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NAN NAN RESOURCES ENTERPRISE LIMITED

南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000 (restated)
Turnover	4	190,974	104,428
Cost of sales		(145,408)	(104,357)
Gross profit		45,566	71
Other revenue		1,413	3,088
Impairment loss on goodwill		–	(15,065)
Reversal of/(impairment loss) on intangible assets	6	39,733	(41,595)
Gain on deregistration of a subsidiary		–	408
Gain on disposal of subsidiaries		1,141	–
Selling and distribution expenses		(1,079)	(1,165)
Administrative expenses		(18,934)	(20,407)
Change in fair value of convertible loan notes		(12,703)	(1,186)
Finance costs	7	–	(19,845)
Profit/(loss) before tax		55,137	(95,696)
Income tax (expense)/credit	8	(11,420)	10,730
Profit/(loss) for the year	9	43,717	(84,966)

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000 (restated)
Other comprehensive income			
Exchange difference on translation of functional currency to presentation currency		6,568	6,728
Reclassification adjustment for exchange difference relating to disposal of subsidiaries		1,509	–
Other comprehensive income for the year, net of tax		8,077	6,728
Total comprehensive income/(loss) for the year		51,794	(78,238)
Profit/(loss) for the year attributable to:			
– Owners of the Company		43,717	(84,105)
– Non-controlling interests		–	(861)
		43,717	(84,966)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		51,794	(77,377)
– Non-controlling interests		–	(861)
		51,794	(78,238)
Earnings/(loss) per share (expressed in Hong Kong cents)			
– Basic	11	5.71	(10.99)
– Diluted	11	2.72	(10.99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		24,229	26,345
Intangible assets		132,471	95,480
Goodwill		–	–
Security deposit		2,809	1,930
		159,509	123,755
Current assets			
Inventories		38,483	36,701
Trade and other receivables	12	5,054	4,684
Cash and cash equivalents		257,246	225,857
		300,783	267,242
Current liabilities			
Trade and other payables	13	26,743	31,615
Amount due to an intermediate holding company		40	573
Tax payable		1,076	–
		27,859	32,188
Net current assets		272,924	235,054
Total assets less current liabilities		432,433	358,809
Capital and reserves			
Share capital		76,537	76,537
Reserves		106,938	55,144
Equity attributable to owners of the Company		183,475	131,681
Non-current liabilities			
Convertible loan notes designated as financial liabilities at fair value through profit or loss		213,889	201,186
Provision for close down, restoration and environmental costs		1,951	1,873
Deferred tax liabilities		33,118	24,069
		248,958	227,128
		432,433	358,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations (“INTs”) (herein collectively referred to as “new and revised HKFRSs”) issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has not applied any new standard of interpretation that is not yet effective for the current accounting period.

The amendment to HK(IFRIC) Int 14 have had no material impact on the Group’s financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) Int 19 has not yet had a material impact on the Group’s financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other development are discussed below:

- HKAS 24 (as revised in 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous period. HKAS 24 (as revised in 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because no entities within the Group is a government-related entity.
- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements in the current and previous periods.

3. CORRECTION OF PRIOR YEAR ERRORS

During the course of preparing the Group’s financial statements for the year ended 31 March 2012, it has come to the attention of the directors of the Company that the prior year financial statements of the Group and of the Company contained errors.

The following table discloses the adjustments that have been made in order to rectify the errors stated in note 3(a) to each of the line items in the consolidated statement of comprehensive income as previously reported for the year ended 31 March 2011.

