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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended 30 September	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	25,772	15,729
Cost of sales		(17,266)	(11,810)
Gross profit		8,506	3,919
Other revenue		2,961	7,003
Selling and distribution expenses		(303)	(343)
Administrative and operating expenses		(16,418)	(13,276)
Finance costs		(6)	(191)
Change in fair value of convertible bond		34,186	(18,831)
Profit/(loss) before tax		28,926	(21,719)
Income tax expense	4	(3,039)	(1,447)
Profit/(loss) for the period	5	25,887	(23,166)

		Six months ended	
		30 September	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		<u>(2,788)</u>	<u>(4,937)</u>
Other comprehensive loss for the period (net of nil tax)		<u>(2,788)</u>	<u>(4,937)</u>
Total comprehensive profit/(loss) for the period		<u>23,099</u>	<u>(28,103)</u>
Profit/(loss) for the period attributable to:			
– Owners of the Company		<u>25,887</u>	<u>(23,166)</u>
Total comprehensive profit/(loss) for the period attributable to:			
– Owners of the Company		<u>23,099</u>	<u>(28,103)</u>
Earnings/(loss) per share (expressed in Hong Kong cents)			
– Basic	7	<u>3.38</u>	<u>(3.03)</u>
– Diluted	7	<u>0.10</u>	<u>(3.03)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	<i>Notes</i>	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	12,345	15,048
Intangible assets		39,917	43,176
Goodwill		–	–
Security deposit		4,398	4,546
		<u>56,660</u>	<u>62,770</u>
Current assets			
Inventories		54,640	47,403
Trade and other receivables	9	6,338	2,425
Cash and cash equivalents		330,185	343,587
		<u>391,163</u>	<u>393,415</u>
Current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		283,464	317,650
Trade and other payables	10	54,546	52,668
Tax payable		3,474	3,617
		<u>(341,484)</u>	<u>(373,935)</u>
Net current assets		<u>49,679</u>	<u>19,480</u>
Total assets less current liabilities		<u>106,339</u>	<u>82,250</u>
Capital and reserves			
Share capital	11	76,537	76,537
Reserves		19,449	(3,650)
Equity attributable to owners of the Company		<u>95,986</u>	<u>72,887</u>
Non-current liabilities			
Provision for close down, restoration and environmental costs		2,718	2,808
Deferred tax liabilities		7,635	6,555
		<u>10,353</u>	<u>9,363</u>
		<u>106,339</u>	<u>82,250</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Nan Nan Resources Enterprise Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, the Group’s parent company is Ascent Goal Investments Limited (“Ascent Goal”), a company incorporated in the British Virgin Islands with limited liability and its ultimate holding company is New Bright International Development Limited (“New Bright”), a company incorporated in Hong Kong with limited liability. Its ultimate controlling party is Ms. Fung Yuen Kwan, Veronica.

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The functional currency of the Company is Renminbi (“RMB”). The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) for convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in mining and selling of coal.

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Preparation of the condensed consolidated financial information requires the directors of the Company to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated financial information, significant judgements made by the directors of the Company in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied in the Group’s annual consolidated financial statements for the year ended 31 March 2016.

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Company’s audit committee and the Company’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2016 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated interim financial information and/or disclosure set out in these condensed consolidated interim financial information.

3. REVENUE AND SEGMENT INFORMATION

The Group has only one single operating segment being the mining and selling of coal in the People's Republic of China ("PRC"). Geographical segmental information is therefore not presented.

4. INCOME TAX EXPENSE

The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Tax in other jurisdictions		
– current	1,734	1,528
Deferred tax	1,305	(81)
Income tax expense	3,039	1,447

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profits being derived from Hong Kong for both periods ended 30 September 2016 and 30 September 2015. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda. The Company's subsidiary established in the British Virgin Islands is exempted from income tax in the British Virgin Islands.

Under the Law of the PRC 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 periods ended 30 September 2016 and 30 September 2015.

5. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	1,878	4,719
Less: Amounts capitalised in inventories	(582)	(3,590)
Amounts included in cost of sales	1,296	1,129
Amount of inventories recognised as cost of sales	17,266	11,810
Depreciation of property, plant and equipment	2,154	2,516
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	4,167	4,806
– Contributions to defined contribution retirement plan	517	595

6. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2016. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2015: Nil).

7. 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 period is based on the following data:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the period attributable to owners of the Company	<u>25,887</u>	<u>(23,166)</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 period is based on the following data:

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period attributable to owners	25,887	(23,166)
Fair value gain of convertible loan notes*	(34,186)	–
Exchange loss on convertible loan notes*	<u>10,024</u>	<u>–</u>
Profit/(loss) attributable to owners (diluted)	<u>1,725</u>	<u>(23,166)</u>

ii) *Weighted average number of ordinary shares (diluted)*

	2016 (unaudited)	2015 (unaudited)
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 earnings/(loss) per share	<u>1,765,373,584</u>	<u>765,373,584</u>

* The calculation of diluted loss per share for the period ended 30 September 2015 did not assume the conversion of 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.

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 September 2016, the Group acquired property, plant and equipment with a cost of HK\$19,000 (six months ended 30 September 2015: HK\$851,000).

During the six months ended 30 September 2016, the Group disposed property, plant and equipment with a total carrying amount of HK\$1,000 resulted in approximately loss of HK\$1,000 (six months ended 30 September 2015: disposal of HK\$86,000 with no profit or loss).

9. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade and bills receivables by age, presented based on invoice date (net of allowance for doubtful debts):

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within 90 days	4,363	–
91 days to 180 days	135	–
181 days to 365 days	–	–
Over 1 year	–	–
Trade and bills receivables	4,498	–
Prepayments, deposits and other receivables	1,840	2,385
Value-added tax and non-income tax receivables	–	40
Total trade and other receivables	<u>6,338</u>	<u>2,425</u>

10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Within 90 days	8,430	6,237
91-180 days	3,254	1,617
181-365 days	–	1,595
Over 1 year	28	28
Trade payables	11,712	9,477
Receipt in advance	311	1,474
Value-added tax and non-income tax payable	833	–
Government levies payable		
– Economic development fees in coal resources areas	27,535	28,458
– Others	4,060	4,628
Accrued expenses	1,958	1,547
Other payables	8,137	7,084
Total trade and other payables	54,546	52,668

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.

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Ordinary Shares		
Authorised:		
At 1 April 2015, 31 March 2016 and 30 September 2016	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2015, 31 March 2016 and 30 September 2016	765,373,584	76,537

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the six months ended 30 September 2016, the Group recorded a revenue of approximately HK\$25,772,000, which was an increase of 63.8% or HK\$10,043,000 as compared with HK\$15,729,000 achieved in the corresponding period in 2015.

Geographically, Xinjiang Uygur Autonomous Region (“Xinjiang”) is remote from major industrial cities in the PRC. Coal produced in Xinjiang is mainly consumed locally due to the reason of logistic and transportation costs.

Increase in sales is mainly due to increase demand for small-medium sized, middle and slack coals. The Group sold approximately 388,122 tonnes (2015: approximately 202,248 tonnes) of coal, increased by 91.9% in volume from a year ago.

Cost of sales

The cost of sales for the period was approximately HK\$17,266,000 (2015: approximately HK\$11,810,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortization, etc. The increase in cost of sales was largely in line with the increase in sales volume during the period as compared with the previous corresponding period.

Gross profit

Due to the factors explained above, therefore, the gross profit of the Group for the six months ended 30 September 2016 increased to approximately HK\$8,506,000 from HK\$3,919,000 for the six months ended 30 September 2015, representing an increase of approximately 117.1% and gross profit margin increased by 8.1% for the six months ended 30 September 2016 to 33.0%, representing an increase of 32.5%.

Other revenue

The Group’s other revenue for the six months ended 30 September 2016 was HK\$2,961,000, representing a decrease of HK\$4,042,000 or 57.7% as compared with the corresponding period in the last year. This was mainly due to decrease in net income from selling coal gangue (煤矸石) by approximately HK\$1,688,000.

Administrative and operating expenses

The Group’s administrative and operating expenses for the six months ended 30 September 2016 was HK\$16,418,000, representing an increase of HK\$3,142,000 or 23.7% as compared with the previous corresponding period. This was mainly due to the increase in exchange loss.

Profit for the period

Profit of the Group for the six months ended 30 September 2016 was approximately HK\$25,887,000 (2015: loss approximately HK\$23,166,000), representing an increase of approximately HK\$49,053,000 as compared with the corresponding period in the last year. Although there was a significant increase in the gross profit from operation, the increase in profit was mainly due to change in fair value of convertible bond of approximately HK\$34,186,000 as compared with a loss of approximately HK\$18,831,000 in the previous corresponding period.

Segment Information

Business segment

The Group's operating segment, based on information reported to the chief operating decision makers who are also the executive directors, for the purposes 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.

Coal mining business is the only reportable operating segment from which the Group derived its revenue from sale of coal. Accordingly, no further segment information is provided.

Coal mining business

Coal mining is the sole business of the Group at present. It contributed a revenue of approximately HK\$25,772,000 for the reporting period (2015: approximately HK\$15,729,000), a 63.8% increase as compared with the corresponding period in 2015. The increase in revenue is mainly resulted from increase in sales volume during the reporting period.

Sales and production of coals

During the reporting period, the Group sold 0.39 million tonnes of coals with total sales income of approximately HK\$25,772,000. Details of coal sales in tonnes are listed in the below table:

	Period ended 30 September	
	2016	2015
Coal sales	388,122 tonnes	202,248 tonnes

Coal sales in tonnes and percentage

	Coal Sales (tonnes)	Coal Sales in %
Saw Cut Coal	529	0.14
Large Coal	8,280	2.13
Middle Coal	36,626	9.44
Three Eight Coal	18,640	4.80
Three Six Coal	32,019	8.25
Small-medium sized Coal	50,906	13.11
Slack Coal	118,051	30.42
Weathered Coal	123,071	31.71
Total	<u>388,122</u>	<u>100.00</u>

Reserves and resources

The Group owns one mining right and one exploration right in Xinjiang, which are Kaiyuan Open Pit Coal Mine (“Kaiyuan Mine”) and Zexu Open Pit Coal Mine (“Zexu Mine”) respectively. The estimated remaining coal reserve in Kaiyuan Mine was 10.01 million tonnes as at 30 September 2016 (2015: 11.22 million tonnes). The coal reserve was calculated by using the following formula, which was in line with the market practice:

Coal reserve as at 30 September 2016 = Coal reserve as at 31 March 2016 – Amount of coal extracted (the “Coal Extracts”) by the Group during 1 April 2016 to 30 September 2016.

The exploration permit of Zexu Mine was granted by the Department of Land and Resources of Xinjiang Uygur Autonomous Region from 5 April 2016 to 5 April 2017.

Cost of sales

The cost of sales for the period was approximately HK\$17,266,000 (2015: approximately HK\$11,810,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortization, etc. The increase in cost of sales was largely in line with the increase in sales volume.

Geographical segment

The geographical location of customers is determined based on the location where the goods are delivered. The Group’s revenue and results from operations are all derived from activities in the PRC. No business activities are carried out outside the PRC. The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is required.

Major Events

Progress of the Optimization and Upgrading Plan[#] and the Updated Optimization and Upgrading Plan^{##}

Pursuant to the instructions from the National Development and Reform Commission of the PRC, the Department of Land and Resources of Xinjiang Uygur Autonomous Region (the “Xinjiang Land Department”) had to plan for a management restructuring of seven different coal mines (including the Zexu Mine) in the Xiheishan Mining Area (the “Optimization and Upgrading Plan”), consolidating some smaller mines together so as to increase the size efficiency (for details, please refer to the Company’s announcement dated 11 November 2011). After being informed of this Optimization and Upgrading Plan, the Board has requested our management in Xinjiang to conduct frequent meetings and negotiations with the Xinjiang Land Department and other relevant government authorities in order to protect the Company’s interest in relation to the exploration permit of the Zexu Mine (the “Exploration Permit”).

According to the letter dated 13 June 2012 issued by the Administrative Bureau of Coal Industry of Changji Prefecture (the “Changji Administrative Bureau”) informing the updated status of the Optimization and Upgrading Plan, the following proposals (the “Updated Optimization and Upgrading Plan”) in relation to the Company’s Kaiyuan Mine and Zexu Mine have been submitted to the working group head office for coal industry structural upgrade work of Xinjiang Uygur Autonomous Region for consideration and approval:

1. The Company’s Kaiyuan Mine would be restructured and upgraded, and the exploration right in the Zexu Mine granted to the Company would be terminated; and
2. The mining area of the Kaiyuan Mine, where the Company is now conducting mining activities, was proposed to be increased from 1.1596 square kilometers to 4.12 square kilometers, with the estimated coal resources of approximately 131.18 million tonnes.

As at the date hereof, the Company has still not yet received any written notification from the relevant Xinjiang government department in respect of the approval of the Updated Optimization and Upgrading Plan.

As stated in the Company’s announcement dated 21 March 2014, the Exploration Permit of the Zexu Mine of the Company originally expired on 20 February 2014. Concerned that the Company’s position and rights in the Optimization and Upgrading Plan might be compromised since the Updated Optimization and Upgrading Plan had still not then been approved by the Xinjiang Uygur Autonomous Region Government, the Company through its Xinjiang staff has continued to make informal representations to Chinese officials urging them to exercise administrative discretion to renew the Exploration Permit despite the fact that the Company had earlier obtained a PRC legal opinion advising the Company no further renewal beyond 20 February 2014 could be obtained for Zexu Mine Exploration Permit. Eventually, on 19 March 2014, the Company obtained a renewal permit from the Xinjiang Land Department granting the renewal of the Exploration Permit from 25 February 2014 to 25 February 2016, and on 19 May 2016, the Company further obtained the renewal of the Exploration Permit with valid period from 5 April 2016 to 5 April 2017.

[#] “Optimization and Upgrading Plan” was previously referred to as “Management Restructuring Plan” in the announcement of the Company dated 11 November 2011 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.

^{##} “Updated Optimization and Upgrading Plan” was previously referred to as “Updated Restructuring Proposals” in the announcement of the Company dated 15 June 2012 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.

Prospects

The Board considers that the coal business is full of challenges and endeavors to achieve our goal of bringing maximum values for shareholders by strengthening management of the Company, controlling the cost of coal mining, cooperating with the national policies of developing economy in the western region, seizing new chances, exploring new markets, and seeking for investment opportunities.

Although the Company has obtained a renewal Exploration Permit of Zexu Mine from the Xinjiang Land Department from 5 April 2016 to 5 April 2017, no development or production activity is now taking place and we have no existing plan to apply for the mining permit of Zexu Mine as the Company is still waiting for the written notification from the relevant Xinjiang government department in respect of the approval of the Updated Optimization and Upgrading Plan. The Company will continue to follow up the updated status of the approval process of the Updated Optimization and Upgrading Plan, in order to protect the interests of the Company in Kaiyuan Mine and Zexu Mine.

Despite the aforesaid progress of the Updated Optimization and Upgrading Plan, the Company is still waiting for the written notification from the relevant Xinjiang government department in respect of the approval of the Updated Optimization and Upgrading Plan. It is therefore uncertain as to whether the proposals can be approved by the PRC Government eventually. For this reason, the Company would keep all options open and the Company would not at this stage rule out the possibility of resuming the exploration process for Zexu Mine and then applying for a mining permit of the Zexu Mine either by the Company alone or jointly with other companies having coal mines in the vicinity if the circumstances warrant such course of action being taken.

Liquidity and Financial Resources

As at 30 September 2016, the Group had:

- net current assets of approximately HK\$49,679,000 (31 March 2016: approximately HK\$19,480,000).
- bank balances and cash of approximately HK\$330,185,000 (31 March 2016: approximately HK\$343,587,000) which were the major components of the Group's current assets of approximately HK\$391,163,000 (31 March 2016: approximately HK\$393,415,000).
- current liabilities of approximately HK\$341,484,000 (31 March 2016: approximately HK\$373,935,000) which comprised mainly trade and other payables of approximately HK\$54,546,000 (31 March 2016: approximately HK\$52,668,000) and convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK\$283,464,000 (31 March 2016: approximately HK\$317,650,000).
- non-current liabilities of approximately HK\$10,353,000 (31 March 2016: approximately HK\$9,363,000) which comprised mainly deferred tax liability of approximately HK\$7,635,000 (31 March 2016: approximately HK\$6,555,000).

The Group's gearing ratio was 2.95 (31 March 2016: 4.36). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss) divided by total equity.

Charges on Group's Assets

As at 30 September 2016, none of the Group's assets was under charges (2015: Nil).

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 Hong Kong dollars and RMB arising from its core operation in the PRC. In order to minimize the foreign currency risk exposure between these two currencies, the Group maintained cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group.

Treasury Policies

Apart from the issue of convertible bond at their face value of HK\$200 million, the Group finances its operation mainly by internal generated resources.

Contingent Liabilities and Capital Commitments

The Group did not have any material contingent liabilities and capital commitments.

Employees

As at 30 September 2016, the Group had 76 employees (31 March 2016: 84) spreading among Hong Kong and the PRC. Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) during the six months ended 30 September 2016, save for the deviation from code provision A.2.1 as disclosed below:

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive (“CE”) should be separate and should not be performed by the same individual. During the six months ended 30 September 2016, the Company did not have any officer with CE title. Ms. Lo Fong Hung, the Chairman and Managing Director of the Company, also carried out the responsibility of CE 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2016.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham as the chairman of the Audit Committee, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.nannanlisted.com. The interim report will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board
Nan Nan Resources Enterprise Limited
Kwan Man Fai
Executive Director

Hong Kong, 22 November 2016

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. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey.