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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 2017 AND RESUMPTION OF TRADING

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2017 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Revenue	3	73,024	59,841
Cost of sales		(48,426)	(35,309)
Gross profit		24,598	24,532
Other revenue		9,943	16,015
Selling and distribution expenses		(733)	(626)
Administrative and other operating expenses		(32,245)	(27,813)
Finance costs		(176)	(187)
Change in fair value and loss arising from modification of convertible bonds		56,034	(73,449)
Impairment loss on intangible assets and property, plant and equipment		–	(12,012)
Profit/(loss) before tax	5	57,421	(73,540)
Income tax expense	6	(9,154)	(6,068)
Profit/(loss) for the year		48,267	(79,608)

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		(5,787)	(6,316)
Other comprehensive loss for the year, net of nil tax		(5,787)	(6,316)
Total comprehensive income/(loss) for the year		42,480	(85,924)
Profit/(loss) for the year attributable to:			
– Owners of the Company		48,267	(79,608)
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		42,480	(85,924)
Earnings/(loss) per share (expressed in Hong Kong cents)			
– Basic	8	6.31	(10.40)
– Diluted	8	0.65	(10.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment		11,070	15,048
Intangible assets		37,787	43,176
Goodwill		–	–
Security deposit		4,601	4,546
		53,458	62,770
Current assets			
Inventories		50,923	47,403
Trade and other receivables	9	12,517	2,425
Cash and cash equivalents		331,606	343,587
		395,046	393,415
Current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		–	317,650
Trade and other payables	10	56,524	52,668
Tax payable		4,278	3,617
		(60,802)	(373,935)
Net current assets		334,244	19,480
Total assets less current liabilities		387,702	82,250
Capital and reserves			
Share capital		76,537	76,537
Reserves		38,830	(3,650)
Equity attributable to owners of the Company		115,367	72,887
Non-current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		261,616	–
Provision for close down, restoration and environmental costs		2,802	2,808
Deferred tax liabilities		7,917	6,555
		272,335	9,363
		387,702	82,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not applied any new standard and amendments to HKFRSs that is not yet effective for the current accounting period.

3. REVENUE

Revenue represents the amounts received and receivable for coal sold by the Group to outside customers, less returns, discounts allowed and value added tax.

4. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker who is also the executive director, 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.

Coal mine 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.

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 mainly derived from activities in the People’s Republic of China (the “PRC”). Activities outside the PRC are insignificant. The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is provided.

Information about major customers

Revenue from external customers contributing 10% or more of the total revenue is as follow:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Customer A	*	21,264
Customer B	*	8,192
Customer C	*	6,713
Customer D	20,522	*
Customer E	18,920	*

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the year ended 31 March 2017 or 2016.

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after (crediting)/charging:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Amount of inventories sold	48,426	35,309
Amount of inventories recognised as an expense	48,426	35,309
Staff costs (excluding directors' remuneration)		
Basic salaries and allowances	9,076	9,475
Contributions to defined contribution retirement plan	626	1,137
	9,702	10,612
Depreciation of property, plant and equipment	3,501	4,898
Amortisation of intangible assets	2,710	8,877
Less: Amounts capitalised in inventories	(1,112)	(5,665)
Amounts included in cost of sales	1,598	3,212
Auditor's remuneration		
– audit services	740	710
– other services	300	300
	1,040	1,010
Operating leases charge	2,495	2,603
Net exchange loss on financial liabilities at fair value through profit or loss	19,318	13,831
Other net exchange gain	(7,828)	(6,730)
Loss on disposal of property, plant and equipment	–	87
Impairment loss on intangible assets and property, plant and equipment	–	12,012
Interest income on financial assets not at fair value through profit or loss	(2,822)	(5,856)

6. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Tax expense comprises:		
Hong Kong Profits Tax		
– current year	–	–
Tax in other jurisdictions		
– current year	7,127	7,579
– under-provision in prior years	206	–
	<u>7,333</u>	<u>7,579</u>
Deferred tax	1,821	(1,511)
	<u>9,154</u>	<u>6,068</u>

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits being derived from Hong Kong for both years ended 31 March 2017 and 2016. 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 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.

The tax expense for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(loss) before tax	<u>57,421</u>	<u>(73,540)</u>
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profit/(loss) in the countries concerned	10,280	(11,705)
Tax effect of expenses not deductible for tax purposes	8,267	17,460
Tax effect of deductible temporary difference previously not recognised	11	–
Tax effect of income not taxable for tax purpose	(9,606)	(554)
Tax effect of temporary differences and tax losses not recognised	(4)	867
Under-provision in prior years	206	–
Tax expense for the year	<u>9,154</u>	<u>6,068</u>

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the current reporting period (2016: Nil).

8. 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:

	2017 HK\$'000	2016 HK\$'000
Profit/(loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share		
(Profit/(loss) for the year attributable to owners of the Company)	<u>48,267</u>	<u>(79,608)</u>
	2017	2016
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) for the year attributable to owners of the Company (diluted)

	2017 HK\$'000	2016 HK\$'000
Profit/(loss) for the year attributable to owners	48,267	(79,608)
Change in fair value and loss arising from modification of convertible bonds*	(56,034)	–
Exchange loss on convertible bonds*	<u>19,318</u>	<u>–</u>
Profit/(loss) attributable to owners (diluted)	<u>11,551</u>	<u>(79,608)</u>

ii) Weighted average number of ordinary shares (diluted)

	2017	2016
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 bond*	<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 year ended 31 March 2016 does not assume the conversion of convertible bond since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

9. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 <i>HK\$'000</i>
Trade and bills receivables	10,591	–
Prepayments, deposits and other receivables	1,926	2,385
Value-added tax and non-income tax receivables	<u>–</u>	<u>40</u>
	<u>12,517</u>	<u>2,425</u>

All of the trade and other receivables are expected to be recovered or recognised 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 credit period up to 180 days.

At the end of the 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 of doubtful debts was as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Within 90 days	6,421	–
91–180 days	<u>4,170</u>	<u>–</u>
	<u>10,591</u>	<u>–</u>

10. TRADE AND OTHER PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	8,649	6,237
91–180 days	4,057	1,617
181–365 days	1,243	1,595
Over 1 year	27	28
Trade payables	13,976	9,477
Receipt in advance	2,261	1,474
Other tax payable	1,357	–
Government levies payable		
– Economic development fees in coal resources areas	26,651	28,458
– Others	4,177	4,628
Accrued expenses	2,162	1,547
Other payables	5,940	7,084
	56,524	52,668

All the trade and other payables are expected to be settled or recognised as income 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the financial year ended 31 March 2017, the Group continued to focus on coal resources mining business.

During the financial year, the growth of PRC economy continued to slow down. The demand for coals from the market has been decreasing gradually in recent years as a result of fewer large scale industrial and infrastructure projects and the promotion of the use of clean energy by the PRC government, which also had negative impacts on the coal price, exerting high pressure to the Group's operation. However, the management of the Group has adjusted short-term operation strategy and modified the production plan through understanding the local government's policies. The Group will keep strict control over the costs and expenses to maintain a strong financial position as a whole.

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 renewed permit from Xinjiang Land Department granting the renewal of the Exploration Permit from 25 February 2014 to 25 February 2016. On 19 May 2016 and 16 May 2017, the Company further obtained the renewal of the Exploration Permit with valid period from 5 April 2016 to 5 April 2017 and from 16 May 2017 to 16 May 2019 respectively.

"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, modifying the production plan through understanding the local government's policies, seizing new chances, exploring new markets and seeking for investment opportunities.

Although the Company has obtained a renewed Exploration Permit of Zexu Mine from Xinjiang Land Department from 16 May 2017 to 16 May 2019, 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 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.

Financial Review

Revenue

The Group recorded a revenue of approximately HK\$73,024,000 for the year ended 31 March 2017 (2016: approximately HK\$59,841,000). It represents an increase of approximately HK\$13,183,000 or 22.03% as compared with last year.

Gross profit

The gross profit of the Group for the year ended 31 March 2017 increased to approximately HK\$24,598,000 (2016: approximately HK\$24,532,000). This was mainly due to increase in sales in the period as a result of the increased demand for small medium, slack and weathered coal in Xinjiang area of the PRC.

Profit for the year

Profit of the Group for the year ended 31 March 2017 was approximately HK\$48,267,000 (2016: loss approximately HK\$79,608,000), representing a turnaround from loss to profit of approximately HK\$127,875,000 as compared with last year. The net effect of increase in profit was mainly due to the turnaround from loss to gain on change in fair value and loss arising from modification of convertible bond of approximately HK\$129,483,000 and no impairment loss on intangible assets and property, plant and equipment incurred during the year (2016: approximately HK\$12,012,000).

Segment Information

Business segment

The Group's operating segments, based on information reported to the chief operating decision maker who is also the executive director, for the purposes of resources allocation and performance assessment, are more specifically focused on the types of goods delivered and services provided by the Group's operating divisions.

Coal mine 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\$73,024,000 for the year ended 31 March 2017 (2016: approximately HK\$59,841,000), representing a 22.03% increase as compared with last year.

Sales and Production of Coals

During the year ended 31 March 2017, the Group sold 1.07 million tonnes of coals with total sales income of approximately HK\$73,024,000. Details of coal sales in tonnes are listed in the below table:

	Year ended 31 March	
	2017	2016
Coal sales	<u>1,065,662 tonnes</u>	<u>628,033 tonnes</u>

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Saw Cut Coal	1,892	0.18
Large Coal	42,034	3.94
Middle Coal	143,213	13.44
Small Medium Coal	132,106	12.40
36 Coal	74,299	6.97
38 Coal	69,600	6.53
Slack Coal	351,896	33.02
Weathered Coal	<u>250,622</u>	<u>23.52</u>
Total Sales	<u>1,065,662</u>	<u>100.00</u>

Reserves and Resources

The Group owns one mining right and one exploration right in Xinjiang, the PRC including Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine respectively. The estimated remaining coal reserve in Kaiyuan Mine was 9.71 million tonnes as at 31 March 2017 (2016: 10.39 million tonnes). During the year, there were 0.68 million tonnes of coal being extracted. The original exploration permit of Zexu Mine had expired on 5 April 2017 and a renewal of the permit from 16 May 2017 to 16 May 2019 was granted by the Xinjiang Land Department. 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 as of 31 March 2010 conducted by John T. Boyd Company in June 2010.

Estimated coal reserves for the Kaiyuan Open Pit Coal Mine:

Seam	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (million tonnes) 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.

Coal Reserve as at 31 March 2017 = Coal Reserve as at 31 March 2016 – Amount of coal extracted (the “Coal Extracts”) by the Group during 1 April 2016 to 31 March 2017.

Estimated coal resources for the Zexu Open Pit Coal Mine Exploration Right area totalling 119.38 Mt, are summarised below:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (million tonnes)		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

Cost of Sales

The cost of sales for the year was approximately HK\$48,426,000 (2016: approximately HK\$35,309,000). The cost mainly comprised machine rental cost and direct labor cost. The increase in cost of sales during the year was mainly due to increase in machine rental cost as a result of increase in sales during the year.

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 mainly derived from activities in the PRC. Activities outside the PRC are insignificant. The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is provided.

Liquidity and Financial Resources

As at 31 March 2017, the Group had:

- net current assets of approximately HK\$334,244,000 (2016: approximately HK\$19,480,000). The substantial increase in net current assets was mainly due to the derecognition of the matured convertible bond designated as financial liabilities at fair value through profit or loss of HK\$317,650,000 stated as current liabilities in 2016, and the recognition of an extended convertible bond during the year with three years term as non current liabilities in 2017.
- cash and cash equivalents of approximately HK\$331,606,000 (2016: approximately HK\$343,587,000) which were the major components of the Group's current assets of approximately HK\$395,046,000 (2016: approximately HK\$393,415,000).
- current liabilities of approximately HK\$60,802,000 (2016: approximately HK\$373,935,000) which comprised mainly trade and other payables of approximately HK\$56,524,000 (2016: approximately HK\$52,668,000) and convertible bond designated as financial liabilities at fair value through profit or loss of nil (2016: approximately HK\$317,650,000).
- non-current liabilities of approximately HK\$272,335,000 (2016: approximately HK\$9,363,000) which comprised mainly deferred tax liabilities of approximately HK\$7,917,000 (2016: approximately HK\$6,555,000) and convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK\$261,616,000 (2016: Nil).

The Group's gearing ratio was 2.27 (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 31 March 2017, none of the Group's assets was under charges (2016: 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 minimise 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' operating cash flows requirements of the Group.

Treasury Policies

Apart from the issue of convertible bond at their face value of HK\$200,000,000, the Group finances its operation mainly by internal generated resources.

Contingent Liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities.

Employees

As at 31 March 2017, the Group had 79 employees (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.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: 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 year ended 31 March 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company (the “Directors”), 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 of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2017, 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 year ended 31 March 2017, the Company did not have any officer with CE title. Ms. Lo Fong Hung was the Chairman and Managing Director of the Company during the period from 1 April 2016 to 28 February 2017, who also carried out the responsibility of CE during such period. Following the appointment of Mr. Kwan Man Fai (“Mr. Kwan”) as the Chairman and Managing Director of the Company with effect from 1 March 2017, the duties of CE were carried out by Mr. Kwan since then. 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.

COMPLIANCE WITH MODEL CODE

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. 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 2017.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently consists of 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 internal controls and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 March 2017.

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of this annual results announcement of the Group for the year ended 31 March 2017 have been reviewed and agreed by the Company’s auditors, Crowe Horwath (HK) CPA Limited (“Crowe Horwath”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe Horwath in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This annual 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 annual report of the Company for the year ended 31 March 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

TRADING HALT AND RESUMPTION

At the request of the Company, trading in shares of the Company on The Stock Exchange of Hong Kong Limited was halted with effect from 9:00 a.m. on 21 June 2017 pending release by the Company of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in shares of the Company with effect from 9:00 a.m. on 22 June 2017.

By Order of the Board
Nan Nan Resources Enterprise Limited
Kwan Man Fai
Chairman and Managing Director

Hong Kong, 21 June 2017

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