTC Travel to TMTC Rental.

To reflect the management control over TMTC Travel by TMTC Rental through the Shareholder Control Agreement, the articles of TMTC Travel have been amended to that effect and the financial results of TMTC Travel has been consolidated into TMTC Rental's account pursuant to HKFRS 10 commencing from 1 September 2019.

Set out below are the management discussion and analysis of the Group for each of the five financial years ended 31 December 2020 and the six months ended 30 June 2021 as disclosed in the Company's audited financial reports for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 and the unaudited interim financial report for the six months ended 30 June 2021.

FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL REVIEW

Revenue

The Group's revenue generated from the car rental and shuttle bus services business amounted to approximately HK$74,118,000 for the six months ended 30 June 2021 ("**2021HY**"), representing an increase by approximately HK$12,381,000 or 20% compared to the six months ended 30 June 2020 ("**2020HY**") which was approximately HK$61,737,000. Since early 2020, COVID-19 pandemic adversely affected the business of the Group. The situation is still not stable up to 2021HY.

Cost of sales

The cost of revenue of the Group for 2021HY of approximately HK$54,241,000 was increased by approximately HK$3,863,000 or 7.7% compared to the cost of revenue of the Group for the 2020HY of approximately HK$50,378,000. The costs mainly comprises direct costs including salaries of drivers, depreciation of vehicles, repair and maintenance, car parking expenses, fuel and electricity. The increase in cost mainly due to the increase in fuel and electricity cost.

Gross profit

Gross profit increased from approximately HK$11,359,000 for 2020HY to approximately HK$19,877,000 for 2021HY and the gross profit ratio was increased from 18.4% for the 2020HY to 26.8% for 2021HY, which was resulted from utilising idle resources due to the COVID-19 situation.

Other income

Other income of the Group for 2021HY and 2020HY were approximately HK$202,000 and HK$273,000 respectively, representing a decrease of approximately HK$71,000.

Administrative and other operating expenses

Administrative and other operating expenses for 2021HY and 2020HY were approximately HK$13,981,000 and HK$13,944,000 respectively, representing a slightly increase of approximately HK$37,000 or 0.3%.

Finance cost

Finance cost of the Group for 2021HY amounted to approximately HK$10,617,000, representing an increase of approximately 27% compared to 2020HY. The finance cost included interests charged on convertible bonds, non-convertible bonds, lease liabilities, bank borrowings and other borrowings.

Loss attributable to the owners of the Company

TMTC Group, the Company's core business entities, recorded a profit after tax amounted to HK$6,620,000 in 2021HY. As the Group is processing the Resumption Proposal, legal and professional fees incurred for resumption were high. Besides, before completing the Debt Restructuring which is part of the Resumption Proposal, finance costs in associated with liabilities in the Debt Restructuring plan could nevertheless still be accrued, but will be written back upon the Debt Restructuring being completed. As such, when (i) one-off and non-recurring expenses for resumption; and (ii) finance costs in associated with liabilities in the proposed debt restructuring plan all being excluded, the profit for the period and profit attributable to the owners of the Company for 2021HY were approximately HK$3,995,000 and HK$3,999,000 respectively.

In the case of without excluding non-operational and one-off items, the loss for the period and loss attributable to the owners of the Company as reported in the interim financial statements for 2021HY were approximately HK$4,519,000 and HK$4,515,000 respectively, and approximately HK$10,672,000 and HK$9,936,000 for the 2020HY.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the issued share capital of the Company was HK$3,178,754,000 divided into 6,411,770,500 Shares. During 2021HY, the Group finances its operations by cash flow from operating activities. As at 30 June 2021, the cash and bank balances of the Group amounted to approximately HK$660,000 (31 December 2020: HK$4,567,000).

As at 30 June 2021, the Group had current assets of approximately HK$93,447,000 (31 December 2020: HK$84,932,000), while its current liabilities were approximately HK$846,005,000 (31 December 2020: HK$842,006,000). The current ratio of the Group was approximately 0.11 times (31 December 2020: 0.10 times) and gearing ratio (debts/total assets) was 209.1% (31 December 2020: 206.5%).

FOREIGN EXCHANGE EXPOSURE

During 2021HY, the majority of the Group's income and expenses were denominated in RMB and Hong Kong dollars. Up to 30 June 2021, 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 six months 30 June 2021. 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.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, the Group recorded the borrowings of approximately HK$154,569,000 (31 December 2020: HK$160,476,000) in which of approximately HK$4,415,000 (31 December 2020: HK$6,888,000) represents loan from bank and bears interest rate of 5.15% per annum with motor vehicles in carrying amount of approximately HK$9,912,000 (31 December 2020: approximately HK$10,416,000) 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 30 June 2021 and 31 December 2020.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had contingent liabilities as possible claims arising from indemnity related to a former subsidiary of approximately HK$7,338,000 (being equivalent to RMB6,100,000) (31 December 2020: HK$7,271,000 being equivalent to RMB6,100,000). In the opinion of management of the Company, it is not necessary for recording any provisions for the above contingent liabilities as at 30 June 2021.

FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL REVIEW

Revenue, Cost of sales and Gross profit

Commencing on 1 September 2019, the financial results of TMTC Travel has been consolidated into Group's account pursuant to HKFRS 10 and the Shareholder Control Agreement entered into between the Group and the shareholder holding 51% equity interest in TMTC Travel. Therefore, the whole year financial performance of TMTC Travel, revenue and gross profit in particular, has embedded in the Group's consolidated figures for the year ended 31 December 2020 ("**FY2020**").

The Group's revenue generated from the car rental and shuttle bus services business amounted to approximately HK$134,527,000 for FY2020, representing an increase of approximately HK$36,760,000 or 37.6% compared to the year ended 31 December 2019 ("**FY2019**") which was approximately HK$97,767,000.

The cost of revenue of the Group for FY2020 of approximately HK$103,568,000 was increased by approximately HK$58,613,000 or 130.4%, compared to the cost of revenue of the Group for FY2019 of approximately HK$44,955,000, which was resulted from the consolidation of TMTC Travel into the Group since September 2019. Before consolidating TMTC Travel, the costs incurred were mainly depreciation of vehicles from TMTC Rental. After consolidating TMTC Travel, the costs incurred mainly comprise the operation entity in TMTC Group's shuttle bus service, direct costs for the business including salaries of drivers, depreciation of vehicles, car parking expenses, fuel and electricity and repair and maintenance which were now reflected in the Group's account.

As a result, gross profit for FY2020 was approximately HK$30,959,000. When compared to FY2019 of a gross profit of approximately HK$52,812,000, a gross profit margin of 23% for FY2020 reflected a more comprehensive picture over the performance with the shuttle bus business for the year.

Other income

Other income for FY2020 and FY2019 amounted to approximately HK$69,472,000 and HK$500,000 respectively. Other income mainly includes bank interest income, reversal of impairment in trade receivables and collected other receivables over carrying amount, gain on other payable written off and sundry income. Trade receivables would be impaired after management review if outstanding over 12 months and irrecoverable within reasonable period after reporting period. Previously impaired trade receivables of approximately HK$8,123,000 were received and credited to other income during FY2020. The aggregate amount collected over carrying amount approximately of HK$48,352,000 was recorded as other income during FY2020.

Administrative and other operating expense

Administrative and other operating expenses for FY2020 and FY2019 were approximately HK$33,229,000 and HK$42,961,000 respectively, representing a decrease of approximately HK$9,732,000 or 22.7%. The administrative expenses comprised auditors' remuneration, depreciation of property, plant and equipment, impairment of trade receivables, legal and professional fees incurred for resumption, minimum lease payments under operating lease, staff costs with Directors emoluments and other administrative expenses.

Finance cost

Finance cost of the Group for FY2020 and FY2019 amounted to approximately HK$23,943,000 and HK$38,299,000 respectively. The finance cost comprises interest expenses on convertible bonds, non-convertible bonds, lease liabilities, bank borrowings, other borrowings and bank charges. The decrease in finance cost mainly due to the decrease in interest on convertible bonds incurred.

Profit attributable to the owners of the Company

TMTC Group, the Company's core business entity, recorded a profit after tax amounted to HK$23,538,000 in FY2020. Throughout the year, the Group was conducting its Resumption Proposal process. As a result, legal and professional fees incurred for resumption maintained at a high level. Besides, before completing the Debt Restructuring which is part of the Resumption Proposal, finance costs in associated with liabilities in the Debt Restructuring could nevertheless still be accrued, but will be written back, if and when, the Debt Restructuring being completed. As such, when (i) one-off, non-operational and non-recurring expenses for Resumption; and (ii) finance costs associated with liabilities in the Debt Restructuring plan, as well as non-operational one-off item in other income all being excluded, the profit for the year and profit attributable to the owners of the Company for FY2020 were approximately HK$3,498,000 and HK$213,000 respectively.

When without excluding non-operational and one-off items, the profit for the year and profit attributable to the owners of the Company as reported in the consolidated statement of profit or loss for FY2020 were approximately HK$40,011,000 and HK$36,726,000 respectively. The profit for the year and profit attributable to the owners of the Company for FY2019 were approximately HK$69,365,000 and HK$61,556,000 respectively.

Non-current assets

The non-current assets were decreased by approximately HK$10,430,000 from HK$252,865,000 as at 31 December 2019 to HK$242,435,000 as at 31 December 2020. The decrease in non-current assets was mainly attributable to the depreciation of property, plant and equipment.

Current assets

The current assets of the Group decreased from approximately HK$129,085,000 as at 31 December 2019 to approximately HK$84,932,000 as at 31 December 2020. The decrease in current assets is mainly due to the decrease in amount due from SouthGobi Sands LLC and settlement part of lease liabilities from deposits.

Liabilities

The total of non-current and current liabilities of the Group decreased from approximately HK$945,724,000 as at 31 December 2019 to approximately HK$852,778,000 as at 31 December 2020 which was mainly due to the settlement part of borrowings and lease liabilities and other payable written off during the year of 2020.

Net liabilities

As consequences, the Group recorded a decrease in net current liabilities from approximately HK$774,831,000 as at 31 December 2019 to approximately HK$757,074,000 as at 31 December 2020, and a decrease in net liabilities from approximately HK$563,774,000 as at 31 December 2019 to approximately HK$525,411,000 as at 31 December 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the issued share capital of the Company was HK$3,178,754,000 divided into 6,411,770,500 Shares. During FY2020, the Group finances its operations by cash flow from operating activities. As at 31 December 2020, the cash and bank balances of the Group amounted to approximately HK$4,567,000 (31 December 2019: HK$3,309,000).

As at 31 December 2020, the Group had current assets of approximately HK$84,932,000 (31 December 2019: HK$129,085,000), while its current liabilities were approximately HK$842,006,000 (31 December 2019: HK$903,916,000). The current ratio of the Group was approximately 0.10 times (31 December 2019: 0.14 times) and gearing ratio (debts/total assets) was 206.5% (31 December 2019: 184.6%).

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS HELD

Disposal of subsidiaries

In order to minimise the operation costs, on 21 December 2020, Dengyi Investments Limited, a wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an Independent Third Party to dispose of its entire equity interest in Million Fortune International Investment Limited ("**Million Fortune**"), representing 70% equity interest of Million Fortune, at consideration of HK$1 (the "**Disposal**").

Million Fortune, together with its subsidiaries, formed the precious online trading platform segment of the Group, recorded net liabilities of approximately HK$427,000 at the time of disposal and generated no turnover since year 2018. The Disposal did not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules, which was completed on 21 December 2020.

FOREIGN EXCHANGE EXPOSURE

During FY2020, the majority of the Group's income and expenses were denominated in RMB, US dollar and Hong Kong dollar. Up to 31 December 2020, 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 FY2020. 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.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the Group recorded the borrowings of approximately HK$160,476,000 (31 December 2019: HK$166,367,000) in which of approximately HK$6,888,000 (31 December 2019: HK$9,498,000) represents loan from bank and bear interest rate 6.175% per annum with motor vehicles in carrying amount of approximately HK$10,416,000 (31 December 2019: approximately HK$11,869,000) being pledged to secure the bank loan. All borrowings are repayable on demand or within the year.

CAPITAL COMMITMENTS

The Group had no significant capital commitments outstanding as at 31 December 2020 and 2019.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities as possible claims arising from indemnity related to a former subsidiary of approximately HK$7,271,000 being equivalent to RMB6,100,000 (31 December 2019: HK$6,817,000 being equivalent to RMB6,100,000). In the opinion of management of the Company, it is not necessary for recording any provisions for the above contingent liabilities as at 31 December 2020.

FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL REVIEW

Revenue

The Group's revenue all from car rental business amounted to HK$97,767,000 for FY2019, representing an increase of approximately HK$43,070,000 or 78.7% compared to the year ended 31 December 2018 ("**FY2018**").

Cost of sales

The Group's cost of sales for FY2019 and FY2018 were approximately HK$44,955,000 and HK$12,369,000 respectively, representing an increase of approximately HK$32,586,000 or 263.4%. The increase in cost of sales due to an associate of the Group, TMTC Travel, turned into wholly owned subsidiary of the Group by change of management controlling power in August 2019. The books of accounts of the subsidiary has been consolidated to the Group since September 2019.

Gross profit

The car rental business generated gross profit with 54.0% and 77.4% for FY2019 and FY2018 respectively. The changes of gross margin results from consolidating TMTC Travel which has borne lower margin but relatively massive gross income.

Other income

Other income of the Group for FY2019 and FY2018 were approximately HK$500,000 and HK$15,619,000 respectively, representing a decrease of approximately HK$15,119,000 or 96.8%. The decrease was mainly due to gain on derecognition of other payables of approximately HK$15,133,000 recorded in FY2018 only.

Administrative and other operating expenses

Administrative and other operating expenses for FY2019 and FY2018 were approximately HK$42,961,000 and HK$22,841,000 respectively, representing an increase of HK$20,120,000 or 88.1%. The increase in administrative and other operating expenses was attributed to the increase in staff costs, vehicles repair and maintenances, legal and professional fees and other operating expenses by consolidated TMTC Travel's accounts.

Finance cost

Finance cost of the Group for FY2019 amounted to approximately HK$38,299,000, represented a decrease of 26.0% compared to FY2018. The finance cost comprises banking charges, interest charged on borrowings, convertible bonds, non-convertible bonds, finance lease and lease liabilities. Interest charged on convertible bonds was most significant finance cost for the current, amounted to approximately HK$21,251,000 and HK$33,631,000 for FY2019 and FY2018.

Profit or Loss attributable to the owners of the Company

As the loss for FY2018 turning to profit for FY2019, the TMTC Travel contributes most to the Group. The profit attributable to the owners of the Company and the profit for FY2019 were approximately HK$61,556,000 and HK$69,365,000 respectively. The loss attributable to the owners of the Company and loss for FY2018 were approximately HK$14,673,000 and HK$15,308,000 respectively.

Non-current assets

As at 31 December 2019, the non-current assets were increased by HK$84,374,000 from HK$168,491,000 as at 31 December 2018 to HK$252,865,000. The increase in non-current assets was mainly attributable to the consolidation of TMTC Travel, which brought property, plant and equipment of approximately HK$37,911,000, right-of use assets of approximately HK$460,000, deferred tax asset of approximately HK$8,286,000, intangible assets of approximately HK$329,000 and goodwill of approximately HK$33,607,000.

Current assets

The current assets of the Group decreased from approximately HK$196,795,000 as at 31 December 2018 to approximately HK$129,085,000 as at 31 December 2019 although TMTC Travel contribute the trade receivable and bank and cash balances to the Group. The decrease of current asset is mainly due to the decrease in paid in advance of TMTC Rental.

Liabilities

The total of non-current and current liabilities of the Group decreased from approximately HK$964,674,000 as at 31 December 2018 to approximately HK$945,724,000 as at 31 December 2019 which was mainly due to the decrease in trade payable, finance lease payable and tax payable by repayment during the year of 2019.

Net liabilities

As consequences, the Group recorded an increase in net current liabilities from approximately HK$682,256,000 as at 31 December 2018 to approximately HK$774,831,000 as at 31 December 2019, and a decrease in net liabilities from approximately HK$599,388,000 as at 31 December 2018 to approximately HK$563,774,000 as at 31 December 2019. The consolidation of TMTC Travel does improve the financial performance and financial position of the Group.

CAPITAL STRUCTURE

As at 31 December 2019, the issued share capital of the Company was HK$3,178,754,000 divided into 6,411,770,500 shares. During FY2019, the Group financed its operations by cash flow from operating activities. As at 31 December 2019, the cash and bank balances of the Group amounted to approximately HK$3,309,000 (31 December 2018: HK$1,119,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, The Group had current assets of approximately HK$129,085,000 (2018: HK$196,795,000), while its current liabilities were approximately HK$903,916,000 (2018: HK$879,051,000). The current ratio of the Group was approximately 0.1 times (2018: 0.2 times) and gearing ratio (debts/total assets) was 184.61% (2018: 182.22%). As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$3,309,000 (31 December 2018: HK$1,119,000).

FOREIGN EXCHANGE EXPOSURE

During FY2019, the majority of the Group's income and expenses were denominated in RMB and Hong Kong dollars. Up to 31 December 2019, the management of the Company was of the opinion that the Group has insignificant exposure to foreign exchange risk. As a result, the Group did not use any financial instruments for hedging against fluctuation in foreign exchange for FY2019. 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.

BORROWINGS

As at 31 December 2019, the Group recorded borrowings of approximately HK$166,367,000 (31 December 2018: HK$159,035,000), in which of HK$9,498,000 is loan from bank and bear interest rate 5.15% per annum with motor vehicles amounted to approximately HK$11,869,000 being pledged. Other loans included in borrowings amounted to HK$156,869,000, being unsecured and interest free. All borrowings are repayable on demand or within the year.

CAPITAL COMMITMENTS

The Group had no significant capital commitments outstanding as at 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contingent liabilities as possible claims arising from indemnity related to a former subsidiary of approximately HK$6,817,000 being equivalent to RMB6,100,000 (31 December 2018: HK$6,920,000 being equivalent to RMB6,100,000). In the opinion of management of the Company, it is not necessary for recording any provisions for the above contingent liabilities as at 31 December 2019.

FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL REVIEW

The revenue of the Group decreased from approximately HK$58.6 million for the year ended 31 December 2017 ("**FY2017**") to approximately HK$54.7 million for FY2018, representing a decrease of approximately 6.6%. Such decrease was mainly due to the effect on decrease in revenue from online platform by HK$22.8 million, caused of termination of operation in 2017, greater than the effect from car rental income increased by HK$18.9 million for FY2018 caused by the increment in the number of buses leased by the Group to TMTC Travel, as compared to FY2017. The gross profit increased from approximately HK$32.9 million for FY2017 to approximately HK$42.3 million for FY2018, representing an increase of approximately 28.5% and the gross profit margin increased from approximately 56.2% to approximately 77.4%.

Moreover, the Group recorded a substantial decrease in loss for the year from approximately HK$137.2 million for FY2017 to approximately HK$15.3 million for FY2018, which was mainly attributed to a more effective cost control on administrative and other operating expenses and finance cost for FY2018.

The non-current assets were decreased by HK$20.8 million from HK$189.3 million as at 31 December 2017 to HK$168.5 million as at 31 December 2018. The whole effect of the non-current assets were attributable to property, plant and equipment, which 100% of non-current assets has been denominated in RMB. The net exchange differences of HK$9.4 million, deprecation charged of HK$13.1 for the year 2018, reversal of impairment loss of approximately HK$1.3 million and addition of cost of motor vehicle and trucks of approximately HK$248,000 were attributable to the decrease in non-current assets.

The current assets of the Group increased from approximately HK$172.5 million as at 31 December 2017 to approximately HK$196.8 million as at 31 December 2018 which was mainly due to the increase in amount due from an associate while the TMTC Group operating its business. The amount due is expected to be settled within 12 months.

The current liabilities of the Group increased from approximately HK$819.9 million as at 31 December 2017 to approximately HK$879.1 million as at 31 December 2018 which was mainly due to the imputed interest charged in convertible bonds during the year of 2018, which resulted in the increase in carrying amount of convertible bonds and the reclassification from noncurrent liabilities to current liabilities in view of the maturity date of the relevant convertible bonds.

As a result, the Group recorded an increase of net current liabilities from approximately HK$647.4 million as at 31 December 2017 to approximately HK$682.3 million as at 31 December 2018, and net liabilities from approximately HK$595.4 million as at 31 December 2017 to approximately HK$599.4 million as at 31 December 2018.

CAPITAL STRUCTURE

As at 31 December 2018, the issued share capital of the Company was HK$3,178,754,000 divided into 6,411,770,500 Shares.

During FY2018, the Group financed its operations by cash flow from operating activities. As at 31 December 2018, the cash and bank balances of the Group amounted to approximately HK$1.1 million (31 December 2017: HK$6.6 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, The Group had current assets of approximately HK$196.8 million (2017: HK$172.5 million), while its current liabilities were approximately HK$879.1 million (2017: HK$819.9 million). The current ratio of the Group was approximately 0.2 times (2017: 0.2 times) and gearing ratio (total debt/total equity) was nil (2017: nil).

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$1.1 million (2017: HK$6.6 million).

FOREIGN EXCHANGE EXPOSURE

During FY2018, the majority of the Group's income and expenses were denominated in RMB and Hong Kong dollars. Up to 31 December 2018, the management of the Company was of the opinion that the Group has insignificant exposure to foreign exchange risk. As a result, the Group did not use any financial instruments for hedging against fluctuation in foreign exchange for FY2018. 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.

BORROWINGS

As at 31 December 2018, the Group recorded borrowings of approximately HK$159.0 million (31 December 2017: HK$167.2 million) and no bank loans (31 December 2017: nil). All borrowings are repayable on demand or within the year.

CAPITAL COMMITMENTS

The Group had no significant capital commitments outstanding as at 31 December 2018.

CHARGE ON GROUP ASSETS

As at 31 December 2018, the Group pledged property, plant and equipment with the net carrying account of approximately HK$109.1 million to secure the finance lease payables of approximately HK$183.6 million. As at 31 December 2017, the Group pledged property, plant and equipment with the net carrying account of approximately HK$122.8 million to secure the finance lease payables of approximately HK$190.6 million.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had contingent liabilities as possible claims arising from indemnity related to a former subsidiary of approximately HK$6,920,000 being equivalent to RMB6,100,000 (31 December 2017: HK$7,313,000 being equivalent to RMB6,100,000). In the opinion of management of the Company, it is not necessary for recording any provisions for the above contingent liabilities as at 31 December 2018.

FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL REVIEW

The revenue of the Group was increased from approximately HK$51.7 million for the year ended 31 December 2016 ("**FY2016**") to approximately HK$58.6 million for FY2017, representing an increase of approximately 13.2%.

The cost of sales decreased from approximately HK$32.5 million for FY2016 to approximately HK$25.6 million for FY2017, representing a decrease of approximately 21.1%.

The revenue of the Group from online platform of HK$22.8 million for FY2017 was declined by approximately 38.0% but the related cost of revenue declined by only 72.3% and even occurred gross loss.

On the other hand, the car rental business contributed revenue since acquisition of Gear World in August 2016. Therefore, the Group recorded revenue from Gear World and its subsidiaries with 4 months and whole year in the year of 2016 and 2017 respectively. The revenue from car rental amounted to HK$35.7 million for FY2017 was increased by 139.0% compared to FY2016 and generated gross profit ratio of 63.7% for FY2017.

The gross profit of the Group increased from approximately HK$19.3 million for FY2016 to approximately HK$32.9 million for FY2017, representing an increase of approximately 71.0%, and the gross profit margin increased from approximately 37.2% for FY2016 to approximately 56.2% for FY2017.

In addition, the Group recorded a decrease in loss for the year from approximately HK$1,442.4 million for FY2016 to approximately HK$137.2 million for FY2017, representing a decrease of loss of approximately 90.5%, which was primarily attributable to the decrease in (i) provision of prepayment amounted to approximately HK$233.8 million, (ii) impairment losses on goodwill of approximately HK$791.1 million, (iii) impairment loss on intangible assets amounted to HK$76.5 million, (iv) impairment losses on trade receivables of approximately HK$0.8 million, (v) impairment losses on interests in associates amounted to approximately HK$208.9 million, and (vi) loss on deconsolidation of subsidiaries amounted to approximately HK$238.9 million. In summary, the above impairment losses on various assets of the Group were aim at to removing amount due from receivables with remoted recoverability, to measuring tangible assets only in consolidation accounts and to excluding all factors from deconsolidation of subsidiaries.

The non-current assets of the Group increased by HK$24.0 million from HK$165.3 million as at 31 December 2016 to HK$189.3 million as at 31 December 2017. The whole non-current assets were attributable to property, plant and equipment. The increase in carrying amount of property, plant and equipment amounted to HK$24.0 million was result from the acquisition of motor vehicle and trucks of HK$78.3 million, disposal of subsidiary with carrying amount of non-current asset of approximately HK$1.0 million, disposal of carrying amount of yacht of HK$9.3 million and disposal and written off motor vehicle and trucks of HK$40.3 million during the year ended 31 December 2017.

The current asset of the Group decreased from approximately HK$303.2 million as at 31 December 2016 to approximately HK$172.5 million as at 31 December 2017 which the difference mainly due to put through the transactions in the year ended 31 December 2016, including (i) pledged bank deposits of HK$65 million that secured a bank borrowings amounted to approximately HK$61.8 million in the PRC in 2016 and duly settled the borrowings in 2017 and (ii) bank and cash balances being utilized on repayment of non-convertible bonds and repayments of finance lease payables during the year ended 31 December 2017.

On the other hand, the current liabilities of the Group increased from approximately HK$526.4 million as at 31 December 2016 to approximately HK$819.9 million as at 31 December 2017 because of increases of other payables and accruals, convertible bonds and non-convertible bonds. During the year ended 31 December 2017, the Company issued zero-coupon convertible bonds in the principal amount of HK$13,220,018 (the "**QDCB2**"), in which of approximately HK$8.3 million was regarded as liability component, as part of the consideration for the acquisition of 70% equity interest in the entire issued share capital of Million Fortune.

As a result of the above, the net current liabilities of the Group reached approximately HK$647.4 million and the current ratio decreased to 0.2 times as at 31 December 2017 as compared to the current ratio of 0.6 times as at 31 December 2016. The net liabilities of the Group also increased from approximately HK$454.7 million as at 31 December 2016 to approximately HK$595.3 million as at 31 December 2017.

CAPITAL STRUCTURE

As at 31 December 2017, the issued share capital of the Company was HK$3,178,754,000 divided into 6,411,770,500 Shares.

During FY2017, the Group financed its operations from disposal of property, plant and equipment and new borrowings. As at 31 December 2017, the cash and bank balances of the Group amounted to approximately HK$6.6 million (31 December 2016: HK$112.5 million, in which of HK$65 million deposit pledged to banks).

Issue of convertible bonds

On 31 March 2017, the Company issued the QDCB2 in the principal amount of HK$13,220,018 to Antel Classification Limited, World Dragon Enterprise Limited, Guojin Holdings Co. Ltd and Nuts Technology Co., Ltd (collectively, the "**Vendors**") as part of the consideration for the Million Fortune Acquisition. The QDCB2 are zero-coupon convertible bonds, which principal amount shall be repaid on the third anniversary of the date of issue. The QDCB2 entitle the holders to convert the QDCB2 into Shares at initial conversion price of HK$0.40 per conversion share (subject to adjustments) during the period from the date of issue to the date of maturity and a maximum of 33,050,045 Shares can be issued under specific mandate granted to the Directors by a resolution of the shareholders of the Company passed at the general meeting of the Company held on 16 October 2015.

The initial conversion price of HK$0.40 per conversion share (subject to adjustments) representing a premium of approximately 42.86% over the closing price of HK$0.280 per Share as quoted on the Stock Exchange on 8 July 2015, being the date of the sale and purchase agreement entered into between the Company, the Vendors, Ms. Sun Jianjing, Mr. Zhang Zhijie and Mr. Sun Xiaoyang, as the guarantors, in respect of the Million Fortune Acquisition.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, The Group had current assets of approximately HK$172.5 million (2016: HK$303.2 million), while its current liabilities were approximately HK$819.9 million (2016: HK$526.4 million). The current ratio of the Group was approximately 0.2 times (2016: 0.6 times) and gearing ratio (total debt/total equity) was nil (2016: nil).

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$6.6 million (2016: HK$112.5 million). During the year, the Group obtain financial resources for operation mainly from proceeds from disposal of property, plant and equipment of approximately HK$11.2 million and proceeds from new borrowings of approximately HK$11.6 million.

FOREIGN EXCHANGE EXPOSURE

During FY2017, the majority of the Group's income and expenses were denominated in RMB and Hong Kong dollars. Up to 31 December 2017, the management of the Company was of the opinion that the Group has insignificant exposure to foreign exchange risk. As a result, the Group did not use any financial instruments for hedging against fluctuation in foreign exchange for FY2017. 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.

BORROWINGS

As at 31 December 2017, the Group recorded borrowings of approximately HK$167.2 million (31 December 2016: HK$217.5 million), which are repayable on demand or within one year, and no bank loan (31 December 2016: approximately HK$61.8 million).

CAPITAL COMMITMENTS

The Group had no significant capital commitments outstanding as at 31 December 2017.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group pledged property, plant and equipment with the net carrying account of approximately HK$122.8 million to secure the finance lease payables of approximately HK$190.6 million. As at 31 December 2016, the Group pledged property, plant and equipment with the net carrying account of approximately HK$133.0 million to secure the finance lease payables of approximately HK$217.4 million and the bank loan of approximately HK$61.8 million was secured by a charge over the Group's pledged bank deposits of approximately HK$65.0 million.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had contingent liabilities as possible claims arising from indemnity related to a former subsidiary of approximately HK$7,313,000, being equivalent to RMB6,100,000 (31 December 2016: HK$7,092,000, being equivalent to RMB6,100,000). In the opinion of management of the Company, it is not necessary for recording any provisions for the above contingent liabilities as at 31 December 2017.

FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL REVIEW

The revenue of the Group was decreased from approximately HK$77.8 million for the year ended 31 December 2015 ("**FY2015**") to approximately HK$51.7 million for FY2016, representing a decrease of approximately 33.5%. Nevertheless, the gross profit of the Group was decreased from approximately HK$24.9 million for FY2015 to approximately HK$19.2 million for FY2016, representing a decrease of approximately 22.5%, but the gross profit margin increased from approximately 31.9% for FY2015 to approximately 37.2% for FY2016.

The cost of sales decreased from approximately HK$53.0 million for FY2015 to approximately HK$32.5 million for the FY2016, representing a decrease of approximately 38.7%.

In addition, the Group recorded an increase in loss for the year from approximately HK$133.4 million for FY2015 to approximately HK$1,442.4 million for FY2016, representing an increase in loss of approximately 981.6%, which was primarily attributable to the increase in (i) provision of prepayment amounted to approximately HK$193.7 million, (ii) impairment losses on property, plant and equipment of approximately HK$25.3 million, (iii) impairment losses on goodwill of approximately HK$791.1 million, (iv) impairment loss on intangible assets amounted to HK$77.0 million, (v) impairment losses on trade receivables approximately HK$0.8 million, (vi) impairment losses on interests in associates amounted to approximately HK$208.9 million, and (vii) loss on deconsolidation of subsidiaries amounted to approximately HK$238.9 million.

The non-current assets were decreased by HK$612.1 million from HK$777.5 million as at 31 December 2015 to HK$165.3 million as at 31 December 2016. Other than property, plant and equipment in non-current asset were disposed, impaired or deconsolidated during the year 2016. Therefore, the property, plant and equipment representing 100% of total non-current assets as at 31 December 2016.

The increase in carrying amount of property, plant and equipment by HK$104.0 million to approximately HK$165.3 million was result from the acquisition of TMTC Group that brought motor vehicle and trucks with cost of HK$151.6 million, additions of property, plant and equipment with cost of approximately HK$1.9 million, deconsolidation of subsidiaries with carrying amount of property, plant and equipment of approximately HK$1.3 million, depreciation charged for the year ended 31 December 2016 amounted to HK$17.8 million, impairment loss of approximately HK$25.3 million, disposal of property, plant and equipment and exchange differences in sum of approximately HK$5.1 million.

The current asset of the Group decreased from approximately HK$1,105.3 million as at 31 December 2015 to approximately HK$303.2 million as at 31 December 2016 which were mainly due to the deconsolidation of subsidiaries and impairment of trade receivables and prepayments, deposits and other receivables, bonds mature for redemption in April 2016, decrease in pledged bank deposits and bank and cash balances.

On the other hand, the current liabilities of the Group were decreased from approximately HK$655.1 million as at 31 December 2015 to approximately HK$526.4 million as at 31 December 2016. The decreased were results from the decrease in trade payables due to the deconsolidation of subsidiaries, repayment of borrowings and current portion of non-convertible bonds, although there were increase in current liabilities by (i) an increase of other payables and accruals, convertible bonds and finance lease payables, and (ii) fair value gain of derivative instruments.

The convertible bonds, non-convertible bonds and finance lease payables consists of non-current and current liabilities as at 31 December 2016. (i) On 31 August 2016, the convertible bonds were increased by the Company with liability component of approximately HK$106.1 million or the principal amount of HK$140 million (the "**TMCB1**") which bear interest rate of 3% per annum as part of the consideration for the Acquisition of Gear World. The interest charge on total convertible bonds for the year of HK$16.0 million also made an increase in convertible bonds after part of other convertible bonds were converted into shares amounted to approximately HK$9.5 million. (ii) During the year, the Company issued twelve (2015: seven) 6% non-convertible bonds with a nominal value of HK$90.5 million (2015: HK$96,220,000). Interest charged of non-convertible bonds during the year amounted to approximately HK$10.7 million. After repayment and interest paid or payable classify to other payables in sum of approximately HK$255.0 million during the year, the total non-convertible bonds were decreased from HK$254.8 million as at 31 December 2015 to HK$100.9 million as 31 December 2016. (iii) Addition finance lease payables were brought by the Acquisition of Gear World and motor vehicles with carrying amount amounted to HK$130.0 million were pledged accordingly. Therefore, there is significant increase in finance lease payables during the year, which increased from HK$3.5 million as at 31 December 2015 to HK$217.4 million as 31 December 2016.

CAPITAL STRUCTURE

As at 31 December 2016, the issued share capital of the Company was HK$3,178,754,000 divided into 6,411,770,500 Shares.

During FY2016, the Group financed its operations by (i) cash flow from operating activities; (ii) funding through issuance of the non-convertible bonds, and (iii) funding through issuance of new Shares. As at 31 December 2016, the cash and bank balances of the Group amounted to approximately HK$112.5 million (31 December 2015: HK$420.9 million), in which of HK$65 million deposit pledged to banks (31 December 2015: HK$237.5 million).

Share Subscription

On 11 April 2016, the Company entered into a conditional agreement with Upper Target Limited (the "**Upper Target**"), pursuant to which Upper Target has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 496,000,000 Shares (the "**2016 Subscription Shares**") at a price of HK$0.165 per 2016 Subscription Share under the general mandate granted to the Directors by a resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 1 June 2015 (the "**2016 Share Subscription**").

The subscription price of HK$0.165 per 2016 Subscription Share representing a discount of approximately 17.50% to the closing price of HK$0.20 per Share as quoted on the Stock Exchange on 11 April 2016. The 2016 Share Subscription completed on 11 May 2016.

The reasons for carrying out the 2016 Share Subscription were to strengthen the financial position (in particular the working capital and cash flow position) of the Group and provide further funding to the Group for its development and investment with an objective to provide attractive returns for the shareholders of the Company.

The net proceeds arising from the 2016 Share Subscription amounted to approximately HK$81.8 million (equivalent to a net price of approximately HK$0.1649 per Share), which was used by the Company (i) as to approximately HK$25 million for settlement of debt and related interests; (ii) as to approximately HK$25 million for investment activities when such investment opportunities arise; and (iii) as to approximately HK$31.8 million as general working capital of the Group.

Details of the 2016 Share Subscription were set out in the Company's announcement dated 11 April 2016.

Conversion of Convertible Bond

On 28 April 2016, the Company issued and allotted 42,000,000 Shares upon exercise of the conversation rights in respect of QDCB1 in the principal amount of HK$16,800,000 at conversion price of HK$0.40 per conversion share.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had current assets of approximately HK$303.2 million (2015: HK$1,105.3 million), while its current liabilities were approximately HK$526.4 million (2015: HK$655.1 million). The current ratio of the Group was approximately 0.6 times (2015:1.7 times) and gearing ratio (total debt/total equity) was nil (2015: 0.6 times).

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$112.5 million (2015: HK$420.9 million). During the year, the Group obtain financial resources mainly from proceeds from issue of Shares of approximately HK$81.8 million, proceeds from issue of nonconvertible bonds of approximately HK$90.5 million and net proceeds from disposal of financial assets at fair value through profit or loss approximately HK$124.1 million.

Issue of non-convertible Bonds

During FY2016, the Company issued twelve 6% non-convertible bonds (the "**NCBs**") in an aggregate principle amount of HK$90.5 million. The NCBs are redeemable at the discretion of the Company at 100% of the principle amount of such NCBs together with payment of interest accrued up to the date of such early redemption by serving at least ten calendar days written notice at any time before the maturity date. The NCBs will be redeemed on the date immediately following twelve to twenty four months after the first date of issue of the NCBs. The NCBs carry interest rate of 6% per annum, which is payable annually in arrears.

Issue of convertible bonds

As disclosed in the paragraph headed "Acquisition of Gear World" above, the Company issued the TMCB1 in the aggregate principal amount of HK$140 million to Nation Spirit Limited and Blissful Elite Limited on 6 September 2016 as part of the consideration for the Acquisition of Gear World. TMCB1 carry interest at a rate of 3% per annum, which are payable on the third anniversary of the date of issuance of the TMCB1. The TMCB1 entitle the holder to convert the TMCB1 into Shares at initial conversion price of HK$0.30 per conversion share (subject to adjustments) during the period from the date of issue to the date of maturity and a maximum of 466,666,666 Shares can be issued under specific mandate granted to the Directors by a resolution of the shareholders of the Company passed at the general meeting of the Company held on 18 July 2016.

The initial conversion price of HK$0.30 per conversion share (subject to adjustments) representing a premium of approximately 32.74% to the closing price of the Shares of HK$0.2260 per Share as quoted on the Stock Exchange on 15 January 2016, being the date of signing of the Sale and Purchase Agreement.

FOREIGN EXCHANGE EXPOSURE

During FY2016, the majority of the Group's income and expenses were denominated RMB and Hong Kong dollars. Up to 31 December 2016, the management of the Company was of the opinion that the Group has insignificant exposure to foreign exchange risk. As a result, the Group did not use any financial instruments for hedging against fluctuation in foreign exchange for FY2016. 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.

BORROWINGS

As at 31 December 2016, the Group recorded borrowings of approximately HK$217.5 million (31 December 2015: HK$251.8 million), in which approximately HK$61.8 million (31 December 2015: HK$225.2 million) was a loan from financial institutions or restricted licence bank and HK$65 million (31 December 2015: HK$237.5 million) was secured by pledged bank deposit

CAPITAL COMMITMENTS

As at 31 December 2016, the capital commitments of the Group was approximately HK$78.8 million. The capital commitments were mainly related to contracted but not yet provided for the acquisition of property, plant and equipment. As at 31 December 2015, the capital commitments of the Group were approximately HK$25.5 million.

CHARGE ON GROUP ASSETS

As at 31 December 2016, the Group pledged property, plant and equipment with the net carrying account of approximately HK$133.0 million (2015: HK$3,625,000) to secure the finance lease payables of approximately HK$217,389,000 (2015: HK$3,507,000) and the bank loan of approximately HK$61.8 million (2015: HK$225.2 million) was secured by a charge over the Group's pledged bank deposits of approximately HK$65.0 million (2015: HK$237.5 million).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities as possible claims arising from indemnity related to a former subsidiary of approximately HK$7,092,000, being equivalent to RMB6,100,000 (31 December 2015: HK$7,282,000, being equivalent to RMB6,100,000). In the opinion of management of the Company, it is not necessary for recording any provisions for the above contingent liabilities as at 31 December 2016 as the claims are remote as advised by the PRC Legal Advisor.

III. REGULATORY OVERVIEW

This section extracts a summary of laws and regulations in effect with regard to the operations of the Group.

Investment in the PRC by Foreign-Invested Enterprises

In accordance with the Foreign Investment Law of the PRC issued by the National People's Congress (NPC) on 15 March 2019 and effective on 1 January 2020, the Regulations for the Implementation of Foreign Investment Law of PRC issued by the State Council on 26 December 2019 and effective on 1 January 2020, the Interpretation of the Supreme People's Court (SPC) on Several Issues concerning the Application of Foreign Investment Law of PRC issued by the SPC on 26 December 2019 and effective on 1 January 2020, the term "foreign investment" refers to the investment activities conducted directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**foreign investors**") within the territory of China, including the following circumstances: (1) Foreign investors set up foreign-invested enterprises within the territory of China individually or jointly with other investors; (2) Foreign investors obtain shares, equities, property shares or other similar rights and interests of enterprises within the territory of China; (3) Foreign investors invest in new projects within the territory of China individually or jointly with other investors; (4) Investment in other ways prescribed by laws, administrative regulations or specified by the State Council. The term "foreign-invested enterprises" refers to enterprises that are wholly or partly invested by foreign investors and registered within the territory of China in accordance with Chinese laws. The abovementioned Foreign Investment Law of PRC and other relevant regulations shall apply to investments from Hong Kong, Macao and Taiwan. In accordance with the Measures of the Foreign Investment Information Reporting issued by the Ministry of Commerce and the State Administration for Market Regulation on 30 December 2019 and effective on 1 January 2020, M&A of domestic enterprises by foreign investors shall be approved by the Ministry of Commerce or its provincial examination and approval authorities. When foreign investors merge and acquire domestic companies that have relationship therewith, it shall be submitted to the Ministry of Commerce for approval.

The Company invests in TMTC Travel by virtue of TMTC Rental, which is indirectly held by the Company through Gold Vantage Development Limited and Shandong Gold Vantage Electronic Technology Development Limited. Accordingly, both TMTC Rental and TMTC Travel are considered to be foreign-invested enterprises.

Catalogue for the Guidance of Foreign Investment Industries

On 23 June 2020, the National Development and Reform Commission (NDRC) and the Ministry of Commerce jointly issued the Special Administrative Measures for Foreign Investment Access (Negative List) and effective on 23 July 2020, which stipulated the access restrictions for foreign investment in different industries in the PRC, and foreign investment industries were classified into two catalogues, i.e., Catalogue of Restricted Industries for Foreign Investment and Catalogue of Prohibited Industries for Foreign Investment. Industries not listed in the Special Administrative Measures for Foreign Investment Access (Negative List) are allowed for foreign investment.

Whereas the vehicle rental business of TMTC Rental and the road transport and driving services of TMTC Travel are not listed in the Special Administrative Measures for Foreign Investment Access (Negative List), these two companies are allowed for foreign investment according to regular procedures.

Laws and Regulations on Foreign Exchange

International payments and transfer under the current items shall not be restricted by the state, as set forth in the Regulations on the Foreign Exchange System of PRC (2008 Revision) issued by the State Council and effective on 5 August 2008. Organizations within the territory of the PRC may open foreign exchange accounts with financial institutions engaged in foreign exchange business and handle foreign exchange business through such accounts on the strength of valid documents. However, foreign institutions and individuals shall observe the PRC's regulations on market access and go through registration in accordance with the provisions of the foreign exchange administrative department of the State Council if their business involves capital projects such as issuance and trading of securities or derivative products in the PRC. Any intention to provide guarantee for foreign organizations or individuals shall file an application with the foreign exchange administrative department, which shall decide whether to approve or disapprove the application in view of the applicant's assets and liabilities.

The Notice on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment issued by the State Administration of Foreign Exchange (SAFE) on 19 November 2012 and effective on 17 December 2012 aims to cancel the approval procedures for foreign investors' reinvestment with domestic lawful income, and simplify foreign exchange administration for the domestic reinvestment of foreign-invested companies. The approval procedures for the transfer of domestic investment funds by foreign-invested companies and the approval procedures for the domestic transfer of foreign exchange profit, dividend and bonus to foreign-invested companies by the investees of foreign-invested companies shall be cancelled. Banks shall handle domestic fund transfer formalities after examining and verifying certification materials on the authenticity submitted by enterprises as required, and file in relevant operation systems of foreign exchange administration in a timely manner.

The Notice of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving the Authenticity Review issued by the SAFE and effective on 26 April 2016 regulates the administration of outward remittance of foreign exchange profit from direct investment. Where a bank handles outward remittance of profit equivalent to more than US$50,000 (exclusive) for institutions within the territory of China, it shall review the resolution of the board of directors on profit distribution (or resolution of partners on profit distribution), original tax record form, and financial statements in proof of the profits related to the outward remittance of profit under the principle of actual transactions. Upon each outward remittance of profit, the bank shall stamp and endorse the relevant original tax record form with the actual remittance amount and remittance date of the profit.

Laws and Regulations on Enterprise Management and Operation

Any companies within the territory of the PRC shall be established, operated and managed in accordance with the Company Law of PRC (hereinafter referred to as the "**Company Law**") issued by the Standing Committee of the NPC and effective on 26 October 2018. The Company Law explicitly stipulates related party transactions and external guarantee. The controlling shareholders, actual controllers, directors, supervisors and senior executives of a company shall not damage the interests of the company through their relationship. Persons cause any loss to the company due to violating the preceding provision shall be liable for compensation. If a company intends to invest in any other enterprise or provide guarantee for others, the company shall make a resolution according to its articles of association; if a company intends to provide guarantee for its shareholder or actual controller, it shall make a resolution through the board of shareholders or shareholder's meeting. Any related transactions between TMTC Rental and TMTC Travel shall be conducted under the principle of fairness and rationality, and in no case impair the interests of companies.

Laws and Regulations on Taxation and Fiscal Subsidies

In accordance with the Enterprise Income Tax Law of PRC (2018 Amendment) issued by the Standing Committee of the NPC and effective on 29 December 2018, enterprises are classified into resident and non-resident enterprises. The term "resident enterprise" refers to an enterprise that is established within the territory of the PRC, or which is established under the law of a foreign country (region) but whose actual office of management is within the territory of the PRC. The term "non-resident enterprise" refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within the territory of the PRC but which has offices or establishments within the territory of the PRC, or which does not have any offices or establishments within the territory of the PRC but has incomes sourced in the PRC. The resident enterprise income tax rate shall be 25%. For a non-resident enterprise having offices or establishments within the territory of the PRC, it shall pay enterprise income tax of 25% on its incomes derived from the PRC as well as incomes that it earns outside the PRC but which has real connection with the said offices or establishments. For a non-resident enterprise not having any offices or establishments within the territory of the PRC, or for a non-resident enterprise whose incomes have no actual connection to its offices or establishments within the territory of the PRC, it shall pay enterprise income tax of 20% on the incomes derived from the PRC. TMTC Rental and TMTC Travel are resident enterprises established within the territory of the PRC, which shall pay enterprise income tax of 25% on their incomes.

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on the Application of Low Value-Added Tax Rates and Policies on Collecting Value-Added Tax by the Simple Approach to Some Goods issued by the Ministry of Finance and the State Taxation Administration and effective on 19 January 2009 and the Notice of the Policy of Streamlining and Combination of Value-Added Tax Levy Rates issued by the Ministry of Finance and the State Taxation Administration on 13 June 2014 and effective on 1 July 2014, whereas a general taxpayer sells any used goods, the value-added tax on such goods shall be 3% by the simple approach. The term "used goods" refers to the goods with partial use values entering the secondary circulation (including used cars, used motorcycles and used yachts), excluding the property which has been used by the taxpayer.

In accordance with the Notice on Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles (2020) issued by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the NDRC on 31 December 2020 and effective on 1 January 2021, an enterprise which purchases new energy vehicles will be entitled to subsidy policies.

Laws and Regulations on Labour and Personnel

In order to safeguard the legitimate rights and interests of labourers, adjust labour relationship, establish and maintain the labour system suiting the socialist market economy, and promote economic development and social progress, relevant laws and regulations on various forms of legal relationship such as labour and employment have been formulated in China.

The Labour Law of PRC (2018 Amendment) issued by the Standing Committee of the NPC and effective on 29 December 2018, the Labour Contract Law of PRC (2012 Amendment) issued by the Standing Committee of the NPC on 28 December 2012 and effective on 1 July, 2013, the Special Rules on the Labour Protection of Female Employees issued by the State Council and effective on 28 April 2012, the Regulation on the Implementation of the Labour Contract Law of PRC issued by the State Council and effective on 18 September 2008, the Social Insurance Law of PRC (2018 Amendment) issued by the Standing Committee of the NPC and effective on 29 December 2018, Several Provisions on Implementing the Social Insurance Law of PRC issued by the Ministry of Human Resources and Social Security on 29 June 2011 and effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (2019 Revision) issued by the State Council and effective on 24 March 2019, the Regulation on Work-Related Injury Insurances (2010 Revision) issued by the State Council on 20 December 2010 and effective on 1 January 2011, the Decision of the State Council on Establishing a Uniform Basic Pension Insurance System for Employees of Enterprises issued by the State Council and effective on 16 July 1997, the Regulations on Unemployment Insurance issued by the State Council and effective on 22 January 1999 and other laws and regulations specify in detail the conclusion and performance of labour contracts, determination and payment of labour remunerations, types and bases of social insurance payments, special protection for female employees, etc. In accordance with the abovementioned laws and regulations, an employer must sign a written labour contract with its labourers, and shall not terminate the contract without reason. Otherwise, the employer will bear corresponding economic compensation or indemnity. Furthermore, the employer shall pay social insurance premiums for its employees, including basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and basic medical insurance. Employers not paying social insurance premiums will be recovered and imposed with fines.

In accordance with the Interim Provisions on Labour Dispatch issued by the Ministry of Human Resources and Social Security on 24 January 2014 and effective on 1 March 2014 an employer may employ dispatched workers in temporary, auxiliary or substitutable positions only. A labour dispatch company shall conclude a written labour contract with the dispatched workers for a fixed term of at least two years as required. An employer shall provide the dispatched workers with the position-related welfare benefits, and the number of dispatched workers employed by the employer shall not exceed 10% of the total number of its workers. The labour dispatch contract signed by TMTC Travel and Yingcai Resources shall take the restrictions on the number of dispatched workers and the principle of "equal pay for equal work" into consideration.

Laws and Regulations on Trademarks and Domain Names

In accordance with the Trademark Law of PRC (2019 Revision) issued by the Standing Committee of the NPC on 23 April 2019 and effective on 1 November 2019, the Regulations for the Implementation of Trademark Law of PRC (2014 Revision) issued by the State Council on 29 April 2014 and effective on 1 May 2014, and the Notice of Beijing Administration for Industry and Commerce on Issuing the Measures of Beijing Municipality for Certification and Protection of Famous Trademarks issued by the former Beijing Administration for Industry and Commerce on 11 August 2015 and effective on 1 October 2015, trademark registration adopts the principle of first-to-file application. If a trademark to be registered for the same kind of goods or services is the same as or similar to the registered trademark of another person or the trademark that has been preliminarily examined and announced for use, such application for trademark registration will be rejected. A trademark owner may apply for renewal of the registered trademark, unless it is revoked. The period of validity of each renewal is 10 years, commencing from the day after the expiry date of the last period of validity.

In accordance with the Measures for the Administration of Internet Domain Names issued by the Ministry of Industry and Information Technology on 24 August 2017 and effective on 1 November 2017, matters relating to registration of domain names shall be handled by competent authorities. The applicant will become the holder of the registered domain name after successful registration.

Laws and Regulations of Main Business

Road Transport

In accordance with Article 10 of 中華人民共和國道路運輸條例(2019修訂) (Regulation of PRC on Road Transport (2019 Revision)*) issued by the State Council and effective on 2 March 2019 (the "**Transport Regulation**"), operators that intend to carry out road passenger transportation shall apply to the road transport administrative authorities for road transport operation permit. If it is approved, the road transport operation permit (the "**Road Transport Operation Permit**") will be issued to the applicant and the vehicle operation certificate (the "**Vehicle Operation Certificate**") would also be allocated to the applicant for the vehicle that is to be used for transport. If it is disapproved, a written notice shall be given to the applicant to explain the reason for rejection.

In accordance with Article 3 of the Provisions on 道路旅客運輸及客運站管理規定(2020) (Administration of Road Passenger Transport and Passenger Stations (2020)*) issued by the Ministry of Transport on 6 July 2020 and effective on 1 September 2020 (the "**Transport Provisions**"), the term "road passenger transportation" refers to the use of passenger vehicles to transport passengers, provide services to the public, and commercial road passenger transportation activities, including fix schedule transportation, chartered transportation, and tourist transportation.

(i) Fix schedule transportation refers to passenger vehicles operate according to fixed routes, scheduled time, fix physical stations, and shifts.

(ii) Chartered transportation refers to passenger vehicles chartered to users for the purpose of transporting group passengers and providing driving services, driving according to the agreed starting place, destination and route, and the chartered users paying uniformly.

(iii) Tourist transportation refers to passenger vehicles that operates in tourist attractions or at least one end of its route is in tourist attractions (spots) for the purpose of transporting tourists for sightseeing.

Article 93 of the Transport Provisions: operators shall be instructed to discontinue operation by the road transport administrative authorities at the county level or above in case of any following acts; For any illegal gains, the illegal gains shall be confiscated and a fine of twice to ten times the illegal gains shall be imposed; For no illegal gains or the illegal gain is less than RMB20,000, a fine of RMB30,000 to RMB100,000 shall be imposed; If any crime is constituted, criminal liabilities shall be affixed:

(i) Illegally engaging in the road passenger transport operations without obtaining the corresponding road passenger transport operation permit;

(ii) Illegally engaging in the shuttle bus passenger transport operations without obtaining the corresponding road passenger transport route operation permit;

(iii) Engaging in the road passenger transport operations by using invalid, forged, altered or cancelled road passenger transport operation permits;

(iv) Engaging in the road passenger transport operations beyond the scope of permitted items.

