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NAN NAN RESOURCES ENTERPRISE LIMITED

南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended	
		30 September	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Turnover	3	15,729	45,453
Cost of sales		(11,810)	(21,641)
Gross profit		3,919	23,812
Other revenue		7,003	3,307
Selling and distribution expenses		(343)	(377)
Administrative and operating expenses		(13,276)	(10,419)
Finance costs		(191)	–
Change in fair value of convertible bond		(18,831)	(39,322)
Loss before tax		(21,719)	(22,999)
Income tax expense	4	(1,447)	(2,389)
Loss for the period	5	(23,166)	(25,388)

		Six months ended	
		30 September	
		2015	2014
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency			
		<u>(4,937)</u>	<u>(126)</u>
	Other comprehensive loss for the period (net of nil tax)	<u>(4,937)</u>	<u>(126)</u>
	Total comprehensive loss for the period	<u>(28,103)</u>	<u>(25,514)</u>
Loss for the period attributable to:			
	– Owners of the Company	<u>(23,166)</u>	<u>(25,388)</u>
Total comprehensive loss for the period attributable to:			
	– Owners of the Company	<u>(28,103)</u>	<u>(25,514)</u>
Loss per share (expressed in Hong Kong cents)			
	– Basic	<u>(3.03)</u>	<u>(3.32)</u>
	– Diluted	<u>(3.03)</u>	<u>(3.32)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

	<i>Notes</i>	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	19,398	21,862
Intangible assets		56,951	63,746
Goodwill		–	–
Security deposit		3,871	4,010
		<u>80,220</u>	<u>89,618</u>
Current assets			
Inventories		34,851	20,481
Trade and other receivables	9	2,480	3,069
Structured deposit	10	–	27,923
Cash and cash equivalents		345,072	334,151
		<u>382,403</u>	<u>385,624</u>
Current liabilities			
Trade and other payables	11	52,477	51,680
Tax payable		5,470	9,397
		<u>(57,947)</u>	<u>(61,077)</u>
Net current assets		<u>324,456</u>	<u>324,547</u>
Total assets less current liabilities		<u>404,676</u>	<u>414,165</u>
Capital and reserves			
Share capital	12	76,537	76,537
Reserves		54,171	82,274
Equity attributable to owners of the Company		130,708	158,811
Non-current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		263,032	244,201
Provision for close down, restoration and environmental costs		2,853	2,762
Deferred tax liabilities		8,083	8,391
		<u>273,968</u>	<u>255,354</u>
		<u>404,676</u>	<u>414,165</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2015 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

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

- Amendments to HKAS 19, Defined benefit plans: Employee Contributions
- Annual Improvements to HKFRSs 2010 – 2012 Cycle
- Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

3. TURNOVER AND SEGMENT INFORMATION

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

4. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Tax in other jurisdictions		
– current	1,528	3,022
Deferred tax	(81)	(633)
	<hr/>	<hr/>
Income tax expense	1,447	2,389

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profits being derived from Hong Kong for both periods ended 30 September 2015 and 30 September 2014.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods ended 30 September 2015 and 30 September 2014.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	4,719	3,674
Less: Amounts capitalised in inventories	(3,590)	(1,884)
Amounts included in cost of sales	1,129	1,790
Amount of inventories recognised as cost of sales	11,810	21,641
Depreciation of property, plant and equipment	489	2,389
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	3,392	3,237
– Contributions to defined contribution retirement plan	395	407
	<hr/>	<hr/>

6. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2015. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2014: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic loss per share		
(Loss for the period attributable to owners of the Company)	<u>(23,166)</u>	<u>(25,388)</u>
	2015	2014
Weighted average number of ordinary shares		
Weighted average number of ordinary shares		
for the purposes of basic and diluted loss per share	<u>765,373,584</u>	<u>765,373,584</u>

The calculation of the diluted loss per share for the six months ended 30 September 2015 and 2014 did 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.

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 September 2015, the Group acquired property, plant and equipment with a cost of HK\$851,000 (six months ended 30 September 2014: HK\$1,475,000).

During the six months ended 30 September 2015, the Group disposed property, plant and equipment with a total carrying amount of HK\$86,000 with no profit or loss (six months ended 30 September 2014: disposal of HK\$16,000 with loss of HK\$3,000 resulted).

9. TRADE AND OTHER RECEIVABLES

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

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

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Within 90 days	368	76
91 days to 180 days	–	–
181 days to 365 days	–	–
Over 1 year	–	–
	<hr/>	<hr/>
Trade and bills receivables	368	76
Prepayments, deposits and other receivables	2,112	2,993
	<hr/>	<hr/>
Total trade and other receivables	2,480	3,069

10. STRUCTURED DEPOSIT

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Exchange rate linked structured deposit	–	27,923
	<hr/>	<hr/>

The Group has not entered into any principal protected exchange rate linked structured deposit during the six months ended 30 September 2015 (for the year ended 31 March 2015: HK\$27,923,000).

The structured deposit was classified as financial asset designated as at fair value through profit or loss as at 31 March 2015 and had been arrived at on the basis of the valuation carried out at that date by Roma Appraisals Limited, a firm of independent and qualified valuers not connected with the Group. Fair value gain of HK\$656,000 for the year ended 31 March 2015 was recognised in profit or loss (for the six months ended 30 September 2015: HK\$Nil).

11. TRADE AND OTHER PAYABLES

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

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Within 90 days	5,273	3,203
91-180 days	1,148	1,016
181-365 days	5	1,177
Over 1 year	29	176
Trade payables	6,455	5,572
Receipt in advance	3,196	1,432
Value-added tax and non-income tax payable	1,412	927
Government levies payable		
– Economic development fees in coal resources areas	28,905	29,936
– Others	4,831	5,256
Accrued expenses	1,257	2,437
Other payables	6,421	6,120
Total trade and other payables	<u>52,477</u>	<u>51,680</u>

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.

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Ordinary Shares		
Authorised:		
At 1 April 2014, 31 March 2015 and 30 September 2015	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2014, 31 March 2015 and 30 September 2015	<u>765,373,584</u>	<u>76,537</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

For the six months ended 30 September 2015, the Group recorded a turnover of approximately HK\$15,729,000, which was a decrease of 65.4% or HK\$29,724,000 as compared with HK\$45,453,000 achieved in the corresponding period in 2014.

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

Reduction in sales is mainly due to weak demand for large, middle and slack coals. The Group sold approximately 202,248 tonnes (2014: approximately 477,211 tonnes) of coal, decreased by 57.6% in volume from a year ago.

Cost of sales

The cost of sales for the period was approximately HK\$11,810,000 (2014: approximately HK\$21,641,000). The cost mainly comprises machine rental cost, direct labor cost, cost for explosive works, depreciation, amortization, etc. The decrease in cost of sales was largely in line with the decrease in sales volume during the period as compared with the previous corresponding period.

Gross profit

Due to the factors explained above, therefore, the gross profit of the Group for the six months ended 30 September 2015 decreased to approximately HK\$3,919,000 from HK\$23,812,000 for the six months ended 30 September 2014, representing an decrease of approximately 84% and gross profit margin decreased by 27.5% for the six months ended 30 September 2015 to 24.9%, representing a decrease of 52.4%.

Other revenue

The Group’s other revenue for the six months ended 30 September 2015 was HK\$7,003,000, representing an increase of HK\$3,696,000 or 112% as compared with the corresponding period in the last year. This was mainly due to increase in net income from selling coal gangue (煤矸石) by HK\$3,572,000.

Selling, general and administrative expenses

The Group’s selling, general and administrative expenses for the six months ended 30 September 2015 was HK\$13,276,000, representing a increase of HK\$2,857,000 or 27.4% as compared with the previous corresponding period. This was mainly due to the increase in exchange loss.

Loss for the period

Loss of the Group for the six months ended 30 September 2015 was approximately HK\$23,166,000 (2014: approximately HK\$25,388,000), representing an decrease of HK\$2,222,000 as compared with the corresponding period in the last year. Although there was a significant decrease in the gross profit from operation, the decrease in loss was mainly due to change in fair value of convertible bond of approximately HK\$18,831,000 compared with HK\$39,322,000 in the previous corresponding period.

Segment Information

Business segment

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

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

Coal mining business

Coal mining is the sole business of the Group at present. It contributed a turnover of HK\$15,729,000 for the reporting period (2014: HK\$45,453,000), a 65.4% decrease as compared with the corresponding period in 2014. The decrease in turnover is mainly resulted from decrease in sales volume during the reporting period.

Sales and production of coals

During the reporting period, the Group sold 0.20 million tonnes of coals with total sales income of HK\$15,729,000. Details of coal sales in tonnes are listed in the below table.

	Period ended 30 September	
	2015	2014
Coal sales	202,248 tonnes	477,211 tonnes

Coal sales in tonnes and percentage

	Coal Sales (tonnes)	Coal Sales in %
Saw Cut Coal	3,002	1.48
Large Coal	11,520	5.70
Middle Coal	19,936	9.86
Three Eight Coal	8,408	4.16
Small-medium sized Coal	9,096	4.50
Slack Coal	99,714	49.30
Weathered Coal	50,572	25.00
Total	202,248	100.00

Reserves and resources

The Group owns one mining right and one exploration right in Xinjiang, which are Kaiyuan Open Pit Coal Mine (“Kaiyuan Mine”) and Zexu Open Pit Coal Mine (“Zexu Mine”) respectively. The estimated remaining coal reserve in Kaiyuan Mine was 11.22 million tonnes as at 30 September 2015 (2014: 13.26 million tonnes). The coal reserve was calculated by using the following formula, which was in line with the market practice:

Coal reserve as at 30 September 2015 = Coal reserve as at 31 March 2015 – Amount of coal extracted (the “Coal Extracts”) by the Group during 1 April 2015 to 30 September 2015.

The exploration permit of Zexu Mine was granted by the Department of Land and Resources of Xinjiang Uygur Autonomous Region from 25 February 2014 to 25 February 2016.

Cost of sales

The cost of sales for the period was approximately HK\$11,810,000 (2014: approximately HK\$21,641,000). The cost mainly comprises machine rental cost, direct labor cost, cost for explosive works, depreciation, amortization, etc. The decrease in cost of sales was largely in line with the decrease in sales volume.

Geographic segment

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

Major Events

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

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

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

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

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

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

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

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

Prospects

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

Although the Company has obtained a renewal Exploration Permit of Zexu Mine from Xinjiang Land Department from 25 February 2014 to 25 February 2016, 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.

Liquidity and Financial Resources

As at 30 September 2015, the Group had:

- net current assets of approximately HK\$324,456,000 (31 March 2015: approximately HK\$324,547,000).
- bank balances and cash of approximately HK\$345,072,000 (31 March 2015: approximately HK\$334,151,000) which were the major components of the Group's current assets of approximately HK\$382,403,000 (31 March 2015: approximately HK\$385,624,000).
- current liabilities of approximately HK\$57,947,000 (31 March 2015: approximately HK\$61,077,000) which comprised mainly trade and other payables of approximately HK\$52,477,000 (31 March 2015: approximately HK\$51,680,000).
- non-current liabilities of approximately HK\$273,968,000 (31 March 2015: approximately HK\$255,354,000) which comprised mainly deferred tax liability of approximately HK\$8,083,000 (31 March 2015: approximately HK\$8,391,000) and convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK\$263,032,000 (31 March 2015: approximately HK\$244,201,000).

The Group's gearing ratio was 2.01 (31 March 2015: 1.54). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss) divided by total equity.

Charges on Group's Assets

As at 30 September 2015, none of the Group's assets was under charges (2014: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue in RMB and incurs costs in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between Hong Kong dollars and RMB arising from its core operation in the PRC. In order to minimize the foreign currency risk exposure between these two currencies, the Group maintained cash balances in both currencies that are sufficient to meet three to four months' of operating cash flows requirements of the Group.

Treasury Policies

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

Contingent Liabilities and Capital Commitments

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

Employees

As at 30 September 2015, the Group had 92 employees (31 March 2015: 90) spreading among Hong Kong and the PRC. Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company has complied with Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) during the six months ended 30 September 2015, save for the deviations from Code provisions A.2.1 and A.6.7 as disclosed below:

Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive (“CE”) should be separate and should not be performed by the same individual. During the six months ended 30 September 2015, the Company did not have any officer with CE title. Ms. Lo Fong Hung, the Chairman and Managing Director of the Company, also carried out the responsibility of CE during such period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company’s strategies.

Code Provision A.6.7

Under Code provision A.6.7 of the Code, the independent non-executive directors and other non-executive directors should attend the general meeting and develop a balanced understanding of the views of shareholders. It was noted that one of the Independent Non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 25 August 2015 due to his other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2015.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises four independent non-executive directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond, Mr. Chan Yiu Fai, Youdey and Mr. Xu Xiao Sheng. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2015.

PUBLICATION OF INTERIM REPORT

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

By order of the Board
Kwan Man Fai
Executive Director

Hong Kong, 24 November 2015

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