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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 IN RELATION TO NON-FULFILLMENT OF 2019 PROFIT GUARANTEE IN RELATION TO THE MAJOR ACQUISITION AND SUBSCRIPTION OF NEW SHARES IN HARBOUR GROUP HOLDINGS LIMITED

References are made to the circular of Nan Nan Resources Enterprise Limited (the “**Company**”) dated 12 April 2019 in relation to the major acquisition in shares and subscription of new shares in Harbour Group Holdings Limited (“**Harbour Holdings**”) (the “**Circular**”).

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

NON-FULFILLMENT OF 2019 PROFIT GUARANTEE IN RELATION TO THE MAJOR ACQUISITION AND SUBSCRIPTION OF NEW SHARES IN HARBOUR GROUP HOLDINGS LIMITED

As disclosed in the Circular, pursuant to the Sale and Purchase Agreement, the Vendor has agreed to guarantee to the Purchaser that the Net Profit for each of the financial years ended 31 December 2018 and 31 December 2019 and the financial year ending 31 December 2020 (each such 12-month period is referred to as a “**PG 12-Month Period**”) shall be no less than HK\$7,200,000 per annum (the “**Guaranteed Profit**”). In the event that the Net Profit during the PG-12 Month Period is less than the Guaranteed Profit or Harbour Holdings and its subsidiaries (“**Harbour Group**”) does not have any Net Profit or incurs a net loss for the relevant PG-12 Month Period, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay such shortfall multiplying the ratio (1.13) (the “**Shortfall Amount**”) presented as the following formula (the “**Formula**”):

$$\text{Shortfall Payment} = 1.13 \times (\text{Guaranteed Profit} - \text{Net Profit})$$

It was further agreed in the Sale and Purchase Agreement that the Vendor shall pay to the Purchaser the Shortfall Amount by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Notes (to the extent of the principal amount (i.e. HK\$2,400,000) of each Promissory Note matured on each of the 15th Business Day after the date of issue of the audited consolidated statements of Harbour Group (“**Audited Financial Statements**”) for the relevant PG-12 Month Period) within 15 Business Days after the issue of the Audited Financial Statements by the auditors of Harbour Group appointed by the Company for the relevant PG-12 Month Period.

According to the Audited Financial Statements of Harbour Group (the “**2019 Harbour Group AFS**”) for the year ended 31 December 2019 (“**FY2019**”), the Net Profit of Harbour Group for FY2019 was HK\$5,264,521 and lower than the Guaranteed Profit by HK\$1,935,479. The Shortfall Amount calculated based on the Formula equals to HK\$2,187,091 (rounded to the nearest dollar).

On 7 April 2020, the Vendor confirmed to the Purchaser that the Shortfall Amount will be deducted from the Promissory Note (“**2019 Promissory Note**”) in the principal amount of HK\$2,400,000 and matured on the 15th Business Day of the issuance of the 2019 Harbour Group AFS and the outstanding amount of HK\$212,909 (i.e. after deduction of the Shortfall Amount) of the 2019 Promissory Note will be paid by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement.

Based on the above, the Directors are of the opinion that the Vendor has fulfilled its obligations in accordance with the Sale and Purchase Agreement in relation to the non-fulfilment of the profit guarantee for FY2019.

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

Hong Kong, 7 April 2020

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