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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)

PROFIT WARNING

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of Nan Nan Resources Enterprise Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to inform the shareholders (the “**Shareholders**”) of the Company and potential investors that based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 September 2020, there may record (i) a decrease in the total revenue of the Group to approximately HK\$25.1 million for the six months ended 30 September 2020, as compared to approximately HK\$63.7 million for the six months ended 30 September 2019; and (ii) a loss for the period of approximately HK\$20.8 million for the six months ended 30 September 2020, as compared to a profit for the period of approximately HK\$32.4 million for the six months ended 30 September 2019. The final figures of the revenue and loss of the Group for the six months ended 30 September 2020 are subject to adjustments (if any) to be made under applicable accounting principles.

The decrease in the total revenue of the Group for the six months ended 30 September 2020 as compared to the corresponding period in 2019 was mainly attributable to: (a) the suspension of production at the Kaiyuan Mine with its enlarged mining area from 21 December 2019 to 2 August 2020 due to the expiry of the original mining permit pending the grant of renewed mining permit by the Production Safety Supervision and Administration Bureau (安全生產監督管理局) of the Xinjiang Zhundong Economic and Technological Development Zone (新疆准東經濟技術開發區) leading to the decrease in the volume in coal sales, and hence the revenue of the Group’s coal mining business of approximately HK\$26.6 million; and (b) the prolonged social unrest and subsistence of the COVID-19 pandemic in Hong Kong leading to the decrease in the revenue of the Group’s information technology (“**IT**”) outsourcing, consultancy and technical services (together referred to as “**IT Services**”) business of approximately HK\$11.9 million.

The expected loss of the Group for the six months ended 30 September 2020 was mainly attributable to: (a) the turnaround from fair value gain of approximately HK\$28.4 million to fair value loss of approximately HK\$1.9 million of the Company's convertible bond designated as financial liabilities at fair value through profit or loss compared to corresponding period in 2019; (b) the recognition of an impairment loss of approximately HK\$11.4 million due to the goodwill allocated to the IT Services cash generating units of Harbour Group Holdings Limited and its subsidiaries (collectively "**Harbour Group**"), being the subsidiaries of the Group, being impaired as a result of the keen competition from the IT services sector and the recent development of COVID-19 pandemic which are expected to have a negative impact on the revenue and growth rate of Harbour Group's IT Services cash generating units; and (c) the turnaround from gross profit of approximately HK\$30.5 million to gross loss of approximately HK\$4.1 million compared to the corresponding period in 2019 primarily due to the decrease in total revenue of the Group as explained above. This was partially offset by (i) the turnaround from exchange loss of approximately HK\$4.9 million to exchange gain of approximately HK\$2.1 million compared to the corresponding period in 2019; (ii) the decrease of administrative and other expenses by approximately HK\$4.2 million; and (iii) the turnaround from income tax expenses of approximately HK\$3.9 million to income tax credit of approximately HK\$7.9 million compared to the corresponding period in 2019.

The Company is still in the course of finalising its unaudited consolidated financial results of the Group for the six months ended 30 September 2020. The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management accounts and the information currently available to the Board. As at the date of this announcement, such information has neither been confirmed nor reviewed by the auditor of the Company or the audit committee of the Board and may be subject to change.

Shareholders and potential investors are advised to refer to the interim results announcement of the Group for the six months ended 30 September 2020 when it is published. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 17 November 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kwan Man Fai, Mr. Wang Xiangfei and Mr. Wong Sze Wai and three independent non-executive Directors, namely Dr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin; and one alternate Director, namely Mr. Wang Xiaoyao (alternate to Mr. Wang Xiangfei).