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If you have sold or transferred all your shares in Nan Nan Resources Enterprise Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$200,000,000 ZERO COUPON
CONVERTIBLE BOND DUE 2014
AND
NOTICE OF SGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser, Karl Thomson Finance, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 26 of this circular.

A notice convening a SGM to be held at Suites 1003–1006, 10/F., Two Pacific Place, 88 Queensway, Hong Kong on Monday, 10 March 2014 at 12:00 noon is set out on pages 33 to 34 of this circular.

Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise.

"1st Extension"	The extension of the maturity date of the Convertible Bond for 36 months, together with the conversion period which will also be extended for 36 months to 13 March 2014 accordingly pursuant to the Deed of Amendment
"1st Extension Circular"	The Company's circulars dated 21 February 2011 in relation to, among other matters, the 1st Extension
"2nd Deed of Amendment"	The 2nd deed of amendment dated 21 January 2014 (as amended and supplemented by the Supplemental Deed) entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to further extend the maturity date and conversion period of the Convertible Bond for 36 months to 13 March 2017
"2nd Extension"	A further extension of the maturity date of the Convertible Bond for 36 months, together with the conversion period which will also be further extended for 36 months to 13 March 2017 pursuant to the 2nd Deed of Amendment
"Board"	Board of Directors
"Company"	Nan Nan Resources Enterprise Limited (stock code: 1229), a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange
"connected persons"	has the meaning ascribed thereto in the Listing Rules
"Conversion Period"	The period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date
"Conversion Price"	HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type
"Conversion Share(s)"	Share(s) to be issued pursuant to exercise of the Convertible Bond

DEFINITIONS

“Convertible Bond”	outstanding and exercisable zero per cent convertible bond issued by the Company to the Subscriber with an aggregate principal amount of HK\$200,000,000
“Deed of Amendment”	The deed of amendment dated 11 February 2011 entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to extend the maturity date and conversion period of the Convertible Bond for 36 months to 13 March 2014
“Directors”	The directors of the Company
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board comprising all the independent non-executive Directors to advise the Independent Shareholders on the 2nd Extension
“Independent Financial Adviser” or “Karl Thomson”	Karl Thomson Finance, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the 2nd Extension
“Independent Shareholders”	Shareholders, other than the Subscriber and its associates
“Independent Third Party”	independent third party (parties) who is (are) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	10 February 2014, being the latest practicable date for ascertaining certain information in this circular before printing of this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Maturity Date”	the date upon which the Convertible Bond will expire and the last day for the Company to repay the outstanding amount under the Convertible Bond
“Mulei County”	People’s Government of Mulei Kazak Autonomous County* (木壘哈薩克自治縣人民政府) of the PRC
“PRC”	the People’s Republic of China (for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider, and if thought fit, approve the 2nd Extension
“Share(s)”	ordinary share(s) in the paid up capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ascent Goal Investments Limited, the Substantial Shareholder of the Company and the subscriber to the Convertible Bond, a company incorporated in British Virgin Islands with limited liability, which is wholly-owned by China Sonangol International Limited a company incorporated in Hong Kong with limited liability
“Subscription Circular”	the Company’s circulars dated 21 February 2008 in relation to, among other matters, (i) proposed subscription of new shares and convertible bond and (ii) increase in authorized share capital
“Substantial Shareholder(s)”	has the meaning ascribed in the Listing Rules
“Supplemental Deed”	the supplemental deed dated 28 January 2014 entered into between Company and the Subscriber to amend and supplement the 2nd Deed of Amendment

* for identification purpose only



**NAN NAN RESOURCES
ENTERPRISE LIMITED**
南南資源實業有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

Executive Directors:

Ms. Lo Fong Hung (*Chairperson and Managing Director*)
Mr. Wang Xiangfei
Mr. Kwan Man Fai

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Wong Man Hin, Raymond
Mr. Lam Ka Wai, Graham
Mr. Chan Yiu Fai, Youdey

Principle place of business:

Suites 1003–1006, 10th Floor
Two Pacific Place
88 Queensway
Hong Kong

13 February 2014

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$200,000,000 ZERO COUPON
CONVERTIBLE BOND DUE 2014**

1. INTRODUCTION

References are made to the announcement of the Company dated 28 January 2008 in relation to the subscription of the Convertible Bond, the Subscription Circular, the announcement of the Company dated 11 February 2011 in relation to the 1st Extension, the 1st Extension Circular and the announcements of the Company dated 21 January 2014 and 28 January 2014 in relation to the 2nd Extension.

As mentioned in the Subscription Circular and the 1st Extension Circular, the Company entered into a conditional subscription agreement on 15 January 2008 with the Subscriber, pursuant to which the Company issued the Convertible Bond to the Subscriber in an aggregate principal amount of HK\$200,000,000. The Convertible Bond bears no interest and is convertible into Shares. All outstanding Convertible Bond should have matured on 13 March 2011 pursuant to the original terms and conditions of the Convertible Bond.

LETTER FROM THE BOARD

On 11 February 2011, the Company and the Subscriber entered into a Deed of Amendment to extend the maturity date and accordingly the conversion period of the Convertible Bond for 36 months to 13 March 2014. Accordingly, all outstanding Convertible Bond is going to mature on 13 March 2014.

As at the Latest Practicable Date, the Convertible Bond with an aggregate amount of HK\$200,000,000 held by the Subscriber is still outstanding.

The purposes of this circular is to provide you with, among other things, further information on (i) the 2nd Deed of Amendment and the 2nd Extension; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from Karl Thomson containing their advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM to consider and if, thought fit, to approve the resolution in relation to the 2nd Extension.

2. 2ND DEED OF AMENDMENT

On 21 January 2014, the Company and the Subscriber entered into a 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed dated 28 January 2014), pursuant to which the maturity date of the Convertible Bond will be extended for 36 months and the conversion period will accordingly be extended for 36 months to 13 March 2017.

The 2nd Deed of Amendment is subject to the fulfillment of the following conditions:

- (a) the passing by the Independent Shareholders at the SGM of the necessary resolutions to rectify and approve the 2nd Deed of Amendment and the 2nd Extension;
- (b) the Stock Exchange having approved the 2nd Extension in accordance with Rule 28.05 of the Listing Rules; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the 2nd Extension having been obtained.

None of the above conditions could be waived by the parties to the 2nd Deed of Amendment. The 2nd Deed of Amendment shall have no effect unless and until all the conditions precedent set out above are fulfilled. The effective date of the 2nd Deed of Amendment shall be on the date when all its conditions precedents are fulfilled.

As at the Latest Practicable Date, the Stock Exchange has approved the 2nd Extension in accordance with Rule 28.05 of the Listing Rules. Save as disclosed, none of the above conditions have been fulfilled.

3. TERMS OF THE CONVERTIBLE BOND

Apart from the Maturity Date and the Conversion Period, all terms of the Convertible Bond remain unchanged.

LETTER FROM THE BOARD

The principal terms of the Convertible Bond (as amended by the Deed of Amendment and the 2nd Deed of Amendment) will be as follows:

Principal amount	HK\$200,000,000.
Coupon	Zero (0)% interest rate.
Maturity	the Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the maturity date, being the date falling 108 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2017.
Conversion	The holders of the Convertible Bond may convert the whole or part of the principal amount of the Convertible Bond (in multiples of HK\$1,000,000) into such number of Shares determined by dividing the principal amount of the Convertible Bond being converted by the Conversion Price then in effect on any business day during the Conversion Period.
Conversion Price	<p>HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:</p> <ul style="list-style-type: none">(i) any consolidation or sub-division of the Shares;(ii) any issue of the Shares (other than in lieu of a cash dividend) by way of capitalization of profits or reserves;(iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash;(iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement;

LETTER FROM THE BOARD

- (v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement;
- (vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price at the date of the related announcement; or
- (vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the related announcement.

Conversion period

The Conversion Period is a period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date.

Redemption

Neither the Company nor the holder of Convertible Bond shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.

Transferability

The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.

Public float

The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

LETTER FROM THE BOARD

Ranking of Conversion Shares

The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.

Listing

No application has been nor will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognized stock or securities exchanges.

Application has been made by the Company to the Listing Committee of the Stock Exchange, for the listing of, and permission to deal in, the aggregate of 1,000,000,000 shares Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond in full, and the listing of, and permission to deal in those conversion shares was granted by the Stock Exchange on 11 March 2008.

4. REASONS FOR THE EXTENSION

The 2nd Extension effectively allows the Group to refinance the debts under the Convertible Bond under the same terms for a further 36 months. As at the Latest Practicable Date, the Company has sufficient funds to fully repay the Convertible Bond. However, the Board is of the view that the 2nd Extension will enable the Company to retain the funds for potential investments or opportunities, in particular the investment opportunities for the coal mine in Kaiyuan, the PRC, where the Company is now conducting mining activities.

As disclosed in the announcement of the Company dated 21 March 2012 and the 2013 annual report of the Company, Mulei County has proposed to increase the mining area of Kaiyuan mine, subject to further approval from the People's Government of Xinjiang Uygur Autonomous Region of the PRC. When the expansion plan is materialized, the Group could apply the fund for setting up new production facilities and processing plants to meet the increase in the production capacity.

On top of that, the fund may also allow the Company to invest timely should it identify any other investment opportunities. Nevertheless, as at the Latest Practicable Date, save as disclosed above, the Company does not have any concrete plans regarding any acquisitions or investments.

Since the Convertible Bond is zero coupon, it will not incur any interest burden for the Group for the next 3 years. Further, other terms and conditions of the Convertible Bond will remain unchanged save for the Maturity Date and the Conversion Period.

LETTER FROM THE BOARD

Accordingly, the Board ^{Note 1} (excluding the independent non-executive directors whose views are set out in the “Letter from the Independent Board Committee” in this circular) considers that the terms and conditions of the 2nd Deed of Amendment are fair and reasonable and the 2nd Extension is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the 2nd Extension will not pose any significant impact on the operations of the Group.

Note 1: As Ms. Lo Fong Hung and Mr. Wang Xiangfei have material interest in the transaction, they have abstained from voting on the board resolution in relation to the 2nd Extension.

5. INFORMATION ON THE GROUP AND THE SUBSCRIBER

The principal activities of the Group are investment holding, mining, sales and distribution of coal.

The Subscriber is an investment holding company. Save for holding 74.42% shareholding in the Company and the Convertible Bond, the Subscriber does not have any other significant business activities.

6. LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for and the Stock Exchange has granted its approval for the proposed amendments contemplated by the 2nd Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

As at the Latest Practicable Date, the Subscriber holds 74.42% of the issued share capital of the Company and hence a Substantial Shareholder and connected person of the Company under the Listing Rules. The 2nd Extension to be effected by the 2nd Deed of Amendment between the Company and the Subscriber constitutes a connected transaction of the Company under the Listing Rules and, therefore, the 2nd Extension is subject to reporting, announcement and Independent Shareholders’ approval requirement.

Directors of the Company, Ms. Lo Fong Hung and Mr. Wang Xiangfei, both having a material interest in the transaction, have abstained from voting on the board resolution in relation to the 2nd Extension. Ms. Lo Fong Hung has material interest in the transaction by virtue of her 30% equity interest in New Bright International Development Limited, which in turn holds 70% equity interest in China Sonangol International Limited, which is a holding company of the Subscriber. Mr. Wang Xiangfei has material interest in the transaction by virtue of him being the spouse of Ms. Lo Fong Hung.

LETTER FROM THE BOARD

7. GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders and Karl Thomson has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the 2nd Deed of Amendment and the 2nd Extension.

8. SGM AND PROXY ARRANGEMENT

A SGM will be held for the Independent Shareholders to consider and if thought fit, pass the resolution to approve, among other things, the 2nd Deed of Amendment and the transactions contemplated thereunder (including the 2nd Extension). The SGM will be held at Suites 1003–1006, 10/F., Two Pacific Place, 88 Queensway, Hong Kong on Monday, 10 March 2014 at 12:00 noon. The notice of the SGM is set out on pages 33 and 34 of this circular. The voting on such resolution will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

As at the Latest Practicable Date, since the Subscriber has a material interest in the transaction contemplated under the 2nd Deed of Amendment, the Subscriber and his associates, will abstain from voting on the resolution to approve the 2nd Deed of Amendment and the 2nd Extension.

An announcement on the results of the SGM will be made by the Company following the SGM in accordance with the Listing Rules.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and return, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

9. RECOMMENDATION

The Directors (excluding three independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular), consider that the terms of the 2nd Extension are fair and reasonable and in the interests of the Shareholders and the Company as a whole and therefore, they recommend the Independent Shareholders to vote in favour of the proposed ordinary resolution set out in the notice of the SGM to approve and/or ratify the 2nd Deed of Amendment and the transactions contemplated thereunder (including the 2nd Extension).

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 12 to 13 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the transaction; and (ii) the letter from Karl Thomson set out on pages 14 to 26 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the transaction and the principal factors and reasons considered by Karl Thomson in arriving at its recommendations.

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



**NAN NAN RESOURCES
ENTERPRISE LIMITED**
南南資源實業有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

13 February 2014

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$200,000,000 ZERO COUPON
CONVERTIBLE BOND DUE 2014**

INTRODUCTION

We refer to the circular of the Company of even date (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the 2nd Deed of Amendment and the transactions contemplated thereunder (including the 2nd Extension). Karl Thomson has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 14 to 26 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE
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RECOMMENDATION

Having considered the terms of the 2nd Deed of Amendment, the transactions contemplated thereunder and taking into account the independent advice of Karl Thomson and the relevant information contained in the letter from the Board, we are of the opinion that the 2nd Deed of Amendment and the transactions contemplated thereunder (including the 2nd Extension) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve and/or ratify the 2nd Deed of Amendment and the transactions contemplated thereunder (including the 2nd Extension).

Yours faithfully,

For and on behalf of

Independent Board Committee

Lam Ka Wai Graham

Wong Man Hin Raymond

Chan Yiu Fai Youdey

LETTER FROM KARL THOMSON

The following is the text of the letter from Karl Thomson to the independent board committee of Nan Nan Resources Enterprise Limited and its independent shareholders in respect of the connected transaction in relation to 2nd Extension of the maturity date of the HK\$200,000,000 zero coupon Convertible Bond due 2014 for inclusion in this circular.



高信融資服務有限公司
Karl Thomson Financial Advisory Limited
27/F, Fortis Tower, 77-79 Gloucester Road,
Wanchai, Hong Kong
香港灣仔告士打道77-79號富通大廈27樓

13 February 2014

To the independent board committee and the independent shareholders of
Nan Nan Resources Enterprise Limited

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK\$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2014

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of whether the 2nd Extension is in the interests of the Company and the Shareholders as a whole and whether the terms of the 2nd Deed of Amendment are fair and reasonable so far as the Independent Shareholders are concerned. Details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 13 February 2014 (the "**Circular**"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

On 21 January 2014, the Company and the Subscriber entered into the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed dated 28 January 2014) to further extend the maturity date of the Convertible Bond for 36 months to 13 March 2017. The 2nd Extension will be subject to the fulfilment of the conditions under the 2nd Deed of Amendment and the Supplemental Deed. Save for the 2nd Extension, the existing terms and conditions of the Convertible Bond remain intact and unchanged.

LETTER FROM KARL THOMSON

The Subscriber, being a Substantial Shareholder of the Company, holds 74.42% of the total issued share capital of the Company and hence it is a connected person of the Company under the Listing Rules. The 2nd Extension to be effected by the 2nd Deed of Amendment and the Supplemental Deed between the Company and the Subscriber constitutes a connected transaction of the Company. As such, the 2nd Extension is subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the SGM, under the Listing Rules. An independent board committee comprising the independent non-executive directors of the Company has been established to consider and advise the Independent Shareholders on whether the 2nd Extension and the terms of the 2nd Deed of Amendment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Independent Shareholders should note that pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the 2nd Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the 2nd Extension in this respect. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules.

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, its Directors and management. We have assumed that all statements and representations made or referred to in the Circular were true at the time when they were made and continue to be true at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Company, its Directors and management in the Circular were reasonably made after due enquiry. We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and management nor to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the 2nd Extension contemplated under the 2nd Deed of Amendment, we have considered the following principal factors and reasons:

I. Background information

Reference is made to the Subscription Circular. Ascent Goal Investments Limited, the Subscriber, is a wholly-owned subsidiary of China Sonangol International Limited. China Sonangol International Limited is a company incorporated in Hong Kong and is principally engaged in the exploration, development, production and sale of crude oil, property and hotel investment, and investment holdings.

As mentioned in the Subscription Circular, the Company was originally engaged in marketing and trading of clocks and other office related products, lighting products and trading of metals. Due to the successive losses in business and deteriorating asset base of the Group, the Board decided to broaden and expand the scope of business and income stream of the Group by seeking potential investors. In view of the Subscriber's extensive experience and network in the natural resources industry as well as the prospects regarding natural resources industry, on 15 January 2008, the Company had entered into the subscription agreement with the Subscriber, pursuant to which the Company (i) had conditionally agreed to allot and issue to the Subscriber, and the Subscriber had conditionally agreed to subscribe in cash consideration of HK\$80,000,000 for a total of 400,000,000 subscription shares at the subscription price of HK\$0.20 per subscription share; and (ii) had conditionally agreed to issue the Convertible Bond to the Subscriber in an aggregate principal amount of HK\$200,000,000 for a term of three years.

As mentioned in the Subscription Circular, the net proceeds from the subscription of Shares and the Convertible Bond would be used for the potential investment opportunities and the general working capital of the Group. In 2010, the Group has acquired a mining company, of which the principal businesses are mining, sale and distribution of coals in the PRC. The mining company is currently a wholly owned subsidiary of the Company. The mining resources owned by the Group include the mining rights and of the exploration rights of coal mines located in Xinjiang Uygur Autonomous Region, the PRC.

Pursuant to the original terms and conditions of the Convertible Bond, all outstanding Convertible Bond should have matured on 13 March 2011. As mentioned in the 1st Extension Circular, although the Company has sufficient funds to fully repay the Convertible Bond at maturity, the Board was of the view that the 1st Extension could enable the Company to retain the funds for potential investments or opportunities. On 11 February 2011, the Company and the Subscriber entered into a Deed of Amendment to extend the maturity date of the Convertible Bond for 36 months to 13 March 2014. Accordingly, all outstanding Convertible Bond will be mature on 13 March 2014. As at the Latest Practicable Date, the Convertible Bond with an aggregate amount of HK\$200,000,000 held by the Subscriber is still outstanding.

LETTER FROM KARL THOMSON

II. 2nd Deed of Amendment

On 21 January 2014, the Company and the Subscriber entered into a 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed dated 28 January 2014), pursuant to which the maturity date of the Convertible Bond will be extended for 36 months and the conversion period will accordingly be extended for 36 months to 13 March 2017.

The 2nd Deed of Amendment is subject to the fulfillment of the following conditions:

- (a) the passing by the Independent Shareholders at the SGM of the necessary resolutions to rectify and approve the 2nd Deed of Amendment and the 2nd Extension;
- (b) the Stock Exchange having approved the 2nd Extension in accordance with Rule 28.05 of the Listing Rules; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the 2nd Extension having been obtained.

None of the above conditions could be waived by the parties to the 2nd Deed of Amendment. This 2nd Deed of Amendment shall have no effect unless and until all the conditions precedent set out above are fulfilled. The effective date of the 2nd Deed of Amendment shall be on the date when all its conditions precedents are fulfilled. Apart from the 2nd Extension, all other terms and conditions of the Convertible Bond remain unchanged. The principal terms of the Convertible Bond (as amended by Deed of Amendment and 2nd Deed of Amendment) will be as follows:

Principal amount: HK\$200,000,000.

Coupon: Zero (0)% interest rate.

Maturity: the Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the maturity date, being the date falling 108 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2017.

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- Conversion: The holders of the Convertible Bond may convert the whole or part of the principal amount of the Convertible Bond (in multiples of HK\$1,000,000) into such number of Shares determined by dividing the principal amount of the Convertible Bond being converted by the Conversion Price then in effect on any business day during the Conversion Period.
- Conversion Price: HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:
- (i) any consolidation or sub-division of the Shares;
 - (ii) any issue of Shares (other than in lieu of a cash dividend) by way of capitalization of profits or reserves;
 - (iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash;
 - (iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement;
 - (v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement;
 - (vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price at the date of the related announcement; or

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- (vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the related announcement.

Conversion period:	The Conversion Period is a period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date.
Redemption:	Neither the Company nor the holder of Convertible Bond shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.
Transferability:	The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.
Public float:	The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
Ranking of Conversion Shares:	The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.
Listing:	No application has been nor will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognized stock or securities exchanges.

Application have be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the aggregate of 1,000,000,000 shares Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond in full, and the listing of, and permission to deal in those conversion shares was granted by the Stock Exchange on 11 March 2008.

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Conversion Price

For the purpose of formulating our advice, we have investigated and compared the Conversion Price with the current market price of the Shares. The table below summarizes the average monthly closing price of the Shares with volume traded on the Stock Exchange from 1 January 2013 to the Latest Practicable Date (the “**Review Period**”):

	Average closing price per Share (HK\$)	Average trading volume (Shares)	Discount of the Conversion Price to the average closing price per Share
2013:			
January	0.811	294,260	75.34%
February	0.722	76,900	72.30%
March	0.666	46,667	69.97%
April	0.669	19,636	70.10%
May	0.553	226,435	63.83%
June	0.428	667,900	53.27%
July	0.340	463,391	41.18%
August	0.346	27,182	42.20%
September	0.351	1,459,524	43.02%
October	0.360	831,217	44.44%
November	0.403	151,524	50.37%
December	0.429	459,455	53.38%
2014:			
January	0.404	124,090	50.50%
February (<i>up to and including the Latest Practicable Date</i>)	0.396	48,000	49.49%
Average	0.491	349,856	59.27%

Source: the website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the table above, the average monthly closing price per share fluctuated in a range from HK\$0.340 to HK\$0.811 during the Review Period. The Conversion Price represents a discount of approximately 75.34% to the highest average monthly closing price of HK\$0.811 and a discount of approximately 41.18% to the lowest average monthly closing price of HK\$0.340. The average closing prices of the Shares were above the Conversion Price during the entire Review Period.

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On the other hand, we noted that the liquidity of Shares has been relatively thin during the Review Period. The average trading volume of approximately 349,856 Shares, represents only about 0.05% of a total of 765,373,584 Shares in issue as at the Latest Practicable Date. Given the generally low liquidity of the Shares, we consider that the Subscriber might not be able to realize his shareholdings in the market after the conversion of the Convertible Bond. Furthermore, since the trading volume of the Shares is insufficient, the disposal of large number of Shares within a short period might put substantial downward pricing pressure on the price of the Shares. Such depression in Share price could have negative impacts on the Group's funding ability and credibility.

Despite a significant discount of the Conversion Price on the current market price of the Share, having considered the above discussion and i) the Convertible Bond represented an interest free loan with a term of 3 year which is much preferable than the market rate for commercial loans offered by the financial institutions in Hong Kong; and ii) it is unlikely that the Company would be able to procure any form of bank loan with favorable term taking into account the continuous loss trend of the Company, we consider that the Conversion Price is still acceptable so far as the Independent Shareholders are concerned.

III. Reasons for and benefits of the 2nd Extension

As stated in the Letter from the Board, the Convertible Bond will be due on 13 March 2014. According to the terms of the Convertible Bond, the Company shall redeem all outstanding Convertible Bond on the Maturity Date, which amounted to HK\$200,000,000 as at the Latest Practicable Date. By entering into the 2nd Deed of Amendment, the 2nd Extension can relieve the imminent need of the Company to repay the Convertible Bond, which in turn, can enable the Company to retain the funds for potential investments or opportunities and general working capital of the Group. Further, the Convertible Bond bears no interest and it will not incur any interest burden for the Group for the next three years, the Directors are of the view that it is in the better interest of the Company and its Shareholders as a whole to utilize the resources of the Group for business development instead of for redemption of the outstanding Convertible Bond.

In formulating our advice regarding the fairness and reasonableness of the 2nd Extension, we have conducted analyses on (i) financial position and operating results of the Group; (ii) potential investment and development plan; (iii) zero coupon rate for the 2nd Extension; (iv) other financing alternatives; (v) dilution effect caused by immediate full conversion of Convertible Bond and minimum public float requirement under the Listing Rules; and (vi) effects of the Subscriber selling his existing Shares in order to exercise the Convertible Bond. Detailed discussion is set out in the sections hereunder.

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(i) *Financial position and operating results of the Group*

Set out below is a summary of the Group's financial position and the operating results extracted from the latest published interim and annual reports of the Company:

	Six months ended 30 September 2013 <i>(unaudited)</i> <i>HK\$'000</i>	For the year ended 31 March 2013 <i>(audited)</i> <i>HK\$'000</i>
Turnover	64,323	165,041
Loss before tax	(2,280)	(16,983)

	As at 30 September 2013 <i>(unaudited)</i> <i>HK\$'000</i>	As at 31 March 2013 <i>(audited)</i> <i>HK\$'000</i>
Cash and cash equivalents	288,345	255,620
Current assets value	335,498	326,849

As shown in the table above, the Group's unaudited cash and cash equivalents and the current asset value as at 30 September 2013 were approximately HK\$288.3 million and HK\$335.5 million respectively. Since the Convertible Bond is to be due on March 2014, the Company may choose to redeem the Convertible Bond or issue the Conversion Shares to the Subscriber in order to fully settle the Convertible Bond if its maturity date will not be extended. If the Convertible Bond was to be fully redeemed, the cash required would be HK\$200 million. Full repayment of the Convertible Bond will substantially decrease the cash balance of the Group to approximately HK\$88 million, which may impose negative impact on the Group's liquidity. In view of the substantial decrease in the Group's liquidity, there is no certainty that adequate cash resources will be available to the Group to maintain its current business operation and development after redemption.

Regarding the operating results, we noted that the Group has recorded continuous loss in the previous financial years. In particular, losses of the Group were approximately HK\$2.28 million and HK\$16.98 million for the period ended 30 September 2013 and 31 March 2013 respectively. As stated in 2013 interim report of the Company, the loss of the Group was mainly due to the decrease in both sales volume and average selling price of coal resulted from the decrease in market demand. Having considered the continuous loss of the Group, it is prudent and rational for the Company to retain sufficient cashflow to finance the existing loss making business and the future development of the Group instead of utilizing most of the working capital to

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redeem the outstanding Convertible Bond. In the event the Group's operation performance continues to be unsatisfactory, we considered that the 2nd Extension is the best alternative to retain its liquidity at this stage in order to avoid uncertainties in such circumstances that there will be insufficient fund for the Group to maintain its current business.

(ii) Potential investment and development plan

As mentioned in the section headed "Background information" above, the Company is currently engaged in its coal mining business to generate revenues for the Group. As disclosed in the 2013 annual report of the Company, according to the restructuring plan being proposed by the People's Government of Mulei Kazak Autonomous County ("**Mulei County**") to the Administrative Bureau of Coal Industry of Changji Prefecture, Mulei County has proposed to increase the mining area of Kaiyuan mine, where the Company is now conducting mining activities. It is also stated that the production capacity of the Kaiyuan mine will significantly increase after expansion. The expansion plan is subject to further approval from Changji Prefecture, Xinjiang Uygur Autonomous Region, and Xinjiang Land Department.

If the expansion plan materialized, the Group might have to set up new production facilities and processing plants to meet the increase in the production capacity, timely funding requirements are needed as a consequence. Should the Company repay the Convertible Bond in full, the Company would miss the financial capability to take advantage of such opportunity. As such, we consider that it is reasonable for the Company to retain adequate funding to meet its urgent liquidity needs.

(iii) Zero coupon rate for the 2nd Extension

Apart from the extension on the maturity date, all other terms and conditions of the Convertible Bond remain unchanged including but not limited to the zero coupon rate and no requirement for guarantee and security. Since the Convertible Bond bears no interest and it will not incur any interest burden for the Group for the next three years, therefore there will be no cash outflow from the Group as a result of the 2nd Extension.

(iv) Other financing alternatives

We have discussed with the Company on whether they have considered other financing methods for the redemption of the Convertible Bond. As advised by the Directors, the Board has considered other alternative fund raising methods such as bank borrowing. However, bank borrowing may incur interest burden on the Group and it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition. Given the unsatisfactory profitability of the Company, there is no certainty that the Company would be

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able to procure favorable terms in such bank borrowing. We are of the view that the 2nd Extension of the Convertible Bond carrying no interest which is much less than the cost of bank borrowing. Furthermore, issuing new bonds, placing Shares for cash, right issue or open offer may also involve relatively substantial time and cost to complete when compared to the 2nd Extension. As such, we are of the opinion that while there are other financing alternatives available for the Company to raise additional funds in order to repay the Convertible Bond, the benefits of the 2nd Extension outweigh the alternative financing methods.

(v) *Dilution effect caused by immediate full conversion of Convertible Bond and minimum public float requirement under the Listing Rules*

The following table sets out the shareholding structure of the Company as at (i) the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bond.

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bond (Note)	
	No. of Shares	%	No. of Shares	%
Ascent Goal Investments Limited	569,616,589	74.42	569,616,589	32.27
Convertible Bond	–	–	1,000,000,000	56.65
Sub-total	569,616,589	74.42	1,569,616,589	88.91
Existing Public Shareholders	195,756,995	25.58	195,756,995	11.09
Total	<u>765,373,584</u>	<u>100.00</u>	<u>1,765,373,584</u>	<u>100.00</u>

Note: Full conversion of the Convertible Bond is based on a hypothetical basis and in no way implies or indicates that Ascent Goal Investments Limited could or will exercise such conversion rights of the Convertible Bond to reduce the interest of public Shareholders to below 25%.

The table above illustrates that the aggregate shareholding of the existing public Shareholders will decrease from approximately 25.58% as at the Latest Practicable Date to approximately 11.09% upon full conversion of the Convertible Bond, which represents a 14.49% potential dilution to the shareholdings of the existing public Shareholders. Such dilution might not be favorable to the Independent Shareholders.

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Pursuant to the terms of the Convertible Bond, the exercise of the conversion rights attaching to the Convertible Bond by the bondholders will be subject to the provisions under the Listing Rules. The Company shall ensure that no less than 25% shareholdings will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules. In particular, the conversion rights attaching to the Convertible Bond will not be exercised by the bondholders and the Company will not issue the Conversion Shares if the Company would be unable to meet the public float requirement under the Listing Rules, immediately following the conversion.

As shown in the table above, Ascent Goal Investments Limited, is interested in 569,616,589 Shares, representing approximately 74.42% of the issued share capital of the Company as at the Latest Practicable Date. In the event that the Subscriber exercises the conversion rights, the outstanding Convertible Bond will be converted into 1,000,000,000 Conversion Shares and issued to the Subscriber. The Subscriber will be interested in 1,569,616,589 Shares, or 88.91% of the issued share capital of the Company while the aggregate shareholding of the existing public Shareholders will decrease to approximately 11.09% upon full conversion of the Convertible Bond. In such event, the Company would be in breach of the minimum public float requirement under the Listing Rules.

In view of the dilution effect and possible breach of the Listing Rules triggered by the conversion of the Convertible Bond, we are of the view that entering into the 2nd Deed of Amendment to extend the maturity date of the Convertible Bond is reasonable measure to avoid material impact on the interest of the Independent Shareholders and insufficient shareholdings of public float.

(vi) Effects of the Subscriber selling his existing Shares in order to exercise the Convertible Bond

Instead of fully exercising the rights attached to the Convertible Bond, the Subscriber could sell a portion of the existing interest in the Company prior to exercising the conversion rights attaching to the Convertible Bond to ensure the public float requirement under the Listing Rules is fully complied.

As mentioned in the analysis on the market price and the trading volume of the Shares as shown above, the liquidity of the Shares is generally low. In the event the Subscriber decides to sell his existing interest in the Company, such disposal of Shares might put substantial downward pressure on the Shares price which could have negative impacts on the Group's funding ability and credibility.

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RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the 2nd Extension and the terms of the 2nd Deed of Amendment are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the 2nd Extension and 2nd Deed of Amendment at the upcoming SGM.

Yours faithfully,
For and on behalf of
Karl Thomson Financial Advisory Limited
Alex Chow
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in an associated corporation of the Company

Name of director	Note	Name of associated corporation	Nature of interest	Number of shares Interested	Approximate percentage of the issued share capital
Ms. Lo Fong Hung	1, 3	New Bright International Development Limited	Interests of controlled corporation	3,000(L)	30.0%
Mr. Wang Xiangfei	2	New Bright International Development Limited	Interests of controlled corporation	3,000(L)	30.0%

(L) denotes as long position

Notes:

1. Ms. Lo Fong Hung ("Ms. Lo") is interested in 3,000 shares in New Bright International Development Limited ("New Bright"), representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol International Limited ("China Sonangol"). China Sonangol is the holding company of Ascent Goal Investments Limited ("Ascent Goal"), the controlling shareholder of the Company.
2. Mr. Wang Xiangfei is the husband of Ms. Lo and is deemed to be interested in 3,000 shares of New Bright under the SFO.
3. Ms. Lo, an executive director, owns 30% of the issued share capital of New Bright which in turn is interested in 70% of China Sonangol. China Sonangol is the holding company of Ascent Goal. Thus, Ms. Lo has an attributable interest in 569,616,589 Shares and a HK\$200,000,000 convertible bond giving rise to an interest in 1,000,000,000 underlying shares of the Company.

Save for the information disclosed above, as at the Latest Practicable Date, none of the directors or chief executives of the Company or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interests

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares or underlying shares of the Company

Name of Shareholder	Notes	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company ⁶
Ascent Goal Investments Limited	1, 4	Beneficial owner	1,569,616,589	205.08%
China Sonangol International Limited	2, 4	Interests of controlled corporation	1,569,616,589	205.08%
New Bright International Development Limited	2, 4	Interests of controlled corporation	1,569,616,589	205.08%
Ms. Fung Yuen Kwan Veronica	3, 4	Interests of controlled corporation	1,569,616,589	205.08%
Africa Israel Investments Ltd	5	Beneficial owner	45,000,000	5.88%
Mr. Lev Leviev	5	Beneficial owner	1,000,000	0.13%
	5	Interests of controlled corporation	74,000,000	9.67%

Notes:

1. Ascent Goal was directly interested in 569,616,589 Shares and a further 1,000,000,000 underlying Shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20. These 1,569,616,589 Shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 Shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying Shares.
2. Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.
3. Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the Shares and underlying Shares through her 70% interests in New Bright.

4. The 569,616,589 Shares and 1,000,000,000 underlying Shares under the Convertible Bond represent 74.42% and 130.66% of the existing issued share capital of the Company respectively, thus the total of 569,616,589 Shares and 1,000,000,000 underlying Shares represent 205.08% of the existing issued share capital of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.
5. For the Shares held by Mr. Lev Leviev of these Shares, 45,000,000 Shares were held by Africa Israel Investments Limited, a company controlled by Mr. Lev Leviev through his 74.89% interests in Africa Israel Investments Ltd; 29,000,000 Shares were held by Memorand Management (1998) Ltd, a 99% owned subsidiary of Memorand Ltd, which in turn is a wholly-owned company of Mr. Lev Leviev; and 1,000,000 Shares were held by Mr. Lev Leviev directly.
6. The approximate percentage of shareholdings is based on 765,373,584 Shares as at the Latest Practicable Date, not the enlarged issued share capital of the Company upon full conversion of the Convertible Bond.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save for Ms. Lo Fong Hung, who is the executive Director and the director of the Subscriber, China Sonangol and New Bright, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business and none of the Directors nor their respective associates is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

8. EXPERT'S QUALIFICATION AND CONSENT

Karl Thomson has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of Karl Thomson who has given its opinions or advices which are contained in this circular:

Name	Qualification
Karl Thomson	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO.

9. EXPERTS' INTERESTS

As the Latest Practicable Date, Karl Thomson did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2013, the date to which the latest audited financial statements of the Group were made up, and was not beneficially interested in the share

capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business in Hong Kong is at Suites 1003–1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited, on 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The English text of this circular, the accompanying form of proxy and the notice of SGM shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at the office of the Company at Suites 1003–1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong up to and including the date of the SGM:

- (a) the memorandum of association and by-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2012 and 2013;
- (c) the interim report of the Company for the six months ended 30 September 2013;
- (d) the 2nd Deed of Amendment date 21 January 2014 (as amended and supplemented by the Supplemental Deed dated 28 January 2014);
- (e) the Deed of Amendment dated 11 February 2011;
- (f) the terms and conditions of the Convertible Bond;
- (g) the Subscription Agreement dated 15 January 2008; and
- (h) the letter from Karl Thomson dated 13 February 2014.



**NAN NAN RESOURCES
ENTERPRISE LIMITED**
南南資源實業有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of Nan Nan Resources Enterprise Limited (the “**Company**”) will be held at Suites 1003–1006, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong on Monday, 10 March 2014 at 12:00 noon for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

the entry into of the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed) (as defined in the circular to the shareholders of the Company dated 13 February 2014), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder (including the 2nd Extension) and the execution of the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed) and any documents and agreements incidental thereto under the common seal of the Company by any director of the Company on behalf of the Company be and are hereby confirmed, approved, authorised and ratified in all respect; and

any director of the Company (under hand or under seal) be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed) and the transactions contemplated thereunder (including the 2nd Extension) or otherwise in relation to the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed) and the matters and the transactions contemplated thereunder (including the 2nd Extension).”

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

Hong Kong, 13 February 2014

NOTICE OF SGM

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or, if he is a holder of more than one share, proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time for holding of the meeting or adjourned meeting.
4. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or any adjournment thereof) if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the ordinary resolution will be voted by way of poll.