The Group

Consolidated statement of comprehensive income

For the year ended 31 March 2011

	2011 (as previously reported) HK\$'000	Effect of prior year adjustments in relation to exchange differences HK\$'000 (note 3(a))	2011 (as restated) HK\$'000
Turnover	104,428	–	104,428
Cost of sales	(104,357)	–	(104,357)
Gross profit	71	–	71
Other revenue	3,088	–	3,088
Impairment loss on goodwill	(15,065)	–	(15,065)
Impairment loss on intangible assets	(41,595)	–	(41,595)
Gain on deregistration of a subsidiary	408	–	408
Selling and distribution expenses	(1,165)	–	(1,165)
Administrative expenses	(17,396)	(3,011)	(20,407)
Change in fair value of convertible loan notes	(1,186)	–	(1,186)
Finance costs	(19,845)	–	(19,845)
Loss before tax	(92,685)	(3,011)	(95,696)
Income tax credit	10,730	–	10,730
Loss for the year	(81,955)	(3,011)	(84,966)
Other comprehensive income			
Exchange difference on translation of functional currency to presentation currency	3,717	3,011	6,728
Other comprehensive income for the year, net of tax	3,717	3,011	6,728
Total comprehensive loss for the year	(78,238)	–	(78,238)
Loss for the year attributable to:			
– Owners of the Company	(81,094)	(3,011)	(84,105)
– Non-controlling interests	(861)	–	(861)
	(81,955)	(3,011)	(84,966)

The Group
Consolidated statement of comprehensive income
For the year ended 31 March 2011 (Continued)

	2011 (as previously reported) HK\$'000	Effect of prior year adjustments in relation to exchange differences HK\$'000 (note 3(a))	2011 (as restated) HK\$'000
Total comprehensive loss attributable to:			
– Owners of the Company	(77,377)	–	(77,377)
– Non-controlling interests	(861)	–	(861)
	<u>(78,238)</u>	<u>–</u>	<u>(78,238)</u>
Loss per share (expressed in Hong Kong cents)			
– Basic	<u>(10.60)</u>	<u>(0.39)</u>	<u>(10.99)</u>
– Diluted	<u>(10.60)</u>	<u>(0.39)</u>	<u>(10.99)</u>

a) Adjustments in relation to exchange differences in consolidated financial statements

As a result of the strategic shift in the business focus of Group to coal business in PRC, the directors of the Company are of the view that the functional currency of the Company has been changed from HK\$ to RMB from 1 April 2010 onwards. As the functional currency of the Company is RMB while the Company keeps books and records in HK\$, which is also the presentation currency of the Company and of the Group, exchange gain/loss should be recognised for the monetary assets and liabilities denominated other than in RMB in profit or loss, and the exchange difference arisen from translating the Company's financial statement (in RMB) into the presentation currency (HK\$) should be recognised as other comprehensive income and accumulated in the exchange translation reserve account in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" and the Group's accounting policy. Such exchange differences during the year ended 31 March 2011 were mainly arisen from the Company's cash and cash equivalents and convertible loan notes designated as financial liabilities at fair value through profit or loss ("FVTPL").

It has come to the attention of the directors of the Company that in preparing the consolidated financial statements for the year ended 31 March 2011, the exchange differences that should be recognised in profit or loss was incorrectly debited to other comprehensive income in the consolidated statement of comprehensive income.

Accordingly, an adjustment was made for the above exchange differences in respect of the translation of these monetary assets and liabilities denominated in other currencies to the functional currency of the Company and the exchange differences arising from the translation of the Company's functional currency (RMB) to the presentation currency (HK\$) in respect of the results and the statement of financial position items of the Company in accordance with HKAS 21 and the Group's accounting policy.

b) **Adjustments in relation to incorrect measurement of exchange differences in the Company's financial statements**

It has also come to the attention of the directors that there were incorrect measurement of the exchange differences on translating monetary assets and liabilities denominated in foreign currencies to the functional currency of the Company and on translating the Company's results and the statement of financial position items from its functional currency to the presentation currency. Such exchange differences during the year ended 31 March 2011 were mainly arisen from the Company's cash and cash equivalents, amounts due from subsidiaries and convertible loan notes designated as financial liabilities at FVTPL. Adjustments for material differences have been made to correct this incorrect measurement accordingly.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and discounts allowed and value added tax. An analysis of the Group's turnover is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Sales of coal	<u>190,974</u>	<u>104,428</u>

5. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker who are also the executive directors, for the purpose of resources allocation and performance assessment, is more specifically focused on the types of goods delivered and services provided by the Group's operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

- i) coal mine business – engages in mining and sales of coal; and
- ii) others – included provision of management services and sales of clocks and other office related products, which were not significant as a reportable segment of the Group since the year ended 31 March 2011. The operations of this segment were disposed of during the year ended 31 March 2012.

a) **Segment revenue and results**

The following tables present the turnover, results and expenditure of the Group's reportable segments.

For the year ended 31 March 2012

	Coal mine business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment Turnover:			
Sales to external customers	<u>190,974</u>	<u>–</u>	<u>190,974</u>
Segment results	<u>74,922</u>	<u>(350)</u>	<u>74,572</u>
Interest income			1,117
Change in fair value of convertible loan notes designated as financial liabilities at FVTPL			(12,703)
Central administration costs and other gains and losses			<u>(7,849)</u>
Profit before tax			<u>55,137</u>

For the year ended 31 March 2011

	Coal mine business HK\$'000	Others HK\$'000	Total HK\$'000 (restated)
Segment Turnover:			
Sales to external customers	104,428	–	104,428
Segment results	(67,655)	(581)	(68,236)
Interest income			418
Change in fair value of convertible loan notes designated as financial liabilities at FVTPL			(1,186)
Central administration costs and other gains and losses			(6,847)
Finance costs			(19,845)
Loss before tax			(95,696)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by/loss from each segment without allocation of central administration costs including directors' emoluments, interest income, change in fair value of convertible loan notes designated as financial liabilities at FVTPL and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

b) Segment assets and liabilities

For the year ended 31 March 2012

	Coal mine business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets				
Segment assets	201,439	–	–	201,439
Unallocated assets	–	–	258,853	258,853
Total assets				460,292
Liabilities				
Segment liabilities	28,008	–	–	28,008
Unallocated liabilities	–	–	248,809	248,809
Total liabilities				276,817

	Coal mine business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Other segment information				
Amounts included in the measure of segment profit or loss or regularly provided to the chief operating decision maker:				
Additions of property, plant and equipment	253	–	644	897
Depreciation and amortisation	11,202	–	5	11,207
Reversal of impairment loss on intangible assets	(39,733)	–	–	(39,733)
Reversal of written down of inventories	(17,900)	–	–	(17,900)
Loss on disposal of property, plant and equipment	6	–	–	6
Interest income	(735)	–	(382)	(1,117)
Income tax expense	11,420	–	–	11,420

For the year ended 31 March 2011

	Coal mine business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets				
Segment assets	164,647	76	–	164,723
Unallocated assets	–	–	226,274	226,274
Total assets				390,997
Liabilities				
Segment liabilities	28,865	3,265	–	32,130
Unallocated liabilities	–	–	227,186	227,186
Total liabilities				259,316

Other segment information:

Amounts included in the measure of segment profit or loss or regularly provided to the chief operating decision maker:				
Additions of property, plant and equipment	4,699	–	–	4,699
Depreciation and amortisation	9,672	–	–	9,672
Impairment loss on intangible assets	41,595	–	–	41,595
Impairment loss on goodwill	15,065	–	–	15,065
Loss on disposal of property, plant and equipment	47	–	–	47
Interest income	(397)	–	(21)	(418)
Interest expense	255	–	19,590	19,845
Income tax credit	(10,730)	–	–	(10,730)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and cash equivalents and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to operating segments other than amount due to an intermediate holding company, deferred tax liabilities, convertible loan notes designated as financial liabilities at FVTPL and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

c) Geographical information

The following table presents turnover and certain assets and expenditure information for the Group by geographical location.

	Hong Kong		PRC (other than HK) (place of domicile)		Total	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	–	–	190,974	104,428	190,974	104,428
Non-current assets	651	–	156,049	121,825	156,700	121,825

d) Information about major customers

For the year ended 31 March 2011, there was no individual customer contributed more than 10% of the total revenue of the Group.

For the year ended 31 March 2012, a single customer of the coal mine business of the Group with revenue contributed to the Group amounting to approximately HK\$20,342,000 had individually accounted for over 10% of the Group's total revenue.

6. REVERSAL OF/(IMPAIRMENT LOSS) ON INTANGIBLE ASSETS

The reversal of/(impairment loss) on intangible assets made during the year ended 31 March 2012 and 2011 was related to the mining right and exploration right of the Group:

Mining rights

The management conducted impairment review of the mining rights at the end of each reporting period with reference to the professional valuation which was based on value-in-use calculations. The calculations used cash flow projections based on financial budgets prepared by management covering a five-year period with growth rate does not exceed the long-term average growth rate of coal mine business, and discount rate of 29% (2011: 25.9%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit ("Mining CGU"), being the subsidiary operates under the mining right. Cash flows beyond 5 year period have been extrapolated using zero growth rate per annum. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. During the year ended 31 March 2011, due to the decline of average selling price of coal which has resulted in a decline of gross profit and recurring losses incurred by this Mining CGU, the recoverable amount of this Mining CGU was less than its carrying amount. Accordingly, impairment loss of approximately HK\$28,340,000 was allocated to the mining right which was recognised in profit or loss and included in impairment loss on intangible assets.