According to Article 97 of the Transport Provisions: Operators of passenger transport who use the vehicles without corresponding valid Vehicle Operation Certificate or employ any drivers not having relevant qualifications to engage in the passenger transport operations shall be instructed to rectify by the road transport administrative authorities at the county level or above, plus a fine of RMB3,000 to RMB10,000.

Operators of passenger transport who fail to present the Vehicle Operation Certificate in the vehicle as required shall be instructed to rectify by the road transport administrative authorities at the county level or above, plus a warning or a fine of RMB20 to RMB200.

As advised by the PRC Legal Advisor, the Transport Provisions is only applicable to chartered transportation, which requires operators to provide both vehicles and chauffeur service together as a whole. As such, TMTC Rental, TMTC Travel and TMTC Group is not subject to the Transport Provisions under the "separation of drivers and vehicles" model and that the business of the Group fully complies with all applicable rules and regulations. Please refer to the section headed "IV. PRC Legal Opinion" below for further information.

Vehicle Rental

In accordance with the Measures for the Administration of Operations and Services of Small and Mini-sized Passenger Vehicles (2021) issued by the Ministry of Transport and effective on 11 August 2021, the Measures of Beijing Municipality for the Administration of Vehicle Rental (2012 Revision) issued by the Beijing Municipal People's Government and effective on 1 March 2012, and the Rules and Regulations on Vehicle Rental Industry issued by the Vehicle Rental Working Committee of China Taxicab and Livery Association and effective on 6 April 2001, operators who engage in rental operation of cars with no more than nine seats shall obtain operation qualifications after filing with the municipal or county-level administrative department of small and mini-sized passenger vehicles at the domicile of operation as required. TMTC Rental and TMTC Travel have obtained operation qualifications and are within the validity period (TMTC Rental holds the Car Rental Business Registration Certificate (Beijing Transportation Administration Rental Zi No. 000171), which allow TMTC Rental to lease vehicles with 9 seats or less and remains valid until 20 July 2023; TMTC Travel holds the Car Rental Business Registration Certificate (Beijing Transportation Administration Rental Zi No. 000462), which allow TMTC Travel to lease vehicles with 9 seats or less and remains valid until 17 August 2023). No operator of small and mini-sized passenger vehicles may provide driving services with the rented vehicles.

Rental of passenger vehicles with more than nine seats is governed under the Transport Provisions. Nonetheless, as advised by the PRC Legal Advisor, TMTC Group is not subject to the Transport Provisions under the "separation of drivers and vehicles" model and that the business of the Group fully complies with all applicable rules and regulations.

Compulsory Traffic Accident Liability Insurance for Motor Vehicles

In accordance with the Road Traffic Safety Law of PRC issued by the Standing Committee of the NPC and effective on 29 April 2021 and the Regulation on Compulsory Traffic Accident Liability Insurance for Motor Vehicles (2019 Revision) issued by the State Council and effective on 2 March 2019, whereas China applies a compulsory third party liability insurance system to motor vehicles, the owner and the manager of the motor vehicle shall take out compulsory third party liability insurance for motor vehicle traffic accidents in accordance with the provisions of Road Traffic Safety Law of PRC. For vehicle damage and personal injuries or deaths arising from road traffic accidents involving the insured motor vehicles, the insurance company shall compensate within the limit of indemnity. All of TMTC Group's vehicles have compulsory traffic accident liability insurance according to the law.

Tort Liability

In accordance with relevant provisions on tort liability stipulated in the Civil Code of PRC issued by the National People's Congress on 28 May 2020 and effective on 1 January 2021, where the owner, the manager, and the user of a motor vehicle are not the same person due to the relationship of leasing, borrowing or any other reason, if the owner and the manager of the motor vehicle are at fault as to the harm caused in a traffic accident, the owner and the manager shall assume corresponding compensatory liabilities. Where a motor vehicle is involved in a traffic accident, in which the liability for any harm caused is attributed to the motor vehicle, the insurer underwriting the compulsory motor vehicle insurance shall first make compensation within the liability limit of such insurance; for any shortfall, the insurer underwriting the commercial motor vehicle insurance shall make compensation in accordance with the insurance contract; and for a further shortfall, or in the absence of commercial motor vehicle insurance, the tortfeasor shall make compensation. TMTC Group, as the vehicle owners, have reasonable obligations to examine the technical conditions of their leased vehicles and the qualifications of drivers. If there are problems with the leased vehicle and the selected driver, they may be partly liable for the victims in a traffic accident. However, TMTC Group has strict verification systems for its leased vehicles and selected drivers.

TMTC Group's vehicles are purchased from reputable manufacturers, and the vehicles have verified quality documents from the manufactures. In order to maintain the condition of the vehicles, the Company has imposed "Vehicle Technology Management Regulations" and "Vehicle Safety Facilities and Equipment Management System" within the Group and has formulated vehicle maintenance plans and established vehicle safety facilities and equipment records. The drivers are responsible of daily maintenance of the vehicle, while secondary maintenance are carried out by the company on a regular basis according to the vehicle's usage and technical status. The drivers (including labor dispatch) employed by the TMTC Group all hold A-level motor vehicle driving licenses, and must have more than five years of driving experience and no record of major road accidents within three years, and has not been deducted more than twelve penalty points in the period. These series of systems greatly control the tort compensation risk as mentioned above.

IV. PRC LEGAL OPINION

Set out below the legal opinion issued by the PRC Legal Advisor.

TMTC Group

TMTC Rental

Established on 3 July 2006, TMTC Rental is permitted to engage in vehicle rental; charging services for electric vehicles; sales of accessories; data processing; design, production, agency and publication of advertisements pursuant to its business license. The main business of TMTC Rental is non-chauffeured vehicle rental business.

TMTC Travel

Established on 24 April 1990, TMTC Travel is permitted to engage in travel passenger transport; vehicle rental; labor dispatch, labor services; data processing; charging services for electric vehicles; design, production, agency and publication of advertisements pursuant to its business license. The main business of TMTC Travel are provision of (i) routed shuttle/commuter bus transportation; (ii) chauffeured vehicles rental; (iii) non-chauffeured vehicles rental; and (iv) chauffeurs hire service.

Although TMTC Travel and TMTC Rental are under the TMTC Group, the two companies are separate independent legal entities.

QUALIFICATIONS AND CERTIFICATES

As at the Latest Practicable Date, to the best knowledge of the PRC Legal Advisor, TMTC Rental and TMTC Travel have completed all necessary preceding approvals and filing procedures for their business, and have obtained all necessary operation permits and/or certificates required to carry out operations within the scope of their respective approved business under their business licenses in accordance with laws and regulations.

The qualifications and certificates obtained by TMTC Rental and TMTC Travel are summarized as follows:

(i) Car Rental Business Registration Certificate

Holder Name	Certificate No.	Issuing Authority	Date of Issue	Expiry Date
TMTC Rental	Beijing Transportation Administration Rental Zi No. 000171	Miyun District Transportation Bureau of Beijing	23 July 2020	20 July 2023
TMTC Travel	Beijing Transportation Administration Rental Zi No. 000462	Chaoyang Transportation Management Sub-bureau, Beijing Municipal Commission of Transport	25 August 2020	17 August 2023

Note: Both licenses allow TMTC Rental and TMTC Travel to lease vehicles with 9 seats or less.

(ii) Road Transport Operation Permit

Holder Name	Certificate No.	Issuing Authority	Date of Issue	Expiry Date
TMTC Travel	Beijing Transportation Administration Travel Permit Zi No. 110105003377	Chaoyang Transportation Management Sub-bureau, Beijing Municipal Commission of Transport	6 August 2020	3 August 2024

(iii) Vehicle Operation Certificate

Holder Name	Certificate No.	Issuing Authority	Date of Issue	Expiry Date
TMTC Travel	Beijing Transportation Administration Travel Zi No. 110105002962	Chaoyang Transportation Management Sub-bureau, Beijing Municipal Commission of Transport	23 June 2021	31 August 2024
TMTC Travel	Beijing Transportation Administration Travel Zi No. 110105003214	Chaoyang Transportation Management Sub-bureau, Beijing Municipal Commission of Transport	3 August 2021	31 August 2024

BUSINESS COMPLIANCE ANALYSIS

Legal Compliance

The business of TMTC Rental and TMTC Travel are subject to the laws and regulations mentioned in the section headed "III. Regulatory Overview – Laws and Regulations of Main Business" in this circular.

TMTC Rental

TMTC Rental's main business is non-chauffeured vehicle rental business, which falls under the vehicle rental of the permitted service under the business license of TMTC Rental.

Rental of passenger vehicles with less than 9 seats shall obtain operation qualifications. TMTC Rental holds the Car Rental Business Registration Certificate (*Beijing Transportation Administration Rental Zi No. 000171*), which allow TMTC Rental to lease vehicles with 9 seats or less. Rental of passenger vehicles with more than 9 seats is governed under the Transport Provisions.

TMTC Travel

TMTC Travel's main business are (i) routed shuttle/commuter bus transportation; (ii) chauffeured vehicles rental; and (iii) non-chauffeured vehicles rental, which falls under vehicle rental and labor services, while (iv) chauffeurs hire service falls under the labour dispatch of the permitted service under the business license of TMTC Travel.

Rental of passenger vehicles with less than 9 seats shall obtain operation qualifications. TMTC Rental holds the Car Rental Business Registration Certificate (*Beijing Transportation Administration Rental Zi No. 000462*), which allow TMTC Rental to lease vehicles with 9 seats or less. On the other hand, (i) routed shuttle/commuter bus transportation; (ii) chauffeured vehicles rental (9 seats or more); and (iii) non-chauffeured vehicles rental (9 seats or more) are governed under the Transport Provisions.

Separation of Drivers and Vehicles Model

TMTC Group operates under the "separation of drivers and vehicles" model, which can be described below.

TMTC Rental mainly enter into rental contracts for vehicles in operation with TMTC Travel, which means most of the vehicles owned by TMTC Rental are rented to TMTC Travel. TMTC Rental has six drivers only, whose responsibilities are mainly for vehicle management.

TMTC Travel enters all of its business contracts with third party customers. When providing routed shuttle/commute bus services or chauffeured vehicles rental to customers (a) it will only provide related vehicles without providing chauffeurs services directly to customers, if the vehicle is owned by TMTC Travel, chauffeurs services will be provided by third party chauffeured service providers; or (b) it will provide chauffeurs services, if the vehicle is owned by TMTC Rental. In other words, the vehicles and drivers provided by TMTC Travel belong to different entities.

The chauffeurs employed by TMTC Travel mainly provide chauffeurs services for the buses rented out by TMTC Rental, while a small number of drivers serve in management positions, with responsibilities for the management of vehicles and personnel. When TMTC Travel provides its own vehicles to third-party customers, the drivers are dispatched by Yingcai Resources, that means chauffeurs services are provided to customers by means of "labour dispatch" from an Independent Third Party.

It was disclosed in the Company's circular dated 30 June 2016 that TMTC Travel intended to engage or establish staffing companies to dispatch drivers to TMTC Travel under labour dispatch arrangement, and under such arrangement the business operation of TMTC Travel will fully comply with the applicable laws and regulations. However, the management considered it would be more flexible and cost efficient to engage a third party staffing company for external chauffeurs instead of setting up a company by themselves. Such arrangement allows the Company to adopt the "separation of drivers and vehicles" model, and fully comply with applicable laws and regulations.

In order to strictly implement this model, TMTC Travel has divided all drivers into 8 teams, with each fleet being managed by a captain. Among them, team one is responsible for managing and allocating all vehicles and chauffeurs of TMTC Group, team two to team five, which are made up of TMTC Travel's own chauffeurs, are allocated to provide chauffeur services to TMTC Rental's vehicles only, team six to team eight are made up of external chauffeurs procured from Yingcai Resources to provide chauffeur services to TMTC Travel's vehicles only. Personnel of team one are required to formulate a clear shift management schedule 3 days in advance and announce upon approval by the Operation department. The shift management system of the Operation department monitor management and deployment schedule and staffing, so as to eliminate any chances of "mixing of drivers and vehicles", i.e., buses and drivers are provided by the same entity, and to ensure the legal compliance of the business.

Difference to Activities Governed by Transport Provisions

Transport Provisions governs road passenger transportation. In accordance with Article 3 of the Transport Provisions, road passenger transportation shall include three forms, i.e., fix schedule transportation, chartered transportation and tourist transportation. (i) fix schedule transportation refers to passenger vehicles operate according to fixed routes, scheduled time, fix physical stations, and shifts. It normally runs regularly between cities and towns and service is generally targeted at general public and not specific customers; (ii) chartered transportation refers to passenger vehicles chartered to users for the purpose of transporting group passengers and providing driving services, driving according to the agreed starting place, destination and route, and the chartered users paying uniformly; and (iii) tourist transportation refers to passenger vehicles that operates in tourist attractions or at least one end of its route is in tourist attractions (spots) for the purpose of transporting tourists for sightseeing. The business and operation model of TMTC Rental and TMTC Travel does not fit into any of the three forms.

While chartered transportation may have similar characteristics of the Group's business, however, the most important characteristics for chartered transportation is that operator shall provide the combined services of the vehicle and the driver, i.e., "the driver shall not be separated from the vehicle", and the service shall be provided to the customer by the same entity.

The operation mode of TMTC Rental and TMTC Travel featuring "separation of drivers and vehicles" is obviously different from the chartered transportation as defined in related Transport Provisions, and can be regarded as providing rental and labour services in nature.

Other licenses

Prior to adopting the "separation of drivers and vehicles" model, TMTC Travel owns the operational vehicles and hired chauffeurs to provide chauffeured services within the same entity, ie. it combined services of the vehicle and driver, therefore TMTC Travel was subject to the Transport Provisions and obtained the required Road Transport Operation Permit. In view of being the most cost efficient and reduce non-compliance risk, TMTC Rental and TMTC Travel have adopted the "separation of drivers and vehicles" model.

As at the Latest Practicable Date, TMTC Travel still qualified and obtained the Road Transport Operation Permit (*Beijing Transportation Administration Travel Permit Zi No. 110105003377*), permits TMTC Travel to operate in chartered transportation under the Transport Provisions. TMTC Travel also obtained Vehicle Operation Certificate for two of its vehicles.

Pursuant to Article 10 of the Transport Regulation, as TMTC Travel's Road Transport Operation Permit has been granted, the Vehicle Operation Certificate should also be allocated by right. However, due to suspend of issuance of such certificate by the Beijing government, only two vehicles owned by TMTC Travel have been provided with it. Please refer to the section headed "Opinions of Related Competent Departments and Experts" below for further details.

To sum up, the Transport Provisions is only applicable to chartered transportation. As TMTC Rental and TMTC Travel operate under "separation of drivers and vehicles" model and is different from the chartered transportation as defined in related Transport Provisions, TMTC Rental, TMTC Travel and TMTC Group are not subject to the Transport Provisions and is in full compliance with all applicable rules and regulations.

Administrative Penalties

Related administrative penalties

TMTC Rental has not been subject to any administrative penalties.

As of the date of the legal opinion issued by the PRC Legal Advisor, TMTC Travel has been subject to a total of seven administrative penalties for its road passenger transport activities, specifically as follows:

(i) On 22 May 2018, a fine RMB60,000 of was imposed for engaging in road shuttle passenger transport operations beyond the scope of permitted items;

(ii) On 28 August 2019, a fine of RMB5,000 was imposed for providing passenger transport services with a vehicle that has obtained the road passenger transport operation permit but without the vehicle operating certificate;

(iii) On 6 September 2019, a fine of RMB3,000 was imposed for providing passenger transport services with a vehicle that has obtained the road passenger transport operation permit but without the vehicle operating certificate;

(iv) On 23 July 2020, a fine RMB30,000 was imposed for engaging in road passenger transport operations beyond the scope of permitted items;

(v) On 10 August 2020, a fine of RMB4,000 was imposed for providing passenger transport services with a vehicle that has obtained the road passenger transport operation permit but without the vehicle operating certificate;

(vi) On 28 August 2020, a fine of RMB5,000 was imposed for providing passenger transport services with a vehicle that has obtained the road passenger transport operation permit but without the vehicle operating certificate;

(vii) On 14 April 2021, a fine of RMB30,000 was imposed for engaging in road passenger transport operations beyond the scope of permitted items.

Description of administrative penalties

All the above administrative penalties have been settled and there are no circumstances that affect the daily business operation.

The three administrative penalties (item (i), (iv) and (vii)) for "road passenger transport operations beyond the scope of permitted" item were caused by the private use of vehicles by customers after the rental agreement was signed by TMTC Travel with the customers. For example, on 14 April 2021, a fine of RMB30,000 was imposed for engaging in road passenger transport operations beyond the scope of permitted items; according to the responsible person of TMTC Travel, the administrative penalty was caused by the inter-city chartered bus operation following the rental of the vehicle from TMTC Travel by a customer. The scope of Road Transport Operation Permit currently held by the TMTC Travel only allow intra-city passenger transport, and the use of TMTC Travel vehicle to engage in inter-city passenger transport is clearly beyond the scope of permitted items and in violation of laws.

For these unauthorised use of vehicles, TMTC Travel and the customer has entered into supplemental agreement where, "Party B (the customer) shall rent the vehicles of Party A (TMTC Travel) for the purpose of shared shuttle bus business or providing shuttle bus services for third parties, and should the rented vehicles be subject to traffic administrative penalties, Party A shall have the right to recover from Party B upon completion of settlement." In accordance with such agreement, TMTC Travel has made a recovery from the customers.

In response to the private use of the vehicles by customers beyond the scope of permitted items mentioned above, TMTC Travel has established a strict management system to rigorously control the use of vehicles in bid to eliminate the unauthorized use of vehicles. To minimize the losses of the company, when signing a rental agreement with a third party, TMTC Travel will also require the customers agree to a clause to compensate TMTC Travel for losses incurred as a result of the penalties caused by unauthorised use of the vehicle.

As for the four administrative penalties for the use of a vehicle that has obtained the road passenger transport operation permit but without vehicle operating certificate, although TMTC Travel strictly adheres to the operation mode of "separation of drivers and vehicles" to ensure the legal compliance of its business, at the time when the administrative law enforcement officials issued the penalties, the law enforcement officials did not make enquiry into whether the vehicle driver was in fact an employee of TMTC Travel, and thereby should be exempted from the administrative penalties. According to the PRC Legal Advisor, TMTC Travel should be exempt from the administrative penalties if it appeals against the administrative penalties on the ground of "separation of drivers and vehicles". However, having considered the time and costs involved in initiating a legal proceeding to appeal against the administrative penalties and the actual amount of the administrative penalties incurred, the Company decided not to proceed with the legal proceeding. Moreover, such administrative penalties exerts no impact on the existing Road Transport Operation Permit qualification and normal business operation of TMTC Travel. Considering the actual economic costs and comprehensive benefits, TMTC Travel decided not to appeal against these previous administrative penalties.

As for why even Article 10 of the Transport Regulation provided that an operator with Road Transport Operation Permit granted, the Vehicle Operation Certificate should also be allocated by right and yet due to the rapid development of road transport enterprises of new type of passenger transport, the issuance of Vehicle Operation Certificate is unable to catch up with the development rate of transport enterprises, resulting in the fact that such situations are prevailing in the domestic road passenger transport industry.

However, despite the administrative penalties, which are usually only fines, the fundamental purpose of Vehicle Operation Certificate is to control the quality, performance and technical level of the vehicles. When applying for the Road Transport Operation Permit, TMTC Travel must provide vehicles compatible with its operation that have been tested and qualified. Therefore, obtaining of the Road Transport Operation Permit is sufficient to prove that TMTC Travel has satisfied the fundamental purpose of regulation and is allowed to conduct its existing business in accordance with laws. According to TMTC Travel, the current average daily dispatch volume is 620 shifts, which means an average annual dispatch volume of 226,300 shifts, and since the establishment of TMTC Travel for 31 years, the dispatch volume is at least one-million level shifts. TMTC Travel has only received four administrative penalties clearly show that not being fully issued with the Vehicle Operation Certificate does not affect the normal business operations of TMTC Travel.

In addition, the State Council has promulgated the *Development Plan of Modern Comprehensive Transportation System for the "13th Five-Year Plan"*, in which it is mentioned that the construction of charging facilities for new energy vehicles should be accelerated and the large-scale application of new energy means of transport should be promoted. In the *Notice on the Issuance of the First Batch of Chartered Bus Passenger Transport Capacity in 2021* issued by Beijing Municipal Commission of Transport, it is clearly stated that the energy structure of the chartered bus capacity should be entirely new energy vehicles, and the deployment of new energy capacity is already in progress. According to the signals released by this document, the current policy on *Road Permit* for new energy vehicles is being gradually relaxed. TMTC Travel has participated in the bidding for the Chartered Bus Passenger Transport Capacity Project in Dongcheng District and Miyun District, and will gradually replace the fuel buses that are difficult to be issued with the *Road Transport Certificate* due to policy reasons with new energy buses issued with the *Road Transport Certificate* later, so as to eliminate the potential compliance problems as much as possible.

In the opinion of the PRC Legal Advisor, though TMTC Travel has been subject to related administrative penalties, all of them have been settled at present. Administrative penalties for operation beyond the scope of permitted items are usually attributable to third-party customers, and strict risk control systems are in place to control such behaviors by TMTC Travel. In addition, all the penalties of this type has been recovered from the actual responsible party. In summary, it can be concluded that the operation beyond the scope of permitted items is an incidental event in the operation of TMTC Travel, and related risks were ultimately borne by the actual responsible party without affecting the daily operation of TMTC Travel. The frequency of administrative penalties for operation without the Vehicle Operation Certificate is extremely low, and the penalty for such behavior by the competent department of road transport is usually limited to fines. Since its establishment, TMTC Travel has been subject to such administrative penalties only four times, with a total fine of RMB17,000, and each fine ranging from RMB3,000 to RMB5,000, indicating that such penalties do not affect the normal business operation of TMTC Travel.

TMTC Rental has legal qualifications for operation and has never been subject to administrative penalties since its establishment, demonstrating the legal compliance of its business operations.

BUSINESS OPERATION

Vehicle services for large-scale events and honors

TMTC Rental and TMTC Travel have both provided vehicle services for many large-scale events organized by the People's Government of Beijing Municipality since their establishment. For private enterprise to provide services for political events in Beijing, it must be on the approved vendor list of the Central Government procurement system as well as the Beijing Municipality procurement system. One of the pre-requisites to be on the Two Lists is full compliance with all the laws and regulations and demonstration of outstanding professional and security performance. TMTC Group has been on the Two Lists since 2008.

In 2009, TMTC Rental, with a history of only three years, already provided vehicle services for the National Day celebration activities. It was the only private vehicle rental enterprise in the vehicle rental industry designated by the government department to provide vehicle services at that time.

TMTC Travel has also provided transportation services for the celebration of the 60th anniversary of the PRC in 2009, the APEC International Conference in Beijing in 2014, and the commemorative activities for the 70th anniversary of the World Anti-fascist War in 2015. For the successful completion of the tasks, TMTC Travel was awarded the Contribution Award for Mass Parade Support in the celebration of the 60th anniversary of the PRC.

In 2019, TMTC Travel once again provided transportation services for the celebration of the 70th anniversary of the PRC. During the service period, all the personnel and vehicles participating in the event were totally free of accidents, violations and failures, which were praised by the customers and passengers.

Position in the industry

TMTC Group is a leading all-round vehicle service providers. With many years of operation, TMTC Group has become a benchmark enterprise in the passenger transportation industry in Beijing with integrated services such as corporate shuttles/commute bus transportation, travel chartered vehicles, business chartered vehicles, airport transfers and conference vehicles, etc. It has become a symbol of reputation and quality. With the philosophy of "people-oriented and customer-first", TMTC Rental and TMTC Travel have maintained favorable and solid cooperative relationships with partners including many world-renowned enterprises, and have occupied more than 7% of the market share in the field of shuttle/commute bus providers in Beijing.

In 2009, TMTC Rental took the lead in the industry to complete the ISO9001 quality management system certification. In 2010 and 2012, TMTC Rental was successively awarded "Model Enterprise of the Year" and "Excellent Enterprise in Annual Operation and Service Assessment" by the Transportation Management Bureau of Beijing Municipal Commission of Transport.

TMTC Travel has also passed the ISO9001 quality management system certification in 2009, and is now the executive director of Beijing Road Transport Association, executive director of Beijing Taxi Cum Automotive Leasing Association and Member of Beijing Association of Small and Medium Enterprises.

OPINIONS OF RELATED COMPETENT DEPARTMENTS AND EXPERTS

Opinions of experts

Regarding the business operations of TMTC Rental and TMTC Travel, as well as the applicable legal regulations for the operation mode of "separation of drivers and vehicles", TMTC Travel has organized interviews with industry experts Mr. Zhang Yibing, Mr. Xiong Yanwu and Mr. Yang Jing.

Mr. Zhang Yibing is a Senior Engineer of China Road Transport Associations, Member of National Technical Committee for Urban Passenger Transport Standardization, Expert Member of Beijing Municipal Committee of Transport, and currently serves as Deputy Secretary General of Online Car-hailing Branch of China Urban Public Transport Association. He has undertaken a number of research and market survey tasks on vehicle rental topics for the Ministry of Transport, the Ministry of Commerce, Beijing and Shanxi Province, and has edited the national planning textbook *Vehicle Rental* (China Communications Press 2009) as well as a number of national and industry standards such as the *Specification for Vehicle Rental Service* and the *Evaluation Standards for Professional Competence of Vehicle Rental Specialists*. Mr. Zhang Yibing expressed in the exclusive interview that it was the imperfection or even the absence of local regulations and normative documents that had resulted in the unclear responsibilities of the transport administrative department for the management of chartered transportation. Though it is stipulated in the law that Vehicle Operation Certificate shall be issued to vehicles of enterprises that have obtained the Road Transport Operation Permit, the fact is that currently Transportation Management Bureau of Beijing Municipal Commission of Transport is strictly controlling the vehicle certificate of new vehicles, and in principle, no new Vehicle Operation Certificate will be issued. Therefore, the result is that private road passenger transport entities generally operate vehicles without the Road Transport Certificate. However, Mr. Zhang Yibing holds that, in the field of large-sized bus rental in Beijing, it is sufficient for the enterprises to obtain the Road Transport Operation Permit, so the operation mode of TMTC Travel is in full compliance with the industrial rules of Beijing. The current laws and regulations related to road transport do not constitute a material obstacle to the business engaged in by TMTC Travel.

Mr. Xiong Yanwu is the Chief Researcher of Transportation Science and Technology Media of China Academy of Transportation Sciences, as well as the Deputy Secretary General of the Local Passenger Transport Committee of the China Communications and Transportation Association. Mr. Xiong Yanwu expressed that, through long-term tracking research and analysis, commuter service is a new type of service business developed under the market economy in recent years, with huge market demands and promising development prospects. TMTC Travel has led the new business model of passenger transport market. At present, bus commuter services in some provinces are being incorporated into the management of road chartered bus passenger transport, and the general paid commuter services are not limited by the scale of capacity. In provinces not included in the management, commuter shuttles are also developing positively, making a great contribution to people's livelihood and travel, and local governments are highly supportive in this regard. There are no legal obstacles for enterprises to operate bus commuter services.

Mr. Yang Jing, Executive Director of Beijing Taxicab and Livery Association and President of the Automotive Leasing Branch, expressed that, in the field of road transport, the state has repeatedly emphasized the development of new industries, with operations permitted as long as not prohibited by law. The commuter services business area that TMTC Travel is currently engaged in has not yet been covered within the scope of the existing regulations and local documents, and there are no obstacles for TMTC Travel to continue to provide commuter services prior to the clarification of related laws and regulations.

Opinions of competent departments

TMTC Rental and TMTC Travel play the leading role in the private vehicle rental industry. According to the information of the PRC Legal Advisor by inquiring the official website of Beijing Municipal Commission of Transport, TMTC Rental and TMTC Travel have both been rated as qualified in the annual quality and reputation management assessment of enterprises in the vehicle rental industry by Beijing Municipal Commission of Transport for the years 2018-2020 with public information. According to the responsible person, TMTC Rental and TMTC Travel were also assessed as qualified enterprises in the years without public disclosure. In addition, TMTC Rental and TMTC Travel have been awarded several bids in government procurement practices implemented by the People's Government of Beijing Municipality and national government departments at all levels, providing vehicle services for various government events such as the National Day Celebration, the Olympic Games and international conferences, and no violations have occurred for any of the vehicles and personnel involved. According to the responsible person, both companies have been included into the Two Lists of government procurement and have been providing vehicle services for various government activities all year round. Such public documents of the competent departments and related government actions are sufficient to demonstrate the legal compliance of the operation of TMTC Travel.

NOTES ON PREVIOUS LEGAL OPINIONS

In accordance with the *2016 Legal Opinions on the Acquisition of TMTC Rental by National United Resources Holdings Limited* (the "**2016 Legal Opinions**") issued by Kunlun Law Firm in August 2016, the lawyers of Kunlun Law Firm interpreted the operation mode of TMTC Travel, i.e., "separation of drivers and vehicles" as follows: "Our lawyers believe that, the provisions of abovementioned laws require that the operators of passenger transport who have obtained the Road Transport Operation Permit shall have the Vehicle Operation Certificate, in this case, the vehicle owner shall be the operator and the driver shall be the employee of such operator.

At present, TMTC Travel has qualifications for vehicle rental for 9 seats or less, and utilise its own vehicles or TMTC Rental's vehicles to provide services to third parties customers. If it uses its own vehicles, it will engage Independent Third Parties' drivers; if it uses TMTC Rental's vehicles, it will procure to use its own drivers, and as the drivers and vehicles are separated, it is not subject to the abovementioned legal provisions, and the operating vehicles of TMTC Travel are not required to obtain the Vehicle Operation Certificate."

In accordance with the *2019 Legal Opinions on the Resumption of Trading of National United Resources Holdings Limited* (the "**2019 Legal Opinions**") issued by the PRC Legal Advisor on 8 November 2019, the operation mode of TMTC Travel, i.e., "separation of drivers and vehicles" was interpreted as follows: "Currently, the operation mode of TMTC Travel is the separation of drivers and vehicles (vehicle rental and driver services are provided by different entities), which is strictly defined as vehicle rental by laws and is not regulated by the *Provisions on the Administration of Road Passenger Transport and Passenger Stations (2020)*, so the fact that some vehicles are not issued with the Vehicle Operation Certificate does not constitute a violation of laws and regulations."

Both 2016 Legal Opinions and 2019 Legal Opinions hold that the same nature of operation mode of TMTC Group, that is, "separation of drivers and vehicles". Both legal opinions further hold that such operation mode is not subject to the restriction of the Transport Provisions. As such, the PRC Legal Advisor are of the view that there are no substantial differences in the interpretation of these two legal opinions on the model of "separation of drivers and vehicles", except that the legal relationship was further defined as vehicle rental by the PRC Legal Advisor in the 2019 Legal Opinions, which is fundamentally in line with the current operation of TMTC Group.

CONCLUSIONS

In the opinion of the PRC Legal Advisor:

1. TMTC Rental has the legal qualifications to engage in vehicle rental business; TMTC Travel has the legal qualifications to engage in road passenger transport and vehicle rental business. TMTC Group has the right to conduct the existing rental business and passenger transport business in compliance with laws.

2. In view of the operation model of TMTC Rental and TMTC Travel, i.e., "separation of drivers and vehicles", its business is essentially a rental relationship rather than road passenger transport, as such, TMTC Rental, TMTC Travel and TMTC Group are not subject to the Transport Provisions, the business of the TMTC Group fully complies with all applicable rules and regulations.

3. TMTC Travel should be exempted from the administrative penalties regarding the use of a vehicle that has obtained the Road Transport Operation Permit but without Vehicle Operating Certificate under "separation of drivers and vehicles", but having considered (i) the time and costs involved in initiating a legal proceeding to appeal against the administrative penalties; (ii) the actual amount of the administrative penalties incurred; and (iii) such administrative penalties exert no impact on the existing Road Transport Operation Permit qualification and normal business operation of TMTC Travel, TMTC Travel decided not to appeal against these previous administrative penalties.

4. TMTC Rental and TMTC Travel have been included in the Two Lists of government procurement and have provided vehicle services for government activities for many times, and currently have business transactions with many large enterprises and public institutions and foreign-invested enterprises, with a large number of high performance and high configuration vehicles, experienced and skilled management post drivers, and a sound safety production management system. There are no obstacles to conducting their existing businesses in accordance with laws.

5. With regard to the 2016 Legal Opinions and the 2019 Legal Opinions, the PRC Legal Advisor holds that there are no material differences in the interpretation of the mode of "separation of drivers and vehicles".

V. INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications, and from the market research report prepared by iResearch, which was commissioned by us. We believe that the information has been derived from appropriate sources such as iResearch's database, publicly available information sources, industry reports, as well as data obtained from interviews and other sources. We believe that we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us or any of our directors, officers, representatives, employees, agents or professional advisors, or any other person or party (except iResearch) involved in the Restructuring, and no representation is given as to the completeness, accuracy, or fairness of such information. Accordingly, such information should not be unduly relied upon.

SOURCES OF INFORMATION

Founded in 2002, iResearch is an independent PRC-based market research institution that provides consumer insights and user data to companies in various industries, including consumer goods, advertising, mobile internet, finance, e-commerce, big data, information technology, etc.

The Group has agreed to pay a commission fee of approximately RMB150,000 for the iResearch Report on China shuttle/commuter bus services industry. The iResearch Report was compiled using both primary and secondary research conducted in China. Primary research involved interviews with industry experts, enterprises, and channels. Secondary research utilized relevant economic data, industry data, information and statistics published by government departments, publications and studies by industry experts, annual and quarterly reports of public companies, other research reports issued by iResearch, online resources and data from iResearch's research database.

When making projection on the size of the related markets in China, iResearch takes into consideration various factors, including (i) historical market size data, (ii) the public filings of, and other publicly available information regarding, major shuttle/commuter bus services providers, and those companies' projections of the related industries from iResearch's interviews or communications with them, and (iii) iResearch's views and forecast on industry developments. iResearch has prepared the iResearch Report on the assumptions that (i) the social, economic and political environments of China will remain stable during the forecast period, which will facilitate a sustainable and steady development of China shuttle/commuter bus services industry, (ii) the domestic economic condition has recovered since the second quarter of 2020 and is expected to continue to recover gradually from the impact of COVID-19 outbreak, (iii) the data quoted from authoritative agencies remain unchanged, (iv) related key industry drivers remain relevant and applicable in the forecast period, and (v) there will be no subversive changes to the related industries.

iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are factual, correct, not misleading and fairly presented.

After making reasonable inquiries, the Directors confirm that there has been no material adverse change in the market information presented in the iResearch Report since the date of its issuance which may qualify, contradict or impact the information in this section.

OVERVIEW OF THE SHUTTLE/COMMUTER BUS SERVICES INDUSTRY IN CHINA

Definition of Shuttle/Commuter Bus Service

Commuter bus service meets the daily commuting needs of people in government/public institutions/enterprises/schools, etc., as well as the need for shuttle services for commercial activity or special events, and is a passenger service with generally pre-agreed models, times, routes, and starting and ending points. The following table illustrates the segmentation and main characteristics of the China shuttle/commuter bus service market by different criteria:

Segmentations of Commuter Bus Service Market by Customer Type

Client Type		Service Characteristics
Business	Government & Public Institution	• Provide standardized services, such as standardization of vehicle models and drivers' dress and speech • It is mainly used for the daily commuting of employees and the commuting of guests at large conferences such as "Two Sessions"
	Traditional Enterprise	• Provide customized services, such as customized seats with logo • It is mainly used for the daily commuting of employees
	Internet Technology Company	• Provide detailed services with high flexibility of bus scheduling time and route • It is also used for employees' official travel and pays more attention to service quality
	School	• Provide services focusing on student safety, such as customized school bus seats for juveniles and driver training
Consumer	Individual Customer	Provide cost-effective bus and driver integrated service

Segmentations of Commuter Bus Service Market by Application

Applications		Service Characteristics
Commuting	Commuter Bus	• Provide regular route and time shuttle bus rental services with drivers from Monday to Friday
	Shuttle Bus	• Provide fixed circular route bus rental services with drivers between different office locations in cities
Commercial Activity	Exhibition Activities	• Provide passenger transportation services with drivers for arriving and departing large-scale exhibitions, music festivals and other social activities
	Travel Transfer	• Provide passenger transportation services with drivers arranged according to the flight or train serial number, mostly one-way
	Group Construction of The Company	• Provide cross-provincial long-term rental services with drivers
Vehicle Rental		• Bus rental without drivers for customers who have their own drivers

Source: iResearch Report

The Value Chain and Landscape of China Shuttle/Commuter Bus Service Industry

Shuttle/commuter bus service providers purchase the vehicles needed for business from large and medium-sized passenger bus manufacturers and in some cases need to customize the appearance and interior of the bus according to the specific demands of customers. Typical large and medium-sized passenger bus manufacturers include Golden Dragon, Yutong and Zhongtong Bus, etc. Correspondingly, new energy shuttle/commuter buses and fuel shuttle/commuter buses require fuel and charging pile suppliers in their daily operations. Insurance companies such as Ping An Insurance, China Life Insurance and China Pacific Insurance, as well as bus maintenance providers, are also important partners for shuttle/commuter bus service providers.

The downstream of the shuttle/commuter bus service market can be classified into institutional customers and individual customers, of which institutional customers account for most of the market share. Institutional customers include traditional companies, Internet technology companies, governments and public institutions, and schools.

The value chain of China shuttle/commuter bus service industry is shown as the following flowchart:

Note: The shuttle/commuter bus service providers in the flowchart only list the major companies in Beijing, i.e. the main competitors of the Company.

Source: iResearch Report

Business Model and Characteristics of Shuttle/Commuter Bus Service Providers

According to iResearch, the collaborative model between shuttle/commuter bus service providers and customers has the following characteristics:

- *Contract Term:* Shuttle/Commuter bus service providers tend to seek longer-term, stable partnerships to reduce operational risks associated with capital investment and amortize customization costs, while customers prefer to shorten the term of a single service contract to maintain flexibility in supplier selection, thereby incentivizing suppliers to maintain high service levels and respond to changes in commuter demand as companies expand or shrink in size. As a result, the current service contracts in the shuttle/commuter bus industry are generally for three years or less, and innovative models such as "one year plus one year" or "one year plus one year plus one year" have been created. The customer will evaluate the supplier at the end of the service period each year and has the option to renew or cancel the contract if the agreed conditions are triggered.

- *Service Provider Selection Criteria:* Customers' selection criteria for shuttle/commuter bus service providers include five main aspects, namely price, service quality, safety, operational qualification and service flexibility. Different types of customers value different aspects. For example, government and public institutions place the highest value on operational qualifications, followed by service quality and safety. Traditional companies place the highest value on both price and operational qualifications. Internet technology companies place the highest value on flexibility of service due to the rapid changes in their scale and business, and schools undoubtedly place the highest value on the safety of shuttle/commuter bus operations.

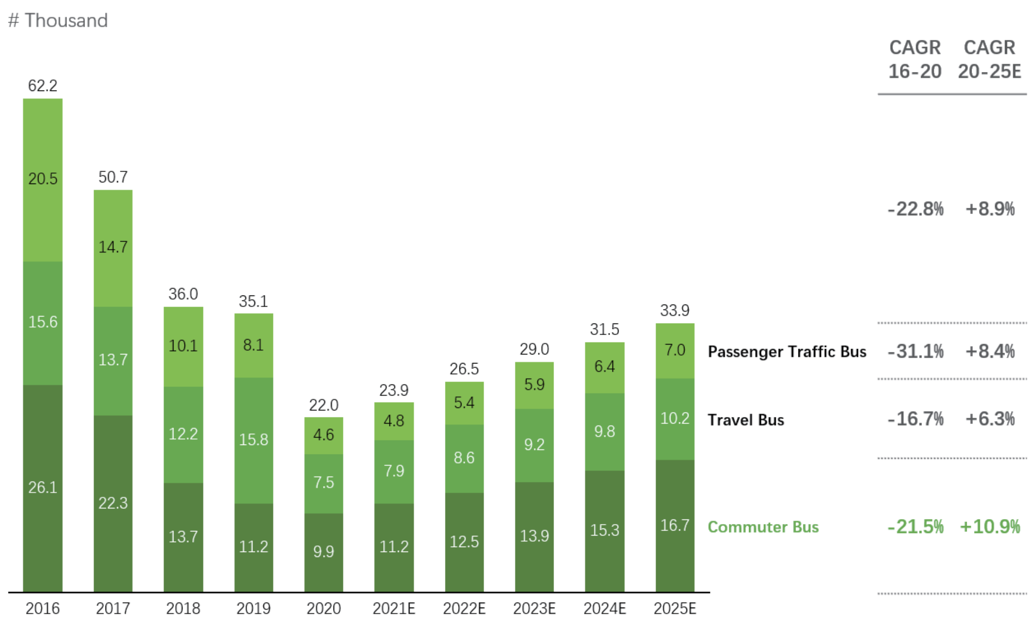
Regarding the pricing model of shuttle/commuter bus services, there are mainly two pricing methods in the industry: fixed prices and fixed prices combined with floating prices. The fixed price mainly depends on the bus purchase cost, driver's salary, vehicle maintenance cost, insurance cost, etc., while the variable price mainly includes fuel costs and mileage. In quotes that include variable prices, fixed fees typically account for 90% or more of the price.

Market Size of Shuttle/Commuter Bus Service Market in China

In the past five years, due to the popularization of private cars and high-speed rail, as well as the withdrawal of government subsidies for new energy vehicles, the sales of large and medium-sized passenger vehicles have entered a downward cycle from the peak. The travel restriction policy brought by COVID-19 further restrains the demand for passenger cars.

However, the shuttle/commuter bus market in China is expected to re-enter the upward cycle with the easing of the pandemic and the disappearance of policy influences. According to iResearch, the sales of large and medium-sized passenger buses in China reach 22,086 units in 2020 and are expected to reach 33,874 units in 2025, with a projected CAGR of 8.9% over the next five years. The demand for the shuttle/commuter bus market has grown steadily. The vehicle sales volume is expected to reach 16,702 in 2025, with a CAGR of 10.9%, which is the fastest-growing segment.

Sales of large and medium-sized passenger buses in China by vehicle usage, 2016-2025E

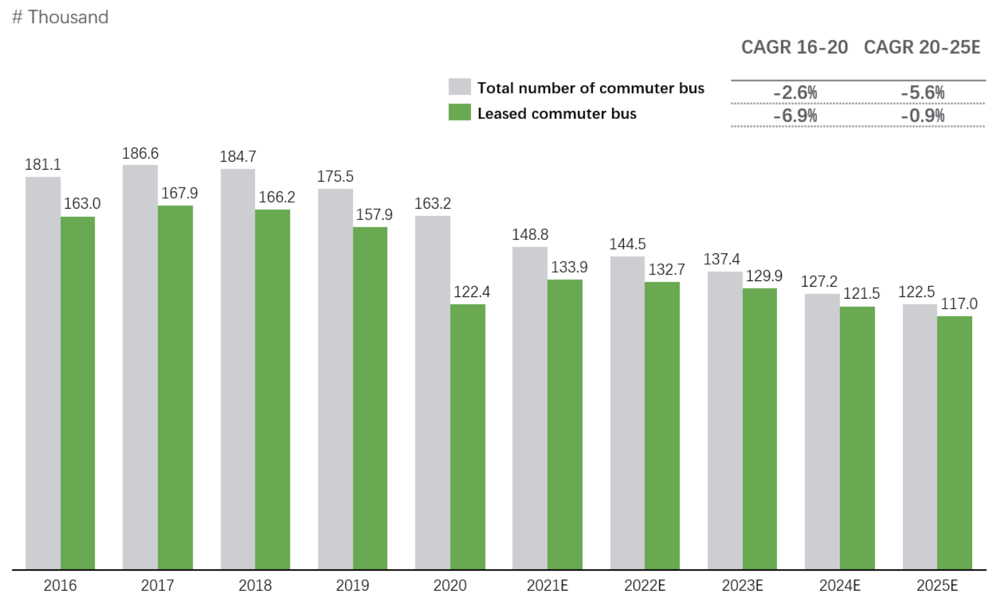


Note: This sales volume is for passenger buses with seats over 7 meters in length, excluding buses and special school buses.

Source: iResearch Report

There is a lag in the impact of shuttle/commuter bus sales on market ownership, and the number of leased shuttle/commuter buses may slightly decline in the next few years. Considering vehicle mileage and maintenance status, the average replacement cycle for shuttle/commuter buses is 5-6 years, so the impact of the sales decline lags accordingly. However, profit from the refined operations of service providers and the elimination of older models, vehicle utilization rates are expected to increase in the future, resulting in an overall stable number of leased shuttle/commuter buses. According to iResearch, the number of shuttle/commuter buses in China is 163,197 in 2020, of which the number of leased shuttle/commuter buses is about 122,398. It is expected that the number of shuttle/commuter buses in China decreases to 122,545 in 2025, and the number of leased shuttle/commuter buses decreases slightly to 117,030.

Total number and leased shuttle/commuter buses in China, 2016-2025E



Note: Leased shuttle/commuter bus refers to a vehicle that has provided shuttle/commuter bus service at least once in a year

Source: iResearch Report

The shuttle/commuter bus service market size is likely to rise steadily in the post-pandemic era. China's shuttle/commuter bus service market is expected to grow from RMB19.6 billion in 2020 to RMB23.9 billion in 2025, with a CAGR of 4.1%. After the outbreak of the pandemic in 2020, the nationwide "work from home" special policy has significantly reduced people's commuting needs, resulting in a year-on-year decrease of about 20% in the market size. The shuttle/commuter bus service market has rebounded since 2021 as China has largely resumed normal production operations. On the other hand, shuttle/commuter bus services tend to become more refined. High-quality vehicles and services will promote the increase of average transaction value and drive the growth of the market scale.

Market size of shuttle/commuter bus service market in China, 2016-2025E

Source: iResearch Report

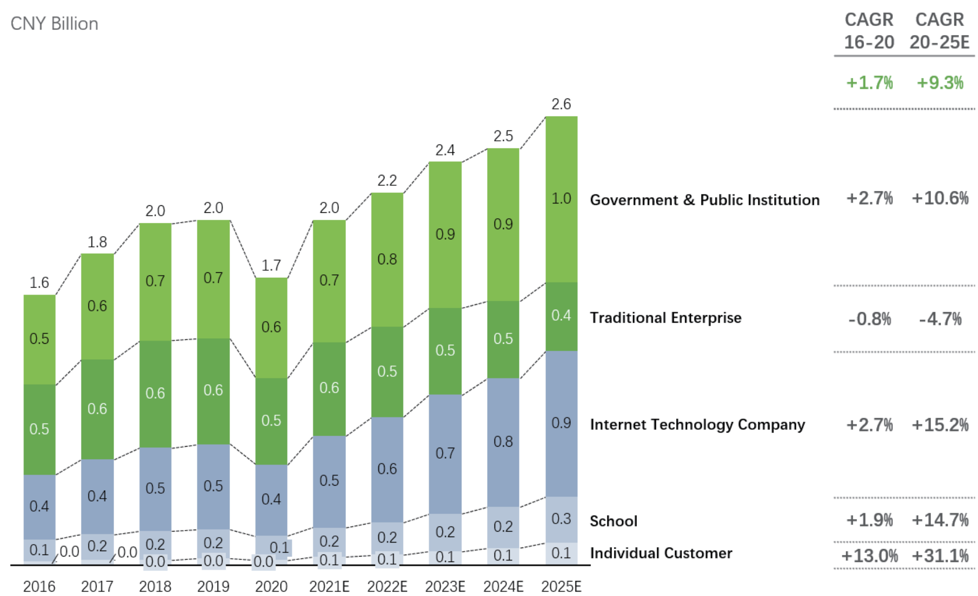
THE SHUTTLE/COMMUTER BUS SERVICES INDUSTRY IN BEIJING

Overview of Shuttle/Commuter Bus Service Market in Beijing

Beijing shuttle/commuter bus service market size reaches RMB1.7 billion in 2020 and is expected to reach RMB2.6 billion in 2025, with a CAGR of 9.3%. The Beijing market accounts for about 8.7% of the national market in 2020.

- *In terms of the segmentation by customer type:* Institutional customers occupy the lion's share, and business models for individual customers are still in the exploration process, accounting for about 2% of the Beijing market in 2020. Beijing's traditional enterprises will continue to move out in the future, with a declining market share. Internet technology companies are growing faster and in line with Beijing's urban development positioning, resulting in considerable incremental commuting demand.

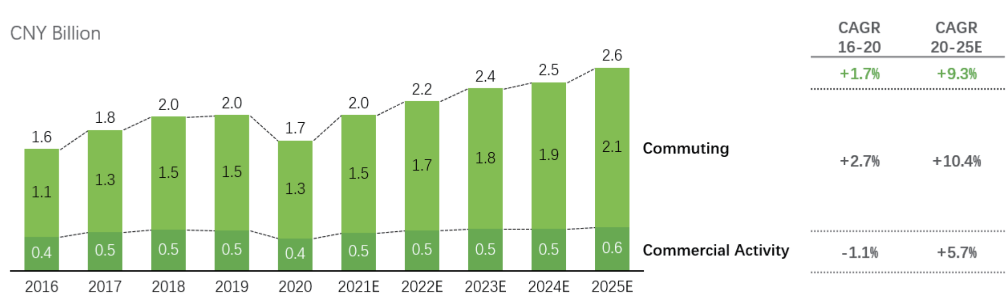
Market size of shuttle/commuter bus service market in Beijing by customer type, 2016-2025E



Source: iResearch Report

- *In terms of the segmentation by application:* The bus service that meets daily commuting needs occupies a major position, reaching $1.3 billion in 2020, accounting for about 75% of the overall market. Shuttle/commuter bus demand for temporary commercial activities is more sporadic, with a smaller overall market share and flat growth.

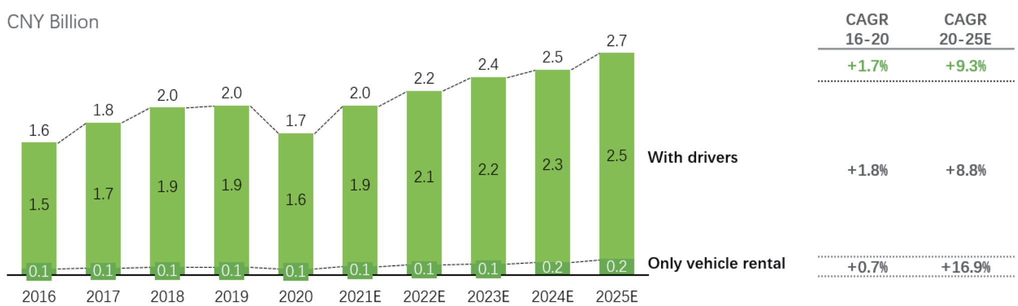
Market size of shuttle/commuter bus service market in Beijing by application, 2016-2025E



Source: iResearch Report

- *In terms of the segmentation by service mode:* It is worth noting that in the past, the percentage of shuttle/commuter bus services without drivers has continued to decline as fewer client organizations hire full-time drivers. However, as bus service platforms grow in the future, there will be teams of drivers operating on the platforms and needing to rent buses, as the percentage of bus rentals without drivers will gradually increase.

Market size of shuttle/commuter bus service market in Beijing by service mode, 2016-2025E



Source: iResearch Report

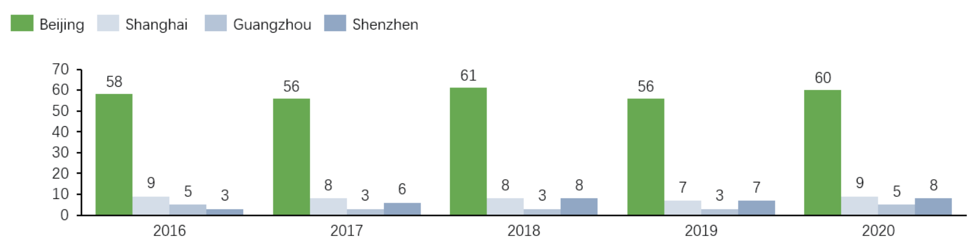
Key Drivers of the Shuttle/commuter Bus Service Market in Beijing

According to the iResearch Report, key market drivers for the shuttle/commuter bus service market in Beijing include:

- *Shuttle/commuter buses become a better solution considering the difficulties of commute in Beijing.* Compare to other tier 1 cities, Beijing has the largest number of employees in urban areas, reaching 7.54 million in 2020, which refers to high potential demand and possible market of shuttle/commuter bus. Besides, Beijing is the only city with an average one-way commute that takes more than 45 minutes for individuals. In terms of the road connectivity index, a reasonable city road connectivity is between 3.6-3.9, but the index in Beijing is only 3.23, which is far lower than the reasonable value and is the lowest index number among all tier 1 cities. The above pain points make the customized shuttle/commuter bus a better solution for transportation, due to its convenience and low cost.

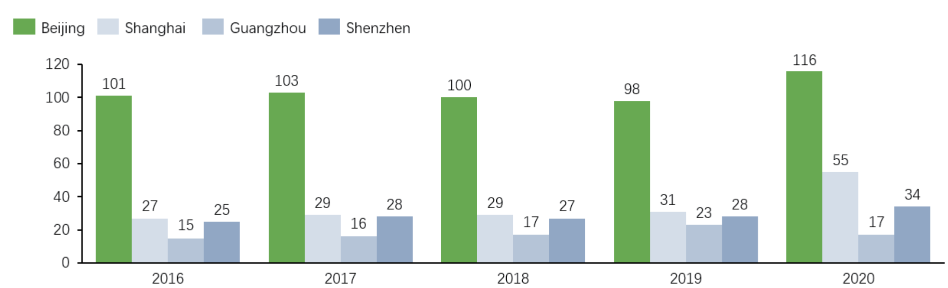
- *Beijing has the largest number of big companies that exists a huge potential demand.* Research and interview show that most of the enterprises renting shuttle/commuter buses are companies with big size. These companies usually have a large number of employees and have a sufficient budget for paying employee's commute. Therefore, companies in Fortune Global 500 and Fortune China 500 could provide the most possible potential demand for shuttle/commuter buses. And Beijing has the largest number of both types of companies. This has become a great driver for the growth of the Beijing shuttle/commuter bus industry.

The number of Fortune Global 500 enterprises in tier one cities, 2016-2020



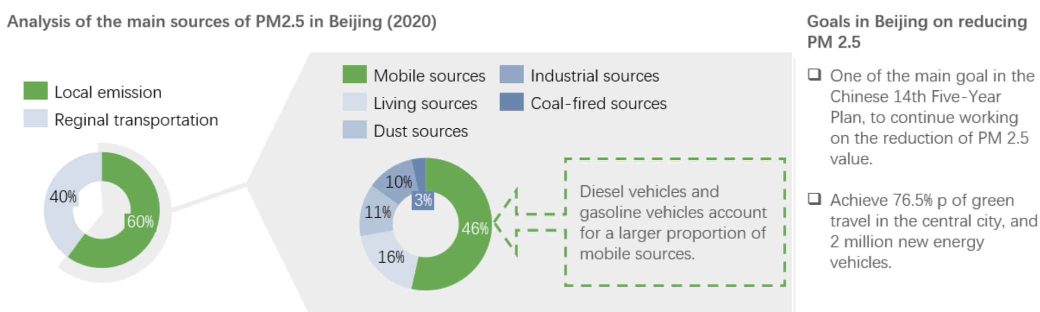
Source: iResearch Report

The number of Fortune China 500 enterprises in tier one cities, 2016-2020



Source: iResearch Report

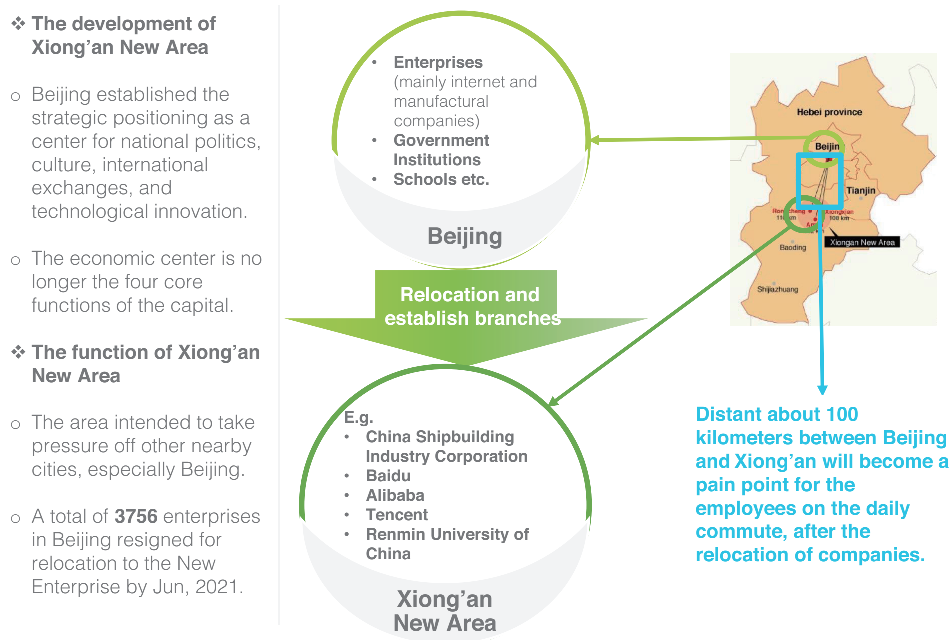
- *Group commuting becomes an effective solution to environmentally friendly transportation.* Beijing has the highest carbon dioxide emission from employee commute, while carbon dioxide emission per unit of a bus is only 30% of the private car. Group commuting, therefore, becomes a great solution to the reduction of carbon dioxide emission due to employee commute. Diesel vehicles and gasoline vehicles are the major pollution source of PM 2.5, Besides, to achieve a higher proportion of green travel in the city, group commuting scenario become an effective solution. Relevant data and information are shown in the following charts:



Source: iResearch Report

- *Increasing commuting distance makes the shuttle/commuter bus a more effective transportation solution.* According to government policy, enterprises and institutions out of the core function of Beijing will be encouraged to relocate to Xiong'an New Area. The collective relocation of large companies has made commuting distances longer for many employees, which has led to a significant increase in the cost of commuting through online car-hailing or taxis. Besides, the public transportation development between these areas may not deal with the last kilogram transport from the station to home. So in this case, group commuting becomes a good solution as it can provide customization of transportation rote, and the unit cost is lower than individual commuting.

Relocation of Beijing's enterprises and institutions to Xiong'an New Area



Source: iResearch Report

Major Trends of the Shuttle/commuter Bus Service Market in Beijing

According to the iResearch Report, the shuttle/commuter bus service market in Beijing has exhibited several notable trends in recent years, including:

- *Increase in concentration of the shuttle/commuter bus service market in Beijing.* On the one hand, an increase in the cost of operation would result in small companies without economic scale quit the market. The average wage level continues to increase in Beijing, which results in an increase in the cost of drivers for shuttle/commuter bus companies. Furthermore, private companies, especially internet companies regard customization services as one important factor, and small companies without the ability to provide better service will enter a price-cutting race result in a low-profit margin. On the other hand, a rise in customer standards would make small companies more likely to quit the market due to a lack of competitiveness. Customers are more likely to cooperate with shuttle/commuter bus providers having adequate qualifications and a high level of management, which could largely increase trust and reduce the risk of cooperation. Past experiences are always an important indicator for new customers to evaluate the capability of service providers. However, small companies in the market generally lack the experience of serving big customers, and thus reduces competitiveness in the future.

- *Beijing's shuttle/commuter buses will tend to be replaced with pure electric vehicles.* To achieve the goal of 2 million vehicles during the 14th Five-Year Plan period, Beijing needs to replace at least 1 million existed fuel vehicles with new energy vehicles by the year 2025. In addition to policy subsidies for new energy vehicles, Beijing also attaches great importance to the construction of new energy infrastructure such as charging stations. According to the "Beijing Action Plan for Accelerating the Construction of New Infrastructure (2020-2022)", Beijing needs to achieve full coverage of charging stations at key intersections in urban areas by 2022, and will build more than 50,000 electric vehicle charging stations and build about 100 battery swapping stations.

- *Services provided by shuttle/commuter bus companies tend to be more refined based on diversification of service required and in order to improve competitiveness.* Traditional shuttle/commuter bus service providers had the similar quality and design of buses, the similar services provided by the drivers, and uniformed systematic customer evaluation feedback system. As market competition intensifies and the industry consolidates, service providers need to provide customized and high-quality buses, offer services with different focuses based on different customer needs, and establish a comprehensive customer feedback system.

- *Moving towards the 2C model and integrating online platforms is likely to become a future trend for the shuttle/commuter bus industry.* In the 2B model, shuttle/commuter bus providers directly cooperate with the enterprises' side by signing a contract and are usually offline. While in the 2C model, shuttle/commuter bus providers could have a direct connection with customers (or passengers) through an online platform, and individuals can book a seat online. For instance, the customized bus for schools is an innovative solution to traffic problems around campuses. It not only ensures the safety of students during their trips by making their travel status visible through APP in real-time but also alleviates the traffic congestion caused by a large number of private cars picking up students. In addition, it integrates the public transportation resources, and guides citizens' travel preferences from cars to public transportation. In 2021, the Municipal Transportation Bureau of Shenzhen opened 11 bus routes for a middle school, which covered areas with a high living concentration of students. So far the service could satisfy about 650 students traveling needs between living place and school. The service is well recognized by parents and schools, and the Bureau further planned to open another 40 custom bus routes in other schools.

Key Success Factors of Shuttle/commuter Bus Service Providers in Beijing

According to the iResearch Report, the following are the key success factors for Beijing's leading shuttle/commuter bus service providers:

- *Operation qualification and focus on security.* Shuttle/commuter bus service providers need to obtain the appropriate vehicle license and business qualifications, including the Business license, and Provisions on the Administration of Road Freight Transport Suppliers. They also should ensure that drivers are qualified, providing comprehensive driver training and regular assessment of training, and positioning and monitoring vehicle status to ensure the safety of passengers.

- *Reduce costs and increase efficiency.* Leading shuttle/commuter bus service providers use an information technology platform to dispatch resources, improve resource utilization, avoid idle vehicles causing waste of resources, and control operating costs. Real-time planning and rational scheduling of driver trip routes are also indispensable.

- *Pursue more customized services.* Differentiate the management of the corresponding team according to the focus of the customer's assessment to achieve long-term cooperation with the customer and refined service from customer needs to improve customer comfort and satisfaction.

COMPETITIVE LANDSCAPE OF SHUTTLE/COMMUTER BUS SERVICE MARKET IN BEIJING

Ranking of Main Competitors of Beijing Shuttle/commuter Bus Service Market

According to the iResearch Report, the ranking for shuttle/commuter bus service providers in Beijing is set in the below table. In terms of shuttle/commuter bus service related revenue in 2020, TMTC Group ranks 3rd in the Beijing shuttle/commuter bus service market and 1st among private enterprises, with a market share of 7.0%.

As state-owned enterprises, Company A and Company B have the strong financial strength and unique market positions, focusing on serving government and public institution customers. TMTC Group is deeply engaged in the corporate and school customer market and is a leading company among private enterprises.

Beijing shuttle/commuter bus service market is relatively concentrated, with ten major players holding a total of 54.4% of the market share. Under the impact of the pandemic, the clearance of small-scale enterprises has accelerated, and the industry concentration is expected to further increase.

Top 10 shuttle/commuter bus service providers in Beijing, 2020

	Company	Enterprise Property	Revenue in 2020 (RMB MN)	Number of buses owned	Market share by revenue 2020
1	Company A	State-owned equity participation	~221	~1900	~13.0%
2	Company B	State-owned	~210	~1500	~12.4%
3	**TMTC Group**	**Private Enterprise**	**120**	**~820**	**7.0%**
4	Company C	Private Enterprise	~80	~1200	~4.7%
5	Company D	Private Enterprise	~67	~450	~3.9%
6	Company E	Private Enterprise	~60	~350	~3.5%
7	Company F	State-owned	~50	~550	~2.9%
8	Company G	State-owned equity participation	~45	~300	~2.7%
9	Company H	Private Enterprise	~40	~250	~2.4%
10	Company I	State-owned	~30	~180	~1.8%
	Total		**923**	**7525**	**54.4%**

Note:

1. Only shuttle/commuter bus service related revenue in 2020 is counted.

2. The number of buses owned refers to the number of medium and large shuttle/commuter buses, not including tourist buses.

3. Revenue, the number of buses owned and market share are all estimates based on public information combined with expert interviews and may deviate slightly from actual data.

Source: iResearch Report

Barriers to Entry in Beijing Shuttle/commuter Bus Services Market

According to the iResearch Report, the Beijing shuttle/commuter bus service market has the following entry barriers:

- *Asset-heavy Business.* As an asset-heavy business model, sufficient capital is required to enter the market. Although shuttle/commuter bus service providers mainly pay in installments when purchasing buses, it is still a huge capital investment in the early stage, and the vehicles need to be maintained and updated continuously during operation. During the period of the macroeconomic downturn and the reduction in customer orders, it is still necessary to repay car loans regularly, which requires high cash flow management capabilities.

- *Client Resources.* The concentration of customers in the Beijing market is relatively high as those who need shuttle/commuter bus services are mainly large enterprises. The large customers have a stable list of service providers, and they like to establish long-term cooperative relations. Therefore, new entrants in the shuttle/commuter bus industry find it more difficult to acquire key customers when they have insufficient fleet size, industry reputation, and service experience.

- *Operating Qualifications.* Shortage of number plate resources in Beijing, the difficulty for new companies to obtain number plate resources leading to increased time cost. Moreover, with the young workforce showing little interest in bus driving and the difficulty of obtaining an A1 driver's license, qualified shuttle/commuter bus drivers are a scarce resource.

VI. HISTORY AND DEVELOPMENT

The history of the business of the TMTC Group can be traced back to 2006 when Mr. Ji, Mr. Guo and Mr. Xing Jie founded TMTC Rental in the PRC to provide comprehensive shuttle bus and car rental services and transportation services in Beijing.

TMTC Rental was owned as to 51% by Mr. Ji, 25% by Mr. Guo and 24% by Ms. Chen Jianmei, the spouse of Mr. Xing Jie.

Mr. Ji and Mr. Guo have been managing and overlooking the business operation and development of TMTC Rental, while Mr. Xing Jie was a passive investor.

In 2008, TMTC Rental acquired the entire issued share capital of 北京市民運旅行社 (Beijing Minyun Travel Agent*) and changed its name to TMTC Travel, which in turn became a wholly owned subsidiary of TMTC Rental.

As part of the structural reorganisation , the purpose of which was to streamline the process of the acquisition by the Company of the entire issued share capital of Gear World and to comply with 外商投資產業指導目錄(2015年修訂) (Catalogue of Industries for Guiding Foreign Investment (2015 Amended version)*) which imposed a limit that foreign ownership in TMTC Travel could not exceed 50% of the equity interest in TMTC Rental, the following steps were taken:

(1) on 30 August 2016, each of Mr. Ji, Mr. Guo and Mr. Xing Jie transferred all their interest in TMTC Rental to Shangdong Gold Vantage, which was held as to (i) 50% by Blissful Elite Limited, a company incorporated in the BVI and wholly owned by Mr. Jason Shi (alias Mr. Ji Sen), the son of Mr. Ji; and (ii) 50% by Nation Spirit Limited, a company incorporated in the BVI and wholly owned by Ms. Gu Baorong, a friend of Mr. Xing Jie (an independent third party). Mr. Jason Shi (alias Mr. Ji Sen) held the 50% interest in TMTC Rental on trust for Mr. Ji and Mr. Guo. Ms. Gu Baorong held the 50% interest in TMTC Rental on trust for Mr. Xing Jie; and

(2) on 16 July 2016, TMTC Rental and Beijing Dingyan entered into a sale and purchase agreement pursuant to which TMTC Rental sold 51% of TMTC Travel to Beijing Dingyan, which is wholly owned by Ms. Lu Zongxue, an independent third party. Pursuant to the Acquisition, the Company acquired the entire issued share capital of Gear World from Nation Spirit Limited and Blissful Elite Limited in September 2016.

On 17 July 2017, Ms. Lu Zongxue transferred the entire registered capital in Beijing Dingyan to Mr. Xing Jie, an Independent Third Party and one of the founders of TMTC Group. For further details, please refer to the paragraph headed "The Acquisition" below.

MILESTONES

The following table sets out the summary of the key milestones in the development of the TMTC Group:

Year	Events
2006	TMTC Rental was established and commenced vehicles rental business
2008	TMTC Rental acquired the entire issued share capital of 北京市民運旅行社 (Beijing Minyun Travel Agent*) and rename it as TMTC Travel
2009	TMTC Rental and TMTC Travel obtained ISO9001 quality accreditation certificates respectively
2014	TMTC Rental was awarded as 誠信服務企業 (Integrity Service Enterprise*) by 北京出租汽車暨汽車租賃協會 (Beijing Taxicab and Livery Association*)
2015	TMTC Rental was awarded as 2014年度質量信譽考核良好企業 (Enterprise with Good Quality and Reputation Assessment 2014*) by 北京市交通委員會運輸管理局 (Transport Administrative Bureau of Beijing Municipal Commission of Transport*)
2015	TMTC Group purchased 400 electric buses to expand its fleet
2016	51% of the issued share capital of TMTC Travel were acquired by Beijing Dingyan
2016	TMTC Group was acquired by the Company and TMTC Rental became an indirect wholly owned subsidiary of the Company and TMTC Travel became a 49% owned associate of the Company
2016	TMTC Group further purchased 100 electric buses as part of its fleet expansion
2019	The Group, through TMTC Rental, obtained full management control over TMTC Travel

THE MAJOR OPERATING SUBSIDIARIES OF THE GROUP

TMTC Rental

One of the main operating subsidiaries of the Group is TMTC Rental. TMTC Rental was established as a limited liability company in the PRC on 3 July 2006 with a registered capital of RMB158,000,000. Following completion of the Acquisition, the entire equity interest of which is indirectly held by the Company. It is principally engaged in the provisions of non-chauffeured vehicles rental services in Beijing and is an indirect wholly owned subsidiary of the Company.

TMTC Travel

Another main operating subsidiary of the Group is TMTC Travel, which was established as a limited liability company in the PRC on 24 April 1990 with a registered capital of RMB15,000,000 and is owned as to 49% by TMTC Rental and 51% by Beijing Dingyan. For further details, please refer to the paragraph headed "The Acquisition" below. TMTC Travel is principally engaged in provisions of (i) routed shuttle/commuter bus transportation; (ii) chauffeured vehicles rental; (iii) non-chauffeured vehicles rental; and (iv) chauffeur vehicles hire service. It also operates one charging station approximately 20 chargers for charging electric buses of the TMTC Group.

As at the Latest Practicable Date, TMTC Group had fleet size of approximately 858 vehicles, of which 449 were electric buses and 409 were traditional fuel buses, minibuses and limousines.

THE ACQUISITION

On 15 January 2016, the Company entered into a sale and purchase agreement in relation to the Acquisition. At the time of the Acquisition, the industry in which TMTC Travel was engaged in fell within the categories of "Restricted Foreign Investment Industries" according to 外商投資產業指導目錄(2015年修訂)(Catalogue of Industries for Guiding Foreign Investment (2015 Amended version)*). As such, foreign ownership in TMTC Travel could not exceed 50% of the equity interest in TMTC Travel. To comply with this requirement, the Company only acquired 49% equity interest in TMTC Travel and 51% were acquired by Beijing Dingyan, a company ultimately owned by Ms. Lu Zongxue.

However, the Listing Department concern on whether such an arrangement was made to circumvent the restriction stated in the Catalogue of Industries for Guiding Foreign Investment in its fax to the Company dated 18 January 2016. In view of the Listing Department's concern, the Company revised the relevant terms originally agreed by the parties, and made a clarification announcement dated 30 March 2016 and only acquired interested in 49% of TMTC Travel upon completion of the Acquisition, without obtaining any board, business and operational control of TMTC Travel that was disproportionate to its shareholding. As such, TMTC Travel could only be accounted for as an associated company of the Group upon completion of the Acquisition as a result.

Upon completion of the Acquisition, the Company owns the entire issued share capital of Gear World, which through its wholly owned subsidiaries Gold Vantage and Shandong Gold Vantage, owns the entire equity interest of TMTC Rental, which in turn owns 49% equity interest in TMTC Travel.

The Auditors are of the view that as Beijing Dingyan were holding 51% and TMTC Rental were holding only 49% equity interest in TMTC Travel from the Acquisition, and according to the memorandum of association of TMTC Travel, the operation and management were controlled by the executive director who was selected by the shareholders based on their shareholding. Accordingly, Beijing Dingyan with 51% interest had right to control over TMTC Travel, while TMTC Rental had no control on the selection with its 49% shareholding right. Therefore, the Auditors considered TMTC Travel as an associate of the Group before entering into of the Shareholder Control Agreement.

Despite the Company acquired only 49% of TMTC Travel without obtaining any board, business and operation control of TMTC Travel, as TMTC Travel was accounted for as an associate of the Group, the Company has always asserted significant influence[1] *(participating in financial and operating policy decisions) in TMTC Travel.*

On 17 July 2017, Ms. Lu Zongxue transferred the entire equity interest in Beijing Dingyan to Mr. Xing Jie, an Independent Third Party and one of the founders of TMTC Group. Such equity transfer was properly and legally registered with the Administration for Industry and Commerce of the PRC in January 2018. The transfer was made between Ms. Lu Zongxue and Mr. Xing Jie of the 51% of TMTC Travel held by Beijing Dingyan, the Company was not involved in the transfer and there was no change in the operation of TMTC Travel.

TMTC Travel has no board of directors, which is not uncommon for a PRC corporation. Mr. Xing Jie was appointed as the executive director. After the Acquisition and prior to the Shareholder Control Agreement, business decision were made by shareholders pursuant to their respective shareholding. The Company's role has not changed since the Acquisition until the entering into of the Shareholder Control Agreement, details of which are disclosed below.

[1] *Pursuant to HKFRS 28, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies*

SHAREHOLDER CONTROL AGREEMENT

The "Restricted Foreign Investment Industries" list has been updated in 2017, the industry in which TMTC Travel operates in no longer falls within the category of restricted foreign investment. Given the Listing Department's new concern in TMTC Group, in particular the opacity of TMTC Travel's business, operation and financial results (mainly because of not being consolidated as a subsidiary of the Company), and to be consistent with the current operation model and to formalise the management arrangement, TMTC Rental and Beijing Dingyan entered into the Shareholder Control Agreement, set out below are the principal terms:–

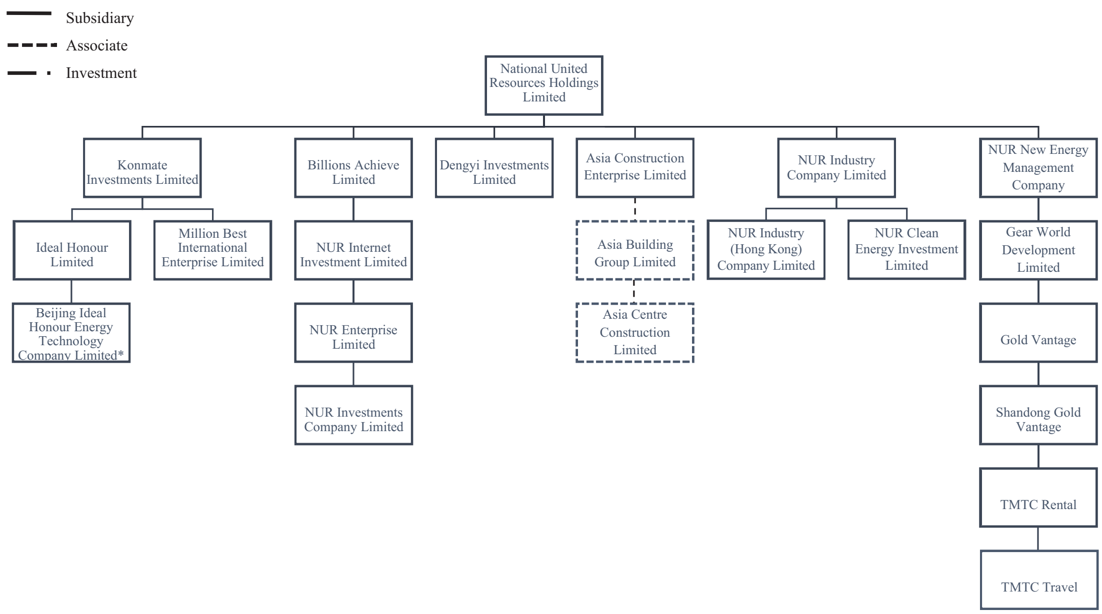
Date:	1 September 2019	
Parties:	(1)	TMTC Rental;
	(2)	Beijing Dingyan
Key terms:	(1)	Beijing Dingyan irrevocably delegated all its management rights to the directors of TMTC Rental with immediate effort; and
	(2)	the executive director of TMTC Travel shall execute management decision of directors of TMTC Rental

The Shareholder Control Agreement has no fixed time or consideration or change in shareholding, it is an agreement to reflect on the management control of TMTC Travel.

To reflect the management control over TMTC Travel by TMTC Rental, the articles of TMTC Travel have been amended to that effect and the financial results of TMTC Travel were consolidated to TMTC Group's account under HKFRS10 commencing from 1 September 2019.

CORPORATE STRUCTURE

Set out below the corporate structure of the Group as at the Latest Practicable Date:



"*" *for identification purposes only*

VII. RISK FACTORS

This section sets forth a summary of certain laws and regulations that are relevant to the Group's business operation.

RISKS RELATING TO THE SUBSCRIPTION, THE OPEN OFFER AND THE DEBT RESTRUCTURING

Completion of the Subscription is subject to the fulfilment of conditions precedent and there is no assurance that they can be fulfilled and/or the Subscription will be completed as scheduled and contemplated, or at all

A number of the conditions precedent to completion of the Subscription as set out in the paragraph headed "Conditions precedent to the Subscription" in the section headed "Letter from the Board" in this circular involve the decisions of third parties, including, among others, approvals by the Independent Shareholders or Shareholders at the GM, the Executive granting the Whitewash Waiver, approval by the Listing Committee for the listing of and permission to deal in all of the Subscription Shares, the obtaining of the approval-in-principle of the Resumption from the SFC and all the conditions precedent set out in the Underwriting Agreement having been fulfilled. As fulfilment of these conditions precedent are not within the control of the parties involved in the Subscription, there is no assurance that they can be fulfilled and/or the Subscription will be completed as scheduled and contemplated, or at all.

The shareholding percentages of the existing Shareholders will be diluted substantially following the issue of the Subscription Shares and the Creditors Shares and any value enhancement of the Consolidated Shares as a result of the Subscription, the Open Offer and the Debt Restructuring may not offset such dilutive effect to the existing Shareholders

Pursuant to the Revised Subscription Agreement, if the parties proceed to completion of the Subscription, the Company will allot and issue 972,500,000 Subscription Shares and 615,500,000 Subscription Shares at the Subscription Price to the First Subscriber and the Second Subscriber, respectively. Under the Open Offer, the Company will allot and issue an aggregate of 641,177,050 Offer Shares to the Qualifying Shareholders, placees to be procured by the Placing Agent and/or the Underwriter. Furthermore, the Company will allot and issue 207,274,309 Creditors Shares to the Creditors pursuant to the Debt Restructuring. As a result, the shareholding percentages of the existing Shareholders would be diluted when the Company issues the Subscription Shares, the Offer Shares and the Creditors Shares. Any value enhancement of the Consolidated Shares as a result of the Subscription, the Open Offer and the Debt Restructuring may not offset such dilutive effect to these existing Shareholders nor necessarily be reflected in their market price. Please refer to the paragraph headed "Effect on the shareholding structure of the Company" in the section headed "Letter from the Board" in this circular for further details of the shareholding structure of the Company upon Completion.

RISKS RELATING TO THE BUSINESS AND INDUSTRY OF THE GROUP

The business of the Group depends heavily on its reputation and consumer perception of its brand, and any negative publicity or other harm to the Group's brand or failure to maintain and enhance its brand recognition may materially and adversely affect its business, financial condition and results of operations.

The Group's reputation and consumer perception of the Group's brand are critical to its business. Maintaining and enhancing its reputation and brand recognition depends primarily on the quality and consistency of its products and services, as well as the success of its marketing and promotional efforts. The Company believes that maintaining and enhancing the Group's brand is essential to its efforts to maintain and expand its customer base. If customers do not perceive its products or services to be of high quality, the Group's brand image may be harmed, thereby decreasing the attractiveness of its products. In addition, the Group's brand image may be harmed by negative publicity relating to the Company or China's car rental industry regardless of its veracity. If the Group is unable to maintain and further enhance its brand recognition and increase market awareness for the Group and its products, the Group's ability to attract and retain customers may be impeded and the Group's business prospects may be materially and adversely affected.

Restrictions on car purchase in certain Chinese cities may limit the Group's fleet growth, which may adversely affect its results of operations.

In an effort to cope with traffic congestion and air pollution, several of China's largest cities, including Beijing, have implemented quotas or other restrictions on new vehicle registrations. In addition, some cities in China such as Beijing have also implemented traffic control measures banning cars with certain license plate numbers on certain days from traveling in these cities. If the Group's business expansion outpaces its license reserve and its ability to secure vehicle licenses or permits, and if such restrictions continue, the Group's fleet expansion may be adversely affected, which in turn may adversely affect the Group's business prospects and results of operations.

Customer violation of traffic rules could result in suspension of some of the Group's vehicles from operation.

PRC laws and regulations provide a "traffic points" system under which each driver is allotted 12 points for 12 consecutive months. Traffic violations are penalized through, among other things, deduction of the points. For traffic violations caught by law enforcement officers, the point deduction is imposed on the driver. For traffic violations caught by automated traffic enforcement systems, for example, running a red light that was recorded by a traffic camera, the point deduction is imposed on the vehicle. However, if the driver can be identified in such situation, the traffic administrative department can record the traffic violations on the driver rather than the vehicle in the road traffic violation information management system.

Vehicles in use for less than five years in China are subject to mandatory biennial inspection by transportation authorities. For a vehicle to pass the inspection, all point deductions recorded on the vehicle must be offset by applying the drivers' available points. For the Group's vehicles to pass their mandatory biennial inspection, the Group coordinates and track down its customers who committed the traffic violations and require them to offset the point deductions on the Group's vehicles by applying their available points. However, depending on the volume of vehicles due for inspection and the time required to coordinate with its customers, the Group sometimes were unable to timely offset all the point deductions on its vehicles before their inspection dates, and may be unable to do so in the future, which has resulted or will result in them being prohibited from road use or disposition until they pass the inspection.

If the Group fails to promptly offset the point deductions imposed on its vehicles, its vehicles will not be able to pass the biennial inspection and will be suspended from road use and disposition until all points deductions are offset. As a result, the Group's business, results of operation and financial condition will be materially and adversely affected by the suspended fleet.

The Group faces risks related to the residual value of its rental vehicles and may not be able to dispose of its used cars at desirable prices.

The Group bears all of the risks related to the residual value of its rental vehicles. Automobile manufacturers in China do not typically offer guaranteed depreciation or vehicle repurchase programs to car rental companies. When the Group acquires rental vehicles, it estimates the period that it will hold these vehicles and their residual value at the expected time of disposition. The Group record its depreciation expenses based on such estimates. The Group adjust depreciation rates of rental vehicles annually in response to the latest market conditions and their effect on residual values as well as the estimated time of disposition. Any changes in the market conditions that require the Group to increase the depreciation rates could have a material adverse effect on its results of operation. There are also significant uncertainties in whether it will be able to dispose of its used cars at desirable prices. In addition, a variety of reasons could cause the used car market to experience considerable downward pricing pressure, which could further affect the Group's ability to realize the residual value of its used vehicles. Similarly, a large amount of used vehicles for sale from the Group's competitors may also impose additional pricing pressure on the Group.

As used cars constitute a significant portion of the Group's assets and as its business requires it to constantly replenish its fleet, risks related to the residual value of the Group's rental vehicles and failure to dispose of its used cars at desirable prices may materially and adversely affect the Group's financial condition and business prospects.

The Group may not be able to increase or maintain its prices, which could materially and adversely affect its profit margins and results of operations.

Price is one of the key factors that customers consider in choosing car rental and chauffeur services. The internet has enabled consumers to easily compare the prices of products and services offered by various car rental and chauffeur companies. Given the intense competition in China's car rental industry, the Group's competitors may offer lower prices to gain market share or compensate for declines in their rental activities. To the extent the Group does not match or remain within a reasonable competitive margin of its competitors' pricing for various reasons including the potentially higher cost base of its fleet, the Group may lose customers and experience a decrease in reservations. If, as a result of the competitive pressure, the Group lower its prices to match its competitors' prices, and the Group is not able to reduce its expenses, the Group's profit margins and results of operations could be materially and adversely impacted.

If the Group's efforts to maintain a high level of customer satisfaction are not successful, it may not be able to attract or retain customers, and its operating results may be adversely affected.

Customer satisfaction is critical to the success of the Group's business. From time to time, customers may express dissatisfaction with the Group's products and services, including the vehicle availability or incidents relating to its vehicles. To the extent dissatisfaction with its products and services is widespread or not adequately addressed, the Group's reputation could be harmed and its efforts to build and strengthen its brand recognition would be adversely impacted, which could harm its ability to attract and retain customers, which could in turn adversely affect the Group's business and results of operations.

The Group's failure to fully comply with various PRC transportation laws and regulations and other applicable PRC laws with respect to its businesses could harm its results of operations.

The Group's business operations are subject to a number of PRC laws and regulations with respect to transportation and car rental businesses. Regulatory requirements and restrictions include the registration of commercial vehicles, restrictions on the use of non-local cars for rental operations, obtaining governmental licenses and permits and making certain filings to operate the car rental business. If the Group is found to have violated laws and regulations, the relevant regulatory authorities may impose fines and penalties on the Group, confiscate its income, revoke its business licenses and require the Group to discontinue its business or impose restrictions on the affected portion of its business. Any of these actions by the PRC government may have a material and adverse effect on the Group's results of operations.

The Group's business, financial condition and results of operations may be adversely affected by the downturn in the PRC or global economy and weakness in travel demand.

The Group's results are affected by many economic factors. A decline in economic activity either in China or in international markets may have a material adverse effect on the Group's business. For the car rental business, a decline in economic activity typically results in a decline in both business and leisure travel and, accordingly, a decline in the volume of car rental transactions. A slowdown in the global or Chinese economy or the recurrence of any financial disruptions may also have a material and adverse impact on financings available to the Group. The weakness in the economy could erode investors' confidence, which constitutes the basis of the equity markets. A financial turmoil affecting the financial markets and banking system may significantly restrict the Group's ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all.

The Group's business, financial condition and results of operations may be adversely affected by fluctuations in fuel prices or supplies.

The Group may be adversely affected by significant increases in fuel prices or limitations on fuel supplies. Prices for petroleum-based products, including gasoline, have experienced significant volatility in recent years and affected automotive travel patterns in many ways. Limitations in fuel supplies or significant increases in fuel prices could significantly discourage customers from renting cars and have an adverse effect on the Group's business and results of operations.

The Group utilizes third-party service providers to deliver certain services to its customers. If these service providers deliver services of an inadequate level of quality or terminate their relationships with the Group, the Group's business could be adversely affected.

The Group utilizes third-party service providers to deliver some of its services to its customers. In particular, the Group outsources chauffeur services and some of the repair and general maintenance work of its fleet to third-party service providers selected based on reputation and assessment by the Group's local teams. The Group does not control the operations of these providers. If these third-party service providers terminate their relationship with the Group, or do not provide an adequate level and quality of service to the Group's customers, it could be disruptive to the Group's business as it seeks to replace the service provider or remedy the inadequate level of service. In addition, if one or more of the Group's customers suffer or claim to have suffered harm or damages as a result of the actions, or are otherwise unsatisfied with the quality of services of third-party service providers, the Group's reputation and its brand could be harmed. This, in turn, may cause the Group to lose customers, which would adversely affect the Group's business and results of operation.

The Group faces risks related to liabilities resulting from the use of its vehicles by its customers.

The Group's business can expose it to claims for personal injury, death and property damage resulting from the use of its rental cars by its customers. For example, if a customer uses a car that has worn tires or some mechanical or other problem, including a manufacturing defect, which contributed to a motor vehicle accident that results in a death or property damage, the Group may be a defendant of the claims for the alleged liabilities for the accident and the damage resulting from it. Furthermore, according to the PRC Civil Code which became effective on 1 January 2021, when the driver of a rental car who is not the owner of the vehicle is held liable for a traffic accident, he/she shall be responsible for any damage that has occurred, and the custodian or the owner shall bear the corresponding liability for compensation if they have any fault in causing the accident. When any damage is caused by a car, a limited liability will first be covered by the insurance company providing the compulsory traffic accident insurance of the vehicle, the portion not covered by the former will be compensated by the insurer providing the motor vehicle commercial insurance as agreed in the insurance contract and any damage still not covered will be the liability of the infringing party. However, since judicial proceedings determining the cause of a motor vehicle accident can be lengthy and costly, and the results of such proceedings may be uncertain, the Group may not be successful in defending itself each time such an incident occurs. If a significant number of such claims cannot be resolved, the Group's reputation could suffer.

The Group could be negatively impacted if its insurance coverage proves to be limited or inadequate.

The Group may suffer from insufficient insurance coverage for its vehicles or liabilities resulting from its rentals. The Group bears the risk of damage to or losses of its vehicles, including those caused by accidents, theft or natural disasters. The Group is also exposed to claims for personal injury or death and property damage as a result of automobile accidents involving vehicles driven by its customers or designated driving services provided by third-party service providers outsourced by the Group. The Group maintains third-party liability insurance, compulsory traffic accident insurance and other insurance coverage, although there can be no assurance that such coverage will be sufficient or adequate. The Group's rental contracts typically provide that the customers are responsible for damage to or loss of (including certain loss through theft) the Group's vehicles during the rental period, but the customer may not be able to compensate the Group for all of its losses, or at all. Further, pursuing claims against the Group's insurers or its customers may prove costly and time consuming and because the Group is responsible for damage to its vehicles, a deterioration in claims management could lead to delays in settling claims, thereby increasing claim costs. In addition, substantial uninsured claims filed against the Group or the inability of its insurance carriers to pay otherwise-insured claims would have an adverse effect on the Group's financial condition.

The Group also faces risks associated with its business and operations in general, which include, but are not limited to, damage to properties due to fire, explosions and other accidents, business interruption due to power shortages or network failure, losses of key personnel and risks posed by natural disasters including storms, floods and earthquakes, any of which may result in significant costs or business disruption. Insurance companies in China currently offer limited business-related insurance products. The Group does not maintain insurance coverage for its office equipment or premises, nor does it maintain business interruption insurance. In addition, consistent with customary practice in China, the Group does not maintain key employee insurance for its directors and executive officers. If the Group was to incur substantial liabilities that were not covered by its insurance, the Group could incur costs and losses that could materially and adversely affect the Group's results of operations.

The insurance premiums the Group has to pay may increase, which may adversely affect the Group's business and results of operations.

The Group relies upon insurance coverage to protect against personal injuries and property damage caused by its vehicles and requires its customers to bear a portion of the insurance premiums at the time of rental. The Group also maintains property insurance coverage in respect of vehicle damage and other losses. If the insurance premiums the Group pays for its coverage increase, regardless of whether it is because of an increase in claims on the Group's part or a general industry-wide increase in pricing, the Group may not be able to pass such premium increase to its customers, which could have an adverse effect upon the Group's results of operations.

The Group's business may be subject to seasonal effects, and a disruption in rental activities during its busy seasons could adversely affect the Group's results of operations.

The Group's business generally experiences some effects of seasonal variations due to customer demand or increases in travel during certain time of the year such as Labor Day, National Day and Chinese Lunar New Year holidays. During these times, the Group's fleet utilization rates and its revenue are generally higher than the rest of the year. However, the Group's revenues also fluctuate due to other factors affecting its income such as changing weather conditions. The seasonality changes may cause fluctuations in the Group's financial results and any occurrence that disrupts rental activity during its busy seasons could have a disproportionately material adverse effect on the Group's liquidity and results of operations.

The Group's business is vulnerable to interruptions caused by health epidemics, earthquakes, fires, floods and other natural events.

The Group's business could be materially and adversely affected by the outbreak of health epidemics such as H1N1, or swine influenza, avian influenza, severe acute respiratory syndrome, SARS or COVID-19. In 2009 and early 2010, there were outbreaks of swine influenza in certain regions of the world, including China. In 2006, 2007 and 2011, there were reports on the occurrences of avian influenza in various parts of China, including a few confirmed human cases and deaths. Since early 2020, a growing number of countries and regions around the world, including the PRC, have encountered outbreaks of COVID-19, a highly contagious disease known to cause respiratory illness. China and many other countries have taken various restrictive measures to contain the COVID-19 outbreak, including imposing lockdown policies which restrict citizens to travel outside, asking residents to remain at home and to avoid public gatherings and encouraging work-from-home arrangements, among other actions. COVID-19 has resulted in temporary closures of many corporate offices, retail stores, schools and manufacturing facilities and factories across China. Since the Group is principally engaged in providing customers with shuttles to and from workplace or school, the Group's business growth was inevitably affected during the temporary lockdown period in Beijing. Any prolonged recurrence of swine influenza, avian influenza, SARS, COVID-19 or other adverse public health developments in China could adversely affect economic activities in China, decrease business or leisure travel and require the temporary closure of the Group's offices, which could severely disrupt the Group's business operations and adversely affect its results of operations. The Group's operations are also vulnerable to interruption or damage caused by earthquakes, fires, floods, acts of war, human errors and similar events. Significant natural disasters such as earthquake, fire or flood, could have a material adverse impact on the Group's business, operating results and financial condition.

If property rental costs, including rentals for parking spaces, increase significantly in the PRC, the Group's results of operations will be materially adversely impacted.

To operate the Group's business, the Group needs to rent offices and parking spaces for its staff and vehicles. The Group may not be successful in identifying and leasing additional properties and parking spaces at desirable locations and on commercially reasonable terms, or at all. In addition, the Group may not be able to renew its current lease agreements after expiration or secure replacement properties or parking spaces with commercially reasonable terms, or at all. In such cases, the Group's business, results of operations and prospects may be materially adversely affected. Furthermore, if property rental costs increase significantly, in particular for parking spaces, the Group's results of operations may be materially adversely affected.

If any of the Group's major vehicle suppliers encounter serious vehicle recall problems, the Group's fleet size may be reduced for a certain period and the Group's clients' trust in the quality and safety of its fleet may be adversely affected.

The Group's vehicles may be subject to safety recalls by their manufacturers. Under certain circumstances, the recalls may cause retrieval of rented vehicles or temporary decline of reservation. If a large number of vehicles are the subject of simultaneous recalls, or if replacement parts needed are not in adequate supply, the Group may not be able to use the recalled vehicles for an extended period of time. Those types of disruptions could jeopardize the Group's ability to fulfill existing contractual commitments and/or satisfy demand for its car rental services, and result in the loss of business to its competitors. The Group could also face liability claims from its customers related to its' vehicles subject to a safety recall. Depending on the severity of the recall, it could materially adversely affect the Group's results of operations and adversely impair its customers' trust in the quality and safety of its fleet.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

As all of the Group's operations are or will be conducted in the PRC, any adverse change in the PRC's economic, political and social conditions and government policies may have a material adverse effect on the Group

The Group derives substantially all of its revenue from its operations in the PRC as substantially all of its assets and businesses are located in the PRC. Accordingly, the results of operations, financial condition and prospects depend to a significant degree on the economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- the political structure;
- the extent of government involvement and control;
- the level of development;
- the growth rate;
- the control of foreign exchange; and
- the allocation of resources.

While economy of the PRC has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors and the recent economic deceleration signals a weakening economic momentum. If the business environment in the PRC deteriorates as a result of the slowdown in the economic growth of the PRC, the Group's business may be materially adversely affected. Furthermore, although the PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy, the PRC government continues to exert significant control over the PRC economy through allocating resources, restricting capital flow and foreign exchange, setting monetary and fiscal policies, imposing industrial policies and various directives, providing government grants and other preferential treatment to particular industries and companies and play an important role in regulating industries by imposing industrial policies. Uncertain changes in the PRC's political and social conditions, laws, regulations, policies and diplomatic relationships with other countries may have material adverse effect on the business or financial condition of the Group. Moreover, even if new policies implemented by the PRC government will have a positive impact on the car rental industry in the long term, there can be no assurance that the Group will be able to successfully adjust to such policies.

There are uncertainties with respect to the interpretation and enforcement of PRC laws and regulations, which could materially adversely affect the Group

The operations of the Group are conducted in the PRC and most of the Group's employees are PRC citizens. The Group's operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970s, the PRC government has promulgated laws and regulations covering general economic matters. Despite these significant developments in its legal system, many of these laws and regulations are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only a limited volume of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. The interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes and enforcement of such laws may also be uncertain. As such, it may be difficult to obtain swift and effective enforcement, or to obtain enforcement of a judgement of a court of another jurisdiction. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations can affect the legal remedies and protections available to the Group and the Shareholders and any litigation undertaken by the Group may be protracted and lead to substantial legal costs and diversion of resources from its operations, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

Failure in obtaining all of the requisite permits, licenses or making all of the requisite filings or registrations or meeting other regulatory requirements for operating car rental and shuttle bus services business in China by the Group or chauffeur services by any third-party service provider who cooperates with the Group may subject the Group to fines or other administrative actions.

As a car rental and shuttle bus services provider in China, the Group is subject to a number of permit, license, filing and other regulatory requirements for the car rental and shuttle bus services business. The car rental and shuttle bus services industry are at an early stage of development in China, hence the legislations continue to evolve. Up to now, the car rental and shuttle bus services industry has been mainly regulated by government authorities at local levels which impose various regulatory requirements on the operating entities, vehicles or drivers, and such regulatory requirements vary from one place to another. The practices of local authorities may deviate from the local rules and some local authorities did not accept or process applications for certain permits, licenses or filings as required under the local rules.

The Ministry of Transport, or the MOT, promulgated the Notice on Promoting the Healthy Development of Car Rental Industry, or the 2011 MOT Notice in April 2011, which only sets forth certain general guidelines for the emerging car rental industry in China. According to the 2011 MOT Notice, a car rental company must obtain appropriate approval before it may conduct road passenger transportation business. However, the 2011 MOT Notice does not define the term "road passenger transportation business." The Group has been adopting an operation mode of "separation of drivers and vehicles" where (i) if the vehicle is owned by TMTC Travel, then TMTC Travel will only provide related vehicles without providing chauffeurs services directly to customers and chauffeurs services will be provided by third party chauffeured service providers; or (ii) if the vehicle is owned by TMTC Rental, then TMTC Travel will provide chauffeurs services. The PRC Legal Advisor has advised the Group that such business arrangements are not in violation of any existing applicable laws, regulations at the national level or local rules of the city where the Group operates its car rental and shuttle bus services businesses. The Group cannot, however, assures that relevant local government authorities will not interpret the laws and regulations differently, find the Group's activities in violation of relevant laws and regulations and impose penalties on it. If the relevant local government authorities are of the view that the Group's business arrangements are not in compliance with applicable laws and regulations, the Group may be subject to fines and other administrative actions in some cities where the Group has provided such services.

As a result of the different requirements and varied practice of local governments, inconsistency in the interpretation and implementation of local rules, as well as fast expansion of the Group's business, the Group cannot assure that it will obtain all of the requisite permits and/or licenses, or comply with all other regulatory requirements in the future. As confirmed by the PRC Legal Advisor, the Group's business operation currently fully complies with all regulatory requirements in the PRC. There is however no certainty that new laws and regulations promulgated by the PRC government in the future or differences in the interpretation of certain laws and regulations among different local government in the PRC will not arise, which may require the Group to obtain additional permits and/or licenses. Moreover, it cannot assure that all the third-party service providers engaged by the Group have met or will meet all such regulatory requirements either, which may subject the Group to fines and other administrative actions. Government authorities at various levels may promulgate new regulations or rules, or change their interpretation or implementation of existing regulations and rules, which may subject the Group to new regulatory requirements that it may not be able to meet in a timely manner, or at all. The Company will work closely with the PRC Legal Advisor on a continuing basis to ensure that the management of the Group will be informed of any legal development on a regular basis and that the Group will continue to comply with all regulatory requirements in the PRC.

Changes to the Enterprise Income Tax Law ("EIT") Law or its implementation could have a material adverse effect on the Group, and dividends payable by the Group to its Shareholders and gain on the sale of the Shares may become subject to withholding taxes under PRC tax law

Under the EIT Law, which came into effect on 1 January 2008, the exemption from withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the previous tax law is no longer available. Foreign investors that are "non-resident enterprises" are subject to the PRC withholding tax at a rate of 10%, to the extent any dividends distributed by PRC resident enterprises as well as any gain realised on the transfer of the shares or interests in PRC resident enterprises. According to the treaty between PRC and Hong Kong, such investors established in Hong Kong are subject to such tax at rate of 5% under certain conditions.

In addition, the new tax law deems an enterprise established offshore but with "de facto management bodies" in the PRC as a "resident enterprise" which is subject to PRC enterprise income tax on its global income, excluding dividends, received from its PRC subsidiaries. Since some of the members of the Group's management team reside in the PRC, the non-PRC members of the Group may be considered PRC resident enterprises even though the Directors believe that the non-PRC members of the Group have real operations outside the PRC. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, its global income, excluding dividends, received from its PRC subsidiaries, will be subject to the PRC enterprise income tax at a rate of 25%. There is no assurance that the relevant PRC tax authorities will not certify the Company as a resident enterprise under the EIT Law in the future.

The imposition of withholding tax on dividends payable from the PRC entities of the Group or the imposition of the PRC enterprise income tax on the Group's global income as a result of "resident enterprise" categorisation under the EIT Law may have a material adverse effect on the financial condition and results of operations of the Group.

In addition, based on the above, if the PRC tax authority classifies the Company as a resident enterprise, the Group will be required under the EIT Law to withhold PRC income tax on its dividends payable to its "non-resident enterprise" Shareholders or such Shareholders will be required to pay the withholding tax on the transfer of the Shares. The value of its investment of the Shares may be materially and adversely affected.

The Company is an investment holding company that relies on dividend payments from its subsidiaries for funding

The Company is a holding company incorporated in Hong Kong and the operations of the Group are and will be primarily conducted through its subsidiaries established in the PRC. Hence, the availability of funds to pay dividends to the Shareholders and to service the Company's indebtedness depends on dividends received from these subsidiaries. If the subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends or other distributions and to service its debts will be restricted.

According to the PRC laws, dividends to be paid out of the net profit are required to be calculated according to the PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions. The Group's subsidiaries in the PRC, as foreign-invested enterprises, are required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Such dividends are also subject to the PRC withholding tax. These restrictions on the availability of the Company's major source of funding may affect its ability to pay dividends to the Shareholders and to service its indebtedness.

Control of foreign currency conversion and fluctuations in the value of the RMB may materially and adversely affect the Group

All of the revenue of the Group are generated in the PRC and in RMB. As RMB is not a freely convertible currency, the Company will have to convert RMB into Hong Kong dollars and such other foreign currencies for paying dividends to the Shareholders and services its indebtedness. Currently, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. In general, the Group's subsidiaries in the PRC, as foreign investment enterprises, are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for the Company to pay dividends in a currency other than RMB to the Shareholders may expose the Company to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that the Company will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

The exchange rates of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in the PRC's and global political and economic conditions. There is significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against Hong Kong dollar, U.S. dollar or other foreign currencies. As the Group needs to convert future financing into RMB for its operations, the continued appreciation of RMB against the relevant foreign currencies would reduce the RMB amount the Group would receive from the conversion. On the other hand, any devaluation of RMB against the relevant foreign currencies may also lead to an increase in costs of business which would adversely affect the Group's results of operations and financial condition, reducing the amount of any cash dividends on the Shares.

THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and for six months ended 30 June 2020 and 2021 as extracted from the annual reports of the Company for the years ended 31 December 2019 and 2020 and the interim reports of the Company for the six months ended 30 June 2020 and 2021.

Consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue	54,697	97,767	134,527	61,737	74,118
Cost of sales & services	(12,369)	(44,955)	(103,568)	(50,378)	(54,241)
Gross profit	42,328	52,812	30,959	11,359	19,877
Other income	15,619	500	69,472	273	202
Administrative and other operating expenses	(22,841)	(42,961)	(33,229)	(13,944)	(13,981)
Profit/(loss) from operations	35,106	10,351	67,202	(2,312)	6,098
Finance costs	(51,753)	(38,299)	(23,943)	(8,360)	(10,617)
Gain/(loss) on disposal of subsidiaries	–	100,212	(1,101)	–	–
Reversal of Impairment losses on property, plant and equipment	1,339	–	–	–	–
Profit/(loss) before tax	(15,308)	72,264	42,158	(10,672)	(4,519)
Income tax expense	–	(2,899)	(2,147)	–	–
Profit/(loss) for the year	(15,308)	69,365	40,011	(10,672)	(4,519)
Profit/(loss) attributable to:					
Owners of the Company	(14,673)	61,556	36,726	(9,936)	(4,515)
Non-controlling interests	(635)	7,809	3,285	(736)	(4)
Total comprehensive income for the year attributable to:					
Owners of the Company	(3,048)	63,783	36,438	(9,137)	(7,524)
Non-controlling interests	(985)	7,033	1,655	(611)	(24)
	(4,033)	70,816	38,093	(9,748)	(7,548)
Profit/(loss) per share attributable to the owners of the Company					
Basic *(HK cents per share)*	(0.23)	0.96	0.57	(0.15)	(0.07)
Diluted *(HK cents per share)*	(0.23)	0.96	0.57	(0.15)	(0.07)

Financial position of the Group

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Non-current assets:	168,491	252,865	242,435	228,568
Current assets:	196,795	129,085	84,932	93,447
Total assets	**365,286**	**381,950**	**327,367**	**322,015**
Current liabilities:	879,051	903,916	842,006	846,005
Non-current liabilities:	85,623	41,808	10,772	8,969
Total liabilities	**964,674**	**945,724**	**852,778**	**854,974**
Total equity	**(599,388)**	**(563,774)**	**(525,411)**	**(532,959)**
Non-controlling interests	16	(28,153)	(26,228)	(26,252)
Equity attributable to owners of the Company	(599,404)	(535,621)	(499,183)	(506,707)

For each of the years ended 31 December 2018, 2019 and 2020 and six months period ended 30 June 2021, no dividend was declared or paid by the Company.

FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**2018 Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Financial Statements**"); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"); and (iv) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (the "**2021 Interim Financial Statements**"), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out on pages 51 to 111 of the annual report of the Company for the year ended 31 December 2018, which was published on 29 July 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0729/ltn20190729407.pdf

The 2019 Financial Statements are set out on pages 52 to 119 of the annual report of the Company for the year ended 31 December 2019, which was published on 30 July 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073000630.pdf

The 2020 Financial Statements are set out on pages 55 to 115 of the annual report of the Company for the year ended 31 December 2020, which was published on 29 April 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900823.pdf

The 2021 Interim Financial Statements are set out on pages 3 to 25 of the interim report of the Company for the six months ended 30 June 2021, which was published on 1 September 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0901/2021090101325.pdf

DISCLAIMER OF OPINION

Set out below is the Auditors' report extracted from the annual report of the Company for the year ended 31 December 2018, 2019 and 2020 in which the Auditors expressed a disclaimer of opinion:

For the year ended 31 December 2018

"*We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.*

Basis for Disclaimer of Opinion

1. Certain opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 9 July 2019. Accordingly, we were then unable to form an opinion on the 2017 Financial Statements.

2. *Limited accounting books and records of two subsidiaries-First Concept Industrial Group Limited and iFrontier LLC*

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the First Concept Industrial Group Limited and iFrontier LLC for the years ended 31 December 2018 and 2017, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2018 and 2017 and the assets and liabilities as at 31 December 2018 and 2017, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	For the year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Income and expenses:		
Administrative expenses	–	(36,734)
Loss and total comprehensive loss for the year	–	(36,734)

	For the year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Assets and liabilities:		
Prepayments, deposits and other receivables	634	634
Bank and cash balances	925	925
Trade payables	(38,266)	(38,266)
Other payables and accruals	(39,724)	(39,724)
Net liabilities	(76,431)	(76,431)

3. *Loss on deconsolidation of the subsidiaries*

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company have been deconsolidated from the Group since 1 January 2016. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the aforesaid certain subsidiaries on 1 January 2016 and throughout the years ended 31 December 2017 and 2018. Accordingly we were unable to satisfy ourselves to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 31 December 2017 and 2018 and the Group's financial position as at those date.

4. Impairment losses on interests in associates

We have not been provided with sufficient appropriate audit evidence whether the impairment losses on interests in associates of approximately HK$208,944,000 for the year ended 31 December 2016 should be recorded in 2016 or 2017.

5. Borrowings

No sufficient evidence has been provided to satisfy ourselves, in relation to the existence, rights and obligations and valuation of the borrowings of approximately HK$40,535,000 and HK$42,467,000 as at 31 December 2018 and 2017 respectively.

6. Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$15,308,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group has net current liabilities and net liabilities of approximately HK$682,256,000 and HK$599,388,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Any adjustments to the figures as described from points 1 to 5 above might have a significant consequential effect on the Group's results and cash flows for the years ended 31 December 2018 and 2017 and the financial positions of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements."

For the year ended 31 December 2019

"We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. Certain opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 (the "2018 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 9 July 2019. Accordingly, we were then unable to form an opinion on the 2018 Financial Statements.

2. Limited accounting books and records of two subsidiaries – First Concept Industrial Group Limited and iFrontier LLC

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the First Concept Industrial Group Limited and iFrontier LLC for the years ended 31 December 2019 and 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2019 and 2018 and the assets and liabilities as at 31 December 2018, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. These two subsidiaries were disposed of during the reporting period. Due to the insufficiency of supporting documentation and explanations for accounting books and records, we were unable to carry out audit procedures to satisfy ourselves whether the gain on disposal of subsidiaries of approximately HK$100,212,000 for the year ended 31 December 2019 have been accurately recorded and properly accounted for in the consolidated financial statements.

	For the year ended 31 December	
	2019	***2018***
	HK$'000	*HK$'000*
Income and expenses:		
Administrative expenses	*100,212*	*–*
Loss and total comprehensive loss for the year	*100,212*	*–*

	As at 31 December 2018
	HK$'000
Assets and liabilities:	
Prepayments, deposits and other receivables	*634*
Bank and cash balances	*925*
Trade payables	*(38,266)*
Other payables and accruals	*(39,724)*
Net liabilities	*(76,431)*

3. Loss on deconsolidation of the subsidiaries

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company have been deconsolidated from the Group since 1 January 2016. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the aforesaid certain subsidiaries on 1 January 2016 and throughout the years ended 31 December 2018 and 2019. Accordingly we were unable to satisfy ourselves to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 31 December 2018 and 2019 and the Group's financial position for the year ended 31 December 2018.

4. Borrowings

No sufficient evidence has been provided to satisfy ourselves, in relation to the existence, rights and obligations and valuation of the borrowings of approximately HK$40,025,000 and HK$40,535,000 as at 31 December 2019 and 2018 respectively.

5. Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2019 the Group has net current liabilities and net liabilities of approximately HK$774,831,000 and HK$563,774,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures *are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.*

Any adjustments to the figures as described from points 1 to 5 above might have a significant consequential effect on the Group's results and cash flows for the years ended 31 December 2019 and 2018 and the financial positions of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements."

For the year ended 31 December 2020

"We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. Limited accounting books and records of two subsidiaries- First Concept and iFrontier LLC

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of First Concept Industrial Group Ltd and iFrontier LLC for year ended 31 December 2019, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses for the year ended 31 December 2019 and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. These two subsidiaries were disposed of during the prior reporting period. Due to the insufficiency of supporting documentation and explanations for accounting books and records, we were unable to carry out audit procedures to satisfy ourselves whether the gain on disposal of subsidiaries of approximately HK$100,212,000 for the year ended 31 December 2019 have been accurately recorded and properly accounted for in the consolidated financial statements.

2. Loss on deconsolidation of the subsidiaries

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company have been deconsolidated from the Group since 1 January 2016. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the aforesaid certain subsidiaries on 1 January 2016 and throughout the year ended 31 December 2019. Accordingly we were unable to satisfy ourselves to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2019.

3. Borrowings

No sufficient evidence has been provided to satisfy ourselves, in relation to the existence, rights and obligations and valuation of the borrowings of approximately HK$42,257,000 and HK$40,025,000 as at 31 December 2020 and 2019 respectively.

4. Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2020 the Group has net current liabilities and net liabilities of approximately HK$757,074,000 and HK$525,411,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Any adjustments to the figures as described from points 1 to 4 above might have a significant consequential effect on the Group's results and cash flows for the years ended 31 December 2020 and 2019 and the financial positions of the Group as at 31 December 2020 and 2019, and the related disclosures thereof in the consolidated financial statements."

Save for the aforesaid, there is no modified or qualified opinion, emphasis of matter or material uncertainty related to going concern had been issued by the Auditors in respect of the consolidated financial statements of the Group for each of the three years ended 31 December 2018, 2019 and 2020.

STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group were as follows:

a. approximately HK$3,434,000 bank borrowings were unguaranteed, and were secured by the Group's certain property, plant and equipment;

b. approximately HK$151,937,000 other borrowings were unguaranteed and unsecured;

c. approximately HK$264,603,000 convertible bonds were unguaranteed and unsecured;

d. approximately HK$90,500,000 non-convertible bonds were unguaranteed and unsecured;

e. lease liabilities of approximately HK$170,513,000 relating to the Group leases various buildings and motor vehicles. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The carrying values of the Group's assets pledged to secure its borrowings amounted to approximately HK$9,511,000 as at 31 October 2021.

Contingent liabilities

At the close of business on 31 October 2021, the Group's contingent liabilities about indemnity related to a former subsidiary amounted equivalent to approximately HK$7,338,000 (RMB6,100,000).

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 October 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseen circumstances, following completion of the Subscription, the Open Offer, the Debt Restructuring and the Whitewash Waiver, and taking into account of the financial resources available to the Group, the Group has sufficient working capital for its normal business for at least the twelve months from date of this circular.

MATERIAL CHANGE

Save for (i) the unaudited net loss for the period of approximately HK$4.5 million recorded by the Group for the six months ended 30 June 2021 as set out in the interim report of the Company dated 25 August 2021; and (ii) the proposed restructuring of the Company, the Directors confirmed that since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group and the general trend of the business of the Group.

FINANCIAL AND TRADING PROSPECTS

Trading Prospects

TMTC Group is engaged in bus transportation services, passenger operation and car rental services. Currently, it has a fleet of 858 vehicles, 500 chauffeurs and 34 other staff members. It has a strong customer base and its relationship with a number of multinational corporates, international education institutions, the US Embassy of Beijing and the PRC Government, many of such relationships have been established for over 10 years. TMTC Group is one of the trusted providers of transportation to the Beijing Municipality during the 60th and 70th anniversary of the PRC. Upon Resumption, the Group will continue expanding its customer base.

The Company's business operation has been affected by COVID-19 in 2020. At the beginning of the pandemic in early 2020, the Government of Beijing Municipality imposed various control to restrict activities of residents and orders in delaying resumptions of work in the city or imposed work from home arrangement. During this period, the usage of the bus transportation was affected by the closure of the city. However, the Company used the shutdown and subsequent recovery time to conduct various online trainings for employees, including health and safety training for the pandemic, as well as regular traffic safety and emergency response training. This allowed the Company to gain considerable advantages in the recovery during the subsequent period. In the second half of 2020, the Company strictly abides by the COVID-19 prevention requirements issued by relevant government departments, actively cooperates with screening and inspections, and due to the Company's previous training for employees and subsequent continuous training, there has been no COVID -19 related incidents so far.

In early 2021, there was increase in COVID-19 cases in the Northern China, the Beijing Municipal Government has again adopted a series of regional lockdown measures, particular in Shunyi District, Daxing District and Chaoyang District. The lockdown has affected the Group's bus transportation services in these areas as some of the schools were suspended, while people living in the lockdown areas were required to work from home.

The management of the Company considered the drop in usage was only temporary due to the pandemic. There are keen demands over bus transportation services in Beijing, which has various comparatives advantages in safety, controllability and traceability than other public transport in terms of health control. When compared to taxi or other e-hailing vehicles, shuttle buses are far more economical to users, corporations and education institutions. The management expects that there will be a positive impact on the Company's business in the later stages and after the pandemic.

Business of the Company has been gradually recovered as the outbreak in Beijing subsides. However, the Company remains vigilant and prepares for the possible recurrence of COVID-19 in the future. As the Company is engaged in the car rental and shuttle bus services business providing transportation to a large number of passengers, the Company has placed great emphasis on hygiene measures, including regular disinfection of vehicles, providing COVID-19 prevention materials for passengers and providing hygiene and epidemic prevention training to drivers and cooperate closely with the Government.

On another hand, the Company continues to (i) provide training for its staffs to enhance their ability to deal with various unexpected situations in view to ensure the safety of passengers; (ii) implement systematic management to its business operation to improve service quality and customer experience; and (iii) utilise technology and software to design new routes and integrate existing routes, in order to avoid traffic jams, reduce commuting time, etc. The Company strives to improve and provide high quality, efficient and satisfying services to its customers.

Financial Prospects

Upon completion of (i) the Subscription; (ii) the Open Offer; (iii) the Debt Restructuring; and (iv) payment for costs associated with the Restructuring, the Group will have a net proceeds of approximately HK$60.6 million for business expansion and HK$11.6 million for general working capital.

The Group will actively seek investment opportunities to expand the Company's business after Resumption, including but not limit to expansion of fleet of vehicles, improve on infrastructure and vertical or horizontal acquisition of business.

In the midst of the pandemic era, the management realized that expanding its business to multiple cities in the PRC can effectively diversify its risk of business. The Company has accumulated vast experience in the fiercely competitive Beijing area and has built excellent industry reputation. Leveraging these advantages, the Group will have a head start in other cities in mainland China in setting up transportation business and will be able to facilitate rapid business development. Expanding to more cities also means that the Company's customer base and fleet size will be expanded. As the Company's customer base included some well-known multi-national corporation, as well as the governmental departments and US Embassy, new customers and suppliers are also more likely to accept our services and purchases. Based on the expansion rate of new customers and the vehicle specification requested by the new customers, the Group will evaluate its existing fleet and plans to utilize approximately HK$20.0 million from the proceeds of the Subscription to acquire 30-40 new electric buses, mainly with capacity of 59 seats, if necessary.

The Group also continue to invest in infrastructure by upgrading the software system to design, customize and optimize the shuttle/commuter bus route and assist in the management of the Company's daily operations. The Group plans to utilize approximately HK$2.6 million from the proceeds of the Subscription to continue improve and upgrade the software system.

In addition, the Company also plans to make horizontal and vertical acquisitions in the future. For horizontal acquisition, the Company is seeking to acquire shuttle/commuter transportation Company in other area of the PRC and use its local license and customer resources to develop new servicing area. For vertical acquisition, the Company seek to acquire companies in its supply chain and downstream industries, including battery suppliers, mechanic workshop, etc. and downstream services such as advertising business and mobile application platform business. These businesses expansion aims to increase the profitability of the Company and reduce costs at the same time. Although, the Group has not identified any potential targets as at the Latest Practicable Date, the Group plans to utilize approximately HK$38.0 million from the proceeds of the Subscription if and when the acquisition opportunities arise.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The accompanying unaudited pro forma financial information of the Group has been prepared to illustrate the effect of the restructuring including the Capital Reorganisation, the Subscription, the Debt Restructuring and the Open Offer on the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year ended 31 December 2020 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year ended 31 December 2020 as extracted from the annual report of the Company for the year ended 31 December 2020 as if the Restructuring had been completed on 1 January 2020.

The unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2021 is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 as extracted from the interim report of the Company for the six months ended 30 June 2021 as if the Restructuring had been completed on 30 June 2021.

The unaudited pro forma financial information of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Group that would have been attained had the Restructuring actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Group should be read in conjunction with the financial information of the Group as set out in Appendix II and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

AS AT 30 JUNE 2021

	The Group As at 30 June 2021				Pro Forma Adjustments				The Restructured Group As at 30 June 2021
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS									
Property, plant and equipment	99,720								99,720
Right-of-use assets	84,860								84,860
Deferred tax asset	6,923								6,923
Other intangible assets	180								180
Goodwill	36,885								36,885
	228,568								228,568
CURRENT ASSETS									
Trade receivables	46,049								46,049
Prepayments, deposits and other receivables	46,738								46,738
Cash and bank balances	660	174,680	70,529	(22,936)	(4,648)	(40,000)	(29,674)	(12,300)	136,311
	93,447								229,098
CURRENT LIABILITIES									
Other payables and accruals	177,068			(20,000)	(32,718)				124,350
Borrowings	154,569				(2,450)				152,119
Convertible bonds	262,639			(229,363)					33,276
Non-convertiable bonds	90,500				(90,500)				–
Lease liabilities	156,579					(109,028)	(43,955)		3,596
Tax payable	4,650								4,650
	846,005								317,991
NET CURRENT LIABILITIES	(752,558)								(88,893)
TOTAL ASSETS LESS CURRENT LIABILITIES	(523,990)								139,675
NON-CURRENT LIABILITIES									
Lease liabilities	8,969					35,130			44,099
	8,969								44,099
NET (LIABILITIES)/ASSETS	(532,959)								95,576
CAPITAL AND RESERVES									
Share capital	3,178,754	174,680	70,529	11,353	9,713				3,445,029
Reserves	(3,685,461)			215,074	111,307	33,898	14,281	(12,300)	(3,323,201)
Equity attributable to owners of the Company	(506,707)								121,828
Non-controlling interests	(26,252)								(26,252)
Total Equity	(532,959)								95,576

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group For the year ended 31-Dec-20	Pro Forma Adjustments						The Restructured Group For the year ended 31-Dec-20
	Note 1	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	*Note 9*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	134,527							134,527
Cost of revenue	(103,568)							(103,568)
Gross profit	30,959							30,959
Other income	69,472							69,472
Administrative and other operating expenses	(33,229)					(12,300)		(45,529)
Gain on Debt Restructuring	–	215,074	111,307	33,898	14,281		(33,482)	341,078
Profit from operations	67,202							395,980
Finance cost	(23,943)						23,161	(782)
Loss on disposal of subsidiaries	(1,101)							(1,101)
Profit before tax	42,158							394,097
Income tax expense	(2,147)							(2,147)
Profit for the year	40,011							391,950
Attributable to:								
Owners of the Company	36,726							388,665
Non-controlling interests	3,285							3,285
	40,011							391,950
Other comprehensive income:								
Items that may be reclassified to profit or loss:								
Exchange differences on translation of foreign operations	(3,176)							(3,176)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	1,258							1,258
Total comprehensive income for the year	38,093							390,032
Total comprehensive income for the year attributable to:								
Owners of the Company	36,438							388,377
Non-controlling interests	1,655							1,655
	38,093							390,032

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE GROUP

FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group For the year ended 31-Dec-20				Pro Forma Adjustments					The Restructured Group For the year ended 31-Dec-20
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	*Note 9*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES										
Profit before tax	42,158			215,074	111,307	33,898	14,281	(12,300)	(10,321)	394,097
Adjustments for:										
Depreciation	17,516									17,516
Depreciation of right-of-use assets	9,754									9,754
Gain on disposal of subsidiaries	1,101									1,101
Gain on the payable written off	(12,982)									(12,982)
Impairment loss on trade receivables	1,374									1,374
Interest income	(15)									(15)
Interest expenses	23,779								(23,161)	618
Gain on Debt Restructuring	–			(215,074)	(111,307)	(33,898)	(14,281)		33,482	(341,078)
Operating cash flows before working capital changes	82,685									70,385
Change in trade receivables	(12,438)									(12,438)
Change in prepayments, deposits and other receivables	18,381									18,381
Change in trade payables	(63)									(63)
Change in other payables and accruals	(66,924)									(66,924)
Cash generated from operations	21,641									9,341
Income tax refund	1,261									1,261
Net cash generated from operating activities	22,902									10,602
Cash flows from investing activities										
Interest received	15									15
Net cash outflow arising on disposal of subsidiaries	(6)									(6)
Net cash generated from investing activities	9									9
Cash flows from financing activities										
Repayment of borrowings	(16,002)				(123)					(16,125)
Repayment of convertible bonds	–			(22,936)						(22,936)
Repayment of non-convertible bonds	–				(4,525)					(4,525)
Repayment of lease liabilities	(9,602)					(40,000)	(29,674)			(79,276)
Proceeds from Subscription	–	174,680								174,680
Proceeds from Open Offer	–		70,529							70,529
Net cash (used in)/generated from financing activities	(25,604)									122,347
Net (decrease)/increase in cash and cash equivalents	(2,693)									132,958
Effect of foreign exchange rate changes	3,951									3,951
Cash and cash equivalents at beginning of year	3,309									3,309
Cash and cash equivalents at end of year	4,567									140,218
Analysis of cash and cash equivalents										
Bank and cash balances	4,567									140,218

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1) For the preparation of unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 in the interim report of the Company for the six months ended 30 June 2021, whereas for the preparation of unaudited pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, the amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2020, which are set out in the Company's corresponding annual report and Appendix Ⅱ to this circular.

2) The adjustment reflects the effect of the issuance of 1,588,000,000 Subscription Shares to two subscribers at the Subscription Price of HK$0.11 per Subscription Share, pursuant to which the Group will raise gross proceeds of HK$174,680,000 and the Company's share capital will be increased by HK$174,680,000.

3) The adjustment reflects the effect of the issuance of 641,177,050 Offer Share under the Open Offer on the basis of one Offer Share for every one Consolidated Share held by the Qualifying Shareholders at an Offer Price of HK$0.11 per Offer Share. As a result of the Open Offer, the Group will raise gross proceeds of approximately HK$70,529,000, and the Company's share capital will be increased by approximately HK$70,529,000.

4) The adjustment reflects the effect of the Debt Restructuring A. Seven Creditors with an aggregate outstanding debt amount of approximately HK$229,363,000 agreed to receive (i) 10% of their outstanding debt in cash, which amounted to approximately HK$22,936,000; and (ii) remaining 90% of approximately HK$206,427,000 will be settled by 103,213,500 Creditors Shares with issue price of HK$2.0 per Creditors Share, assuming the fair value amount HK$0.11 per share of approximately HK$11,353,000 will result in the increase in the share capital. In addition, an other payable of HK$20,000,000 will be waived by the Creditors in Debt Restructuring A. A gain on Debt Restructuring A of approximately HK$215,074,000 will be recognised to profit or loss.

5) The adjustment reflects the effect of the Debt Restructuring B. Four Creditors with an aggregate outstanding debt amount of approximately HK$92,950,000 agreed to receive (i) 5% of their outstanding debt in cash, which amounted to approximately HK$4,648,000; and (ii) remaining 95% of approximately HK$88,302,000 will be settled by 88,302,000 Creditors Shares with issue price of HK$1.0 per Creditors Share, assuming the fair value amount HK$0.11 per share of approximately HK$9,713,000 will result in the increase in the share capital. In addition, an interest payables of HK$32,718,000 will be waived by the Creditors in Debt Restructuring B. A gain on Debt Restructuring B of approximately HK$111,307,000 will be recognised to profit or loss.

6) The adjustment reflects the effect of the Debt Restructuring C. The Company and a Creditor entered into a legally binding agreement in relation to the outstanding debt owed by the Company for a finance lease of 295 electric buses. Pursuant to which, the Creditor agreed to reduce outstanding debt owed by the Company from approximately HK$109,028,000 (equivalent to approximately RMB90,630,000) to approximately HK$75,130,000 (equivalent to approximately RMB62,452,000), and settle in the following manner:

   (i) not less than HK$40,000,000 (or equivalent in RMB) will be paid by Company on or before the end of 2022; and

   (ii) the remaining outstanding balance of approximately HK$35,130,000 will be paid by the Company on or before the end of 2023.

   A gain on Debt Restructuring C of approximately HK$33,898,000 will be recognised to profit or loss.

7) The adjustment reflects the effect of the Debt Restructuring D. The Company and a Creditor entered into a legally binding agreement in relation to the outstanding debt owed by the Company for a finance lease of 105 electric buses. Pursuant to which, the Creditor agreed to reduce outstanding debt owed by the Company from approximately HK$43,955,000 (equivalent to approximately RMB36,537,000) to approximately HK$29,674,000 (equivalent to approximately RMB24,667,000) and settle within three months upon the Resumption. A gain on Debt Restructuring D of approximately HK$14,281,000 will be recognised to profit or loss.

8) The adjustment reflect the payment of professional fees for the restructuring of approximately HK$12,300,000.

9) The adjustment reflect the Debt Restructuring A to D had been completed on 1 January 2020, the Gain on Debt Restructuring will decrease by approximately HK$33,482,000, of which the related finance costs of approximately HK$23,161,000 and HK$10,321,000 will not be incurred for the year ended 31 December 2020 and for the six months ended 30 June 2021 respectively and assuming the same settlement amount of Debt Restructuring A to D in note 4 to 7.

F. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

31 December 2021

The Board of Directors
National United Resources Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of National United Resources Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020, unaudited pro forma consolidated statement of the financial position of the Group as at 30 June 2021, and unaudited pro forma consolidated statement of cash flows of the Group year ended 31 December 2020 and related notes as set out on pages 231 to 237 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages 231 to 237.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed Restructuring including the Capital Reorganisation, the Subscription, the Debt Restructuring and the Open Offer on the Group's financial position as at 30 June 2021 and on the Group's financial performance for the year ended 31 December 2020 as if the transaction had been taken place as at 30 June 2021 and 1 January 2020 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2021, on which no review report has been published and information about the Group's financial performance has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2020, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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.

The firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the 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 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 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment 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 event or transaction as at 1 January 2020 and 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

G. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Open Offer on the consolidated net tangible assets of the Group as if the Capital Reorganisation, the Subscription, the Debt Restructuring (collectively the "**Debt and Capital Restructuring**") and the Open Offer had taken place on 30 June 2021.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Open Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 June 2021, adjusted as described below:

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021	The Debt and Capital Restructuring	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 after completion of the Debt and Capital Restructuring	Estimated proceeds from the Open Offer	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 after completion of the Debt and Capital Restructuring and the Open Offer
	(Note 1)	*(Note 2)*		*(Note 3)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(550,695)	558,006	7,311	70,529	77,840
Unaudited consolidated net tangible assets per Existing Share before implementation of the Debt and Capital Restructuring and before completion of the Open Offer *(Note 4)*					HK$(0.086)
Unaudited consolidated net tangible assets per Consolidated Share after completion of the Debt and Capital Restructuring and before completion of the Open Offer *(Note 5)*					HK$0.003

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021	The Debt and Capital Restructuring	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 after completion of the Debt and Capital Restructuring	Estimated proceeds from the Open Offer	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 after completion of the Debt and Capital Restructuring and the Open Offer
	(Note 1)	*(Note 2)*		*(Note 3)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after completion of the Open Offer *(Note 6)*					HK$0.025

Notes:

1) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 are based on the unaudited consolidated deficiency of the Group attributable to the owners of the Company as extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 after deduction of goodwill of approximately HK$36,885,000, deferred tax asset of approximately HK$6,923,000 and other intangible assets of approximately HK$180,000.

2) The Debt and Capital Restructuring of the Company involves the Capital Reorganisation, the Subscription and the Debt Restructuring. Upon completion of the Debt and Capital Restructuring, the Group's unaudited consolidated net tangible assets attributable to the owners of the Company are increased by approximately HK$558,006,000, as further analyzed as follows:

	HK$'000
Increase in cash and bank balances	65,122
Decrease in other payables and accruals	52,718
Decrease in borrowings	2,450
Decrease in convertible bonds	229,363
Decrease in non-convertiable bonds	90,500
Decrease in lease liabilities	117,853
	558,006

3) The estimated proceeds from the Open Offer are based on the issue of 641,177,050 Offer Shares under the Open Offer on the basis of one Offer Share for every one Consolidated Share held by the Qualifying Shareholders at a Offer Price of HK$0.11 per Offer Share. Upon completion of the Open Offer, the Group will raise gross proceeds of approximately HK$70,529,000.

4) Based on 6,411,770,500 Existing Shares in issue as at 30 June 2021 before implementation of the Debt and Capital Restructuring and before completion of the Open Offer.

5) Based on the 2,420,692,550 Consolidated Shares, comprising 641,177,050 Consolidated Shares in issue upon completion of Share Consolidation, which consolidation of every ten issued Existing Shares into one Consolidated Share under the Capital Reorganisation, 1,588,000,000 Consolidated Shares to be issued under the Subscription, and 191,515,500 Consolidated Shares pursuant to the issue of the Creditors Shares under Debt Restructuring, assuming that the Debt and Capital Restructuring had become effective on 30 June 2021.

6) Based on the 3,061,869,600 Consolidated Shares, comprising 2,420,692,550 aggregate Consolidated Shares in issue upon completion of the Debt and Capital Restructuring (as per note 5 above) and 641,177,050 Consolidated Shares to be issued under the Open Offer respectively, assuming that the Debt and Capital Restructuring and the Open Offer had been completed on 30 June 2021.

H. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

31 December 2021

The Board of Directors
National United Resources Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of National United Resources Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 30 June 2021 as set out on pages 242 to 244 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages 242 to 244.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Open Offer on the Group's net tangible assets as at 30 June 2021 as if the transaction had been taken place as at 30 June 2021. As part of this process, information about the Group's net tangible assets has been extracted by the directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2021, on which no review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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.

The firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the 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 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 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment 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 event or transaction as at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Open Offer, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for the Subscription, Debt Restructuring and the Open Offer and use of proceeds" set out on pages 46 to 49 of the investment circular.

Opinion

In our opinion:

(a) the 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 pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Takeovers Code and 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge, the 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 herein misleading.

2. SHARE CAPITAL

The issued share capital of the Company as at the Latest Practicable Date and immediately following (i) the Share Consolidation becoming effective; (ii) the Subscription; (iii) the Open Offer; and (iv) the Debt Restructuring are as follows:

(i) As at the Latest Practicable Date

Issued and fully paid or credited as fully paid:

6,411,770,500	Shares in issue as at the Latest Practicable Date

(ii) Immediately following (i) the Share Consolidation becoming effective; (ii) the Subscription; (iii) the Open Offer; and (iv) the Debt Restructuring

641,177,050	Consolidated Shares in issue immediately upon the Share Consolidation becoming effective
1,588,000,000	new Consolidated Shares to be allotted and issued to the Subscribers under the Revised Subscription Agreement
641,177,050	new Consolidated Shares to be allotted and issued under the Open Offer to the Qualifying Shareholders on the basis of one (1) Offer Share for every one (1) existing Consolidated Share held on the Open Offer Record Date at the Offer Price or, to the Placing Placees pursuant to the Placing Agreement or the Underwriter pursuant to the Underwriting Agreement
207,274,309	new Consolidated Shares to be allotted and issued to the Creditors pursuant to the Debt Restructuring
3,077,628,409	

All of the Consolidated Shares to be issued will rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

As at the Latest Practicable Date, no part of the equity or debt securities of the Company is listed or dealt in, nor is any listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no shares, 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, except for the Subscription Shares, the Offer Shares and the Creditors Shares.

Since 31 December 2020, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company. No part of the equity or debt securities of the Company is listed or dealt in, nor is any listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There have been no re-organization of the capital during the 2 financial years preceding the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, the chief executive of the Company and substantial Shareholders in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are 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 they were deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code were as follows:

(a) Interests of Directors

As at the Latest Practicable Date, so far as is known to the Directors, save for the below, none of the Directors had any interests and short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had or were deemed or taken to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules; or (iv) pursuant to the requirement of the Takeovers Code to be notified to the Company and the Stock Exchange.

Long position in the Consolidated Shares

Director	Capacity	Number of Consolidated Shares held	Approx. percentage of shareholding as at the Latest Praticable Date *(Note 3)*
Ji Kaiping *(Note 1)*	Interest of a controlled corporation	972,500,000	31.6%
Guo Peiyuan *(Note 2)*	Interest of a controlled corporation	615,500,000	20.0%

Notes:

1. The 972,500,000 Consolidated Shares that Mr. Ji is interested in represent the 972,500,000 Consolidated Shares to be subscribed by the First Subscriber, which is legally and beneficially owned by Mr. Ji, pursuant to the Revised Subscription Agreement. Mr. Ji is deemed or taken to be interested in all the 972,500,000 Consolidated Shares beneficially owned by the First Subscriber for the purposes of the SFO. Details were set out in the announcement of the Company dated 24 June 2021 and this circular.

2. The 615,500,000 Consolidated Shares that Mr. Guo is interested in represent the 615,500,000 Consolidated Shares to be subscribed by the Second Subscriber, which is legally and beneficially owned by Mr. Guo, pursuant to the Revised Subscription Agreement. Mr. Guo is deemed or taken to be interested in all the 615,500,000 Consolidated Shares beneficially owned by the Second Subscriber for the purposes of the SFO. Details were set out in the announcement of the Company dated 24 June 2021 and this circular.

3. The approximate percentage of interest in the Company above represents the approximate percentage of interest in the Company upon completion of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons had interests or short positions in the Shares and underlying Shares/Consolidated Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in Shares/Consolidated Shares and underlying Shares

Name of person/ corporation	Capacity	Number of Shares/ Consolidated Shares held	Number of underlying Shares held	Approx. percentage of shareholding as at the Latest Praticable Date
Thousand Joy Limited *(Note 1)*	Beneficial owner	972,500,000 Consolidated Shares	–	31.60%
Hontin Ocean Resources Limited *(Note 2)*	Beneficial owner	615,500,000 Consolidated Shares	–	20.00%
Yeung Sau Shing, Albert *(Note 3)*	Founder of a discretionary trust	641,177,050 Consolidated Shares	–	20.83%
Luk Siu Man, Semon *(Note 3)*	Interest of spouse	641,177,050 Consolidated Shares	–	20.83%
CDM Trust & Board Services AG *(Note 3)*	Trustee	641,177,050 Consolidated Shares	–	20.83%
Albert Yeung Capital Holdings Limited *(Note 3)*	Interest of a controlled corporation	641,177,050 Consolidated Shares	–	20.83%
Emperor Capital Group Limited *(Note 3)*	Interest of a controlled corporation	641,177,050 Consolidated Shares	–	20.83%
Emperor Securities Limited *(Note 3)*	Underwriter	641,177,050 Consolidated Shares	–	20.83%
Nation Spirit Limited *(Note 4)*	Beneficial owner	–	933,333,333 Shares	14.56%
Gu Baorong *(Note 4)*	Interest of a controlled corporation	–	933,333,333 Shares	14.56%
Yang Fan	Beneficial Owner	810,759,648 Shares	–	12.64%

Name of person/ corporation	Capacity	Number of Shares/ Consolidated Shares held	Number of underlying Shares held	Approx. percentage of shareholding as at the Latest Praticable Date
Upper Target Limited *(Note 5)*	Beneficial Owner	596,900,000 Shares	–	9.31%
Liu Zidong *(Note 5)*	Interest of a controlled Corporation	596,900,000 Shares	–	9.31%
	Beneficial Owner	8,150,000 Shares	–	0.13%
Elite Fortune Global Limited *(Note 6)*	Beneficial Owner	585,533,845 Shares	–	9.13%
Wang Yi *(Note 6)*	Interest of a controlled corporation	585,533,845 Shares	–	9.13%

Notes:

1. These interests represent the 972,500,000 Consolidated Shares to be subscribed by the First Subscriber pursuant to the Revised Subscription Agreement. The approximate percentage of interest in the Company above represents the approximate percentage of interest in the Company upon completion of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring. Details were set out in the announcement of the Company dated 24 June 2021 and this circular.

2. These interests represent the 615,500,000 Consolidated Shares to be subscribed by the Second Subscriber pursuant to the Revised Subscription Agreement. The approximate percentage of interest in the Company above represents the approximate percentage of interest in the Company upon completion of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring. Details were set out in the announcement of the Company dated 24 June 2021 and this circular.

3. Pursuant to the Underwriting Agreement, the Open Offer will be underwritten by the Underwriter namely Emperor Securities Limited on a fully underwritten basis. The approximate percentage of interest in the Company above represents the approximate percentage of interest in the Company upon completion of the Share Consolidation, the Subscription, the Open Offer and the Debt Restructuring. Details were set out in the announcement of the Company dated 24 June 2021 and this circular.

   Based on the notice of disclosure of interest of Dr. Yeung Sau Shing, Albert, Ms. Luk Siu Man, Semon, CDM Trust & Board Services AG, Albert Yeung Capital Holdings Limited, Emperor Capital Group Limited and Emperor Securities Limited each filed with the Stock Exchange on 29 June 2021, Emperor Securities Limited is wholly-owned by Emperor Capital Investment Holdings Limited, which in turn is wholly-owned by Emperor Capital Group Limited. Emperor Capital Group Limited is owned as to 42.72% by Emperor Capital Group Holdings Limited, which is wholly-owned by Albert Yeung

Capital Holdings Limited, which in turn is held by CDM Trust & Board Services AG, a trustee for a private trust, the founder of which is Dr. Yeung Sau Shing, Albert. Ms. Luk Siu Man, Semon is the spouse of Dr. Yeung Sau Shing, Albert.

4. These interests represent the number of underlying Shares held, which includes the maximum number of conversion shares to be issued upon full exercise of the conversion rights attaching to (i) convertible bonds in the principal amount of HK$140 million issued by the Company; and (ii) convertible bonds in an aggregate principal amount of HK$420 million (the "**CB**") to be issued by the Company to the vendors as partial settlement of the consideration pursuant to the sale and purchase agreement dated 15 January 2016 (the "**S&P Agreement**").

   Based on the notice of disclosure of interest of Nation Spirit Limited and Gu Baorong each filed with the Stock Exchange on 13 May 2016, these underlying Shares are held by Nation Spirit Limited, which is wholly owned by Gu Baorong. Under Part XV of the SFO, Gu Baorong is interested in these 933,333,333 underlying Shares in which Nation Spirit Limited is interested.

   As stated in the announcement of the Company dated 23 July 2019, no CB was issued pursuant to the terms of the S&P Agreement. Accordingly, both Nation Spirit Limited and Gu Baorong had ceased to be interested in 700,000,000 underlying Shares to be issued upon conversion of the CB.

   Pursuant to the legally binding agreement entered into between the Company and Nation Spirit Limited under the Debt Restructuring, all the conversion rights to Shares attaching to convertible bonds of the Company held by Nation Spirit Limited had been forgone and the convertible bonds shall be cancelled by the Company.

   Please refer to the Company's announcements dated 15 January 2016, 30 March 2016, 31 May 2016, 24 June 2016, 18 July 2016, 31 August 2016, 14 February 2017, 22 February 2017, 23 July 2019 and 24 June 2021, and the Company's circular dated 30 June 2016 and this circular.

5. Based on the notice of disclosure of interest of Upper Target Limited and Liu Zidong each filed with the Stock Exchange on 12 May 2016, these Shares are held by Upper Target Limited, which is wholly owned by Liu Zidong. Under Part XV of the SFO, Liu Zidong is interested in these 596,900,000 Shares in which Upper Target Limited is interested.

6. Based on the notice of disclosure of interest of Elite Fortune Global Limited and Wang Yi each filed with the Stock Exchange on 10 March 2016, these Shares are held by Elite Fortune Global Limited, which is wholly owned by Wang Yi. Under Part XV of the SFO, Wang Yi is interested in these 585,533,845 Shares in which Elite Fortune Global Limited is interested.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, none of the persons (other than the Directors) who had, or was deemed or taken to have interests or short positions in the Shares or Consolidated Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

4. MARKET PRICE

Trading in the Shares has been suspended from 9:00 a.m. on 1 August 2016. Accordingly, information about the closing prices of the Shares on the Stock Exchange on the Relevant Period are not available, and neither are the highest and lowest closing prices of the Shares during the Relevant Period. The last closing price before suspension of trading was HK$0.142.

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date,

(i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;

(ii) none of the Directors was given any benefit as compensation for loss of office or otherwise in connection with the Restructuring;

(iii) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between any member of the Subscribers and its concert parties and any Director, recent directors of the Company, Shareholders or recent holders of Shares having any connection with or dependence upon the Restructuring;

(iv) none of the Directors has entered into any agreement or arrangement with any other persons which is conditional on or dependent upon the outcome of the Restructuring or otherwise connected with the Restructuring;

(v) save for the Revised Subscription Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group;

(vi) no material contract was entered into by any member of the Subscribers and its concert parties in which any Director has a material personal interest; and

(vii) no Shares, Consolidated Shares, convertible securities, warrants, options, or derivatives in the Company to be acquired by the Subscribers or parties acting in concert with any of them in pursuance of the Restructuring will be transferred, charged or pledged to any other persons after Completion.

6. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date, save for Mr. Ji and Mr. Guo's interest in the Subscription Shares through the First Subscriber and the Second Subscriber, respectively, the Directors are not interested in any Shares. In addition:

(i) the Company was not interested in and had not dealt for value in any shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into shares of the Subscribers during the Relevant Period;

(ii) none of the Directors was interested in and had dealt for value in any shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into shares of the Subscribers during the Relevant Period;

(iii) none of the Directors was interested in and had dealt for value in any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares during the Relevant Period;

(iv) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, (iii) the financial advisors, Yu Ming Investment Management Limited and Emperor Capital Limited, (iv) the Independent Financial Advisor, nor (v) any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code, had any interest or dealt for value in Shares, convertible securities, warrants, options, or derivatives or similar rights which are convertible or exchangeable into Shares during the Relevant Period;

(v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code;

(vi) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company during the Relevant Period;

(vii) none of the Directors held any Shares as at the Latest Practicable Date and therefore they have no entitlement in the Open Offer; and

(viii) none of the Company nor any Directors had borrowed or lent any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares or Consolidated Shares.

7. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, save for the Revised Subscription Agreement, the Directors were not materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is (i) entered into or amended within 6 months before the commencement date of the Relevant Period, (ii) a continuous contract with a notice period of 12 months or more, (iii) a fixed term contract with more than 12 months to run irrespective of the notice period, or (iv) not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

9. LITIGATIONS

(a) In September 2004, a Writ of Summons was served on the Company by an individual third party demanding immediate repayment of borrowings of approximately HK$1,600,000 together with the interest thereon. As the Company had never borrowed money from that individual third party, the Directors at the material time were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an amended Writ of Summons was served on the Company by the lender to clarify that the individual third party acted as an agent of the lender. The Directors at the material time instructed the lawyer of the Company to handle this matter. The loan advanced by the lender of HK$1,523,000 together with interest and penalty of HK$1,149,000, totaling of approximately HK$2,672,000, were accrued in the financial statements (included in other borrowings and other payables and accruals respectively) and had not yet been settled as at Latest Practicable Date. The Court has granted an order to adjourn sine die the plaintiffs' application to set down this case on 15 March 2006. That is to say, the lender and its agent have temporarily withheld the proceedings against the Company. This claim has not been settled up to the Latest Practicable Date. However, as the case has been dormant for nearly 16 years, the Company is of the view that the chance of the case reviving is low. In the event the plaintiffs initiate the proceedings against the Company again, the Company will vigorously defend against the claim.

(b) 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 at the material time 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 at the material time and having obtained an opinion from the Company's lawyer, 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$7,338,000 had been shown as contingent liabilities in the interim report of the Company for six months ended 30 June 2020. The Writ of Summons was served on the Company in February 2005. As at the Latest Practicable Date, the Company had not received further claims from the plaintiff.

(c) On 31 January 2019, the Company, First Concept (a former wholly-owned subsidiary of the Company) and NUR Clean Energy Investment Limited ("**NUR Clean**") (a wholly-owned subsidiary of the Company) issued a writ of summons in the High Court of the Hong Kong Special Administrative Region against 9 defendants for (i) breach of fiduciary/director/employee/contractual duties; (ii) conspiracy; (iii) dishonest assistance; (iv) fraud; and (v) breach of contract. The defendants are Mr. Li Tao, Mr. Yang Fan (former director and chairman of the Company), Mr. Li Hui (former director of the Company, First Concept and NUR Clean), Mr. Feng Tao (former director and deputy general manager of First Concept), Mr. Chan Chon Hong (former employee of First Concept), Sincere Logistics Limited, China Wish Limited, Sino King Trading (HK) Co., Limited, and Huge Power Co., Ltd. First Concept was disposed of in 2019.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance, and no litigation or claim of material importance was pending or threatened by or against any member of the Group.

10. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed Directors and their respective close associates were considered to have any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his close associates were appointed to represent the interests of the Company and/or the Group.

11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the Revised Subscription Agreement;

(b) the Underwriting Agreement; and

(c) the Placing Agreement.

12. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Red Sun Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Beijing Lizhou Law Firm	Legal advisor to the Company in relation to PRC laws
Shanghai iResearch Company Limited	Industry consultant
Netis Advisory Limited	Internal control advisor

Each of Red Sun Capital Limited, ZHONGHUI ANDA CPA Limited, Beijing Lizhou Law Firm, Shanghai iResearch Company Limited and Netis Advisory Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, dated 31 December 2021 and reference to its names and/or its advice in the form and context in which it respectively appears.

As at the Latest Practicable Date, each of Red Sun Capital Limited, ZHONGHUI ANDA CPA Limited, Beijing Lizhou Law Firm and Shanghai iResearch Company Limited 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, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. The statement above is made by the experts for incorporation in this circular.

13. EXPENSES

The expenses in connection with the Open Offer, including Underwriting and Placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK$12.3 million, which are payable by the Company.

14. CORPORATE INFORMATION

Registered Office and Principal Place of Business in Hong Kong	Suites 1106-08 11th Floor The Chinese Bank Building 61-65 Des Voeux Road Central Hong Kong
Authorised representatives	Mr. Ji Kaiping Suites 1106-08 11th Floor The Chinese Bank Building 61-65 Des Voeux Road Central Hong Kong

	Ms. Chan Pui Shan, Bessie Suites 1106-08 11th Floor The Chinese Bank Building 61-65 Des Voeux Road Central Hong Kong
Company Secretary	Ms. Chan Pui Shan, Bessie Suites 1106-08 11th Floor The Chinese Bank Building 61-65 Des Voeux Road Central Hong Kong
Legal advisor to the Company	*As to Hong Kong laws:* Baker & McKenzie 14th Floor One Taikoo Place 979 King's Road Quarry Bay Hong Kong Lau, Horton & Wise LLP 8th Floor Nexxus Building 41 Connaught Rd Central Central Hong Kong
Financial Advisors	Yu Ming Investment Management Limited Room 1801 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong

	Emperor Capital Limited 23rd Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Independent Financial Advisor	Red Sun Capital Limited Room 3303, 33rd Floor West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Auditors	ZHONGHUI ANDA CPA Limited 23rd Floor, Tower 2 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Hong Kong
Placing Agent and Underwriter	Emperor Securities Limited 23rd -24th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Share Registrar	Tricor Abacus Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banker	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor ICBC Tower 3 Garden Road Central Hong Kong

15. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Ji Kaiping	Room 203, Block B, Qiming International Building No. 101 Lize Zhong Lu Chaoyang District, Beijing City The People's Republic of China
Guo Peiyuan	No. 401, Unit 6, 1/F. No. 5B Peixin Street Chongwen District, Beijing The People's Republic of China

Non-executive Director

An Jingwen	Room 20-07, Building No. 2, West Zone No. Ding-11 Xueyuan Road Haidian District, Beijing 100083 The People's Republic of China

Independent non-executive Directors

Li Wen	Unit 302, Building 2, No.1 Fangxinyuan Fengtai District, Beijing The People's Republic of China
Qiu Ke	26, Rue Marcoux Saint-Constant (QC) J5A IT5, Canada
Chen Yen Yung	Flat A, 39/F., Tower 1, Vision City 1 Yeung Uk Road, Tsuen Wan New Territories, Hong Kong

16. GENERAL

(a) The registered office and principal place of business of the Company in Hong Kong is at Suites 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong.

(b) The address of the First Subscriber is at Room G367, 3/F, Kwai Shing Industrial Building Phase 2, 42-46 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

(c) The address of the Second Subscriber is at Unit 1513, 15/F, Austin Tower, 22-26 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

(d) The company secretary of the Company is Ms. Chan Pui Shan, Bessie, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

(e) The share registrar and transfer office of the Company is Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are published on (i) the Company's website at http://www.irasia.com/listco/hk/nur; (ii) SFC's website at http://www.sfc.hk; and (iii) the Stock Exchange's website at http://www.hkexnews.hk for the period of 14 days from the date of this circular:

(a) the Articles;

(b) the PRC legal opinion issued by the PRC Legal Advisor;

(c) the Shareholder Control Agreement;

(d) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020;

(e) the interim reports of the Company for each of the six months ended 30 June 2020 and 2021;

(f) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(g) the letter from the Independent Board Committee A, the text of which is set out in the section headed "Letter from the Independent Board Committee A" in this circular;

(h) the letter from the Independent Board Committee B, the text of which is set out in the section headed "Letter from the Independent Board Committee B" in this circular;

(i) the letter of recommendation from the Independent Financial Advisor, the text of which is set out in the section headed "Letter from the Independent Financial Advisor" in this circular;

(j) the accountants' report on the unaudited pro forma financial information and unaudited pro forma adjusted consolidated net tangible assets of the Group from the Auditors as set out in Appendix II to this circular;

(k) the material contracts referred to under the paragraph "Material Contracts" in this appendix;

(l) the written consent referred to in the paragraph headed "Experts and Consent" in this Appendix; and

(m) this circular.

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)

NOTICE IS HEREBY GIVEN that a general meeting (the "**Meeting**") of National United Resources Holdings Limited (the "**Company**") will be held at 2/F., 35-45B, Bonham Strand, Sheung Wan, Hong Kong on Friday, 21 January 2022 at 11:00 a.m. (or any adjournment thereof will be held at the duly notified place, day and time) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company. Capitalised terms defined in the circular dated 31 December 2021 issued by the Company (the "**Circular**") shall have the same meanings when used in this notice of Meeting unless otherwise specified.

ORDINARY RESOLUTIONS

1. THE CAPITAL REORGANISATION

"**THAT** subject to the fulfillment of all the conditions set out in the section headed "Conditions precedent to the Share Consolidation" (the "**Conditions**") in the Circular (a copy of which has been produced to the Meeting and marked "A" and initialed by the chairman of the Meeting for identification purpose), with effect from the second business day following the date on which the Conditions are fulfilled:

(a) every ten (10) existing Shares be consolidated into one (1) Consolidated Share (the "**Share Consolidation**");

(b) all of the Consolidated Shares resulting from the Share Consolidation shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the Articles;

(c) all fractional Consolidated Shares shall be disregarded and not be issued to the Shareholders and any fractional entitlements to the issued Consolidated Shares will be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company by an agent appointed by the Company's board of directors for that purpose; and

(d) any one Director be and is hereby authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in his/her opinion may be necessary, desirable or expedient to implement and carry into effect this resolution."

2. THE SUBSCRIPTION

"THAT

(a) the Revised Subscription Agreement (a copy of which has been produced to the Meeting and marked "B" and initialed by the chairman of the Meeting for identification purpose) in relation to the subscription of 972,500,000 Subscription Shares and 615,500,000 Subscription Shares by the First Subscriber and the Second Subscriber, respectively at the subscription price of HK$0.11 per Subscription Share and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Subscription Shares prior to settlement of the Subscription Shares, the Directors be and are hereby granted a specific mandate (the "**Subscription Shares Specific Mandate**") to allot, issue, credited as fully paid, the Subscription Shares in accordance with the terms of the Revised Subscription Agreement and such Subscription Shares (upon issue) shall rank *pari passu* in all respects with the then existing Consolidated Shares, provided that the Subscription Shares Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) any one Director be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Revised Subscription Agreement (including without limitation entering into supplemental agreement(s) in relation to the Revised Subscription Agreement) and the transaction contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares under the Subscription Shares Specific Mandate."

3. **THE OPEN OFFER**

“**THAT**

(a) the Underwriting Agreement and the Placing Agreement (a copy of which have been produced to the Meeting and marked “C” and “D” and initialed by the chairman of the Meeting for identification purpose) and the transaction contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) subject to the fulfillment of the conditions set out in the Underwriting Agreement and conditional upon the Listing Committee granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Offer Shares, the Directors be and are hereby granted a specific mandate (the “**Offer Shares Specific Mandate**”) to allot, issue, credited as fully paid, the Offer Shares to the Qualifying Shareholder at the subscription price of HK$0.11 per Offer Share on the basis of one (1) Offer Share for every one (1) existing Consolidated Share held by the Qualifying Shareholders on the Open Offer Record Date on the terms set out in the Circular and such Offer Shares (upon issue) shall rank *pari passu* in all respects with the then existing Consolidated Shares, provided that the Offer Shares Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution;

(c) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of the place and requirements of the relevant regulatory body or stock exchange;

(d) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the Underwritten Shares, if any, by the Underwriter) be and is hereby approved, confirmed and ratified;

(e) the entering into the Placing Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the placement of the Unsubscribed Shares, if any, by the Placing Agent) be and is hereby approved, confirmed and ratified; and

(f) any one Director be and is hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer in accordance with all terms and conditions of the Open Offer as set out in the "Letter from the Board" in the Circular, the Underwriting Agreement, the Placing Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and the Placing Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement and the Placing Agreement (including without limitation entering into supplemental agreement(s) in relation to the Underwriting Agreement and the Placing Agreement) as he/she may in his/her discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole."

4. THE DEBT RESTRUCTURING

"**THAT**

(a) the legally binding agreements entered into between the Company and the Creditors under the Debt Restructuring (the "**Debt Restructuring Agreements**") (a copy of which have been produced to the Meeting and marked "E" and initialed by the chairman of the Meeting for identification purpose) and the transaction contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) conditional upon the Listing Committee granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Creditors Shares prior to settlement of the Creditors Shares, the Directors be and are hereby granted a specific mandate (the "**Creditors Shares Specific Mandate**") to allot, issue, credited as fully paid, the Creditors Shares to the Creditors in accordance with the terms of the Debt Restructuring Agreements and such Creditors Shares (upon issue) shall rank *pari passu* in all respects with the then existing Consolidated Shares, provided that the Creditors Shares Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) any one of the Directors be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Debt Restructuring Agreements (including without limitation entering into supplemental agreement(s) in relation to the Debt Restructuring Agreements) and the transaction contemplated thereunder, including, without limitation, the allotment and issue of the Creditors Shares under the Creditors Shares Specific Mandate."

5. APPOINTMENT OF DIRECTORS

"**THAT**

(a) the appointment of each of the following candidates as Directors be and is hereby confirmed and ratified:

i. Mr. Ji Kaiping as an executive Director;

ii. Mr. Guo Peiyuan as an executive Director;

iii. Mr. An Jingwen as a non-executive Director;

iv. Mr. Li Wen as an independent non-executive Director;

v. Mr. Qiu Ke as an independent non-executive Director; and

vi. Ms. Chen Yen Yung as an independent non-executive Director; and

(b) the Board be and is hereby authorised to fix the Directors' remuneration and any one Director be and is hereby authorised to do all such acts and things and execute all such documents as he or she may, in his/her absolute discretion, consider necessary, desirable or expedient in connection with the appointment of Directors set out in paragraph (a) above."

6. AUDITED FINANCIAL STATEMENTS

"**THAT** the audited financial statements of the Company and its subsidiaries for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 respectively and the reports of the Directors and the auditors of the Company thereon be and are hereby approved, confirmed and ratified."

SPECIAL RESOLUTION

7. THE WHITEWASH WAIVER

"**THAT**

(a) subject to the Executive granting the Whitewash Waiver to the Subscribers and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code waiving any obligation on the part of the Subscribers to make a mandatory general offer for all of the Consolidated Shares not already owned or agreed to be acquired by the Subscribers or parties acting in concert with any of them under Rule 26 of the Takeovers Code as a result of the allotment and issue of the Subscription Shares, the Offer Shares and the Creditors Shares be and is hereby approved; and

(b) any one Director be and is hereby authorized to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) as the Company, such Director or, as the case may be, the Board in his/its absolute discretion may consider necessary, desirable, expedient or in the interest of the Company to give effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

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

Hong Kong, 31 December 2021

Registered office and principal place of business:
Suites 1106-08, 11th Floor,
The Chinese Bank Building,
61-65 Des Voeux Road Central,
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the share registrar and transfer office of the Company, Tricor Abacus Limited, at Level 54, 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 fixed for holding the Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.

4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting if shareholders so wish.

5. The resolutions set out in this notice of general Meeting will be put to Shareholders to vote taken by way of a poll.