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NATIONAL UNITED RESOURCES HOLDINGS LIMITED

國家聯合資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 254)

KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION

Reference is made to the announcement of National United Resources Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 19 August 2016 in relation to the suspension of trading in the shares of the Company on the Stock Exchange, the formation of an independent investigation committee (the “**Committee**”) and the engagement of an independent forensic accountants firm.

As disclosed in the said announcement, the Securities and Futures Commission directed the Stock Exchange to suspend all dealings in the shares of the Company with effect from 1:00 pm on 5 August 2016. The Company subsequently engaged an independent forensic accountants firm, KLC Corporate Advisory and Recovery Limited (“**KLC**”) to conduct an investigation into certain matters as detailed below.

The Company wishes to update its Shareholders that, on 29 March 2017, KLC had issued a preliminary report to the Committee setting out its findings from the forensic investigation. Following KLC's recommendations, the Board is of the view that a second stage investigation should be conducted to address the outstanding issues identified. A summary of the key findings of the investigation carried out by KLC is set out below (the "**Investigation**").

SUMMARY OF KLC'S KEY FINDINGS IN THE INVESTIGATION

(A) Scope of Investigation

The scope of the Investigation by KLC includes the following matters:

- (i) The genuineness of the sales figures in the 2015 Annual Report and 2015 Interim Report, in particular, the genuineness of the fuel oil transactions conducted by NUR Clean in August and November 2015 (the "**Issues in relation to the Fuel Oil Transactions**");
- (ii) Whether the acquisition of Glorious Future Logistics Limited on 19 May 2015 was an arm's-length transaction (the "**Issues in relation to the Acquisition of Glorious Future Logistics Limited**");
- (iii) Whether the Company's employees had performed any unauthorized duties which may be related to the suppliers, customers or shareholders of the Company and the purposes behind such unauthorised behaviour; and
- (iv) Any internal control issues within the Group.

(B) Summary of Key Findings

(i) Issues in relation to the Fuel Oil Transactions

Based on the review of the underlying documents in respect of the Fuel Oil Transactions conducted by NUR Clean in August and November 2015, the opinion from shipping experts and the interviews with the senior management personnel of the Company, KLC noted the following issues in relation to the Fuel Oil Transactions:

August 2015 Transactions

In terms of the fuel oil transactions conducted in August 2015, NUR Clean purchased fuel oil from Huge Power for a consideration of approximately HK\$302 million. There was then an onward sale of the fuel oil to Wealthy Union for a consideration of HK\$304 million.

Based on the documents made available to KLC, KLC was unable to verify the delivery of the fuel oil that was sold by NUR Clean to Wealthy Union.

November 2015 Transactions

Under the November 2015 Transactions, NUR Clean purchased fuel oil from Huge Power, and intended to sell the fuel oil to Mega Ascent. However, Mega Ascent failed to make payments to NUR Clean before the payment was due. NUR Clean and Mega Ascent entered into a termination agreement on 5 January 2016 to terminate the transaction.

Thereafter on 8 January 2016, NUR Clean entered into the Fuel Oil Sales Supplemental Agreement with Huge Power. Pursuant to this supplemental agreement, Huge Power shall actively find a new customer in respect of the fuel oil sold to NUR Clean and, in turn, NUR Clean shall pay HK\$145 million to Huge Power before 30 June 2016. The aforesaid amount (without interest) shall be returned to NUR Clean within ten days from the date that Huge Power receives funds from the new customer.

KLC noted that NUR Clean had made pre-payments totalling HK\$144 million to Huge Power. As at 20 October 2016, the amount of prepayments to Huge Power had not been returned to NUR Clean.

KLC was of the view that the terms of Fuel Oil Sales Supplemental Agreement did not appear to be commercially justified.

Other observations

Other key findings of KLC in relation to the Fuel Oil Transactions are summarized as follows:

- (a) The responsible director/employees who were responsible for the Fuel Oil Transactions have left the Company's employment in around the second half year of 2016;
- (b) In the Fuel Oil Transactions, only a thin profit margin of 0.37% was generated;
- (c) Wealthy Union and Huge Power were still indebted to NUR Clean for a total sum of approximately HK\$231.1 million as at 20 October 2016;
- (d) The available bills of lading were unable to prove the delivery of the fuel oils in relation to the August 2015 Transactions and the November 2015 Transactions. KLC had tried to contact the parties named on the bills of lading to verify the shipments and trace the ultimate disposal of the cargoes (including consignor, vessel owner and the terminal etc.). However, KLC did not receive any responses from these parties; and
- (e) The directors and/or shareholders of Huge Power, Wealthy Union and Mega Ascent could not be reached via their addresses stated in the corporate documents available. Wealthy Union and Huge Power were set up either shortly before or after the August 2015 Transactions were entered into.

Based on the findings from the Investigation, KLC was of the view that the genuineness of the Fuel Oil Transactions was questionable. It warrants further investigation into the Fuel Oil Transactions, and in particular the status of the amount of approximately HK\$231.1 million which remains outstanding and payable by Wealthy Union and Huge Power.

(ii) Issues in relation to the Acquisition of Glorious Future Logistics Limited

As disclosed in the 2015 Annual Report, on 19 May 2015, the Group entered into a sale and purchase agreement with independent third parties to acquire the entire issued equity of Glorious Future Logistics Limited (“**Glorious Future**”) at a consideration of HK\$44 million. As at the date of the Acquisition, Glorious Future held 95% equity interest in Ifrontier LLC, a limited liability company incorporated in Mongolia with self-owned trucks and vehicles located in Mongolia.

KLC noted that the vendors in the Acquisition were Mr. Liu Zidong (“**Liu**”) and Century Wealth Limited (“**Century Wealth**”), respectively holding 60% and 40% equity interests in Glorious Future as at the date of the Acquisition. Century Wealth was wholly-owned by an individual named Li Qing. After the Company paid the consideration of HK\$44 million, the amount was subsequently transferred to other entities which might not be the independent third parties of the Company.

KLC’s key findings with respect to the Acquisition are summarized as follows:

Whether the consideration was overvalued

Based on the review of the valuation report prepared by an independent valuer, the aforesaid sale and purchase agreement and other information and documents provided by the Company and Liu relating to the Acquisition, KLC noted that the market value stated in the valuation report represented approximately 88% of the consideration of the Acquisition.

KLC was therefore of the preliminary view that the consideration of HK\$44 million for the Acquisition appeared to be reasonable.

Whether the vendors in the Acquisition were independent third parties

KLC noted, among others, the following key issues in relation to the independence of Liu and Century Wealth:

- (a) Liu and Li Qing (on behalf of Century Wealth and for himself) had signed independence confirmations confirming that they were not connected persons (as defined under the Listing Rules) to the Company. These independence confirmations were undated;
- (b) The name of Liu appeared on a staff contact list and a payroll list of Beijing First Concept, a wholly-owned subsidiary of the Company;
- (c) On 14 April 2014, Liu was appointed as one of the directors of Asia Building Group Ltd. (an associate of the Company);
- (d) According to the Company's announcement dated 11 April 2016, Upper Target, a company which was wholly and beneficially owned by Liu, subscribed for 496,000,000 shares in the Company;
- (e) Despite repeated requests from KLC, Liu has not confirmed whether he beneficially owned the 60% equity interest in Glorious Future as at the date of the Acquisition; and
- (f) Certain personal documents of Li Qing were found in the workstation of a former employee of the Company.

Notwithstanding the above findings, based on the documents reviewed and interviews conducted, KLC was not able to confirm whether or not the Acquisition was a connected transaction (as defined under Chapter 14A of the Listing Rules). KLC advised that further investigation work is required before the independence of Liu and Century Wealth could be confirmed.

(iii) Unauthorised behaviour of the Company's employees

During the course of the Investigation, KLC noted that documents belonged to companies that are not part of the Group but were related to the suppliers, customers or shareholders of the Company, were found in the workstations and USB drives of certain former employees of the Company. KLC was of the view that the situation is highly unusual and further investigation is warranted.

(iv) Internal control issues in the Group

KLC has also identified certain internal control deficiencies of the Group during the Investigation which are summarised as follows:

- (a) KLC noted that there was a lack of sufficient due diligence on new customers and suppliers at the relevant time. The Company relied heavily on the executive directors of the Company who were in charge of the relevant business segments and their respective subordinates;
- (b) in terms of control on credit arrangements, KLC noticed that the Group did not have sufficient mechanisms to keep track of when payments were due and to monitor its credit risks on a timely basis;
- (c) payments were authorised and approved without full documentary support in certain instances;
- (d) there was inadequate supervision by the Board on the performance, risks and business plans of each division of the Group; and
- (e) it was questionable whether the internal control manual of the Group had been fully implemented by the Company's subsidiaries in the PRC.

SECOND STAGE OF INVESTIGATION

Having considered the findings and recommendations of KLC following its Investigation, the Board is of the view that the Company shall (i) review and make necessary amendments to the internal control procedures of the Group and (ii) engage independent professional parties to conduct a second stage investigation to address the outstanding issues.

Further, as Mr. Lai Ho Man, Dickson, Dr. Yang Zhi Shu and Dr. Zhang Tianmin, the former independent non-executive directors of the Company and the initial members of the Committee resigned from the Company on 28 April 2017 and 2 May 2017 respectively, the Board intends to set up a new Committee to oversee the second stage investigation.

The Company will make further announcements in relation to the formation of a new Committee and any material developments in relation to the second stage investigation as and when appropriate.

CONTINUED SUSPENSION OF TRADING OF THE SHARES

Trading in the shares of the Company on the Stock Exchange, which was suspended with effect from 1:00 p.m. on 5 August 2016, remains suspended and will continue to be so until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2015 Annual Report”	Annual report of the Company for the year ended 31 December 2015
“2015 Interim Report”	Interim Report of the Company for the six months ended 30 June 2015
“Acquisition”	the acquisition of the entire issued equity of Glorious Future pursuant to the sales and purchase agreement entered into between Amazing Idea Global Limited, a company incorporated in the British Virgin Islands and wholly owned by the Company, and Liu and Century Wealth as vendors
“Amazing Idea”	Amazing Idea Global Limited, a subsidiary of the Company
“August 2015 Transactions”	the fuel oil transactions conducted by NUR Clean in August 2015
“Beijing First Concept”	北京創先智尚資產管理有限公司, a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Century Wealth”	Century Wealth Limited, one of the vendors of the Acquisition
“Committee”	the independent investigation committee formed on 2 August 2016, comprising of three former independent non-executive directors of the Company

“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
“Fuel Oil Sales Supplemental Agreement”	the fuel oil sales supplemental agreement entered into between Huge Power and NUR Clean on 8 January 2016
“Fuel Oil Transactions”	collectively, the August 2015 Transactions and the November 2015 Transactions
“Glorious Future”	Glorious Future Logistics Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huge Power”	Huge Power Co., Ltd., a company incorporated in the Macau Special Administrative Region of the PRC
“Investigation”	the preliminary investigation conducted by KLC
“Issues in relation to the Acquisition of Glorious Future Logistics Limited”	has the meaning defined in paragraph (A)(ii) of the section headed “SUMMARY OF KLC’S KEY FINDINGS IN THE INVESTIGATION” of this announcement

“Issues in relation to the Fuel Oil Transactions”	has the meaning defined in paragraph (A)(i) of the section headed “SUMMARY OF KLC’S KEY FINDINGS IN THE INVESTIGATION” of this announcement
“KLC”	KLC Corporate Advisory and Recovery Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liu”	Mr. Liu Zidong, one of the vendors of the Acquisition
“Mega Ascent”	Mega Ascent Investment Limited, a company incorporated in Hong Kong
“November 2015 Transactions”	the fuel oil transactions conducted by NUR Clean in November 2015
“NUR Clean”	NUR Clean Energy Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Upper Target”	Upper Target Limited, a company incorporated in Hong Kong with limited liability
“Wealthy Union”	Wealthy Union Pte. Ltd., a company incorporated in Singapore
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
National United Resources Holdings Limited
Tian Songlin
Executive Director

Hong Kong, 10 October 2017

As at the date of this announcement, the executive Directors are Mr. Tian Songlin and Mr. Ji Kaiping, the non-executive Director is Ms. Mou Ling, and the independent non-executive Director is Ms. Zhou Zhan.