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 2020

The board of directors (the "Directors") (the "Board") of Nan Nan Resources Enterprise Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2020 (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 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**127,989**	75,625
Cost of services and goods sold		**(75,775)**	(44,542)
Gross profit		**52,214**	31,083
Other revenue		**5,833**	10,438
Selling and distribution expenses		**(367)**	(474)
Administrative and other operating expenses		**(49,411)**	(28,688)
Exchange loss, net		**(4,672)**	(6,175)
Finance costs		**(6,952)**	(964)
Supplemental resources fee		**(85,688)**	–
Change in fair value of contingent consideration receivables		**3,009**	–
Change in fair value and gain arising from modification of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL")		**71,443**	29,373
Impairment loss on goodwill		**(3,831)**	–
(Loss)/Profit before tax	5	**(18,422)**	34,593
Income tax expenses	6	**(6,182)**	(5,750)
(Loss)/Profit for the year		**(24,604)**	28,843

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Other comprehensive loss, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		**(7,844)**	(10,909)
Total comprehensive (loss)/income for the year		**(32,448)**	17,934
(Loss)/Profit for the year attributable to:			
– Owners of the Company		**(25,306)**	28,843
– Non-controlling interests		**702**	–
		(24,604)	28,843
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(33,089)**	17,923
– Non-controlling interests		**641**	11
		(32,448)	17,934
(Loss)/Earnings per share (expressed in Hong Kong cents)			
– Basic	*8*	**(3.31)**	3.77
– Diluted	*8*	**(5.87)**	0.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**96,856**	51,370
Intangible assets		**128,886**	18,505
Goodwill		**24,546**	4,229
Security deposit		**–**	5,506
Non-refundable deposits	*9*	**–**	2,431
Prepayments for acquisition of property, plant and equipment	*9*	**1,093**	19,635
Deferred tax assets		**2,065**	2,009
Contingent consideration receivables		**6,186**	–
		259,632	103,685
Current assets			
Inventories		**8,179**	7,573
Financial assets measured at FVPL		**–**	60,236
Trade and other receivables	*9*	**16,389**	8,224
Restricted bank balances	*10*	**73,760**	77,612
Cash and cash equivalents		**161,366**	278,814
		259,694	432,459
Current liabilities			
Convertible bond designated as financial liabilities at FVPL		**–**	217,869
Trade and other payables	*11*	**54,929**	58,794
Mining right payables, current portion		**3,348**	–
Interest-bearing borrowings	*12*	**65,345**	68,345
Promissory notes		**2,400**	–
Lease liabilities		**1,905**	–
Tax payables		**4,697**	3,196
		132,624	348,204
Net current assets		**127,070**	84,255
Total assets less current liabilities		**386,702**	187,940

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**76,537**	76,537
Reserves		**74,013**	107,102
Equity attributable to owners of the Company		**150,550**	183,639
Non-controlling interests		**2,515**	1,044
Total equity		**153,065**	184,683
Non-current liabilities			
Convertible bond designated as financial liabilities at FVPL		**146,426**	–
Provision for close down, restoration and environmental costs		**2,726**	2,870
Mining right payables, non-current portion		**80,155**	–
Promissory notes		**2,211**	–
Lease liabilities		**1,333**	–
Deferred tax liabilities		**786**	387
		233,637	3,257
		386,702	187,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. BASIS OF PREPARATION

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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 2019 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 HONG KONG FINANCIAL REPORTING STANDARDS

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

Annual Improvements Project – 2015-2017 Cycle

HKFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

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

HKFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

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

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

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

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the HK(IFRIC)-Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

Amendments to HKAS 28: Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

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

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss if specified conditions are met.

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

HKFRS 16 – Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time as at 1 April 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets (included in property, plant and equipment) and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA are ranging from 5.39% to 5.91%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 and lease liabilities recognised at the DIA is as follows:

	HK$'000
Operating lease commitment as at 31 March 2019	2,936
Less: Short-term leases with remaining lease term ending on or before 31 March 2020	(386)
Less: Future finance charges	(211)
Lease liabilities recognised as at 1 April 2019 discounted using the lessee's incremental borrowing rate	2,339

At the DIA, all right-of-use assets were presented within the line item "property, plant and equipment" on the consolidated statement of financial position.

As a result, the impacts for the initial adoption of HKFRS 16 are as follows:

	31 March 2019 *HK$'000*	Adjustments *HK$'000*	1 April 2019 *HK$'000*
Non-current assets			
Right-of-use assets, presented in property, plant and equipment	–	2,339	2,339
Current liabilities			
Lease liabilities	–	708	708
Non-current liabilities			
Lease liabilities	–	1,631	1,631

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 People's Republic of China (the "PRC");

(2) Renewable energy business segment: service income from renewable energy services in Malaysia; and

(3) Information technology ("IT") outsourcing, consultancy and technical services (together referred to "IT Services") business segment: IT consultancy and technical services (including sales of IT hardware products) and IT outsourcing services in Hong Kong, Malaysia, Singapore and United Kingdom.

Segment revenue and results

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 income and expenses from head office, changes in fair value of contingent consideration receivables and convertible bond designated as financial liabilities at FVPL, impairment loss on goodwill and exchange loss or gain.

Segment assets include property, plant and equipment, intangible assets, goodwill, security deposit, deferred tax assets, contingent consideration receivables, inventories, financial assets measured at FVPL, trade and other receivables, restricted bank balances 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, promissory notes, 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.

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 2020					
Revenue from external customers and reportable segment revenue	**73,910**	**775**	**53,304**	**–**	**127,989**
Gross profit	**42,145**	**469**	**9,600**	**–**	**52,214**
Selling and distribution expenses	**(367)**	**–**	**–**	**–**	**(367)**
Segment results	**41,778**	**469**	**9,600**	**–**	**51,847**
Other revenue	**4,215**	**–**	**15**	**1,603**	**5,833**
Administrative and other operating expenses	**(21,559)**	**(1,005)**	**(4,889)**	**(21,958)**	**(49,411)**
Finance costs	**(6,228)**	**–**	**(349)**	**(375)**	**(6,952)**
Supplemental resources fee	**(85,688)**	**–**	**–**	**–**	**(85,688)**
Change in fair value of contingent consideration receivables	**–**	**–**	**–**	**3,009**	**3,009**
Change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL	**–**	**–**	**–**	**71,443**	**71,443**
Impairment loss on goodwill	**–**	**–**	**–**	**(3,831)**	**(3,831)**
Exchange loss, net	**–**	**–**	**–**	**(4,672)**	**(4,672)**
(Loss)/Profit before tax	**(67,482)**	**(536)**	**4,377**	**45,219**	**(18,422)**
Income tax (expenses)/credit	**(5,764)**	**23**	**(441)**	**–**	**(6,182)**
(Loss)/Profit for the year	**(73,246)**	**(513)**	**3,936**	**45,219**	**(24,604)**
Additional segment information:					
Amortisation	**2,890**	**66**	**–**	**–**	**2,956**
Depreciation	**5,215**	**229**	**789**	**1,140**	**7,373**
Additions to property, plant and equipment	**32,634**	**18,937**	**1,479**	**870**	**53,920**
Additions to intangible assets	**116,115**	**–**	**–**	**–**	**116,115**
Charge of loss allowance of trade receivables	**–**	**–**	**7**	**–**	**7**

	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 2019					
Revenue from external customers and reportable segment revenue	75,234	391	–	–	75,625
Gross profit	30,867	216	–	–	31,083
Selling and distribution expenses	(474)	–	–	–	(474)
Segment results	30,393	216	–	–	30,609
Other revenue	8,865	–	–	1,573	10,438
Administrative and other operating expenses	(14,099)	(261)	–	(14,328)	(28,688)
Finance costs	(964)	–	–	–	(964)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	–	29,373	29,373
Exchange loss, net	–	–	–	(6,175)	(6,175)
Profit/(Loss) before tax	24,195	(45)	–	10,443	34,593
Income tax expenses	(5,750)	–	–	–	(5,750)
Profit/(Loss) for the year	18,445	(45)	–	10,443	28,843
Additional segment information:					
Amortisation	4,659	26	–	–	4,685
Depreciation	2,141	117	–	98	2,356
Additions to property, plant and equipment	40,199	–	–	242	40,441
Additions to intangible assets	–	1,618	–	–	1,618

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 2020					
Property, plant and equipment	**69,990**	**23,244**	**1,280**	**2,342**	**96,856**
Intangible assets	**127,360**	**1,526**	**–**	**–**	**128,886**
Goodwill	**–**	**4,229**	**20,317**	**–**	**24,546**
Contingent consideration receivables	**–**	**–**	**–**	**6,186**	**6,186**
Other assets	**171,618**	**6,638**	**12,850**	**71,746**	**262,852**
Total assets	**368,968**	**35,637**	**34,447**	**80,274**	**519,326**
Convertible bond designated as financial liabilities at FVPL	**–**	**–**	**–**	**(146,426)**	**(146,426)**
Promissory notes	**–**	**–**	**–**	**(4,611)**	**(4,611)**
Mining right payables	**(83,503)**	**–**	**–**	**–**	**(83,503)**
Other liabilities	**(110,024)**	**(9,510)**	**(6,133)**	**(6,054)**	**(131,721)**
Total liabilities	**(193,527)**	**(9,510)**	**(6,133)**	**(157,091)**	**(366,261)**
As at 31 March 2019					
Property, plant and equipment	45,507	5,618	–	245	51,370
Intangible assets	16,913	1,592	–	–	18,505
Goodwill	–	4,229	–	–	4,229
Other assets	327,299	1,340	–	133,401	462,040
Total assets	389,719	12,779	–	133,646	536,144
Convertible bond designated as financial liabilities at FVPL	–	–	–	(217,869)	(217,869)
Other liabilities	(129,435)	(1,084)	–	(3,073)	(133,592)
Total liabilities	(129,435)	(1,084)	–	(220,942)	(351,461)

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, non-refundable deposits 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 the Specified Non-current Assets is presented based on the physical location of the assets.

Location of revenue

Revenue from external customers

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
The PRC	**73,910**	75,234
Hong Kong	**32,537**	–
Malaysia	**14,160**	391
Singapore	**3,891**	–
United Kingdom	**3,491**	–
	127,989	75,625

Location of the Specified Non-current Assets

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
The PRC	**198,442**	84,486
Hong Kong	**29,695**	–
Malaysia	**23,244**	11,439
	251,381	95,925

Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A and its affiliated companies from IT Services business segment	**22,112**	–
Customer B from coal mining business segment	*	56,661

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the year ended 31 March 2020.

4. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	**73,910**	75,234
Renewable energy business		
– Service income from renewable energy services	**775**	391
IT Services business		
– Sales of IT hardware products	**13,893**	–
– IT outsourcing services	**32,028**	–
– IT consultancy and technical services	**7,383**	–
	53,304	–
	127,989	75,625

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

	2020	2019
	HK$'000	*HK$'000*
Timing of revenue recognition:		
– at a point in time		
Sales of coals	**73,910**	75,234
Sales of IT hardware products	**13,893**	–
	87,803	75,234
– over time		
Service income from renewable energy services	**775**	391
IT outsourcing services	**32,028**	–
IT consultancy and technical services	**7,383**	–
	40,186	391
	127,989	75,625

5. (LOSS)/PROFIT BEFORE TAX

This is stated at after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
Finance costs		
Interest on interest-bearing borrowings	**4,251**	964
Interest on mining right payables	**2,272**	–
Interest on promissory notes	**247**	–
Interest on lease liabilities	**182**	–
	6,952	964
Staff costs		
Staff costs (excluding directors' remuneration)		
Basic salaries, allowance and other short-term employee benefits	**48,725**	9,885
Contributions to defined contribution retirement plan	**1,884**	1,028
	50,609	10,913
Other items		
Amortisation of intangible assets (charged to "cost of services and goods sold")	**2,956**	4,685
Auditor's remuneration		
– audit services	**1,310**	1,050
– other services	**360**	1,080
	1,670	2,130
Cost of inventories sold	**75,775**	44,542
Depreciation of property, plant and equipment and right-of-use assets	**7,373**	2,356
Charge of loss allowance of trade receivables	**7**	–
Exchange (gain)/loss on financial liabilities at FVPL, net	**(6,802)**	16,340
Other exchange loss/(gain), net	**11,474**	(10,165)
Operating lease payments	**–**	2,318
Expenses recongnised payments under short-term leases	**1,756**	–
Loss on disposal of property, plant and equipment	**170**	979

6. INCOME TAX EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Income tax expenses comprise:		
The PRC Enterprise Income Tax	**5,922**	5,948
Hong Kong Profits Tax	**370**	–
Singapore corporate income tax ("Singapore CIT")	**38**	–
United Kingdom corporate income tax	**296**	–
	6,626	5,948
Deferred tax		
– Reversal of temporary difference	**(444)**	(198)
	6,182	5,750

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.

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 year ended 31 March 2020. 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 year ended 31 March 2020. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2019.

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 PRC subsidiaries is 25% for both years.

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 2020. Malaysia incorporated entities with paid-up capital of Malaysia Ringgit ("RM") 2.5 million or less enjoy tax rate of 18% on the first RM500,000 and remaining balance of the estimated assessable profits at the standard rate for the year ended 31 March 2020.

During the year ended 31 March 2020, Malaysian subsidiaries are eligible for a reduction of between 1% and 4% on the standard tax rate for a portion of their income if there is an increase of 5% or more in the entities' taxable income from a business, compared to the immediately preceding year of assessment. The reduction in the tax rate will apply to the portion of taxable income representing the increase. During the year ended 31 March 2020, no provision for Malaysia corporate income tax has been made as the Group had no assessable profits arising in or derived from Malaysia.

Singapore CIT is calculated at the rate of 17% of the estimated assessable profits of the Group's entities in Singapore arising from Singapore with Singapore CIT rebate of 20%, capped at Singapore Dollars ("S$") 10,000 for the year ended 31 March 2020.

During the year ended 31 March 2020, Singapore incorporated companies can enjoy 75% tax exemption on the first S$10,000 of normal taxable income and a further 50% tax exemption on the next S$290,000 of normal taxable income.

The Group's entity established in United Kingdom is subject to the corporate income tax at a statutory rate of 19% for the year ended 31 March 2020.

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Profit before tax	**(18,422)**	34,593
Notional tax on profit before tax, calculated at the rates applicable to profit in the countries concerned	**(8,169)**	7,772
Tax effect of expenses not deductible for tax purposes	**26,661**	2,572
Tax effect of income not taxable for tax purposes	**(12,842)**	(4,855)
Tax effect of graduated tax rate and tax concession	**(207)**	–
Others	**739**	261
Income tax expenses for the year	**6,182**	5,750

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the current reporting period (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Profit		
(Loss)/Profit for the purpose of basic (loss)/earnings per share ((Loss)/Profit for the year attributable to owners of the Company)	**(25,306)**	28,843

	2020	2019
	Number of shares	*Number of shares*
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**765,373,584**	765,373,584

(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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Profit for the year attributable to owners of the Company	**(25,306)**	28,843
Change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL	**(71,443)**	(29,373)
Exchange (gain)/loss on convertible bond	**(6,802)**	16,340
	(103,551)	15,810

(ii) Weighted average number of ordinary shares

	2020	2019
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,373,584**	765,373,584
Effect of conversion of convertible bond	**1,000,000,000**	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,765,373,584**	1,765,373,584

9. TRADE AND OTHER RECEIVABLES

	Notes	**2020** **HK$'000**	2019 HK$'000
Trade and bills receivables from third parties	*9(a)*	**8,663**	–
Prepayments, deposits and other receivables		**4,997**	4,040
Refundable deposit paid for acquisition of Harbour Group Holdings Limited ("Harbour Group Holdings") and its subsidiaries (together referred to as "Harbour Group")		**–**	3,571
Other taxes receivables		**107**	613
Non-refundable deposits	*9(b)*	**–**	2,431
Guaranteed profit compensation receivables	*9(c)*	**2,622**	–
Prepayments for acquisition of property, plant and equipment		**1,093**	19,635
		17,482	30,290

Analysed by:

	2020 **HK$'000**	2019 HK$'000
Non-current assets	**1,093**	22,066
Current assets	**16,389**	8,224
	17,482	30,290

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 and bills receivables from third parties

Loss allowance

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.

Ageing analysis

At the end of reporting period, the ageing 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 loss allowance, was as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**2,882**	–
31 – 60 days	**2,602**	–
61 – 90 days	**239**	–
Over 90 days	**2,991**	–
	8,714	–
Less: Loss allowance	**(51)**	–
	8,663	–

9(b) Non-refundable deposits

As at 31 March 2019, non-refundable deposits of approximately Renminbi ("RMB") 2,099,000 (equivalent to approximately HK$2,431,000) were paid to two independent third parties in accordance with respective undisputed agreements regarding the acquisition of areas of the coal mine held by the third parties to extend the coal mine of the Group. Further details are set out in the Company's announcement dated 15 August 2017. The Group was required to go through official procedures with the relevant land and resources departments to obtain the exploration right and then the mining right in respect of these extended areas. The non-refundable deposits were transferred to intangible assets upon the execution of transfer agreement during the year ended 31 March 2020.

9(c) Guaranteed profit compensation receivables

	2020	2019
	HK$'000	*HK$'000*
Vendor of NEFIN Leasing Technologies Limited and its wholly-owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. ("NEFIN Technologies") (together referred to as "NEFIN Group")	**435**	–
Vendor of Harbour Group	**2,187**	–
	2,622	–

The guaranteed profit compensation receivables from the vendor of Harbour Group was setting off the same amount from promissory note 2 subsequent to 31 March 2020.

10. RESTRICTED BANK BALANCES

Pursuant to the loan agreement signed with a bank in the PRC, the amounts represent bank balances in the bank in the PRC maintained solely for the purpose of settlement of outstanding interest-bearing borrowings and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in RMB and carried interest at prevailing market rates.

11. TRADE AND OTHER PAYABLES

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

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Within 90 days		**715**	11
91 – 180 days		**1,488**	10,523
181 – 365 days		**3,993**	80
Over 1 year		**2,840**	75
Trade payables		**9,036**	10,689
Contract liabilities	*11(a)*	**2,023**	564
Government levies payable			
– Economic development fees in coal resources areas		**26,819**	27,307
– Others		**445**	3,845
Accrued expenses		**5,813**	3,906
Non-refundable deposits received	*11(b)*	**–**	5,673
Payables for construction-in-progress		**8,952**	–
Other payables		**1,841**	6,810
		54,929	58,794

All of the trade and other payables that are classified as current liabilities are expected to be settled 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.

11(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 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the reporting period	**564**	1,534
Receipts in advance	**2,023**	564
Recognised as revenue	**(564)**	(1,534)
At the end of the reporting period	**2,023**	564

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.

11(b) Non-refundable deposits received

Non-refundable deposits received of approximately RMB4,897,000 (equivalent to approximately HK$5,391,000) were received from two independent third parties in accordance with respective undisputed agreements signed during the year ended 31 March 2018 regarding the disposal of areas of coal mine held by the Group. Further details are set out in the Company's announcement dated 15 August 2017. These transactions were completed and executed during the year ended 31 March 2020.

12. INTEREST-BEARING BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Current portion		
Interest-bearing borrowings, secured	**65,345**	68,345

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 banks would exercise their right to demand repayment. As at 31 March 2020, the interest-bearing borrowings are secured by restricted bank balances with carrying amount of approximately HK$73,760,000 (2019: approximately HK$77,612,000).

The interest-bearing borrowings are repayable from within two years to five years since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 4.9% to 8.0% (2019: 4.8%) per annum. All the interest-bearing borrowings are denominated in HK$ and RMB (2019: RMB).

13. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of NEFIN Leasing

On 10 August 2018, Radiant Day Holdings Limited ("Radiant Day"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with NEFIN Holding Limited and Mr. Lim Hong Teo (together referred to as the "NEFIN Vendors"), pursuant to which Radiant Day agreed to purchase, and the NEFIN Vendors agreed to sell 90% equity interest in NEFIN Leasing and its wholly-owned subsidiary at an aggregate consideration of US$1,350,000 (equivalent to approximately HK$10,530,000). The transaction completed on 8 October 2018 as all conditions in the sale and purchase agreement were fulfilled.

NEFIN Group is principally engaged in renewable energy solutions and solar farm development in Malaysia. The directors of the Company are of the view that the acquisition will further enhance the Group's expansion of innovative and renewable energy business. The acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 Business Combinations.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed of NEFIN Group at the date of acquisition:

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	5,636
Intangible assets – renewable energy service contract	1,618
Bank balances and cash	207
Trade and other receivables	353
Deferred tax liabilities	(387)
Trade and other payables	(93)
Total identifiable net assets	7,334
Non-controlling interests	(1,033)
Goodwill arising on acquisition	4,229
Total consideration	10,530
Satisfied by:	
Cash	10,530

Analysis of the net outflows in respect of the acquisition of NEFIN Group is as follows:

	HK$'000
Cash and cash equivalents acquired	207
Cash paid	(10,530)
	(10,323)

The directors of the Company have engaged Roma Appraisal Limited ("Roma") to provide assistance in determining the fair value of the assets and liabilities of NEFIN Group. Roma has reviewed the methodologies, the key valuation parameters and business assumptions adopted.

The non-controlling interests were measured at the present ownership instruments' proportionate share in the recognised amounts of NEFIN Group's identifiable net assets as at 8 October 2018.

The goodwill arising from the acquisition is attributable to the growth and profit potential in the expansion of innovative and renewable energy business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition and up to 31 March 2019, the acquired business has contributed revenue of approximately HK$391,000 and contributed a loss of approximately HK$45,000 to the Group.

If the business combinations effected during the year ended 31 March 2019 had been taken place as at 1 April 2018, the revenue and profits of the Group would be increased by approximately HK$587,000 and decreased by approximately HK$83,000, respectively.

Pursuant to the sale and purchase agreement, the NEFIN Vendors have agreed to guarantee to the Company that the audited net profit of NEFIN Technologies, prepared in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia for the relevant financial period by the auditors appointed by the Company ("NEFIN Net Profit") for each of the financial years ended 30 September 2019, 30 September 2020, 30 September 2021, 30 September 2022 and 30 September 2023 (each such 12-month period is referred to as a "NEFIN PG 12-Month Period") shall be no less than HK$526,500 per annum (the "NEFIN Guaranteed Profit").

In the event that the Net Profit during the NEFIN PG-12 Month Period is less than the NEFIN Guaranteed Profit, the NEFIN Vendors unconditionally and irrevocably undertake and guarantee, as a continuing obligation, to pay such shortfall on each of the 15th Business Day after the date of issue of the audited report of NEFIN Technologies for the relevant NEFIN PG-12 Month Period within 15 business days after the issue of the audited financial statements by the auditors of NEFIN Technologies appointed by the Company for the relevant NEFIN PG-12 Month Period.

According to the audited financial statements of NEFIN Technologies for the year ended 30 September 2019 ("FY2019"), the Net Profit of NEFIN Technologies for FY2019 was approximately HK$91,500 and lower than the NEFIN Guaranteed Profit by approximately HK$435,000. The shortfall amount was recognised as guaranteed profit compensation receivables. In the view of the directors of the Company, the guaranteed profit compensation receivables in related to the NEFIN Guaranteed Profit for the subsequent period is insignificant as at 31 March 2020.

(b) Acquisition of Harbour Group Holdings

On 11 March 2019, (i) Ample Talent Ventures Limited ("Ample Talent") entered into a sale and purchase agreement with an independent third party, the vendor of Harbour Group (the "Vendor of Harbour Group"), pursuant to which the Vendor of Harbour Group has conditionally agreed to sell, and Ample Talent has conditionally agreed to purchase 80% equity interest in Harbour Group Holdings at an aggregate consideration of HK$35,712,000; and (ii) Ample Talent and Harbour Group Holdings entered into a subscription agreement, pursuant to which Harbour Group Holdings has conditionally agreed to issue and allot to Ample Talent, and Ample Talent has conditionally agreed to subscribe for 450 ordinary shares of Harbour Group Holdings, representing approximately 4.5% of the total number of shares of Harbour Group Holdings in issue as at the date of subscription agreement at an aggregate subscription price of HK$2,008,800. Upon completion of the above transactions, Ample Talent held 80.86% equity interest in Harbour Group Holdings.

Pursuant to the sale and purchase agreement, the consideration for the sale and purchase of the sale shares shall be the sum of HK$35,712,000, which shall be settled by Ample Talent to the Vendor of Harbour Group in the following manner:

(a) on the date of the sale and purchase agreement, the Ample Talent paid to the Vendor of Harbour Group a sum of HK$3,571,200 in cash as a refundable deposit and partial payment of the consideration; and

(b) at the completion date of sale and purchase of the 80% equity interest in Harbour Group Holdings, Ample Talent shall pay to the Vendor of Harbour Group (i) a further sum of HK$24,940,800 in cash; and (ii) the remaining amount of HK$7,200,000 by means of the issue of 3 promissory notes with principal amount of HK$2,400,000 each (together "Promissory Notes") by the Company to the Vendor of Harbour Group.

Pursuant to the sale and purchase agreement, the Vendor of Harbour Group has agreed to guarantee that the net profit ("Net Profit"). Net Profit for each of the financial years ended/ending 31 December 2018, 2019 and 2020 (each such 12-month period is referred to as "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, the Vendor of Harbour Group unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay such shortfall multiplying the ratio (1.13).

Harbour Group consists of Harbour Group Holdings, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. Harbour Group is principally engaged in the provision of IT Services mainly in Hong Kong with expanding business in United Kingdom, Malaysia and Singapore. The directors of the Company are of the view that the acquisition can broaden the Group's revenue base and benefit from the diversified return in future. The acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 Business Combinations.

On 23 April 2019, the acquisition of Harbour Group Holdings was completed and Harbour Group has become subsidiaries of the Group since then. The consideration paid and the amounts of the net identifiable assets acquired and liabilities assumed of Harbour Group are as follows:

	HK$'000
Total identifiable assets acquired and liabilities assumed, at fair value:	
Non-current assets	
Property, plant and equipment	589
Current assets	
Trade and other receivables	13,906
Bank balances and cash	6,027
Current liabilities	
Trade and other payables	(5,132)
Income tax payables	(427)
Bank overdrafts and interest-bearing borrowings	(4,112)
Lease liabilities	(553)
Non-current liabilities	
Deferred tax liabilities	(685)
Total identifiable net assets, at fair value	9,613
Non-controlling interests	(1,840)
Goodwill arising on acquisition	24,148
Net consideration (fair value)	31,921
Satisfied by:	
Cash	30,521
Promissory Notes	6,764
	37,285
Less:	
Fair value of contingent consideration receivables	(5,364)
Net consideration (fair value)	31,921

Analysis of the net outflows in respect of the acquisition of Harbour Group is as follows:

	HK$'000
Cash and cash equivalents acquired	6,027
Cash paid	(30,521)
	(24,494)

The directors of the Company have engaged Peak Vision Appraisals Limited ("Peak Vision") to provide assistance in determining the fair value of the assets and liabilities of Harbour Group in accordance with HKFRS 13 Fair Value Measurement. Peak Vision has reviewed the methodologies, the key valuation parameters and business assumptions adopted.