During the year ended 31 March 2012, due to the increase in average selling price of coal which resulted in increase in gross profits and operating income from this Mining CGU, and with reference to the professional valuation which was based on the discounted future cash flow to be generated, the management expected that the recoverable amount of this Mining CGU exceeds its carrying amount. Therefore, a reversal of impairment loss of approximately HK\$26,027,000 was allocated to the mining right which was recognised in profit or loss and included in reversal of impairment loss on intangible assets.

Exploration rights

The management conducted impairment review of the exploration and evaluation assets at the end of each reporting period with reference to the professional valuation which was based value-in-use calculations. The calculations used cash flow projections based on financial budgets prepared by management, which expected mining right will be obtained and mining activities will be commenced in 2015, covering a five-year period with growth rate does not exceed the long-term average growth rate of coal mine business, and discount rate of 24.7% (2011: 25.9%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit (“E&E CGU”), being the subsidiary operates under the exploration right. Cash flows beyond 5 year period have been extrapolated using zero growth rate per annum, which was based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. During the year ended 31 March 2011, due to the decline of average selling price of coal which resulted in a decline of gross profit and recurring losses incurred by this E&E CGU, the recoverable amount of this E&E CGU was less than its carrying amount. Accordingly, impairment loss of approximately HK\$13,255,000 was allocated to the exploration right which was recognised in profit or loss and included in impairment loss on intangible assets.

During the year ended 31 March 2012, due to the increase in average selling price of coal which resulted in increase in gross profits and operating income from this E&E CGU, and with reference to a professional valuation which was based on the discounted future cash flow to be generated, the management expected the recoverable amount of this E&E CGU exceeds its carrying amount. Therefore, a reversal of impairment loss of approximately HK\$13,706,000 was allocated to the exploration right which was recognised in profit or loss and included in reversal of impairment loss on intangible assets.

7. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest expenses on:		
– Amount due to shareholder of a subsidiary	–	255
– Effective interest expenses on convertible loan notes	–	19,590
	<u>–</u>	<u>19,845</u>

8. INCOME TAX EXPENSE/(CREDIT)

	2012 HK\$'000	2011 HK\$'000
The expenses/(credit) comprises:		
Hong Kong Profits Tax		
– current year	–	–
– over-provision in prior years	–	–
Tax in other jurisdictions		
– current year	2,944	–
– under-provision in prior years	373	107
	<u>3,317</u>	<u>107</u>
Deferred tax	8,103	(10,837)
	<u>11,420</u>	<u>(10,730)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits derived from Hong Kong for both years ended 31 March 2012 and 2011.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the laws and regulations in the PRC, one of the Group's subsidiaries operating in the PRC is entitled to exemption from PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the following three years. The subsidiary was eligible to the above tax concession policy commencing from 1 January 2007 until 31 December 2011.

9. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2012 HK\$'000	2011 HK\$'000 (restated)
Amount of inventories sold	163,308	104,357
Reversal of write down of inventories	(17,900)	–
Cost of inventories sold	145,408	104,357
Staff costs (excluding directors' remuneration):		
Basic salaries and allowances	5,691	4,919
Retirement benefits scheme contributions	507	603
	6,198	5,522
Depreciation of property, plant and equipment	4,041	2,979
Amortisation of intangible assets (included in cost of sales)	7,166	6,693
Auditor's remuneration	665	822
Operating leases charges on rented premises	1,854	1,762
Net exchange (gain)/loss	(558)	3,011
Loss on disposal of property, plant and equipment	6	47
Waiver of long outstanding trade payables	–	(809)
Interest income on financial assets not at fair value through profit or loss	(1,117)	(418)

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

11. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company for the year is based on the following data:

	2012 HK\$'000	2011 HK\$'000 (restated)
Profit/(loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share	<u>43,717</u>	<u>(84,105)</u>
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>765,373,584</u>	<u>765,373,584</u>

b) Diluted earnings/(loss) per share

The calculation of the diluted earnings/(loss) per share attributable to the owners of the Company for the year is based on the following data:

i) Profit/(loss) attributable to owners of the Company (diluted)

	2012 HK\$'000	2011 HK\$'000 (restated)
Profit/(loss) attributable to owners	43,717	(84,105)
Fair value loss of convertible loan notes*	12,703	–
Exchange gain on convertible loan notes*	<u>(8,457)</u>	<u>–</u>
Profit/(loss) attributable to owners (diluted)	<u>47,963</u>	<u>(84,105)</u>

ii) Weighted average number of ordinary shares (diluted)

	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	765,373,584	765,373,584
Effect of conversion of convertible loan notes*	<u>1,000,000,000</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted of diluted earnings/(loss) per share	<u>1,765,373,584</u>	<u>765,373,584</u>

* The calculation of the diluted loss per share for the year ended 31 March 2011 does not assume the conversion of the convertible loan notes since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

12. TRADE AND OTHER RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Trade and bills receivables	2,499	1,542
Less: Allowance for doubtful debts of trade receivables	–	(719)
	<u>2,499</u>	<u>823</u>
Prepayments, deposits and other receivables	2,555	3,861
	<u>5,054</u>	<u>4,684</u>

All of the trade and other receivables are expected to recover or recognise as expense within one year.

The Group's sales to coal customers are largely done on payment in advance basis. For certain well-established customers, the Group allows an average credit period of 90 days.

Included in the trade and bills receivables are bills receivables amounted to approximately HK\$2,348,000 (2011: HK\$594,000) aged within one year.

At the end of reporting period, the aging analysis of the trade receivables (presented based on the invoice date) and bills receivables (presented based on the issuance date of relevant bills), net of allowance for doubtful debts was as follows:

	2012 HK\$'000	2011 HK\$'000
Within 90 days	1,977	740
91–180 days	522	–
181 days – 365 days	–	–
Over 1 year	–	83
	<u>2,499</u>	<u>823</u>

- a) As of the end of reporting period, the aging analysis of trade and bills receivables that were past due but not impaired are as follows:

	Total HK\$'000	Neither past due nor impaired HK\$'000	Past due but not impaired		
			<90 days HK\$'000	91 to 365 days HK\$'000	Over 1 year HK\$'000
31/3/2012	2,499	2,499	–	–	–
31/3/2011	823	740	–	83	–

Trade receivables that were neither past due nor impaired related to wide range of customers for whom there was no recent history of default. The Group did not hold any collateral over these balances.

Trade receivables that were past due but not impaired at 31 March 2011 related to an individual customer that has a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

- b) Movements in the allowance for doubtful debts of trade receivables during the year are as follows:

	2012 HK\$'000	2011 HK\$'000
Balance at beginning of the year	719	719
Derecognised on disposal of subsidiaries	(719)	–
Balance at end of the year	–	719

Included in the impairment loss are individually impaired trade receivables with an aggregate balance of HK\$Nil (2011: HK\$719,000) which has been in financial difficulties. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

At the end of reporting period, the aging analysis of the trade payables (presented based on the invoice date) were as follows:

	2012 HK\$'000	2011 HK\$'000
Within 90 days	1,249	4,053
91–180 days	1,436	1,836
181–365 days	2,138	1,167
Over 1 year	12	678
Trade payables	4,835	7,734
Receipt in advance	1,606	5,740
Value-added tax and non-income tax payable	2,333	2,656
Government levies payable	10,602	4,123
Accrued expenses	1,519	1,848
Other payables	5,848	9,514
	26,743	31,615

All the trade and other payables are expected to be settled within one year.

The average credit period of purchases of goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

At 31 March 2011, a balance payable to Mr. Liang Jin You, a former director of certain subsidiaries of the Group, amounting to HK\$828,000 was included in other payables. The amount was unsecured, non-interest bearing and repayable on demand. The amount was derecognised upon the disposal of the subsidiaries during the year ended 31 March 2012.

14. COMPARATIVE FIGURES

As a result of the correction of prior year errors, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed. Further details of these corrections are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Review

Turnover

The Group recorded a turnover of approximately HK\$190,974,000 for the year ended 31 March 2012 (2011: HK\$104,428,000). It represents an increase of approximately HK\$86,546,000 or 82.88% as compared with last year.

The increase was due to increase in average price of coal products and increase in sales volume as compared with last year.

Gross profit

The gross profit of the Group for the year ended 31 March 2012 was increased to approximately HK\$45,566,000 (2011: HK\$71,000). This was mainly due to increase in selling price of coal products and the improvement in coal market environment.

Profit for the year

Profit of the Group for the year ended 31 March 2012 was approximately HK\$43,717,000 (2011: loss approximately HK\$84,966,000). This was mainly due to the improvement in gross profit and reversal of impairment loss on intangible asset.

Segment Information

Business segment

The performance of each of the Group's business segment for the year ended 31 March 2012 are set out in note 5 and are summarised below:

Others

There was no turnover during the year ended 31 March 2012 and 2011 and were disposed during the year ended 31 March 2012.

The operating loss for the year ended 31 March 2012 was approximately HK\$350,000 compared with last year of approximately HK\$581,000.

Coal Mine Business

The Division contributed a turnover of HK\$190,974,000 for year ended 31 March 2012 (2011: HK\$104,428,000) and represents 82.88% increased as compared with 2011. Coal price was slightly increased on different types of coal and as a result higher gross profit was resulted on that segment.

Mine Sales and Production

During the year ended 31 March 2012, the Group sold 2.54 million tones to have the total sales income HK\$190,974,000. Details of coal sales in tones are listed in the below tables.

	Year ended 31 March	
	2012	2011
Coal sales	2,538,603 tones	1,883,853 tones

Coal Sales (tones) and Percentage of Coal Sales

	Coal Sales (tones)	Coal Sales in %
Large Coal	194,854	7.68
Middle Coal	468,314	18.45
Nucleus Coal	518,570	20.43
Slack Coal	1,300,140	51.21
Mixed Coal	56,725	2.23
Total Sales	<u>2,538,603</u>	<u>100.00</u>

Reserves and Resources

The Group owns two mining rights in the Xinjiang, PRC including Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine. The coal reserve remaining of Kaiyuan Mine was 16.0 million tones as at 31 March 2012. The explorations of Zexu Mine was in progress, no development or production activity has taken place at this stage and the production will be commenced in year 2015. The following tables are the estimated coal reserves for the Kaiyuan Open Pit Coal Mine and estimated Coal Resources for the Zexu Open Pit Coal Mine Exploration Right area as at the year 2010 conducted by John T. Boyd Company in June 2010.

Estimated coal reserves for the Kaiyuan Open Pit Coal Mine are:

Seam Bench	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (tones-millions) As of 31 March 2010			% of Total
		Proved	Probable	Total	
		North of Current Pit (Potentially Oxidized)			
B ₂	13.1	—	4.58	4.58	100.00
		Mine Plan Area			
B ₃	10.8	3.57	—	3.57	25.00
B ₂	19.6	10.86	—	10.86	75.00
		14.43	—	14.43	100.00
		Total			
B ₃	10.8	3.57	—	3.57	19.00
B ₂	17.7	10.86	4.58	15.44	81.00
		14.43	4.58	19.01	100.00

Approximately 75% of the total reserves are classified as Proved.

Estimates of Coal Resources for the Zexu Open Pit Coal Mine Exploration Rights area total 119.38 Mt, as summarised below:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (tones-millions)		Total	% of Resources
		Measured	Indicated		
B ₇	8.5	10.23	10.46	20.69	17
B ₆	3.9	2.77	3.98	6.75	6
B ₅	6.3	5.80	10.42	16.22	14
B ₄ ¹	1.8	0.29	0.01	0.30	1
B ₄	6.1	6.85	10.21	17.06	14
B ₃	6.3	8.06	8.03	16.09	13
B ₂	21.1	22.58	19.69	42.27	35
Total		56.58	62.80	119.38	100

Costs of Sales

The cost of sales for the year was HK\$145,408,000 (2011: HK\$104,357,000). The cost mainly comprise machine rental cost, direct labor cost, cost for explosive works, amortisation of mining right, etc. The increase in cost of sales during the year was mainly due to increase in machine rental cost due to increase in production during the year.

Geographic segments

Hong Kong and PRC (other than Hong Kong) were the major geographical segments of the Group for the year ended 31 March 2012. Ratio analysis by geographical segments for the Group's turnover for the year ended 31 March 2012 is as follows:

	Hong Kong		PRC (other than Hong Kong)	
	2012	2011	2012	2011
	%	%	%	%
Segment turnover to total turnover	<u>—</u>	<u>—</u>	<u>100.00</u>	<u>100.00</u>

Liquidity and Financial Resources

As at 31 March 2012, the Group had:

- net current assets of approximately HK\$272,924,000 (2011: approximately HK\$235,054,000).
- bank balances and cash of approximately HK\$257,246,000 (2011: approximately HK\$225,857,000) which were the major components of the Group's current assets of approximately HK\$300,783,000 (2011: approximately HK\$267,242,000).
- current liabilities of approximately HK\$27,859,000 (2011: approximately HK\$32,188,000) which were mainly composed of trade and other payables of HK\$26,743,000 (2011: HK\$31,615,000).
- non-current liabilities of approximately HK\$248,958,000 (2011: approximately HK\$227,128,000) which were mainly composed of deferred tax liability of HK\$33,118,000 (2011: HK\$24,069,000) and the extended convertible loan notes designated as financial liabilities at fair value through profit or loss approximately HK\$213,889,000 (2011: HK\$201,186,000).

The Group's gearing ratio was Nil (2011: 6%). The computation is based on total debt (trade and other payables, amount due to an intermediate holding company and convertible loan notes designed at fair value through profit and loss) less cash and cash equivalents divided by total equity. As cash and cash equivalents exceed the total debt for the year ended 31 March 2012, therefore gearing ratio is nil.

Charges on Group's Assets

As the financial year ended 31 March 2012, none of trade receivables was pledged to secure the borrowing (2011: Nil), no leasehold land and buildings or investment properties of the Group were pledged to secure general banking facilities granted to the Group (2011: Nil).

Significant Investments and Material Acquisitions

During the year ended 31 March 2012, there was no significant investments and material acquisitions.

Discontinued Operation

During the year ended 31 March 2012, there was no discontinued operation in the Group.

Foreign Exchange Exposure

The Group mainly earns revenue in RMB and incurs costs in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between the Hong Kong dollars and the RMB arising from its core operation in the PRC. In order to limit this foreign currency risk exposure, the Group maintained cash balance that approximate three to four months' of operating cash flows.

Treasury Policies

The Group generally finances its operation with internal generated resources.

Contingent Liabilities

As at 31 March 2012, the Group did not have any contingent liabilities (2011: Nil).

Employees

As at 31 March 2012, the Group had 117 employees (2011: 115) spreading among Hong Kong and the PRC. Industrial relationship has been well maintained. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs. The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In the opinion of the directors of the Company (the “Directors”), the Company has during the year ended 31 March 2012 complied with the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), except the following aspects:

1. During the year ended 31 March 2012, the Board held two regular board meetings which less than the minimum number of regular board meeting required under Code provision A.1.1. For the sake of flexibility, the Board held meeting whenever necessary. In addition to this two board meetings, senior management of the Group provided to Directors the information on the activities and developments in the business of the Group from time to time and, when required, ad hoc board meetings will be held; and
2. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. During the year ended 31 March 2012, the Company did not have any officer with CEO title. Ms. Lo Fong Hung, the Chairperson and Managing Director of the Company, also carried out the responsibility of CEO during such period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company’s strategies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2012.

AUDIT COMMITTEE

The audit committee of the Company currently consists of three independent non-executive Directors, namely, Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey. The audit committee has reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.nannanres.com.hk. The annual report of the Company for the year ended 31 March 2012 containing all information required by the Listing Rules will be despatched to shareholders and published on above websites in due course.

By Order of the Board
Nan Nan Resources Enterprise Limited
Wang Xiangfei
Executive Director

Hong Kong, 20 June 2012

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Lo Fong Hung, Mr. Wang Xiangfei and Mr. Kwan Man Fai, and three independent non-executive Directors, namely Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey.