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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)**

### **EXPIRATION OF EXPLORATION PERMIT**

This announcement is made pursuant to Rule 13.09 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

References are made to the announcements of Nan Nan Resources Enterprise Limited (the “**Company**”) dated 7 May 2009 and 2 June 2010 respectively and its circulars dated 12 June 2009 and 27 July 2010 (the “**Circulars**”) respectively, all in relation to the acquisition (the “**Acquisition**”) of a total of 100% equity interest in Star Fortune International Investment Company Limited (the “**Target Company**”). Terms defined in the Circulars have the same meanings in this announcement, unless otherwise defined herein.

The Target Company, through its subsidiary, Mulei County Kai Yuan Company Limited\* (木壘縣凱源煤炭有限責任公司) (“**Kai Yuan Company**”), owns the mining rights in the Kaiyuan Open Pit Coal Mine\* (凱源露天煤礦) (the “**Kaiyuan Mine**”), and through its subsidiary, Qitai County Zexu Trading Company Limited\* (奇台縣澤旭商貿有限責任公司) (“**Zexu Company**”), owns an exploration permit (礦產資源勘查許可證) (the “**Exploration Permit**”) issued by the Department of Land and Resources of Xinjiang Uygur Autonomous Region (the “**Xinjiang Land Department**”) to conduct exploration activities in the Zexu Open Pit Coal Mine\* (澤旭露天煤礦) (the “**Zexu Mine**”), a mine situated at Bei Ta Mountain, Qitai County, Xinjiang Uygur Autonomous Region, the People’s Republic of China (the “**PRC**”) (中國新疆維吾爾自治區奇台縣北塔山). Therefore by acquiring the Target Company, the Company has acquired the mining rights in the Kaiyuan Mine and the Exploration Permit of the Zexu Mine. And this announcement is about the renewal issue of the Exploration Permit relating to the Zexu Mine.

Noting that the Exploration Permit would expire in October 2011, the Company commenced application procedures for the renewal of the Exploration Permit in February 2011. The Departments of Land and Resources in Qitai County (奇台縣) and Changji Hui Autonomous Prefecture (昌吉回族自治州) have already reviewed and approved the Company’s renewal application. However, the final approval from the Xinjiang Land Department has not yet been granted.

Normally this kind of renewal application would be granted for 2 years (subject to the Company having satisfied with the required standards and other requirements under the relevant rules and regulations and by the relevant government authorities in the PRC) according to the PRC legal opinion obtained by the Company, but the Company was informed by the Xinjiang Land Department that there was a change in government policy regarding

the management of coal mines in Zhundong Meitian Xiheishan Coal Mining Area\* (准東煤田西黑山煤礦開採區) (the “**Xiheishan Mining Area**”), where the Zexu Mine is located and therefore the renewal application has not yet been approved. The Xinjiang Land Department informed the Company that pursuant to the instructions from the National Development and Reform Commission of the PRC, the Xinjiang Land Department had to plan for a management restructuring of seven different coal mines (including the Zexu Mine) in the Xiheishan Mining Area (the “**Management Restructuring Plan**”), consolidating some smaller mines together so as to increase the size efficiency. After being informed of this Management Restructuring Plan, the Board has requested our management in Xinjiang to conduct frequent meetings and negotiations with the Xinjiang Land Department and other relevant government authorities to protect the Company’s interest in relation to the Exploration Permit.

A number of formal meetings have been held between the Xinjiang Land Department, other relevant government authorities, the Company, and owners and management of the other affected mines, on how to carry out the Management Restructuring Plan properly so that the interests of the mines affected will be properly protected or compensated in any finalized restructuring plan. One of the possible restructuring proposals relating to the Zexu Mine discussed is the exchange of the Exploration Permit for the mining rights of a coal mine with similar reserve to the Zexu Mine adjacent to the Kaiyuan Mine, where the Company is currently conducting mining work. This proposal, if approved, will be in the best interest of the Company as the Company will not have to spend further money for exploration and get a mine with similar reserve to the Zexu Mine that can go straight for mining. The restructuring proposals, however, are still under review and pending approval from the relevant government authorities. Therefore, the Exploration Permit has not yet been renewed and expired on 22 October 2011.

At present, the main stream of income of the Company is generated from the coal mining by Kai Yuan Company in the Kaiyuan Mine. As mentioned in the Circulars, the considerations of the Acquisition were determined, among other things, mainly with reference to the financial information of Kai Yuan Company due to the fact that Zexu Company (which owns the Exploration Permit only) has not yet commenced business. Therefore the temporary non-renewal of the Exploration Permit will not adversely affect the current operation of the Company, as the Zexu Mine has not generated or contributed to any income of the Company. Coupled with the fact that the Company will be compensated in case of non-renewal of the Exploration Permit, the Directors consider that the expiry of the Exploration Permit does not have adverse impact on the financial situation of the Company.

The Company shall keep the shareholders and investors of the Company posted of any further development in respect of the renewal of the Exploration Permit or related restructuring proposal approved by the Xinjiang Land Department.

By order of the Board  
**Nan Nan Resources Enterprise Limited**  
**Wang Xiangfei**  
*Executive Director*

Hong Kong, 11 November 2011

*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.*

\* *For identification purposes only*