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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 2023

The board of directors (the “Directors”) (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2023 (the “Year”) 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 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	239,886	300,241
Cost of services and goods sold		(106,057)	(137,645)
Gross profit		133,829	162,596
Other revenue		4,147	1,305
Selling and distribution expenses		(1,394)	(1,376)
Administrative and other operating expenses		(48,896)	(42,084)
Exchange gain/(loss), net		3,946	(4,091)
Finance costs	5	(7,214)	(10,342)
Change in fair value and loss arising from modification of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”)		(116,835)	(11,254)
Impairment loss on goodwill		–	(5,814)
(Loss)/Profit before tax	5	(32,417)	88,940
Income tax expenses	6	(26,621)	(22,940)
(Loss)/Profit for the year		(59,038)	66,000

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Other comprehensive (loss)/income, net of nil tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company's financial statements to presentation currency		(5,318)	2,912
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of functional currency to presentation currency		<u>(32,517)</u>	<u>5,694</u>
Other comprehensive (loss)/income for the year		<u>(37,835)</u>	<u>8,606</u>
Total comprehensive (loss)/income for the year		<u>(96,873)</u>	<u>74,606</u>
<i>(Loss)/Profit for the year attributable to:</i>			
– Owners of the Company		(58,328)	66,592
– Non-controlling interests		<u>(710)</u>	<u>(592)</u>
		<u>(59,038)</u>	<u>66,000</u>
<i>Total comprehensive (loss)/income for the year attributable to:</i>			
– Owners of the Company		(96,090)	75,231
– Non-controlling interests		<u>(783)</u>	<u>(625)</u>
		<u>(96,873)</u>	<u>74,606</u>
<i>(Loss)/Earnings per share (expressed in Hong Kong cents)</i>			
– Basic	8	<u>(7.62)</u>	<u>8.70</u>
– Diluted	8	<u>(7.62)</u>	<u>4.07</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		133,149	125,553
Intangible assets		188,899	203,699
Goodwill		4,229	4,229
Prepayments for acquisition of property, plant and equipment	9	6,425	5,306
Deferred tax assets		–	2,561
		<u>332,702</u>	<u>341,348</u>
Current assets			
Inventories		6,810	2,930
Trade and other receivables	9	9,989	11,239
Cash and cash equivalents		234,113	260,753
		<u>250,912</u>	<u>274,922</u>
Current liabilities			
Trade and other payables	10	63,027	70,444
Mining right payables, current portion		4,379	4,410
Interest-bearing borrowings	11	3,477	37,254
Convertible bond designated as financial liabilities at FVPL		–	182,537
Lease liabilities		1,660	1,068
Tax payables		9,857	11,277
		<u>82,400</u>	<u>306,990</u>
Net current assets/(liabilities)		<u>168,512</u>	<u>(32,068)</u>
Total assets less current liabilities		<u>501,214</u>	<u>309,280</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Capital and reserves		
Share capital	76,537	76,537
Reserves	48,911	145,001
	<hr/>	<hr/>
Equity attributable to owners of the Company	125,448	221,538
Non-controlling interests	1,868	2,651
	<hr/>	<hr/>
Total equity	127,316	224,189
	<hr/>	<hr/>
Non-current liabilities		
Convertible bond designated as financial liabilities at FVPL	299,372	–
Provision for close down, restoration and environmental costs	2,814	3,045
Mining right payables, non-current portion	70,520	81,011
Lease liabilities	368	270
Deferred tax liabilities	824	765
	<hr/>	<hr/>
	373,898	85,091
	<hr/>	<hr/>
	501,214	309,280
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. BASIS OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

2. ADOPTION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRS	2018–2020 Cycle

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the “10 per cent” test for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coals in the Mainland China;
- (2) Renewable energy business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services business segment: Information technology (“IT”) consultancy and technical services (including sales of IT hardware products) and IT outsourcing services (together referred to “IT Services”) in Hong Kong, Malaysia, Singapore and the United Kingdom (the “UK”).

Segment revenue represents revenue derived from (i) coal mining business; (ii) renewable energy business; and (iii) IT Services business.

Segment results, which are the measures reported to the CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of change in fair value and loss from modification of convertible bond designated as financial liabilities at FVPL and exchange gain or loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayments for acquisition of property, plant and equipment, deferred tax assets, inventories, trade and other receivables and cash and cash equivalents. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include convertible bond designated as financial liabilities at FVPL, trade and other payables, interest-bearing borrowings, lease liabilities, mining right payables, tax payables, provision for close down, restoration and environmental costs and deferred tax liabilities. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

In addition, the directors of the Company consider that the Group’s place of domicile is Hong Kong, where the central management and control is located.

Segment revenue and results

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2023					
Revenue from external customers and reportable segment revenue	<u>199,198</u>	<u>3,594</u>	<u>37,094</u>	<u>-</u>	<u>239,886</u>
Gross profit	127,577	1,649	4,603	-	133,829
Selling and distribution expenses	<u>(1,308)</u>	<u>-</u>	<u>(86)</u>	<u>-</u>	<u>(1,394)</u>
Segment results	126,269	1,649	4,517	-	132,435
Other revenue	2,819	65	492	771	4,147
Administrative and other operating expenses	(23,638)	(1,055)	(7,915)	(16,288)	(48,896)
Finance costs	(7,085)	-	(41)	(88)	(7,214)
Change in fair value and loss arising from modification of convertible bond designated as financial liabilities at FVPL	-	-	-	(116,835)	(116,835)
Exchange gain, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,946</u>	<u>3,946</u>
Profit/(Loss) before tax	98,365	659	(2,947)	(128,494)	(32,417)
Income tax expenses	<u>(26,571)</u>	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>(26,621)</u>
Profit/(Loss) for the year	<u>71,794</u>	<u>659</u>	<u>(2,997)</u>	<u>(128,494)</u>	<u>(59,038)</u>
<i>Additional segment information:</i>					
Amortisation	17,582	66	-	-	17,648
Depreciation	9,094	1,572	763	948	12,377
Additions to property, plant and equipment	26,614	269	122	1,509	28,514
Additions to intangible assets	15,085	-	-	-	15,085
Charge of loss allowance of trade receivables	<u>-</u>	<u>2</u>	<u>475</u>	<u>-</u>	<u>477</u>

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2022					
Revenue from external customers and reportable segment revenue	<u>275,463</u>	<u>3,781</u>	<u>20,997</u>	<u>–</u>	<u>300,241</u>
Gross profit	157,906	1,652	3,038	–	162,596
Selling and distribution expenses	<u>(1,352)</u>	<u>–</u>	<u>(24)</u>	<u>–</u>	<u>(1,376)</u>
Segment results	156,554	1,652	3,014	–	161,220
Other revenue	1,085	1	181	38	1,305
Administrative and other operating expenses	(20,475)	(754)	(6,421)	(14,434)	(42,084)
Finance costs	(10,203)	–	(103)	(36)	(10,342)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	–	(11,254)	(11,254)
Impairment loss on goodwill	–	–	(5,814)	–	(5,814)
Exchange loss, net	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,091)</u>	<u>(4,091)</u>
Profit/(Loss) before tax	126,961	899	(9,143)	(29,777)	88,940
Income tax (expenses)/credit	<u>(22,854)</u>	<u>11</u>	<u>(97)</u>	<u>–</u>	<u>(22,940)</u>
Profit/(Loss) for the year	<u>104,107</u>	<u>910</u>	<u>(9,240)</u>	<u>(29,777)</u>	<u>66,000</u>
<i>Additional segment information:</i>					
Amortisation	11,160	66	–	–	11,226
Depreciation	8,690	1,711	893	1,059	12,353
Additions to property, plant and equipment	24,915	226	1,202	301	26,644
Additions to intangible assets	20,763	–	–	–	20,763
Reversal of loss allowance of trade receivables	<u>–</u>	<u>–</u>	<u>(17)</u>	<u>–</u>	<u>(17)</u>

Segment assets and liabilities

The followings are analysis of the Group's assets and liabilities by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 31 March 2023					
Property, plant and equipment	102,580	28,830	727	1,012	133,149
Intangible assets	187,571	1,328	-	-	188,899
Goodwill	-	4,229	-	-	4,229
Other assets	208,244	6,236	6,968	35,889	257,337
Total assets	<u>498,395</u>	<u>40,623</u>	<u>7,695</u>	<u>36,901</u>	<u>583,614</u>
Convertible bond designated as financial liabilities at FVPL	-	-	-	(299,372)	(299,372)
Mining right payables	(74,899)	-	-	-	(74,899)
Other liabilities	(76,954)	(714)	(1,773)	(2,586)	(82,027)
Total liabilities	<u>(151,853)</u>	<u>(714)</u>	<u>(1,773)</u>	<u>(301,958)</u>	<u>(456,298)</u>
As at 31 March 2022					
Property, plant and equipment	91,986	31,743	1,367	457	125,553
Intangible assets	202,305	1,394	-	-	203,699
Goodwill	-	4,229	-	-	4,229
Other assets	244,655	3,843	9,400	24,891	282,789
Total assets	<u>538,946</u>	<u>41,209</u>	<u>10,767</u>	<u>25,348</u>	<u>616,270</u>
Convertible bond designated as financial liabilities at FVPL	-	-	-	(182,537)	(182,537)
Mining right payables	(85,421)	-	-	-	(85,421)
Other liabilities	(119,100)	(526)	(2,696)	(1,801)	(124,123)
Total liabilities	<u>(204,521)</u>	<u>(526)</u>	<u>(2,696)</u>	<u>(184,338)</u>	<u>(392,081)</u>

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and prepayment for acquisition of property, plant and equipment ("Specified Non-current Assets"). The geographical location of the revenue is presented based on the location of the customers. The geographical location of property, plant and equipment and prepayments for acquisition of property, plant and equipment is presented based on the physical location of the assets and the geographical location of intangible assets and goodwill is presented based on the location of the respective business operations.

Location of revenue

Revenue from external customers

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
The Mainland China	199,198	275,463
Hong Kong	30,400	12,754
Malaysia	3,761	4,025
Singapore	5,295	5,350
The UK	1,232	2,649
	<u>239,886</u>	<u>300,241</u>

Location of the Specified Non-current Assets

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
The Mainland China	296,576	299,597
Hong Kong	1,739	1,824
Malaysia	34,387	37,366
	<u>332,702</u>	<u>338,787</u>

Information about major customers

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

	2023	2022
	HK\$'000	HK\$'000
Customer A from coal mining business segment	26,694	45,799
Customer B from coal mining business segment	24,389	42,761

4. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	<u>199,198</u>	<u>275,463</u>
Renewable energy business		
– Service income from renewable energy solutions	<u>3,594</u>	<u>3,781</u>
IT Services business		
– Sales of IT hardware products	21,562	6,191
– IT outsourcing services	9,139	12,828
– IT consultancy and technical services	<u>6,393</u>	<u>1,978</u>
	<u>37,094</u>	<u>20,997</u>
	<u>239,886</u>	<u>300,241</u>

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Timing of revenue recognition:</i>		
– at a point in time		
Sales of coals	199,198	275,463
Sales of IT hardware products	<u>21,562</u>	<u>6,191</u>
	<u>220,760</u>	<u>281,654</u>
– over time		
Service income from renewable energy solutions	3,594	3,781
IT outsourcing services	9,139	12,828
IT consultancy and technical services	<u>6,393</u>	<u>1,978</u>
	<u>19,126</u>	<u>18,587</u>
	<u>239,886</u>	<u>300,241</u>

5. (LOSS)/PROFIT BEFORE TAX

This is stated at after charging/(crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance costs		
Interest on interest-bearing borrowings	698	3,026
Interest on mining right payables	6,382	7,198
Interest on lease liabilities	134	118
	<u>7,214</u>	<u>10,342</u>
Staff costs		
Staff cost (excluding directors' remuneration) (charged to "cost of services and goods sold", "selling and distribution expenses" and "administrative and other operating expenses")		
Salaries, bonus, allowance and other short-term employee benefits	37,009	35,304
Contributions to defined contribution retirement plan	3,549	3,650
	40,558	38,954
Other items		
Amortisation of intangible assets (charged to "cost of services and goods sold")	17,648	11,226
Auditor's remuneration		
– audit services	1,250	1,038
– other services	300	250
	1,550	1,288
Cost of inventories sold	81,554	115,632
Depreciation of property, plant and equipment and right-of-use assets (charged to "cost of services and goods sold" and "administrative and other operating expenses")	12,377	12,353
Charge/(Reversal) of loss allowance of trade receivables, net	477	(17)
Exchange loss/(gain) on financial liabilities at FVPL, net	13,483	(6,068)
Other exchange (gain)/loss, net	(17,429)	10,159
Expenses recognised payments under short-term leases	622	660
Loss on disposal of property, plant and equipment	<u>–</u>	<u>26</u>

6. INCOME TAX EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Income tax expenses comprise:		
The Mainland China Enterprise Income Tax		
Current year	22,413	14,211
Under provision in prior year	1,724	–
Withholding tax	–	1,834
Hong Kong Profits Tax	–	48
Malaysia corporate income tax	14	–
Singapore corporate income tax (“Singapore CIT”)	50	51
The UK corporate income tax	–	1
	<u>24,201</u>	<u>16,145</u>
Deferred tax		
– Origination and reversal of temporary differences	<u>2,420</u>	<u>6,795</u>
	<u>26,621</u>	<u>22,940</u>

The Company is incorporated in Bermuda and is exempted from income tax. The Company’s subsidiaries established in the British Virgin Islands and Samoa are exempted from income tax of the respective jurisdictions.

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for both years.

Dividends payable by a foreign invested enterprise in the Mainland China to its foreign investors are subject to 10% withholding tax, unless any foreign investor’s jurisdiction of incorporation has a tax treaty with the Mainland China that provides for a different withholding arrangements.

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25% (the “graduated tax rate”), and profits above HK\$2 million will be taxed at 16.5% for the years ended 31 March 2023 and 2022. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the years ended 31 March 2023 and 2022.

Malaysia corporate income tax is calculated at the rate of 24% of the estimated assessable profits of the Group’s entities in Malaysia arising from Malaysia during the years ended 31 March 2023 and 2022. During the year ended 31 March 2023, Malaysia incorporated entities with paid-up capital of Malaysia Ringgit (“RM”) 2.5 million or less and gross business income of not more than RM50 million enjoy tax rate of 15% on the first RM150,000 and 18% on the next RM450,000 (2022: 17% on the first RM600,000) and remaining balance of the estimated assessable profits at the standard rate of 24%.

During the year ended 31 March 2023, Singapore CIT is calculated at the rate of 17% (2022: 17%) of the estimated chargeable income of the Group's entities in Singapore arising from Singapore.

During the years ended 31 March 2023 and 2022, Singapore incorporated companies can enjoy 75% tax exemption on the first Singapore Dollars (“S\$”) 10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income.

The Group's entity established in the UK is subject to the corporate income tax at a statutory rate of 19% for the years ended 31 March 2023 and 2022.

The income tax expenses for the year can be reconciled to the (loss)/profit before tax as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit before tax	<u>(32,417)</u>	<u>88,940</u>
Notional tax on loss/profit before tax, calculated at the rates applicable to profit in the countries concerned	2,976	22,147
Tax effect of expenses not deductible for tax purposes	22,866	7,942
Tax effect of income not taxable for tax purposes	(322)	(27)
Tax effect of graduated tax rate and tax concession	(99)	(76)
Tax effect of tax losses not recognised	492	522
Utilisation of previously unrecognised tax losses	(288)	(9,458)
Under provision for prior year	1,724	–
Withholding tax	–	1,834
Others	<u>(728)</u>	<u>56</u>
Income tax expenses for the year	<u>26,621</u>	<u>22,940</u>

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the current reporting period (2022: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/Profit		
(Loss)/Profit for the purpose of basic (loss)/earnings per share ((Loss)/Profit for the year attributable to owners of the Company)	<u>(58,328)</u>	<u>66,592</u>
	2023 Number of shares	2022 Number of shares
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>765,373,584</u>	<u>765,373,584</u>

(b) Diluted (loss)/earnings per share

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

(i) (Loss)/Profit for the year attributable to owners of the Company

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to owners of the Company	(58,328)	66,592
Change in fair value and loss from modification of convertible bond designated as financial liabilities at FVPL	116,835	11,254
Exchange loss/(gain) on convertible bond designated as financial liabilities at FVPL	<u>13,483</u>	<u>(6,068)</u>
	<u>71,990</u>	<u>71,778</u>

(ii) *Weighted average number of ordinary shares*

	2023	2022
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	765,373,584	765,373,584
Effect of conversion of convertible bond	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,765,373,584</u>	<u>1,765,373,584</u>

For the year ended 31 March 2023, the Company's outstanding convertible bond had an anti-dilutive effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted loss per share for the year ended 31 March 2023 were the same.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2023	2022
		HK\$'000	HK\$'000
Trade receivables from third parties	9(a)	4,105	4,770
Prepayments, deposits and other receivables		5,749	5,926
Other taxes receivables		135	543
Prepayments for acquisition of property, plant and equipment		<u>6,425</u>	<u>5,306</u>
		<u>16,414</u>	<u>16,545</u>

Analysed by:

	2023	2022
	HK\$'000	HK\$'000
Non-current assets	6,425	5,306
Current assets	<u>9,989</u>	<u>11,239</u>
	<u>16,414</u>	<u>16,545</u>

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expense within one year.

9(a) Trade receivables from third parties

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.

The Group grants credit period up to 60 days from the date of issuance of invoice to its customers from renewable energy business segment and IT Services business segment.

Included in the balances are the trade receivables from contracts with customers within HKFRS 15:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the reporting period	<u>4,770</u>	<u>4,713</u>
At the end of the reporting period	<u>4,105</u>	<u>4,770</u>

For the year ended 31 March 2023, a charge of loss allowance of approximately HK\$477,000 (2022: a reversal of loss allowance of approximately HK\$17,000) is recognised for the trade receivables from contracts with customers within HKFRS 15.

Ageing analysis

At the end of reporting period, the ageing analysis of the trade receivables (presented based on the invoice date), net of loss allowance, was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	1,722	1,793
31 – 60 days	1,878	1,245
61 – 90 days	344	733
Over 90 days	<u>692</u>	<u>1,053</u>
	4,636	4,824
Less: Loss allowance	<u>(531)</u>	<u>(54)</u>
	<u>4,105</u>	<u>4,770</u>

10. TRADE AND OTHER PAYABLES

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

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Within 90 days		5,976	5,914
91 – 180 days		1,533	2,779
181 – 365 days		4,778	6,337
Over 1 year		3,045	3,119
		<hr/>	<hr/>
Trade payables		15,332	18,149
Contract liabilities	<i>10(a)</i>	4,778	6,414
Government levies payable			
– Economic development fees in coal resources areas		26,769	28,964
– Others		459	497
Accrued expenses		3,635	3,224
Other taxes payable		3,511	9,217
Other payables		8,543	3,979
		<hr/>	<hr/>
		63,027	70,444
		<hr/>	<hr/>

All of the trade and other payables that are classified as current liabilities are expected to be settled on demand or within one year.

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

10(a) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the years ended 31 March 2023 and 2022 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the reporting period	6,414	1,328
Receipts in advance	4,778	6,414
Recognised as revenue	<u>(6,414)</u>	<u>(1,328)</u>
At the end of the reporting period	<u>4,778</u>	<u>6,414</u>

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The significant amount of contract liabilities was mainly due to the significant receipts from the customers in advance for purchase of coal resources, which is the normal practice of coal mining business to make sales in advance basis.

11. INTEREST-BEARING BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current portion		
Interest-bearing borrowings, secured	<u>3,477</u>	<u>37,254</u>

The interest-bearing borrowings with a clause in their terms that give the banks an overriding right to demand for repayment without notice at their sole discretion are classified as current liabilities even though the directors of the Company do not expect that the bank would exercise their right to demand repayment.

As at 31 March 2023, the interest-bearing borrowing is secured by the mining right with carrying amount of approximately HK\$109,410,000.

As at 31 March 2022, the interest-bearing borrowings are secured by the mining right with carrying amount of approximately HK\$128,446,000, unlimited personal guarantee given by a director of a subsidiary; and/or limited government guarantee under SME Loan Guarantee Scheme.

The interest-bearing borrowings are repayable within one year (2022: one year to five years) since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 3.3% to 6.0% (2022: 3.9% to 9.7%) per annum. All the interest-bearing borrowings are denominated in RMB (2022: HK\$ and RMB).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the Year, the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business; and (3) IT Services (as defined below) business. Our main business is coal mining and sales of coal in Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (the “Mainland China”). Xinjiang is remote from major industrial cities in the Mainland China, and hence coal produced in Xinjiang is mainly consumed locally due to the logistic and the transportation costs. On 8 October 2018, we completed the acquisition of NEFIN Leasing Technologies Limited and its wholly owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. (together the “NEFIN Group”) which is principally engaged in renewable energy solutions in Malaysia. We further allocated resources into the solar energy projects since then so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we completed the acquisition of Harbour Group Holdings Limited (“Harbour Group Holdings”) and its subsidiaries (collectively the “Harbour Group”) which is principally engaged in the provision of information technology (“IT”) outsourcing, consultancy and technical services (together referred to as “IT Services”) mainly in Hong Kong with expanding business in the United Kingdom (“UK”), Malaysia and Singapore. Our Group will continue our focus on developing the existing business. In the long run, we will aspire and strive to grow into an enterprise with a diversified business.

MAJOR EVENTS

Acquisition of the New Mining Right of the Enlarged Kaiyuan Mine

As disclosed in the announcements of the Company dated 11 November 2011, 21 March 2012, 15 June 2012, 21 March 2014, 15 August 2017, 28 March 2018, 14 December 2018, 31 December 2018, 15 May 2019, 31 May 2019, 4 November 2019 and 15 November 2019, the Group negotiated with the Department of Natural Resources of Xinjiang Uygur Autonomous Region* (新疆維吾爾自治區自然資源廳) of the Mainland China (the “Xinjiang Natural Resources Department”) regarding the Optimization and Upgrading Plan# relating to the Kaiyuan Open Pit Coal Mine (the “Kaiyuan Mine”) (i.e. the operating coal mine of the Group in Xinjiang), in particular, to increase the mining area of the Kaiyuan Mine and obtain the corresponding new mining right.

* *English translation for identification purposes only.*

“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.

- (i) Mulei County Kai Yuan Company Limited* (木壘縣凱源煤炭有限責任公司) (“Kaiyuan Company”), an indirect wholly-owned subsidiary of the Company, as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the “Transfer Agreement”) dated 2 December 2019, pursuant to which Kaiyuan Company acquired the new mining right (the “New Mining Right”) of the Kaiyuan Mine with an enlarged mining area (including the original mining area of approximately 1.1596 km²) of 4.1123 km² in Xinjiang (the “Enlarged Kaiyuan Mine”) for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration of Renminbi (“RMB”) 160,978,000 (the “Acquisition”);
- (ii) the estimated coal resources of the Enlarged Kaiyuan Mine are 41.6433 million tonnes for the mining life of 30 years under the Transfer Agreement;
- (iii) the new mining permit (the “New Mining Permit”) in respect of the New Mining Right with mining term of 1 year from 21 December 2018 to 21 December 2019 regarding the New Mining Right was granted to Kaiyuan Company on 3 November 2018, which has been renewed for two years from 21 December 2019 to 21 December 2021; On 10 October 2021, the New Mining Right has been further renewed for ten years from 11 October 2021 to 11 October 2031;
- (iv) Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the New Mining Right under the Transfer Agreement;
- (v) the consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to the Xinjiang Natural Resources Department in fifteen instalments: (a) the first instalment in an amount of RMB32,200,000 was paid by Kaiyuan Company; (b) the second to fourteenth instalments in an amount of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and (c) the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033;
- (vi) the Acquisition constituted a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and

* *English translation for identification purposes only.*

(vii) as part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 (the “Resources Fee”) to the Xinjiang Natural Resources Department for 19.8 million tonnes of coal of Kaiyuan Mine, which represented the difference between the accumulated output of 23.65 million tonnes of the Kaiyuan Mine at the end of 2017 and the output of 3.8819 million tonnes (Resources Fee of such output had been paid by Kaiyuan Company to the Xinjiang Natural Resources Department) and recognised in the profit or loss for the year ended 31 March 2020. Based on the advice given by the legal adviser of the Company as to the laws of the Mainland China, other than the payment of the Resources Fee, Kaiyuan Company will not be subject to any fees relating to the original Kaiyuan Mine pursuant to the terms of the Transfer Agreement.

Prospects

The Group actively proceeded with the Optimization and Upgrading Plan since 2011 in relation to the New Mining Right of the Enlarged Kaiyuan Mine. The Acquisition enlarged the Group’s coal resources and allowed the Group to enhance the development of its sales operations of Kaiyuan Mine in the future. The Directors consider that the transaction is in line with the Group’s strategy to expand the coal mining business of the Group. During the previous year, Kaiyuan Company successfully renewed and received the renewed New Mining Permit issued by the Xinjiang Natural Resources Department, pursuant to which the term of the mining right of the Enlarged Kaiyuan Mine is renewed for a period of 10 years from 11 October 2021 to 11 October 2031.

In the coming years, there will be (i) a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works and (ii) reasonable expenditure for works required by the Safety Bureau to improve safety standard of our coal mine. Sources of funding are expected to come primarily from the coal sales revenue and external banking facilities of the Group.

In addition to coal mining, the Group has been exploring new markets and seeking to develop its business coverage on technological and renewable energy sectors, in particular, the acquisition of Harbour Group in 2019 and NEFIN Group in 2018. It is one of the objectives of the Group to diversify its business portfolio into sectors offering higher growth momentum.

The Board will continue to keep track of the latest development of the COVID-19 and will use its best endeavors to manage the Group’s business portfolio with a view to improving the Group’s financial performance and enhance shareholders’ value.

Financial Review

Revenue

The Group recorded a revenue of approximately HK\$239,886,000 for the Year (2022: approximately HK\$300,241,000). It represents a decrease of approximately HK\$60,355,000 or approximately 20.10% as compared with the previous year.

Coal Mining Business

During the Year, revenue of approximately HK\$199,198,000 of the coal mining business is decreased by approximately HK\$76,265,000 or approximately 27.69% as compared to approximately HK\$275,463,000 in previous year. The decrease in revenue of the coal mining business was mainly due to the worsening situation of the Coronavirus Disease 2019 (“COVID-19”) outbreak and the lockdown in Xinjiang for more than 3 months since August 2022 resulting in limited selling activities being carried out at the coal mine; the Group sold approximately 1,059,859 tonnes (2022: approximately 1,988,282 tonnes) of coal during the Year, decreased by approximately 46.69% in volume compared to that in the previous year, but it was compensated by the increase in average selling price by approximately HK\$49.41 per tonnes or approximately 35.66% as compared with the previous year.

Renewable Energy Business

During the Year, the renewable energy business recorded a turnover of approximately HK\$3,594,000 (2022: approximately HK\$3,781,000). The decrease in revenue of the renewable energy business amounting to approximately HK\$187,000 was mainly due to the adverse effect of exchange rate during the Year.

IT Services Business

During the Year, the IT Services business contributed a revenue of approximately HK\$37,094,000 (2022: approximately HK\$20,997,000). The increase in revenue of approximately HK\$16,097,000 or approximately 76.66% was mainly due to the gradual recovery in the IT Services sector from COVID-19 in Hong Kong and worldwide.

Cost of services and goods sold

Coal Mining Business

The cost of sales of the coal mining business for the Year was approximately HK\$71,621,000 (2022: approximately HK\$117,557,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of materials, etc. The decrease in cost of sales was mainly in line with the decrease in sales volume as compared with previous year.

Renewable Energy Business

During the Year, the cost of services of the renewable energy business was approximately HK\$1,945,000 (2022: approximately HK\$2,129,000). The decrease in cost of services of the renewable energy business was mainly due to the adverse effect of exchange rate during the Year.

IT Services Business

During the Year, the cost of services and goods sold of the IT Services business is approximately HK\$32,491,000 (2022: approximately HK\$17,959,000). The increase in cost of services and goods sold was largely in line with the increase of revenue during the Year.

Gross profit

The gross profit of the Group for the Year decreased to approximately HK\$133,829,000 (2022: approximately HK\$162,596,000). It represents a decrease of approximately HK\$28,767,000 or approximately 17.69% and gross profit margin increased by approximately 1.63% to approximately 55.79% for the Year as compared with the previous year. Coal mining business contributed significantly amounting to approximately HK\$127,577,000 (2022: approximately HK\$157,906,000); IT Services business contributed approximately HK\$4,603,000 (2022: approximately HK\$3,038,000); and renewable energy business contributed approximately HK\$1,649,000 (2022: approximately HK\$1,652,000).

Other revenue

The Group's other revenue for the Year was approximately HK\$4,147,000 (2022: approximately HK\$1,305,000), representing an increase of approximately HK\$2,842,000 or approximately 217.78% as compared with the previous year. This is mainly due to the net effect of 1) net increase of interest income on bank deposits substantially in Hong Kong and from the coal mining business of approximately HK\$392,000; 2) government grants for the Year of approximately HK\$567,000 (2022: Nil) from the Anti-epidemic Fund set up by the Hong Kong government under an Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant; and 3) government grants amounted to approximately RMB1,540,000 (equivalent to approximately HK\$1,744,000) from the Mainland China Government for the restructuring of Enlarged Kaiyuan Mine during the Year (2022: Nil).

Administrative and other operating expenses

The Group's administrative and other operating expenses for the Year was approximately HK\$48,896,000 (2022: approximately HK\$42,084,000), representing an increase of approximately HK\$6,812,000 or approximately 16.19% as compared with the previous year. This was mainly due to 1) the increase in salaries and bonus and staff welfare of approximately HK\$4,013,000, 2) the increase of sundry expenses by approximately HK\$1,046,000, 3) the charge of loss allowance of approximately HK\$477,000 (2022: reversal of loss allowance of approximately HK\$17,000), 4) increase of legal and professional fees by approximately HK\$290,000, 5) increase of entertainment expenses by approximately HK\$506,000.

Loss for the Year

Loss for the Year of the Group was approximately HK\$59,038,000 (2022: profit of approximately HK\$66,000,000), representing a downturn of approximately HK\$125,038,000 as compared with the previous year. The downturn was mainly due to the net effect of the following:

- a) the exchange gain of approximately HK\$3,946,000 (2022: exchange loss of approximately HK\$4,091,000);
- b) the decrease of gross profit by approximately HK\$28,767,000;
- c) the increase of other revenue by approximately HK\$2,842,000;
- d) the increase of administrative and other operating expenses by approximately HK\$6,812,000;
- e) loss on fair value and loss arising from modification of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”) of approximately HK\$116,835,000 (2022: loss on fair value of approximately HK\$11,254,000); representing a further increase in fair value of convertible bond designated on financial liabilities at FVPL of approximately HK\$105,581,000;
- f) the decrease in the finance costs by approximately HK\$3,128,000;
- g) no impairment loss on goodwill during the Year (2022: approximately HK\$5,814,000); and
- h) the increase of income tax expenses by approximately HK\$3,681,000.

Segment Information

Business segment

Information reported to the executive directors, being identified as the chief operating decision makers (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coal mine in the Xinjiang of the Mainland China;
- (2) Renewable energy business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services business segment: provision of IT Services in Hong Kong, Singapore, Malaysia and the UK.

Segment revenue and results

Segment revenue represents revenue derived from (i) coal mining business, (ii) renewable energy business and (iii) IT Services business.

(i) Coal Mining Business

Coal mining is the major business of the Group at present. It contributed a revenue of approximately HK\$199,198,000 for the Year (2022: approximately HK\$275,463,000), representing a decrease of approximately 27.69% as compared with the previous year.

Sale and Production of Coals

During the Year, the Group sold approximately 1,059,859 tonnes of coals (2022: approximately 1,988,282 tonnes) with total sales income of approximately HK\$199,198,000 (2022: approximately HK\$275,463,000). Details of sales of coals in tonnes are listed in the below table:

	2023	2022
Sales of coals	1,059,859 tonnes	1,988,282 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales <i>(tonnes)</i>	Coal Sales <i>in %</i>
Mixed Coal	955,576	90.16
Slack Coal	54,661	5.16
Weathered Coal	49,622	4.68
Total	1,059,859	100

(ii) *Renewable Energy Business*

Service income from renewable energy business contributed a revenue of approximately HK\$3,594,000 for the Year (2022: approximately HK\$3,781,000). The decrease in revenue of the renewable energy business was mainly due to the adverse effect of exchange rate during the Year.

(iii) *IT Services Business*

Service income from IT Services business contributed a revenue of approximately HK\$37,094,000 for the Year (2022: approximately HK\$20,997,000). The increase in revenue was due to the gradual recovery in the IT Services sector from COVID-19 in Hong Kong and worldwide.

Reserves and Resources

The Group owns a mining right located in Xinjiang. The estimated remaining reserve in Kaiyuan Mine (excluding the Enlarged Kaiyuan Mine (as defined in “Major Events”)) was approximately 5.11 million tonnes as at 31 March 2020.

On 2 December 2019, the Transfer Agreement was officially passed by the Xinjiang Natural Resources Department to Kaiyuan Company. According to the Competent Person’s report and valuation report of the Enlarged Kaiyuan Mine dated 19 August 2020, the probable reserve in the Enlarged Kaiyuan Mine was approximately 63.48 million tonnes as at the date of acquisition of the Enlarged Kaiyuan Mine.

During the Year, approximately 1.31 million tonnes of coal was extracted (2022: approximately 1.47 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 31 March 2023 is equivalent to 63.91 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (2022: approximately 65.22 million tonnes).

Coal Reserve as at 31 March 2023 = Coal Reserve as at 31 March 2022 – Amount of coal extracted by the Group during the Year.

The geographical location of customers is determined based on the location where the goods are delivered or services are rendered. The Group’s revenue and results from operations are mainly derived from activities in the Mainland China, Hong Kong, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the Mainland China, Hong Kong and Malaysia.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save as otherwise disclosed, there were neither significant investments held as at 31 March 2023 nor material acquisitions and disposals of subsidiaries during the Year.

Save as otherwise disclosed, the Group does not have any future plans for material investments. There will, however, be a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works. Sources of funding are expected to come primarily from the coal sales revenue and also external banking facilities of the Group.

Liquidity and Financial Resources

As at 31 March 2023, the Group had:

- net current assets of approximately HK\$168,512,000 (2022: net current liabilities of approximately HK\$32,068,000).
- cash and cash equivalents of approximately HK\$234,113,000 (2022: approximately HK\$260,753,000), which comprised the bank balances and cash of approximately HK\$234,113,000 (2022: approximately HK\$260,753,000), were the major components of the Group's current assets of approximately HK\$250,912,000 (2022: approximately HK\$274,922,000). All the cash and cash equivalents are denominated in HK\$, Malaysian Ringgit ("RM"), Singapore Dollars ("S\$"), Great Britain Pound ("GBP"), United States Dollars ("US\$") and RMB (2022: HK\$, RM, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$82,400,000 (2022: approximately HK\$306,990,000) which comprised mainly trade and other payables of approximately HK\$63,027,000 (2022: approximately HK\$70,444,000), interest-bearing borrowings of approximately HK\$3,477,000 (2022: approximately HK\$37,254,000) and current portion of Convertible Bond of Nil (2022: approximately HK\$182,537,000).

The total interest-bearing borrowings amounted to approximately HK\$3,477,000 (2022: approximately HK\$37,254,000) are repayable within one year (2022: one year to five years) since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 3.3% to 6.0% (2022: 3.9% to 9.7%) per annum. The interest-bearing borrowings are denominated in RMB (2022: HK\$ and RMB).

- non-current liabilities of approximately HK\$373,898,000 (2022: approximately HK\$85,091,000) which comprised non-current portion of Convertible Bond of approximately HK\$299,372,000 (2022: Nil) and non-current portion payable related to mining right payables of approximately HK\$70,520,000 (2022: approximately HK\$81,011,000).

The Group's gearing ratio was approximately 2.98 (2022: approximately 1.37). The computation is based on total debt (Convertible Bond, mining right payables, lease liabilities and interest-bearing borrowings) divided by total equity.

Capital Structure

The capital of the Group comprises only ordinary shares.

As at 31 March 2023, there were 765,373,584 ordinary shares of the Company in issue.

The Convertible Bond of the Company with an aggregate principal amount of HK\$200,000,000 were issued on 14 March 2008 the maturity date of which was approved to be further extended for 36 months to 13 March 2026 by the shareholders of the Company on 9 December 2022. Reference could be made to the announcement on 9 December 2022.

Charges on Group's Assets

As at 31 March 2023, the Group had pledged its mining right with carrying amount of approximately HK\$109,410,000 (2022: approximately HK\$128,446,000).

Foreign Exchange Exposure

The Group mainly earns revenue in RMB, HK\$ and RM and incurs costs in RMB, HK\$ and RM. The Group is exposed to foreign exchange risk based on fluctuations between HK\$ and RMB arising from its core operation in the Mainland China as well as HK\$ and RM arising from its operation in Malaysia. The currency exchange risk for the Year is mainly derived from the net exchange difference on Convertible Bond, which is a result from the currency depreciation of RMB against HK\$. 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 several months' operating cash flows requirements of the Group.

Treasury Policies

Apart from the issuance of Convertible Bond at their face value of HK\$200,000,000 and the interest-bearing borrowings amounting to approximately HK\$3,477,000 (2022: approximately HK\$37,254,000), the Group finances its operation mainly by internal generated resources.

Contingent Liabilities

As at 31 March 2023, the Group did not have any material contingent liabilities (2022: Nil).

Employees

As at 31 March 2023, the Group had 145 employees (2022: 140) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding directors' emoluments) for the Year amounted to approximately HK\$40,558,000 (2022: approximately HK\$38,954,000), representing an increase in number of staff in the coal mining business in Xinjiang. Employment relationship has been well maintained by the Group with its employees.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2022: 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Year, 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 (the "CE") should be separate and should not be performed by the same individual. During the Year, the Company did not have any officer with CE title. Mr. Kwan Man Fai, the chairman and managing director of the Company also carried out the responsibility of CE during the Year. 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”) as 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 as set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently consists of three independent non-executive directors, namely Mr. Pak Wai Keung Martin, the chairman of the Audit Committee, Dr. 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 risk management, internal controls and financial reporting matters including the review of the consolidated financial statements of the Group for the Year.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of this announcement of the Group for the Year have been reviewed and agreed by the Company’s auditor, Mazars CPA Limited (“Mazars”), to the amounts set out in the Group’s draft consolidated financial statements for the Year. The work performed by Mazars 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 Mazars on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and the Company at <https://www.nannanlisted.com>. The annual report of the Company for the Year 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.

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

Hong Kong, 27 June 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kwan Man Fai, Mr. Wong Sze Wai and Mr. Li Chun Fung; and three independent non-executive Directors, namely Dr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin.