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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 the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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)

PROPOSED REFRESHMENT OF GENERAL MANDATE AND NOTICE OF GENERAL MEETING

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholder**



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 4 to 13 of this circular. A letter of advice from the Independent Financial Adviser is set out on pages 15 to 32 of this circular.

A notice convening the GM of the Company to be held at 2/F., 35-45B, Bonham Strand, Sheung Wan, Hong Kong on Monday, 3 April 2023 at 11:00 a.m. is set out on pages GM-1 to GM-3 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 17/F, Far East Financial Centre, 16 Harcourt Road, 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 (i.e. not later than 11:00 a.m. on Friday, 31 March 2023 (Hong Kong time) by excluding Sunday, 2 April 2023) 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.

17 March 2023

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RESPONSIBILITY STATEMENT

This circular, for which the Directors (as defined therein) collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules (as defined therein) for the purpose of giving information with regard to the Group. 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.

DEFINITIONS

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

“2022 AGM”	the annual general meeting of the Company held on 28 June 2022
“Announcement”	the announcement of the Company dated 1 February 2023 in relation to, among others, the proposed refreshment of the Existing General Mandate
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	board of Directors
“Company”	National United Resources Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“controlling shareholder(s)”	has the meaning ascribe to this term under the Listing Rules
“Debt Restructuring”	the debt restructuring proposed by the Company under the resumption proposal dated 19 June 2019 and the supplemented proposal dated 30 July 2019 submitted to the Stock Exchange for resumption of trading in the Shares, details of which are set out in the circular of the Company dated 31 December 2021
“Director(s)”	director(s) of the Company
“Existing General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the 2022 AGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital as at the date of the 2022 AGM
“GM”	the general meeting of the Company to be convened and held at 2/F., 35-45B, Bonham Strand, Sheung Wan, Hong Kong on Monday, 3 April 2023 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, approving the New General Mandate by the Independent Shareholders, the notice of which is set out on pages GM-1 to GM-3 of this circular

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the proposed grant of the New General Mandate
“Independent Financial Adviser” or “Eddid Capital”	Eddid Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the New General Mandate, 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 any controlling Shareholders and their associates or, where there are no controlling Shareholders, any Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the GM
“Latest Practicable Date”	9 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New General Mandate”	the general mandate proposed to be sought at the GM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

DEFINITIONS

“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



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
Ms. Mao Na
Ms. Ma Wenjing
Mr. Qiu Keshan

*Registered office and principal place
of business:*

Suites 1106-08, 11th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

Non-executive Director:

Mr. An Jingwen

Independent non-executive Directors:

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

17 March 2023

To the Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

The purpose of this circular is to provide you with information regarding (i) the grant of the New General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate; and (iv) a notice of the GM, at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the proposed grant of the New General Mandate by way of poll.

LETTER FROM THE BOARD

EXISTING GENERAL MANDATE

At the 2022 AGM, the Shareholders approved, among other things, the grant of the Existing General Mandate which authorised the Directors to allot, issue and deal with not more than 615,525,681 new Shares, being 20% of the issued share capital of the Company of 3,077,628,409 Shares as at the date of the 2022 AGM.

References are made to the announcements of the Company dated 26 October 2022, 3 November 2022 and 8 November 2022 in relation to the subscriptions of an aggregate of 610,000,000 new Shares (the “**Latest Subscription**”) under the Existing General Mandate. Following completion of the Latest Subscription on 8 November 2022, and as at the Latest Practicable Date, approximately 99.1% of the Existing General Mandate has been utilised by the Company.

PROPOSED GRANT OF NEW GENERAL MANDATE

As the Existing General Mandate has almost been fully utilised, the Board proposes to convene the GM at which ordinary resolution(s) will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the relevant resolution(s) at the GM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2022 AGM.

The Company has not refreshed the Existing General Mandate since the 2022 AGM. The New General Mandate will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s articles of association to be held; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

As at the Latest Practicable Date, the Company has 3,687,628,409 Shares in issue. On the basis that there are no changes in the issued share capital of the Company from the Latest Practicable Date and up to the date of the GM, the Directors will be authorised to allot and issue up to 737,525,681 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the GM.

LETTER FROM THE BOARD

REASONS FOR THE GRANT OF THE NEW GENERAL MANDATE

The Group is principally engaged in car rental and shuttle bus services in the industry of commuter bus leasing market in the PRC. On top of expanding the Group's car rental and shuttle bus services, the management of the Group is vigorously developing other promising business lines, with a view to developing the Group into a diversified enterprise engaged in traditional and modern industries. As the Group has been actively expanding and developing its business, the Company may conduct debt and/or equity fund raising exercise when suitable opportunities arise.

As at the Latest Practicable Date, the Company has issued 610,000,000 Shares under the Existing General Mandate, the details of which are set out in the announcements of the Company dated 26 October 2022, 3 November 2022 and 8 November 2022. Accordingly, approximately 99.1% of the Existing General Mandate has been utilised.

Greater flexibility as compared with issuing shares under specific mandate

The relevant resolution in respect of refreshment of general mandate is usually scheduled to be proposed for the Shareholders' approval at the next annual general meeting of the Company. However, as disclosed in the announcement of the Company dated 2 December 2022, the Board has resolved to change the financial year end date of the Company from 31 December to 30 June ("**Change of Financial Year End Date**") with effect from the financial year of 2022/2023. The forthcoming annual general meeting of the Company is expected to be held by end of December 2023 due to the Change of Financial Year End Date. Given that the Existing General Mandate has almost been fully utilised, it is not practicable for the Company to further raise funds under the Existing General Mandate until the Existing General Mandate is refreshed.

In the context of the dynamic business environment, time is of the essence in terms of securing suitable investment and fundraising opportunities. Therefore, issuing Shares under specific mandate may not be the most suitable fundraising method for the purpose of capturing investment opportunities in a timely manner due to the lengthy formalities associated with holding a general meeting to obtain the Shareholders' approval after the terms of the potential investment opportunities and proposed new Shares issuance are finalised. On the other hand, the grant of the New General Mandate would avoid the uncertainties of not obtaining a specific mandate in a timely fashion and is a more expeditious solution for the Company to respond quickly to market conditions and fundraising opportunities. In addition, whenever an attractive offer for investment in the Shares is received by the Company from potential investors before the next annual general meeting, the Directors will be able to react promptly to such fund raising opportunities by considering the issue of new Shares under the New General Mandate.

In light of the above, the Directors consider that the grant of New General Mandate offers the Company with greater financing flexibility to cope with the funding needs of the Company and enables the Company to respond swiftly to market conditions and investment opportunities should such arise before the next annual general meeting by providing a more efficient fund raising process or by issuing new Shares as transaction consideration.

LETTER FROM THE BOARD

Other financing alternatives

The Board will also consider other financing alternatives apart from equity or equity-related financing by utilising the New General Mandate, such as bond offering, debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration of the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

Debt financing

The Board considers equity or equity-related financing to be an important avenue of funding resource to the Group since it can reduce the reliance on debt financing, which will increase the debt gearing ratio of and create additional interest paying obligations, especially with the recent global interest rate hikes, on the Group. In addition, borrowing from financial institutions may be subject to lengthy due diligence and negotiations and less favourable terms as compared with equity-related financing. The terms of the financing facilities available to the Group may depend on the financial institutions' assessment and may require the Company to put up collateral and other securities for such financing facilities. Likewise, bond offering has similar concerns. Under current interest rate hikes, the investors may demand a higher yield from the Company to compensate for the increased cost of borrowing, which can make it more challenging for the Company to secure funding through bond offering.

Pre-emptive issues

In respect of other pre-emptive issues such as rights issue and open offer, despite the fact that it allows existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size could not be assured by the Company if conducted on a non-underwritten basis. Even if the Company is successful in procuring an underwriter, the underwriting commission will be an additional burden on the Group and may not be beneficial to the Company and the Shareholders as a whole.

The theoretical value dilution impact of issuing shares under general mandate is limited as compared with rights issue and open offer. Although pre-emptive issue offers the Shareholders with the same opportunity to maintain their proportionate interests in the Company, the average theoretical value dilution effect of a rights issue and open offer is generally higher than the maximum theoretical value dilution effect of issuing shares under general mandate of approximately 3.33%¹.

¹ The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules and assuming a maximum number of 737,525,681 Shares are issued under the New General Mandate with the issue price of higher than HK\$0.0672 (representing a maximum discount of less than 20.0% to the benchmark price as at Latest Practicable Date).

LETTER FROM THE BOARD

Furthermore, rights issue and open offer generally require preparation of legal documentation and fulfilment of additional administrative procedures, which are more time consuming and less cost effective. The Company may not be able to grasp potential business opportunities in a timely manner.

Taking into account the above, in particular the value dilution impact, it is more preferable for the Company to issue Share under New General Mandate if the funding size is relatively small to save undue administrative cost and time, which is fair and reasonable and in turn in the interests of the Company and the Shareholder as a whole.

Prospect of the Company under post-pandemic environment in the PRC

During the COVID-19 pandemic, the Company has been actively exploring opportunities to diversify its revenue stream and, by riding on its expertise in transportation, logistic and dynamic resource management, to expand its business scope. As disclosed in the announcements of the Company dated 1 September 2022 and 30 September 2022, the Company has entered into various strategic cooperation agreements for potential cooperation in digital economy application and highway short-sleep pods. The negotiations for the strategic cooperations were once suspended due to the outbreak of COVID-19 pandemic during October to December 2022, along with the ease of preventive measures in the PRC, the Company has recently resumed the discussion on the aforesaid cooperation.

On 19 January 2023, the Company announced the entering into of a memorandum of understanding in relation to the possible acquisition of Beijing Ruixin Botong Technology Company Limited*, a company specialised in provision industry eco-chain implementation services and professional information technology solutions, for the purpose to strengthen the Group's capability in transportation, logistic and dynamic resource management. As at the Latest Practicable Date, the Company is in course of conducting due diligence review.

The market sentiment is gradually restoring and the business activities, which have been suppressed for years due to the COVID-19 pandemic, become more active recently. It is observed that there is an accelerating trend of capital flowing into the PRC market which, in turn, drives the investment demands in the PRC. Hence, riding on the improving market sentiment and investment demand, the Company is now exploring various business opportunities which are not limited to the above-mentioned cooperation and possible acquisition. The Company is actively negotiating with difference business partners from time to time for possible collaboration. Once those business plans are materialised, immediate funding is expected in order to grasp the opportunities in time, and so the grant of the New General Mandate equips the Group with the ability to capture such opportunities. As at the Latest Practicable Date, save for the announced memorandum of understanding, certain negotiations were undergoing. The Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

Taking into account the above, the Directors are of the view that the grant of the New General Mandate provides the Company a flexible tool of financing, which is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no concrete plan or has not entered into any agreement, arrangement, understanding or undertaking in respect of any proposed issue of new Shares under the New General Mandate. In case any plans being crystallised, the Company would fulfil the funding needs after balancing its overall capital structure through utilising its internal resource and/or using suitable financing method. The Company will exercise due and careful consideration when choosing the financing method available.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for equity fund raising activities mentioned below, the Company has not carried out any other equity fund raising activities in the past twelve-month period immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Fund raising activities	Net proceeds raised ^{note} (approx.)	Intended use of proceeds	Actual use of the net proceeds as at 31 December 2022
24 June 2021	1. Open offer on the basis of 1 offer share for every 1 Share held on 8 February 2022; and	HK\$235.8 million	– approximately HK\$160.0 million for settlement of debt under the Debt Restructuring;	– approximately HK\$53.0 million was used as intended;
	2. Subscription of new Shares under specific mandate		– approximately HK\$51.2 million for business expansion; and	– approximately HK\$50.3 million was used as intended; and
			– approximately HK\$24.6 million for general working capital	– approximately HK\$24.6 million was used as intended.
26 October 2022	Latest Subscription of new Shares under general mandate	HK\$70.0 million	– approximately 70% or more of the net proceeds for enhancement of existing business of the Group and for business expansion of the Company; and	– nil; and
			– the remaining net proceeds as general working capital of the Group	– approximately HK\$4.6 million was used as intended.

Note: The remaining net proceeds raised will be used as intended.

LETTER FROM THE BOARD

POTENTIAL DILUTION OF SHAREHOLDING OF THE SHAREHOLDERS

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the New General Mandate (assuming no other Shares are issued or repurchased by the Company from the Latest Practicable Date up to and including the date when the New General Mandate is utilised in full), for illustrative and reference purpose:

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors and substantial Shareholders				
Ji Kaiping (“ Mr. Ji ”) (Notes 1, 3 & 4)	972,500,000	26.37	972,500,000	21.98
Guo Peiyuan (“ Mr. Guo ”) (Notes 2, 3 & 4)	615,500,000	16.69	615,500,000	13.91
Ma Wenjing (Note 3)	42,600,000	1.16	42,600,000	0.96
Qiu Keshan (Note 3)	3,140,000	0.09	3,140,000	0.07
Tian Xin (Note 4)	515,000,000	13.97	515,000,000	11.64
Other Shareholders				
Public Shareholders	1,538,888,409	41.72	1,538,888,409	34.77
Maximum number of new Shares that can be issued under the New General Mandate	—	—	737,525,681	16.67
Total	<u>3,687,628,409</u>	<u>100.00</u>	<u>4,425,154,090</u>	<u>100.00</u>

Notes:

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

LETTER FROM THE BOARD

Assuming that (i) the grant of the New General Mandate is approved at the GM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the GM (both dates inclusive), upon full utilisation of the New General Mandate, 737,525,681 Shares can be issued, which represents 20% and approximately 16.67% of the aggregate number of the issued Shares as at the Latest Practicable Date and the aggregate number of the enlarged issued Shares respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 41.72% as at the Latest Practicable Date to approximately 34.77% upon full utilisation of the New General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.67%. The size of such dilution is comparable to and not greater than that arising from the grant of the Existing General Mandate approved at the 2022 AGM (in which the public Shareholders at the prevailing time were subject to a dilution from 46.92% to 39.10% upon full utilisation of the Existing General Mandate).

The Company has conducted the Latest Subscription in October 2022. The dilution impact and the theoretical value dilution impact of the Latest Subscription to the then Shareholders are 16.54% and 0.0% respectively. For illustration purposes, assuming that (i) the grant of the New General Mandate is approved at the GM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the GM (both dates inclusive), the aggregate dilution impact of the Latest Subscription and the issue of 737,525,681 Shares under New General Mandate will be approximately 43.78% and 30.45% of the aggregate number of the issued Shares immediately prior to the completion of the Latest Subscription and the aggregate number of the enlarged issued Shares respectively.

THE GM

A notice convening the GM to be held at 2/F., 35-45B, Bonham Strand, Sheung Wan, Hong Kong on Monday, 3 April 2023 at 11:00 a.m. is set out on pages GM-1 to GM-3 of this circular for the purpose of considering and, if thought fit, passing the resolution(s) to approve the grant of the New General Mandate.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate will be subject to the Independent Shareholders' approval by way of ordinary resolution(s) at the GM. Any controlling shareholders and their respective associates, or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the grant of the New General Mandate.

LETTER FROM THE BOARD

As at the date of the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Mr. Ji Kaiping, Mr. Guo Peiyuan, Ms. Ma Wenjing and Mr. Qiu Keshan, being executive Directors with interests in the Shares as at the Latest Practicable Date, together with their associates, are required to abstain from voting in favour of the ordinary resolution(s) regarding the grant of the New General Mandate at the GM. In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders at the GM shall be taken by poll.

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 17/F, Far East Financial Centre, 16 Harcourt Road, 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 (i.e. not later than 11:00 a.m. on Friday, 31 March 2023 (Hong Kong time) by excluding Sunday, 2 April 2023) 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung, has been established to advise the Independent Shareholders on the grant of the New General Mandate.

Eddid Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate.

RECOMMENDATION

Based on the above, the Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular after taking into account the advice of the Independent Financial Adviser) consider that the grant of the New General Mandate is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the GM as set out in the notice of GM attached to this circular.

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out in pages 15 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the grant of the New General Mandate and the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the New General Mandate.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the Letter from Eddid Capital to this circular.

* *For identification purposes only*

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

17 March 2023

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company to the Shareholders dated 17 March 2023 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

The Independent Board Committee has been established to advise the Independent Shareholders on whether the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 13 of the Circular and the letter of advice from Eddid Capital, the Independent Financial Adviser, appointed to advise the Independent Board Committee and the Independent Shareholders, as set out on pages 15 to 32 of this circular in relation to the proposed grant of the New General Mandate.

Having taken into consideration the factors and reasons as stated in the letter from the Board, and the opinion as stated in the letter of advice from the Independent Financial Adviser, we consider that the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the GM to approve the proposed grant of the New General Mandate.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Li Wen

Qiu Ke

Chen Yen Yung

Independent Non-executive Directors

LETTER FROM EDDID CAPITAL

The following is the full text of a letter of advice from Eddid Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate, which has been prepared for the purpose of incorporation in this circular.



17 March 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in this circular issued by the Company to the Shareholders dated 17 March 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

At the 2022 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot, issue and deal with not more than 615,525,681 new Shares, being 20% of the issued share capital of the Company of 3,077,628,409 Shares as at the date of the 2022 AGM. References are made to the announcements of the Company dated 26 October 2022, 3 November 2022 and 8 November 2022 in relation to the subscription of an aggregate of 610,000,000 new Shares under the Latest Subscription. Following completion of the Latest Subscription on 8 November 2022, approximately 99.1% of the Existing General Mandate has been utilised by the Company. Therefore, the Board proposes to refresh the Existing General Mandate and seek the New General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions at the GM.

LETTER FROM EDDID CAPITAL

Pursuant to Rule 13.36(4) of the Listing Rules, as the grant of New General Mandate is proposed to be made before the next annual general meeting of the Company, the proposed grant of the New General Mandate will be subject to the Independent Shareholders' approval by way of an ordinary resolution at the GM. Any controlling shareholders and their respective associates, or where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the proposed grant of the New General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Mr. Ji Kaiping (Chairman), Mr. Guo Peiyuan, Ms. Ma Wenjing and Mr. Qiu Keshan, being executive Directors with interests in the Shares, as at the Latest Practicable Date, together with their associates, are required to abstain from voting in favour of the ordinary resolution regarding the grant of the New General Mandate at the GM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Li Wen, Mr. Qiu Ke and Ms. Chen Yen Yung, has been established to advise the Independent Shareholders on whether the proposed grant of the New General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to the voting. We, Eddid Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group. Accordingly, we are qualified to give independent advice in respect of the proposed grant of the New General Mandate.

LETTER FROM EDDID CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in respect of the proposed grant of the New General Mandate, we have taken into account the principal factors and reasons set out below:

1. Background of the proposed grant of the New General Mandate

Pursuant to an ordinary resolution passed by the Shareholders at the 2022 AGM, the Directors were authorised to, among other things, allot and issue not more than 615,525,681 new Shares, being 20% of the issued share capital of the Company of 3,077,628,409 Shares as at the date of the 2022 AGM.

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As at the Latest Practicable Date, the Company has issued 610,000,000 Shares under the Existing General Mandate, the details of which are set out in the announcements of the Company dated 26 October 2022, 3 November 2022 and 8 November 2022. Accordingly, approximately 99.1% of the Existing General Mandate has been utilised.

The Company has not refreshed the Existing General Mandate since the date of the 2022 AGM. As disclosed in the announcement of the Company dated 2 December 2022, the Board has resolved to change the financial year end date of the Company from 31 December to 30 June with effect from the financial year of 2022/2023 (the “**Change of Financial Year End Date**”). Therefore, the next annual general meeting of the Company is expected to be held by end of December 2023, which is about 10 months from the date of the Circular.

As set out in the Letter from the Board, the Board proposed to convene the GM at which ordinary resolution(s) will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the relevant resolution(s) at the GM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2022 AGM.

The Company has not refreshed the Existing General Mandate since the 2022 AGM. The New General Mandate will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the of the period within which the next annual general meeting is required by any applicable laws or the Company’s articles of association to be held; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

As at the Latest Practicable Date, the Company had an aggregate of 3,687,628,409 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the grant of the New General Mandate and on the basis that there are no changes in the issued share capital of the Company from the date of the Circular and up to the date of the GM, the Directors will be authorised to allot and issue up to 737,525,681 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the GM.

LETTER FROM EDDID CAPITAL

2. Information of the Group

The Company is principally engaged in car rental and shuttle bus services in the industry of commuter bus leasing market in the PRC.

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 December 2021 (“FY2020” and “FY2021”, respectively) as extracted from the Company’s annual report for the year ended 31 December 2021; (ii) and the twelve months ended 31 December 2022 (“FY2022”) as extracted from the Company’s 2022 second interim report for the twelve months ended 31 December 2022:

(i) **Financial performance**

	For the year/twelve months ended 31 December		
	2020	2021	2022
	HK\$’000 (audited)	HK\$’000 (audited)	HK\$’000 (unaudited)
Revenue	134,527	142,814	77,074
Cost of revenue	(103,568)	(105,886)	(86,230)
Gross profit/(loss)	30,959	36,928	(9,156)
Other income	69,472	86,181	357,594
Administrative and other operating expenses	(33,229)	(41,009)	(49,438)
Finance cost	(23,943)	(20,697)	(11,270)
Loss on disposal of subsidiaries	(1,101)	–	–
Profit before tax	42,158	61,403	287,730
Profit for the year/period	40,011	58,611	292,692
Profit attributable to the Shareholders	36,726	54,756	300,283

FY2022 as compared to FY2021

Revenue of the Group was approximately HK\$77.1 million in FY2022, representing a decrease of approximately 46.0% as compared to approximately HK\$142.8 million in FY2021. Such decrease was mainly attributable to the utilisation of commutes buses and operation of the Group were adversely affected during April to June 2022 and December 2022, when COVID-19 outbreak in Beijing. As several districts in Beijing adopted lockdown and control measures one after another, certain key customers of its two major subsidiaries advocated for quarantine or avoid travelling under control measures or voluntary, several customers of international schools delayed term starts or request students attend class at home via online teaching, and some corporate customers allow their staff to work from home.

LETTER FROM EDDID CAPITAL

Gross loss of the Group in FY2022 amounted to approximately HK\$9.2 million, as compared to gross profit of approximately HK\$36.9 million in FY2021, primarily attributable to the decrease in revenue.

The Group recorded profit attributable to the Shareholders of approximately HK\$300.3 million in FY2022, representing an increase of approximately 448.4% as compared to approximately HK\$54.8 million in FY2021, primarily attributable to the increase of approximately HK\$271.4 million in other income in FY2022 which was mainly as a result of (a) gain on debt restructuring of approximately HK\$316.6 million for outstanding debt owed by the Company settled under the Debt Restructuring after haircut from the creditors and finance costs related to such outstanding loan incurred, less (i) the cash settlement paid to the creditors; and (ii) fair value of Creditors Shares issued by the Company; and (b) gain on disposal of a wholly owned subsidiary with net liabilities of approximately HK\$37.6 million, less decrease in gain on a waiver of other loan of approximately HK\$85.8 million which was recognised in FY2021. Details of the Debt Restructuring were disclosed in circular of the Company dated 31 December 2021.

FY2021 as compared to FY2020

Revenue of the Group was approximately HK\$142.8 million in FY2021, representing an increase of approximately 6.2% as compared to approximately HK\$134.5 million in FY2020. Such increase was mainly attributable to increase in demand in shuttle bus services during the year.

Gross profit of the Group in FY2021 amounted to approximately HK\$36.9 million, as compared to gross profit of approximately HK\$31.0 million in FY2020, primarily attributable to the increase in revenue.

The Group recorded profit attributable to the Shareholders of approximately HK\$54.8 million in FY2021, representing an increase of approximately 49.1% as compared to approximately HK\$36.7 million in FY2020. The increase was primarily attributable to the increase in revenue.

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(ii) Financial position and cashflows

	As at 31 December		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
Non-current assets, including:	242,435	227,418	186,213
– Property, plant and equipment	109,804	94,738	74,317
– Right-of-use assets	88,987	73,271	64,001
– Goodwill	36,547	37,546	23,060
Current assets, including:	84,932	87,122	290,059
– Trade receivables	52,912	59,910	29,863
– Prepayments, deposits and other receivables	27,453	25,076	85,878
– Bank and cash balances	4,567	2,136	174,318
Total assets	327,367	314,540	476,272
Current liabilities, including:	842,006	783,324	336,725
– Other payables and accruals	171,360	189,883	149,677
– Borrowings	160,476	69,218	46,120
– Convertible bonds	259,693	265,086	–
– Non-convertible bonds	90,500	90,500	–
– Lease liabilities	154,644	161,414	133,902
Non-current liabilities, including:	10,772	1,663	673
– Lease liabilities	10,772	1,663	673
Total liabilities	852,778	784,987	337,398
Net current liabilities	(757,074)	(696,202)	(46,666)
Net (liabilities)/assets	(525,411)	(470,447)	138,874

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	For the year/twelve months ended 31 December		
	2020	2021	2022
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (unaudited)
Net cash generated from/(used in) operating activities	22,902	13,103	(78,527)
Net cash generated from/(used in) investing activities	9	(847)	2,027
Net cash (used in)/generated from financing activities	(25,604)	(16,338)	249,845
Net (decrease)/increase in cash and cash equivalents	(2,693)	(4,082)	173,345

As at 31 December 2022, total assets of the Group amounted to approximately HK\$476.3 million, which mainly included (a) property, plant and equipment of approximately HK\$74.3 million; (b) right-of-use assets of approximately HK\$64.0 million; (c) Goodwill of approximately HK\$23.1 million; (d) trade and other receivables of approximately HK\$29.9 million; (e) Prepayments, deposits and other receivables of approximately HK\$85.9 million; and (f) bank and cash balances of approximately HK\$174.3 million.

As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately HK\$174.3 million, primarily represented by cash generated from financing activities of approximately HK\$249.8 million, which comprised (i) the net proceeds from subscription of shares of approximately HK\$170.6 million and open offer of approximately HK\$65.2 million respectively completed on 9 March 2022 (the “**First Subscription and Open Offer**”); and (ii) the net proceeds from subscriptions of shares of approximately HK\$70.0 million completed on 8 November 2022 (the “**Latest Subscription**”), less (i) repayment of convertible bonds of approximately HK\$17.3 million; (ii) repayment of non-convertible bonds of approximately HK\$5.1 million; and (iii) the Group’s net cash used in operating activities of approximately HK\$78.5 million during FY2022. As at 31 December 2022, approximately HK\$173.3 million of the proceeds raised from the First Subscription and Open Offer and the Latest Subscription was unutilised, which will be mainly used for the intended purposes.

As at 31 December 2022, total liabilities of the Group amounted to approximately HK\$337.4 million, which mainly included (a) other payables and accruals of approximately HK\$149.7 million; (b) borrowings of approximately HK\$46.1 million; and (c) lease liabilities of approximately HK\$134.6 million.

LETTER FROM EDDID CAPITAL

As at 31 December 2022, the Group had net current liabilities of approximately HK\$46.7 million and net asset position of approximately HK\$138.9 million. The Group's net asset position was primarily due to cash and cash equivalents of the Group amounted to approximately HK\$174.3 million, which was primarily generated from financing activities as mentioned above.

Overall comments

Taking into account (a) that the economy in the PRC remains sluggish and the cash inflow of the Group might be adversely affected, which the Group has incurred gross loss from operations for the twelve months ended 31 December 2022; (b) the cash and net asset position of the Group as at 31 December 2022 was primarily generated from cash flow from financing activities rather than from its operating cash flows as mentioned above; and (c) that approximately 99.1% of the Existing General Mandate has been utilised and can only be renewed (if not refreshed now) at the next annual general meeting of the Company which is expected to be held by end of December 2023 due to the Change of Financial Year End Date, which is about 10 months from the date of the Circular, we consider that the Group's liquidity position is under severe pressure in the near term. As such, we consider that the grant of the New General Mandate would provide the Company with an additional financing option to raise further capital to ease such liquidity pressure prior to the next annual general meeting.

3. Reasons for the grant of the New General Mandate

As disclosed in the Letter from the Board, the Group is principally engaged in car rental and shuttle bus services in the industry of commuter bus leasing market in the PRC. On top of expanding the Group's car rental and shuttle bus services, the management of the Group is vigorously developing other promising business lines, with a view to developing the Group into a diversified enterprise engaged in traditional and modern industries. As the Group has been actively expanding and developing its business, the Company may conduct debt and/or equity fund raising exercise when suitable opportunities arise.

As at the Latest Practicable Date, the Company has issued 610,000,000 Shares under the Existing General Mandate, the details of which are set out in the announcements of the Company dated 26 October 2022, 3 November 2022 and 8 November 2022. Accordingly, approximately 99.1% of the Existing General Mandate has been utilised.

LETTER FROM EDDID CAPITAL

Greater flexibility as compared to issuance of shares under specific mandate

The relevant resolution in respect of refreshment of general mandate is usually scheduled to be proposed for the Shareholders' approval at the next annual general meeting of the Company. However, as disclosed in the announcement of the Company dated 2 December 2022, the Board has resolved to the Change of Financial Year End Date with effect from the financial year of 2022/2023. Accordingly, the next annual general meeting of the Company is expected to be held by end of December 2023 due to the Change of Financial Year End Date. Given that the Existing General Mandate has almost been fully utilised, it's not practicable for the Company to further raise funds under the Existing General Mandate until the Existing General Mandate is refreshed.

Prospect of the Company under post-pandemic environment in the PRC

As disclosed in the Letter from the Board, during the COVID-19 pandemic, the Company has been actively exploring opportunities to diversify its revenue stream and, by riding on its expertise in transportation, logistic and dynamic resource management, to expand its business scope. As disclosed in the announcements of the Company dated 1 September 2022 and 30 September 2022, the Company has entered into various strategic cooperation agreements for potential cooperation in digital economy application and highway short-sleep pods. The negotiations for the strategic cooperations were once suspended due to the outbreak of COVID-19 pandemic during October to December 2022. With the ease of preventive measures in the PRC, the Company is actively negotiating with different business partners from time to time for possible collaboration. Once those possible business cooperation and acquisition plans are materialised, immediate funding need is expected to arise in order to grasp the opportunities in time, and so the grant of the New General Mandate equips the Group with the ability to capture such opportunities.

Since the PRC government's relaxing COVID-19 management controls since January 2023, the economy of the PRC is expected to recover in 2023. According to the publication of Bloomberg economics on 19 January 2023 and Fitch Ratings on 8 February 2023, it is estimated that the economic growth of the PRC will be 5.1% and 5.0% for 2023, respectively, as compared to that of 3.0% in 2022. The market forecasts suggest that the consumption and economic activities in the PRC will be recovering in 2023 after the authorities moved away from their "dynamic zero COVID-19" policy stance in late 2022, which are considered in line with the Directors' view on prospect of the PRC market in 2023.

LETTER FROM EDDID CAPITAL

In light of the above, the Directors consider that the grant of the New General Mandate offers the Company with greater financing flexibility to cope with the funding needs of the Company and enables the Company to respond swiftly to market conditions and investment opportunities should such arise before the next annual general meeting, providing a more efficient process of materialising suitable business expansion opportunities with the flexibility of utilising the New General Mandate by either raising additional fund and/or, if applicable, issuing consideration shares. As such, given the fact that the Existing General Mandate has almost been fully utilised and the next annual general meeting of the Company is expected to be held by the end of December 2023, which is about 10 months from the date of the Circular. The grant of the New General Mandate would avoid the uncertainties of not obtaining a specific mandate in a timely fashion for the Company's business expansion. Accordingly, the Directors are of the view that the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Taking into account (i) that 99.1% of the Existing General Mandate has been utilised as at the Latest Practicable Date; (ii) the existing financial resources of the Group; (iii) the potential funding needs of the Group; (iv) the funding requirement for the Group's normal operation prior to the next general meeting which will be not held until about 10 months later; and (v) the consideration as discussed in the section headed "4. Other financing alternatives" below, issuance of new Shares under the general mandate can better control the completion risk and is more cost-effective and time-efficient than alternative financing alternatives and enable the Company to capture any capital raising and/or prospective investment opportunity in a timely manner, we consider that the grant of the New General Mandate would provide the Company with more financial flexibility and options to raise further capital for the operation of the Group without seeking further approval from the Shareholders, which is in the interests of the Company and the Shareholders as a whole. As advised by the Directors, the Company had no intention or any concrete plan to utilise the New General Mandate as at the Latest Practicable Date.

LETTER FROM EDDID CAPITAL

4. Other financing alternatives

The Board will also consider other financing alternatives apart from equity or equity-related financing by utilising the New General Mandate, such as bond offering, debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration of the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

Debt financing

As set out in the Letter from the Board, the Board considers equity or equity-related financing to be an important avenue of funding resource to the Group since it can reduce the reliance on debt financing, which will increase the debt gearing ratio of and create additional interest paying obligations on the Group, especially with the recent global interest rate hikes. In the past six months, the 12-month Hong Kong Interbank Offered Rate has increased from approximately 3.55% as at 1 August 2022 to approximately 4.68% as at 1 February 2023, representing an increase of approximately 31.83%. In the same period, the Fed Fund Rate has also increased from approximately 2.33% as at 1 August 2022 to approximately 4.33% as at 1 February 2023, representing an increase of approximately 85.84%. In addition, borrowing from financial institutions may be subject to lengthy due diligence and negotiations as compared with equity-related financing. The terms of the financing facilities available to the Group may depend on the financial institutions' assessment and may require the Company to put up collateral and other securities for such financing facilities. Likewise, bond offering has similar concerns. Under current interest rate hikes, the investors may demand a higher yield from the Company to compensate for the increased cost of borrowing, which can make it more challenging for the Company to secure funding through bond offering.

LETTER FROM EDDID CAPITAL

Greater flexibility as compared with issuing shares under specific mandate

Furthermore, as compared to issuing Shares under general mandate, issuing Shares under specific mandate when the relevant terms are finalised will involve extra time and cost, arising from the preparation, printing and dispatch of the relevant circular and notice of general meeting as well as the holding and convening of general meeting for each occasion. The Directors consider that if the Company is able to identify any suitable investment opportunities with attractive terms prior to the next general meeting, the Board will be able to respond to the market promptly with the New General Mandate by issuing new Shares at the maximum of 20% of the number of Shares in issue as at the date of the GM. As compared to obtaining specific mandate, the process of issuing Share under general mandate for fund raising is simpler and less lengthy which would allow the Company to avoid the uncertainties in such circumstances where approval for specific mandate may not be obtained in a timely manner.

Pre-emptive issues

In respect of other pre-emptive issues such as rights issue and open offer, as set out in the Letter from the Board, despite the fact that it allows existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size could not be assured by the Company if conducted on a non-underwritten basis. Even if the Company is successful in procuring an underwriter, the underwriting commission will be an additional burden on the Group and may not be beneficial to the Company and the Shareholders as a whole. Furthermore, rights issue and open offer generally require preparation of legal documentation and fulfilment of additional administrative procedures, which are more time consuming and less cost effective. The Company may not be able to grasp potential business opportunities in a timely manner.

The Directors have confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. In addition, the proposed grant of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have flexibility and discretion in deciding the financing methods to capture any capital raising and/or prospective investment opportunity in a timely manner. As a result, we concur with the Directors that raising funds through issue of new Shares under the New General Mandate is more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods.

LETTER FROM EDDID CAPITAL

As at the Latest Practicable Date, the Company has no concrete plan or has not entered into any agreement, arrangement, understanding or undertaking in respect of any proposed issue of new Shares under the New General Mandate.

5. Fund raising activities of the Company during the past 12 months

Set out below is the summary of equity fund raising activities of the Company during the past 12 months immediately prior to the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of the net proceeds as at 31 December 2022
24 June 2021	<ol style="list-style-type: none"> 1. Open offer on the basis of 1 offer share for every 1 Share held on 8 February 2022; and 2. Subscription of new Shares under specific mandate 	HK\$235.8 million	<ul style="list-style-type: none"> - approximately HK\$160.0 million for settlement of debt under the Debt Restructuring; - approximately HK\$51.2 million for business expansion; and - approximately HK\$24.6 million for general working capital 	<ul style="list-style-type: none"> - approximately HK\$53.0 million was used as intended; - approximately HK\$50.3 million was used as intended; and - approximately HK\$24.6 million was used as intended;
26 October 2022	Latest Subscription of new Shares under general mandate	HK\$70.0 million	<ul style="list-style-type: none"> - approximately 70% or more of the net proceeds for enhancement of existing business of the Group and for business expansion of the Company; and - the remaining net proceeds as general working capital of the Group 	<ul style="list-style-type: none"> - Nil; and - approximately HK\$4.6 million was used as intended

As advised by the Directors, as at the Latest Practicable Date, net proceeds of approximately HK\$173.3 million raised from the First Subscription and Open Offer and the Latest Subscription were not utilised and would be expected to be utilised for the purposes as intended.

Saved as disclosed above, the Directors confirmed that the Company had not conducted any other fund raising activities during the past twelve months immediately prior to the Latest Practicable Date.

LETTER FROM EDDID CAPITAL

6. Potential dilution effect to the existing public Shareholders

The issue of new Shares under the New Generate Mandate would dilute the shareholding of the existing public Shareholders. The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, upon full utilisation of the New General Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date when the New General Mandate is utilised in full), for illustrative and reference purpose:

	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors and substantial Shareholders				
Mr. Ji (<i>Notes 1, 3 & 4</i>)	972,500,000	26.37	972,500,000	21.98
Mr. Guo (<i>Notes 2, 3 & 4</i>)	615,500,000	16.69	615,500,000	13.91
Ma Wenjing (<i>Note 3</i>)	42,600,000	1.16	42,600,000	0.96
Qiu Keshan (<i>Note 3</i>)	3,140,000	0.09	3,140,000	0.07
Tian Xin (<i>Note 4</i>)	<u>515,000,000</u>	<u>13.97</u>	<u>515,000,000</u>	<u>11.64</u>
Sub-total	2,148,740,000	58.28	2,148,740,000	48.56
Other Shareholders				
Public Shareholders	1,538,888,409	41.72	1,538,888,409	34.77
Maximum number of new Shares that can be issued under the New General Mandate	<u>–</u>	<u>–</u>	<u>737,525,681</u>	<u>16.67</u>
Total	<u>3,687,628,409</u>	<u>100.00</u>	<u>4,425,154,090</u>	<u>100.00</u>

1. Such Shares were registered in the name of Thousand Joy, a company wholly owned by Mr. Ji. By virtue of the provisions of Part XV of the SFO, Mr. Ji is deemed to be interested in all the Shares held by Thousand Joy.
2. Such Shares were registered in the name of Hontin Ocean, a company wholly owned by Mr. Guo. By virtue of the provisions of Part XV of the SFO, Mr. Guo is deemed to be interested in all the Shares held by Hontin Ocean.
3. Being executive Directors.
4. Being substantial Shareholders.

LETTER FROM EDDID CAPITAL

At the Latest Practicable Date, the shareholding of the existing public Shareholders was approximately 41.72%. Assuming that (i) the grant of the New General Mandate is approved at the GM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the GM (both dates inclusive), upon full utilisation of the New General Mandate, 737,525,681 Shares can be issued, which represents 20% and approximately 16.67% of the aggregate number of the issued Shares as at the Latest Practicable Date and the aggregate number of the enlarged issued Shares respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 41.72% as at the Latest Practicable Date to approximately 34.77% upon full utilisation of the New General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.67%. The size of such dilution is comparable to and not greater than that arising from the grant of the Existing General Mandate approved at the 2022 AGM (in which the public Shareholders at the prevailing time were subject to a dilution from 46.92% to 39.10% upon full utilisation of the Existing General Mandate).

The Company has conducted the Latest Subscription in October 2022. The dilution impact and the theoretical value dilution impact of the Latest Subscription to the then Shareholders are 16.54% and 0.00% respectively. For illustration purposes, assuming that (i) the grant of the New General Mandate is approved at the GM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the GM (both dates inclusive), the aggregate dilution impact of the Latest Subscription and the issue of 737,525,681 Shares under New General Mandate will be approximately 43.78% and 30.45% of the aggregate number of the issued Shares immediately prior to the completion of the Latest Subscription and the aggregate number of the enlarged issued Shares respectively.

Furthermore, as set out in Letter from the Board, the theoretical value dilution impact of issuing shares under general mandate is limited as compared with pre-emptive fund raisings such as rights issue or open offers, despite the fact that it allows existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company. As the subscription price under a rights issue or open offer would normally be set at a greater discount to the market price, theoretical value dilution effect of a rights issue and open offer is generally higher.

LETTER FROM EDDID CAPITAL

Based on the precedent cases of rights issue transactions announced by other companies listed on the Stock Exchange for the period from six months immediately prior to the Last Practicable Date, the average theoretical value dilution effect of rights issue and open offer is approximately 9.82%. In contrast, as new Shares under the New General Mandate cannot generally be allotted and issued at more than 20% discount to market price, maximum theoretical value dilution effect of issuing shares under general mandate is approximately 3.33%¹, which has a relatively low theoretical value dilution effect.

Considering the above, although the New General Mandate will incur dilution effect on the shareholding of the existing public Shareholders, we concur with the view of the Directors that the potential dilution impact on the existing Shareholders is acceptable taking into account that (i) the New General Mandate allows the Company to raise capital by allotment and issue of new Shares before the next annual general meeting of the Company; (ii) as set out in “3. Reasons for the grant of the New General Mandate” of this letter, the New General Mandate will provide the Company more flexibility for financing of the Group as well as capability to capture any quality potential investment opportunities in a timely and effective manner when such opportunities arise; (iii) as set out in “4. Other financing alternatives” of this letter, the New General Mandate as a form of equity financing is more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods; (iv) the limited theoretical value dilution effect of issuing shares under general mandate of approximately 3.33% as analysed above, for which potential dilution impact of rights issue and open offer on the existing public Shareholders may even be greater if the Shareholders choose not to subscribe for the shares under the right issue or open offer; and (v) issuance of new Shares under the New General Mandate is less time consuming and costly than using alternative financing methods and in particular that there is a lack of certainty in the successful implementation of a rights issue or open offer with their longer timetable.

In conducting any share placement to be made pursuant to the New General Mandate, the Directors would have a fiduciary duty to negotiate fair terms that are in the interest of the Company and the Shareholders as a whole. In deciding whether to utilise the New General Mandate, the Directors would take into account, among other things, the immediate funding need of the Group, the time and cost involved, and the potential dilution of shareholding of the existing public Shareholders that may be brought by any share placement. In considering any proposed share issue, the Directors would also consider the pricing and availability of opportunities for other financing alternatives such as bond offering, debt financing, rights issue, open offer or internal cash resources, with the aim to achieve an efficient capital structure of the Company.

¹ The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules and assuming a maximum number of 737,525,681 Shares are issued under the New General Mandate with the issue price of higher than HK\$0.0672 (representing a maximum discount of less than 20.0% to the benchmark price as at Latest Practicable Date).

LETTER FROM EDDID CAPITAL

Based on the above and given the volatility of the capital market, we consider that the grant of New General Mandate is in the interest of the Company and the Shareholders as a whole as it would provide the Directors with the flexibility to capture any suitable equity fund raising opportunities that may arise from time to time in a timely manner.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the grant of the New General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the GM to approve the grant of the New General Mandate.

Yours faithfully,
For and on behalf of
Eddid Capital Limited
Yu Hiu To
Managing Director

Mr. Yu Hiu To is a licensed person and a responsible officer of Eddid Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

NOTICE OF GM



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 Monday, 3 April 2023 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 17 March 2023 issued by the Company (the “**Circular**”) shall have the same meanings when used in this notice of Meeting unless otherwise specified.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the general mandate (the “**Existing General Mandate**”) granted to the directors of the Company (the “**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2022 (the “**2022 AGM**”) be and is hereby revoked (without prejudice to any valid exercise of the Existing General Mandate prior to the passing of this resolution);
- (b) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“**Shares**”) and to make or grant offers, agreements and options, which would or might require Shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant: (a) a rights issue where Shares are offered to shareholders (“**Shareholders**”) of the Company on a fixed record date in proportion to their then holdings of Shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable

NOTICE OF GM

to the Company); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (c) the exercise of subscription rights attaching to share options under any option scheme; or (d) a specific authority granted by the Shareholders in general meeting of the Company, the additional Shares allotted, issued or dealt with (including Shares agreed conditionally or to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate number of Shares in issue at the date of passing this ordinary resolution and the said approval shall be limited accordingly; and

- (c) for the purpose of this ordinary resolution, “**Relevant Period**” means the period from the passing of this ordinary resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s articles of association to be held; and
 - (iii) the revocation or variation of the authority given under this ordinary resolution by an ordinary resolution of the Shareholders in general meeting.”
2. “**THAT** conditional upon the passing of resolution numbered 1 as set out in the notice convening the Meeting, the general and unconditional mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with Shares pursuant to resolution numbered 1 as set out in the notice convening the Meeting be and is hereby extended by the addition thereto an amount representing the aggregate number of Shares bought back by the Company under the authority granted pursuant to resolution numbered 5 as set out in the notice convening the 2022 AGM, provided that such amount shall not exceed 10% of the total number of Shares in issue at the date of the 2022 AGM.

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

Hong Kong, 17 March 2023

NOTICE OF GM

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 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the Meeting (i.e. not later than 11:00 a.m. on Friday, 31 March 2023 (Hong Kong time) by excluding Sunday, 2 April 2023) 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.