

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	59,841	124,463
Cost of sales		(35,309)	(69,297)
Gross profit		24,532	55,166
Other revenue		16,015	11,016
Selling and distribution expenses		(626)	(743)
Administrative and other operating expenses		(27,813)	(19,989)
Finance costs		(187)	–
Change in fair value of convertible bond		(73,449)	(38,970)
Change in fair value of structured deposit		–	656
Impairment loss on intangible assets and property, plant and equipment		(12,012)	–
(Loss)/profit before tax		(73,540)	7,136
Income tax expense	5	(6,068)	(12,655)
Loss for the year	6	(79,608)	(5,519)

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		(6,316)	177
Other comprehensive income for the year, net of nil tax		<u>(6,316)</u>	<u>177</u>
Total comprehensive loss for the year		<u>(85,924)</u>	<u>(5,342)</u>
Loss for the year attributable to:			
– Owners of the Company		<u>(79,608)</u>	<u>(5,519)</u>
Total comprehensive loss for the year attributable to:			
– Owners of the Company		<u>(85,924)</u>	<u>(5,342)</u>
Loss per share (expressed in Hong Kong cents)			
– Basic	8	<u>(10.40)</u>	<u>(0.72)</u>
– Diluted	8	<u>(10.40)</u>	<u>(0.72)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2016**

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		15,048	21,862
Intangible assets		43,176	63,746
Goodwill		–	–
Security deposit		4,546	4,010
		62,770	89,618
Current assets			
Inventories		47,403	20,481
Trade and other receivables	9	2,425	3,069
Structured deposit		–	27,923
Cash and cash equivalents		343,587	334,151
		393,415	385,624
Current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss (“FVTPL”)		317,650	–
Trade and other payables	10	52,668	51,680
Tax payable		3,617	9,397
		(373,935)	(61,077)
Net current assets		19,480	324,547
Total assets less current liabilities		82,250	414,165
Capital and reserves			
Share capital		76,537	76,537
Reserves		(3,650)	82,274
Equity attributable to owners of the Company		72,887	158,811
Non-current liabilities			
Convertible bond designated as financial liabilities at FVTPL		–	244,201
Provision for close down, restoration and environmental costs		2,808	2,762
Deferred tax liabilities		6,555	8,391
		9,363	255,354
		82,250	414,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, continue to be those of the predecessor Companies Ordinance (Cap. 32).

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

3. REVENUE

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

4. SEGMENT INFORMATION

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

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

The geographical location of customers is determined based on the location where the goods are delivered. The Group’s revenue and results from operations are all derived from activities in the People’s Republic of China (the “PRC”). The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is required.

Information about major customers

For the year ended 31 March 2016, three customers of the coal mine business of the Group with revenue contributed to the Group amounting to approximately HK\$21,264,000, HK\$8,192,000 and HK\$6,713,000 respectively. They had individually contributed 10% or more of the Group's total revenue.

5. INCOME TAX EXPENSE

	The Group	
	2016	2015
	HK\$'000	HK\$'000
Tax expense comprises:		
Hong Kong Profits Tax		
– current year	–	–
Tax in other jurisdictions		
– current year	7,579	13,482
– under-provision in prior years	–	1,351
	7,579	14,833
Deferred tax	(1,511)	(2,178)
	6,068	12,655

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits being derived from Hong Kong for both years ended 31 March 2016 and 2015. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

	The Group	
	2016	2015
	HK\$'000	HK\$'000
(Loss)/profit before tax	(73,540)	7,136
Notional tax on (loss)/profit before tax, calculated at the rates applicable to (loss)/profit in the countries concerned	(11,705)	5,780
Tax effect of expenses not deductible for tax purposes	17,460	8,036
Tax effect of deductible temporary difference previously not recognised	–	(2,098)
Tax effect of income not taxable for tax purpose	(554)	(428)
Tax effect of temporary differences and tax losses not recognised	867	14
Under-provision in prior years	–	1,351
Tax expense for the year	6,068	12,655

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amount of inventories sold	<u>35,309</u>	<u>69,297</u>
Amount of inventories recognised as an expense	35,309	69,297
Staff costs (excluding directors' remuneration)		
Basic salaries and allowances	9,475	9,712
Contributions to defined contribution retirement plan	1,137	1,098
	10,612	10,810
Depreciation of property, plant and equipment	4,898	4,742
Amortisation of intangible assets	8,877	9,602
Less: Amounts capitalised in inventories	(5,665)	(4,105)
Amounts included in cost of sales	3,212	5,497
Auditor's remuneration		
– audit services	710	710
– other services	300	481
	1,010	1,191
Operating leases charge on rented premises	2,603	2,557
Net exchange loss/(gain) on financial liabilities at FVTPL	13,831	(375)
Other net exchange gain	(6,730)	(366)
Loss on disposal of property, plant and equipment	87	4
Impairment loss on intangible assets and property, plant and equipment	12,012	–
Interest income on financial assets not at FVTPL	(5,856)	(5,277)

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2016, nor has any dividend been proposed since the end of the current reporting period (2015: Nil).

8. LOSS PER SHARE

Basic and diluted loss per share

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	<u>(79,608)</u>	<u>(5,519)</u>
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose 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 years ended 31 March 2016 and 2015 does not assume the conversion of convertible bond since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

9. TRADE AND OTHER RECEIVABLES

	The Group	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	–	76
Prepayments, deposits and other receivables	2,385	2,993
Value added tax and non-income tax receivables	40	–
	<u>2,425</u>	<u>3,069</u>

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

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

No trade and bills receivables are aged within one year (2015: approximately HK\$76,000).

At the end of the reporting period, the aging analysis of the trade receivables (presented based on the invoice date) and bills receivables (presented based on the issuance date of relevant bills), net of allowance of doubtful debts was as follows:

	The Group	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	<u>–</u>	<u>76</u>
	<u>–</u>	<u>76</u>

As of the end of the reporting period, no trade and bills receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default (2015: HK\$Nil).

10. TRADE AND OTHER PAYABLES

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

	The Group	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	6,237	3,203
91–180 days	1,617	1,016
181–365 days	1,595	1,177
Over 1 year	28	176
	<hr/>	<hr/>
Trade payables	9,477	5,572
Receipt in advance	1,474	1,432
Value-added tax and non-income tax payable	–	927
Government levies payable		
– Economic development fees in coal resources areas	28,458	29,936
– Others	4,628	5,256
Accrued expenses	1,547	2,437
Other payables	7,084	6,120
	<hr/>	<hr/>
	52,668	51,680
	<hr/>	<hr/>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group recorded a revenue of approximately HK\$59,841,000 for the year ended 31 March 2016 (2015: approximately HK\$124,463,000). It represents a decrease of approximately HK\$64,622,000 or 51.92% as compared with last year.

Gross profit

The gross profit of the Group for the year ended 31 March 2016 decreased to approximately HK\$24,532,000 (2015: approximately HK\$55,166,000). This was mainly due to decrease in sales in the period as a result of the weak demand for coal in Xinjiang area of the PRC.

Loss for the year

Loss of the Group for the year ended 31 March 2016 was approximately HK\$79,608,000 (2015: approximately HK\$5,519,000), representing an increase of approximately HK\$74,089,000 compared with last year. The net effect of increasing in loss was mainly due to the decrease in gross profit of approximately HK\$30,634,000, increase in loss on change in fair value of convertible bond of approximately HK\$34,479,000 and an impairment loss on intangible assets and property, plant and equipment of approximately HK\$12,012,000.

Segment Information

Business segment

The Group's operating segments, 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, are more specifically focused on the types of goods delivered and services provided by the Group's operating divisions.

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

Coal Mining Business

Coal mining is the sole business of the Group at present. It contributed a revenue of approximately HK\$59,841,000 for the year ended 31 March 2016 (2015: approximately HK\$124,463,000), representing a 51.92% decrease as compared with last year.

Sales and Production of Coals

During the year ended 31 March 2016, the Group sold 0.63 million tonnes of coals with total sales income of approximately HK\$59,841,000. Details of coal sales in tonnes are listed in the below table:

	Year ended 31 March	
	2016	2015
Coal sales	<u>628,033 tonnes</u>	<u>1,314,455 tonnes</u>

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Saw Cut Coal	20,314	3.23
Large Coal	89,191	14.20
Middle Coal	151,283	24.09
Small Medium Coal	53,201	8.47
38 Coal	59,076	9.41
Slack Coal	161,155	25.66
Weathered Coal	<u>93,813</u>	<u>14.94</u>
Total Sales	<u>628,033</u>	<u>100.00</u>

Reserves and Resources

The Group owns one mining right and one exploration right in Xinjiang, the PRC including Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine respectively. The estimated remaining coal reserve in Kaiyuan Mine was 10.39 million tonnes as at 31 March 2016 (2015: 12.13 million tonnes). During the year, there were 1.74 million tonnes of coal being extracted. The original exploration permit of Zexu Mine had expired on 26 February 2016 and a renewal of the permit was granted by the Xinjiang Land Department from 5 April 2016 to 5 April 2017. The following tables are the estimated coal reserves for the Kaiyuan Open Pit Coal Mine and estimated coal resources for the Zexu Open Pit Coal Mine as of 31 March 2010 conducted by John T. Boyd Company in June 2010:

Estimated coal reserves for the Kaiyuan Open Pit Coal Mine:

Seam Bench	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (million tonnes) As of 31 March 2010			% of Total
		Proved	Probable	Total	
North of Current Pit (Potentially Oxidized)					
B ₂	13.1	–	4.58	4.58	100.00
Mine Plan Area					
B ₃	10.8	3.57	–	3.57	25.00
B ₂	19.6	10.86	–	10.86	75.00
		<u>14.43</u>	<u>–</u>	<u>14.43</u>	<u>100.00</u>
Total					
B ₃	10.8	3.57	–	3.57	19.00
B ₂	17.7	10.86	4.58	15.44	81.00
		<u>14.43</u>	<u>4.58</u>	<u>19.01</u>	<u>100.00</u>

Approximately 75% of the total reserves are classified as Proved.

Coal Reserve as at 31 March 2016 = Coal Reserve as at 31 March 2015 – Amount of coal extracted (the “Coal Extracts”) by the Group during 1 April 2015 to 31 March 2016.

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

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (million tonnes)			% of Resources
		Measured	Indicated	Total	
B ₇	8.5	10.23	10.46	20.69	17
B ₆	3.9	2.77	3.98	6.75	6
B ₅	6.3	5.80	10.42	16.22	14
B ₄ ¹	1.8	0.29	0.01	0.30	1
B ₄	6.1	6.85	10.21	17.06	14
B ₃	6.3	8.06	8.03	16.09	13
B ₂	21.1	22.58	19.69	42.27	35
Total		<u>56.58</u>	<u>62.80</u>	<u>119.38</u>	<u>100</u>

Cost of Sales

The cost of sales for the year was HK\$35,309,000 (2015: HK\$69,297,000). The cost mainly comprised machine rental cost and direct labor cost. The decrease in cost of sales during the year was mainly due to 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 revenue 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.

Liquidity and Financial Resources

As at 31 March 2016, the Group had:

- net current assets of approximately HK\$19,480,000 (2015: approximately HK\$324,547,000). The substantial decrease in net current assets was mainly due to the increase of inventories approximately HK\$26,922,000, the decrease of tax payable by approximately HK\$5,780,000 and the increase of convertible bond designated as financial liabilities at fair value through profit or loss by approximately HK\$317,650,000.
- no structured deposit was arranged during the year (2015: approximately HK\$27,923,000) and cash and cash equivalents of approximately HK\$343,587,000 (2015: approximately HK\$334,151,000) which were the major components of the Group's current assets of approximately HK\$393,415,000 (2015: approximately HK\$385,624,000).
- current liabilities of approximately HK\$373,935,000 (2015: approximately HK\$61,077,000) which comprised mainly convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK\$317,650,000 (2015: Nil).
- non-current liabilities of approximately HK\$9,363,000 (2015: approximately HK\$255,354,000) which comprised mainly convertible bond designated as financial liabilities at fair value through profit or loss of nil (2015: approximately HK\$244,201,000) and deferred tax liabilities of approximately HK\$6,555,000 (2015: approximately HK\$8,391,000).

The Group's gearing ratio was 4.36 (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 31 March 2016, none of the Group's assets was under charges (2015: Nil).

Foreign Exchange Exposure

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

Treasury Policies

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

Contingent Liabilities

As at 31 March 2016, the Group did not have any material contingent liabilities.

Employees

As at 31 March 2016, the Group had 84 employees (2015: 90) spreading among the PRC and the Hong Kong Special Administrative Region of the PRC. Employment relationship has been well maintained. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2016, 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 separated and should not be performed by the same individual. During the year ended 31 March 2016, the Company did not have any officer with CE title. Ms. Lo Fong Hung, the Chairman and Managing Director of the Company, also carried out the responsibility of CE during such period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company’s strategies.

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 (“INEDs”) 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently consists of three INEDs, namely Mr. Lam Ka Wai, Graham, as the chairman of the Audit Committee, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.nannanlisted.com. The annual report of the Company for the year ended 31 March 2016 containing all information required by the Listing Rules will be despatched to shareholders of the Company and published on above websites in due course.

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

Hong Kong, 21 June 2016

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