The non-controlling interests were measured at the present ownership instruments' proportionate share in the recognised amounts of the Harbour Group's identifiable net assets as at 23 April 2019.

The goodwill arising from the acquisition is attributable to the growth and profit potential in the expansion of IT Services business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The total transaction costs of approximately HK$3,370,000 have been excluded from the consideration transferred and included in administrative and other operating expenses of approximately HK$3,296,000 and approximately HK$74,000 in the profit and loss during the years ended 31 March 2019 and 2020, respectively.

Since acquisition and up to 31 March 2020, the acquired business has contributed revenue of approximately HK$53,304,000 and contributed a profit of approximately HK$3,936,000 to the Group.

If the business combinations effected during the year ended 31 March 2020 had been taken place as at 1 April 2019, the revenue and profits of the Group would be increased by approximately HK$4,757,000 and increased by approximately HK$401,000, respectively.

14. EVENT AFTER REPORTING PERIOD

In view of the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of the consolidated financial statements, the Group was not able to estimate the financial impact of these event in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the Year, the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business; and (3) information technology ("IT") services 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 "PRC"). Xinjiang is remote from major industrial cities in the PRC, 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. ("NEFIN Technologies") (together the "NEFIN Group") which is principally engaged in renewable energy solutions in Malaysia. We further allocated resources into the solar energy projects during the Year so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we further 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 outsourcing, consultancy and technical 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 was in negotiation 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 PRC (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.

As announced by the Company on 6 December 2019 and 16 March 2020,

(i) Mulei County Kai Yuan Coal 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 km^2) of 4.1123 km^2 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 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;

(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 Listing Rules and further information on the Acquisition will be disclosed in the circular to be despatched by the Company; and

(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). Based on the advice given by the legal adviser of the Company as to the laws of the PRC, 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.

Temporary Suspension of Enlarged Kaiyuan Mine

As disclosed in the announcements of the Company dated 20 December 2019 and 16 March 2020, the sales and operation of the Enlarged Kaiyuan Mine has been temporarily suspended since 21 December 2019 (the "Temporary Suspension") due to the expiry of the New Mining Permit on 21 December 2019 and the delay in renewal of the New Mining Permit.

The New Mining Permit was renewed in March 2020 but the resumption application has not been approved by the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) of the Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區) as at the date of this announcement due to the rectification in progress in fulfilment of the safety requirements.

In light of the above, the Company wishes to inform shareholders and potential investors of the Company that the Temporary Suspension would have a negative impact on the financial results of the Group for the first half of the financial year 2020/2021.

The Company will closely monitor the progress of resumption application. The Company will make further announcement(s) as and when necessary.

"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.

Acquisition of shares and subscription of new shares in Harbour Group Holdings Limited

References are made to announcements of the Company dated 11 March 2019 and 23 April 2019 and the circular of the Company dated 1 April 2019 in relation to the acquisition of shares and subscription of new shares in Harbour Group Holdings.

On 11 March 2019, (i) Ample Talent Ventures Limited ("Ample Talent"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with an independent third party (the "Vendor"), pursuant to which the Vendor has conditionally agreed to sell, and Ample Talent has conditionally agreed to purchase 80% shareholding interest in Harbour Group Holdings at a consideration of HK$35,712,000 (the "Harbour Group Acquisition"); and (ii) Ample Talent and Harbour Group Holdings entered into a subscription agreement, pursuant to which Harbour Group Holdings has conditionally agreed to issue and allot to Ample Talent, and Ample Talent conditionally agreed to subscribe for 450 ordinary shares of Harbour Group Holdings, representing approximately 4.5% of the total number of shares of Harbour Group Holdings in issue as at the date of subscription agreement at an aggregate subscription price (the "Subscription Price") of HK$2,008,800 (the "Subscription"). The Company indirectly interests in 80.86% shares of Harbour Group Holdings in issue upon completion of the Harbour Group Acquisition and Subscription on 23 April 2019.

The consideration for the Harbour Group Acquisition has been settled in cash of HK$28,512,000 by Ample Talent to the Vendor and the remaining amount of HK$7,200,000 by means of the issue of the three promissory notes ("Promissory Note(s)"), each in the principal amount of HK$2,400,000 by the Company to the Vendor. The Subscription Price has been settled in cash.

Harbour Group consists of Harbour Group Holdings, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. Harbour Group is principally engaged in the provision of IT outsourcing, consultancy and technical services mainly in Hong Kong with expanding business in the UK, Malaysia and Singapore. The Directors are of the view that the Harbour Group Acquisition and the Subscription can broaden the Group's revenue base and benefit from the diversified return in future. The Harbour Group Acquisition and the Subscription constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 Business Combinations.

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to guarantee that the audited consolidated net profit generated from operating activities of the Harbour Group in its ordinary and usual course of business, prepared in accordance with HKFRSs (the "Net Profit"), for the years ended or ending 31 December 2018 ("FY2018"), 31 December 2019 ("FY2019") and 31 December 2020 ("FY2020", and each such 12-month period, 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 each PG 12-Month Period is less than the Guaranteed Profit, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay the shortfall multiplied by the ratio of 1.13 to the Group by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Note(s) issued to the Vendor.

The profit guarantee for FY2018 was met but the profit guarantee for FY2019 was not fulfilled. As disclosed in the announcement dated 7 April 2020, the shortfall for FY2019 profit guarantee equals to HK$2,187,091 (rounded to the nearest dollar). Such amount has been deducted from the Promissory Note in the principal amount of HK$2,400,000 and the outstanding amount of HK$212,909 (i.e. after deduction of the shortfall amount) of the Promissory Note has been paid to the Vendor as at the date of this announcement.

Prospects

The Group has been actively proceeding with the Optimization and Upgrading Plan since 2011 in relation to the New Mining Right of the Enlarged Kaiyuan Mine. The acquisition of the New Mining Right of the Enlarged Kaiyuan Mine in December 2019 has substantially enlarged the Group's coal resources and will allow the Group to increase the annual production volume to a range of 0.9 million tonnes to 1.2 million tonnes, ten times or more of the existing production capacity of Kaiyuan Mine. The Directors consider that the transaction is in line with the Group's strategy to expand the coal mining business of the Group.

In the coming year, 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) substantial expenditure for works required by the Production Safety Supervision and Administration Bureau to improve safety standard of our coal mine. Sources of funding are expected to come primarily from the coal sales revenue and also external banking facilities of the Group.

In addition to coal mining, the Group has been exploring new markets and seeking to extend 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.

Due to the recent social and political instability in Hong Kong and the outbreak of Coronavirus Disease 2019 ("COVID-19") worldwide, we are facing the most difficult business environment, which negatively impact the growth of our business. In particular IT services business in Hong Kong is expected to be hit hard by the prolonged social unrest and subsistance of the coronavirus disease in Hong Kong.

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$127,989,000 for the Year (2019: approximately HK$75,625,000). It represents an increase of approximately HK$52,364,000 or approximately 69.24% as compared with the previous year.

Coal Mining Business

During the Year, the revenue of approximately HK$73,910,000 of the coal mining business decreased by approximately HK$1,324,000 or approximately 1.76% as compared to approximately HK$75,234,000 last year. The decrease in revenue of the coal mining business was mainly due to the reason that the Group sold approximately 1,037,492 tonnes (2019: approximately 1,764,591 tonnes) of coal during the Year, decreased by approximately 41.20% in volume compared to that in the previous year.

Renewable Energy Business

During the Year, the renewable energy business recorded a turnover of approximately HK$775,000 (2019: approximately HK$391,000). The increase in revenue of the renewable energy business was mainly due to the acquisition of such business segment in the previous financial year which accounted for approximately half year time coverage.

IT Services Business

During the Year, the IT services business contributed a revenue of approximately HK$53,304,000 (2019: Nil).

Cost of services and goods sold

Coal Mining Business

The cost of sales of the coal mining business for the Year was approximately HK$31,765,000 (2019: approximately HK$44,367,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The decrease in cost of sales was largely in line with the decrease in sales volume of coal during the Year as compared with the previous financial year.

Renewable Energy Business

During the Year, the cost of services of the renewable energy business is approximately HK$306,000 (2019: approximately HK$175,000).

IT Services Business

During the Year, the cost of services of the IT services business is approximately HK$43,704,000 (2019: Nil).

Gross profit

The gross profit of the Group for the Year increased to approximately HK$52,214,000 (2019: approximately HK$31,083,000). It represents an increase of approximately HK$21,131,000 or approximately 67.98% and gross profit margin decreased by approximately 0.31% for the Year to approximately 40.80% as compared with last financial year. Coal mining business contributed approximately HK$42,145,000 (2019: approximately HK$30,867,000), IT services business contributed approximately HK$9,600,000 (2019: Nil) and renewable energy business contributed approximately HK$469,000 (2019: approximately HK$216,000).

Other revenue

The Group's other revenue for the Year was approximately HK$5,833,000 (2019: approximately HK$10,438,000), representing a decrease of approximately HK$4,605,000 or approximately 44.12% as compared with last financial year. This was mainly due to decrease in interest income on bank deposits by around HK$1,158,000 and decrease in net income from selling coal gangue (煤矸石) by approximately HK$3,668,000.

Administrative and operating expenses

The Group's administrative and operating expenses for the Year was approximately HK$49,411,000 (2019: approximately HK$28,688,000), representing an increase of approximately HK$20,723,000 or approximately 72.24% as compared with the previous year. This was mainly due to additional salaries and bonus of approximately HK$6,684,000 derived from the newly acquired IT services business during the Year.

Loss for the Year

Loss of the Group for the Year was approximately HK$24,604,000 (2019: profit of approximately HK$28,843,000), representing a downturn of approximately HK$53,447,000 as compared with last year. The downturn was mainly due to net effect of change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL approximately HK$71,443,000 (2019: approximately HK$29,373,000); change in fair value of contingent consideration receivables of approximately HK$3,009,000 (2019: Nil); the decrease of exchange loss of approximately HK$4,672,000 (2019: approximately HK$6,175,000); the increase of gross profit by approximately HK$21,131,000 as explained above; the increase in the finance costs of approximately HK$5,988,000 (2019: approximately HK$964,000); the increase of administrative and other operating expenses by approximately HK$20,723,000 as explained above; the concurrence of a supplemental resources fee of approximately HK$85,688,000 in current year (2019: Nil) and the impairment loss on goodwill of approximately HK$3,831,000 (2019: Nil).

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 PRC;

(2) Renewable energy business segment: service income from renewable energy services in Malaysia; and

(3) IT services business segment: provision of information technology outsourcing, consultancy and technical 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$73,910,000 for the Year (2019: approximately HK$75,234,000), representing an approximately 1.76% decrease as compared with last year.

Sale and Production of Coals

During the Year, the Group sold approximately 1,037,492 tonnes of coals (2019: approximately 1,764,591 tonnes) with total sales income of approximately HK$73,910,000 (2019: approximately HK$75,234,000). Details of sales of coals in tonnes are listed in the below table:

	2020	2019
Sales of coals	**1,037,492 tonnes**	1,764,591 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales *(tonnes)*	Coal Sales *in %*
Slack Coal	754,201	72.69
Weathered Coal	283,291	27.31
Total	1,037,492	100.00

(ii) Renewable Energy Business

Service income from renewable energy business contributed a revenue of approximately HK$775,000 for the Year (2019: approximately HK$391,000).

(iii) IT Services Business

Service income from IT services business contributed a revenue of approximately HK$53,304,000 for the Year (2019: Nil).

Reserves and Resources

The Group owns a mining right, which is located in Xinjiang. The mining right of the original Kaiyuan Mine was expired on 3 November 2019. Pursuant to the terms of the Transfer Agreement on 2 December 2019 entered into between the Department of Natural Resources of Xinjiang Uygur Autonomous Region of the PRC (the "Transferor") and Kaiyuan Company in respect of the new mining right with an enlarged mining area including the original mining area of Kaiyuan Mine of approximately 1.1596 km^2 for a term of 30 years from August 2019 to August 2049, the Transferor agreed to sell and Kaiyuan Company agreed to purchase, the mining permit in respect of the Enlarged Kaiyuan Mine, at an aggregate consideration of RMB160,978,000, which shall be settled in cash and paid by Kaiyuan Company to the Transferor in fifteen instalments. 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. It should be noted that the estimated coal resources are subject to the independent review and report on the coal resources estimation in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) produced by the Australasian Joint Ore Reserves Committee (the "JORC Code") by the Competent Person (as defined in the Listing Rules) to be included in the Competent Person's Report (as defined in the Listing Rules) as required under Chapter 18 of the Listing Rules. As at the date of this announcement, the Group has engaged a Competent Person (as defined in the Listing Rules) and in the progress to prepare the Competent Person's Report (as defined in the Listing Rules) in accordance with the requirements under Chapter 18 of the Listing Rules. Details of independent coal resources estimation of the Enlarged Kaiyuan Mine in compliance with the JORC Code will be disclosed in the circular to be despatched by the Company in relation to the Acquisition.

On 6 December 2019, the Transfer Agreement was duly executed by the Transferor and Kaiyuan Company.

As disclosed in the announcement dated 16 March 2020, Kaiyuan Company successfully renewed and received the renewed mining permit (the "Renewed Mining Permit") issued by the Xinjiang Natural Resources Department. According to the Renewed Mining Permit, the mining permit of the Enlarged Kaiyuan Mine is renewed for a period of 2 years from 21 December 2019 to 21 December 2021.

Estimated coal reserves for the original Kaiyuan Mine:

Seam	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (million tonnes) As of 31 March 2010 Proved	Probable	Total	% of 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
		14.43	–	14.43	100.00
		Total			
B_3	10.8	3.57	–	3.57	19.00
B_2	17.7	10.86	4.58	15.44	81.00
		14.43	4.58	19.01	100.00

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

The estimated remaining coal reserve in the original Kaiyuan Mine was approximately 5.11 million tonnes as at 31 March 2020 (2019: approximately 6.20 million tonnes). During the Year, there were approximately 1.09 million tonnes of coal being extracted (2019: approximately 1.70 million tonnes).

Coal Reserve as at 31 March 2020 = Coal Reserve as at 31 March 2019 – Amount of coal extracted by the Group during the period from 1 April 2019 to 31 March 2020.

Geographical segment

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 PRC, Hong Kong, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the PRC, 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 2020 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 2020, the Group had:

- net current assets of approximately HK$127,070,000 (2019: approximately HK$84,255,000).

- cash and cash equivalents of approximately HK$235,126,000 (2019: approximately HK$416,662,000) which comprised restricted bank balances of approximately HK$73,760,000 (2019: approximately HK$77,612,000) and the bank balances were the major components of the Group's current assets of approximately HK$259,694,000 (2019: approximately HK$432,459,000).

- current liabilities of approximately HK$132,624,000 (2019: approximately HK$348,204,000) which comprised mainly trade and other payables of approximately HK$54,929,000 (2019: approximately HK$58,794,000) and interest-bearing borrowings of approximately HK$65,345,000 (2019: approximately HK$68,345,000).

- non-current liabilities of approximately HK$233,637,000 (2019: approximately HK$3,257,000) which comprised convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK$146,426,000 and non-current portion payable of approximately HK$80,155,000 related to mining right payables.

The Group's gearing ratio was approximately 1.98 (2019: approximately 1.55). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss, mining right payables, promissory notes, 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 2020, there were 765,373,584 ordinary shares of the Company in issue.

Zero coupon 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 2023 by the shareholders of the Company on 11 March 2020.

Charges on Group's Assets

As at 31 March 2020, the Group had pledged restricted bank balances with carrying amount of approximately HK$73,760,000 (2019: approximately HK$77,612,000) to the bank as a security for interest-bearing borrowings.

Foreign Exchange Exposure

The Group mainly earns revenue in RMB and Hong Kong dollars 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. The currency exchange risk for the Year is mainly derived from the net exchange gain on convertible bond designated as financial liabilities at fair value through profit or loss, which is a result from the sustained depreciation of RMB against Hong Kong dollars. 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 issuance 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 2020, the Group did not have any material contingent liabilities.

Employees

As at 31 March 2020, the Group had 126 employees (2019: 82) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the PRC. Total staff costs (excluding directors' emoluments) for the Year amounted to approximately HK$50,609,000 (2019: approximately HK$10,913,000). 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2019: 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 audited 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 www.hkexnews.hk and the Company at 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, 23 June 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; 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).

* *English translation for identification purposes only.*