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## NAN NAN RESOURCES ENTERPRISE LIMITED

### 南南資源實業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2014 together with the comparative figures for the corresponding period in 2013 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	3	<b>123,100</b>	165,041
Cost of sales		<b>(100,836)</b>	(136,031)
Gross profit		<b>22,264</b>	29,010
Other revenue		<b>3,403</b>	2,822
Impairment loss on intangible assets		–	(49,928)
Selling and distribution expenses		<b>(774)</b>	(1,126)
Administrative and other operating expenses		<b>(23,491)</b>	(21,769)
Finance costs	5	–	(23)
Change in fair value of convertible loan notes		<b>(15,373)</b>	24,031
Loss before tax		<b>(13,971)</b>	(16,983)
Income tax credit	6	<b>515</b>	6,803
Loss for the year	7	<b>(13,456)</b>	(10,180)

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		3,235	1,079
Other comprehensive income for the year, net of nil tax		<u>3,235</u>	<u>1,079</u>
Total comprehensive loss for the year		<u>(10,221)</u>	<u>(9,101)</u>
Loss for the year attributable to:			
– Owners of the Company		<u>(13,456)</u>	<u>(10,180)</u>
Total comprehensive loss for the year attributable to:			
– Owners of the Company		<u>(10,221)</u>	<u>(9,101)</u>
Loss per share (expressed in Hong Kong cents)			
– Basic	9	<u>(1.76)</u>	<u>(1.33)</u>
– Diluted	9	<u>(1.76)</u>	<u>(1.98)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2014**

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>22,196</b>	21,215
Intangible assets		<b>73,242</b>	71,877
Goodwill		–	–
Security deposit		<b>3,645</b>	2,820
Deferred tax assets		–	3,786
		<b>99,083</b>	99,698
<b>Current assets</b>			
Inventories		<b>13,600</b>	68,277
Trade and other receivables	10	<b>1,805</b>	2,952
Cash and cash equivalents		<b>319,460</b>	255,620
		<b>334,865</b>	326,849
<b>Current liabilities</b>			
Trade and other payables	11	<b>49,616</b>	38,302
Tax payable		<b>2,397</b>	4,085
Convertible loan notes designated as financial liabilities at fair value through profit or loss		–	189,858
		<b>(52,013)</b>	(232,245)
<b>Net current assets</b>		<b>282,852</b>	94,604
<b>Total assets less current liabilities</b>		<b>381,935</b>	194,302
<b>Capital and reserves</b>			
Share capital		<b>76,537</b>	76,537
Reserves		<b>87,616</b>	97,837
<b>Equity attributable to owners of the Company</b>		<b>164,153</b>	174,374
<b>Non-current liabilities</b>			
Convertible loan notes designated as financial liabilities at fair value through profit or loss		<b>205,231</b>	–
Provision for close down, restoration and environmental Costs		<b>1,996</b>	1,959
Deferred tax liabilities		<b>10,555</b>	17,969
		<b>217,782</b>	19,928
		<b>381,935</b>	194,302

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

### **1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

### **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

#### **Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new title “statement of profit or loss and other comprehensive income” as introduced by the amendments in these financial statements.

#### **HKFRS 10 Consolidated Financial Statements**

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

#### **HKFRS 13 Fair Value Measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments.

### 3. TURNOVER

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

### 4. SEGMENT INFORMATION

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

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

The geographical location of customers is determined based on the location where the goods delivered. The Group's turnover and results from operations mainly derived from activities in the PRC. Activities outside the PRC are insignificant. The principal assets of the Group are also located in the PRC. Accordingly, no geographical information is provided.

#### Information about major customers

For the year ended 31 March 2014, a single customer of the coal mine business of the Group with revenue contributed to the Group amounting to approximately HK\$17,387,000 had individually accounted for 10% or more of the Group's total revenue.

For the year ended 31 March 2013, there was no individual customer contributed 10% or more of the total revenue of the Group.

### 5. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest expenses on bank advances wholly repayable within five years		
– interest expenses on bills receivables discounted to banks	–	23
	<u>–</u>	<u>23</u>

### 6. INCOME TAX CREDIT

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Tax credit comprises:</b>		
Hong Kong Profits Tax		
– current year	–	–
Tax in other jurisdictions		
– current year	3,068	12,419
– under/(over)-provision in prior years	315	(261)
	<u>3,383</u>	<u>12,158</u>
Deferred tax	(3,898)	(18,961)
	<u>(515)</u>	<u>(6,803)</u>

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits being derived from Hong Kong for both years ended 31 March 2014 and 2013. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss before tax	<u>(13,971)</u>	<u>(16,983)</u>
Notional tax on loss before tax, calculated at the rates applicable to loss in the countries concerned	(1,166)	(5,674)
Tax effect of expenses not deductible for tax purposes	6,168	4,862
Tax effect of deductible temporary difference previously not recognized	(5,401)	–
Tax effect of income not taxable for tax purpose	(1,133)	(4,425)
Tax effect of temporary differences and tax losses not recognized	702	(1,305)
Under/(over)-provision in prior years	<u>315</u>	<u>(261)</u>
Tax credit for the year	<u>(515)</u>	<u>(6,803)</u>

## 7. LOSS FOR THE YEAR

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amount of inventories sold	102,713	120,973
(Reversal of write down)/write down of inventories	<u>(1,877)</u>	<u>15,058</u>
Amount of inventories recognised as an expense	100,836	136,031
Staff costs (excluding directors' remuneration)		
Basic salaries and allowances	10,748	10,475
Contributions to defined contribution retirement plan	1,149	1,049
	11,897	11,524
Depreciation of property, plant and equipment	4,512	4,053
Amortisation of intangible assets	–	12,798
Less: Amounts included in cost of inventories	–	(6,497)
Amounts included in cost of sales	–	6,301
Auditor's remuneration		
– audit services	710	748
– other services	137	130
	847	878
Operating leases charge on rented premises	2,365	2,076
Net exchange gain on financial liabilities at FVTPL	(3,604)	(725)
Other net exchange loss	3,801	790
Loss on disposal of property, plant and equipment	116	–
Interest income on financial assets not at fair value through profit or loss	<u>(3,209)</u>	<u>(2,599)</u>

## 8. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

## 9. LOSS PER SHARE

### a) Basic loss per share

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	<u>(13,456)</u>	<u>(10,180)</u>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>765,373,584</u>	<u>765,373,584</u>

### b) Diluted loss per share

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

#### i) Loss for the year attributable to owners of the Company (diluted)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss for the year attributable to owners	(13,456)	(10,180)
Fair value gain of convertible loan notes*	–	(24,031)
Exchange gain on convertible loan notes*	–	(725)
Loss attributable to owners (diluted)	<u>(13,456)</u>	<u>(34,936)</u>

#### ii) Weighted average number of ordinary shares (diluted)

	2014	2013
Weighted average number of ordinary shares for the purpose of basic loss per share	765,373,584	765,373,584
Effect of conversion of convertible loan notes*	–	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>765,373,584</u>	<u>1,765,373,584</u>

\* The calculation of diluted loss per share for the year ended 31 March 2014 does not assume the conversion of convertible loan notes since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

## 10. TRADE AND OTHER RECEIVABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade and bills receivables	–	735
Prepayments, deposits and other receivables	<u>1,805</u>	<u>2,217</u>
	<u><b>1,805</b></u>	<u>2,952</u>

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

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

Included in the trade and bills receivables are bills receivables amounted to approximately HK\$Nil (2013: HK\$684,000) aged within one year.

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 90 days	–	684
91–180 days	–	–
181 days – 365 days	–	–
Over 1 year	–	51
	<u>–</u>	<u>735</u>

As of the end of reporting period, the aging analysis of trade and bills receivables that were past due but not impaired are as follows:

	<b>Total</b> <i>HK\$'000</i>	<b>Neither past due nor impaired</b> <i>HK\$'000</i>	<b>Past due but not impaired</b>		
			<b>&lt;90 days</b> <i>HK\$'000</i>	<b>91 to 365 days</b> <i>HK\$'000</i>	<b>Over 1 year</b> <i>HK\$'000</i>
<b>31/3/2014</b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
31/3/2013	<u>735</u>	<u>684</u>	<u>–</u>	<u>–</u>	<u>51</u>

Trade and bills receivables for 2013 that were neither past due nor impaired related to wide range of customers for whom there was no recent history of default. The Group did not hold any collateral over these balances.

Trade and bills receivables for 2013 that were past due but not impaired related to an individual customer that has a good track record with the Group. Based on past experience, management believes that no impairment was necessary as there had not been a significant change in credit quality and the balance was still considered fully recoverable. The Group does not hold any collateral over this balance.



## 11. TRADE AND OTHER PAYABLES

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

	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 90 days	<b>1,540</b>	658
91–180 days	<b>559</b>	337
181–365 days	<b>750</b>	546
Over 1 year	<b>45</b>	29
	<hr/>	<hr/>
Trade payables	<b>2,894</b>	1,570
Receipt in advance	<b>1,237</b>	2,152
Value-added tax and non-income tax payable	<b>3,443</b>	1,524
Government levies payable		
– Economic development fees in coal resources areas	<b>29,888</b>	21,201
– Others	<b>4,741</b>	4,909
Accrued expenses	<b>2,149</b>	1,694
Other payables	<b>5,264</b>	5,252
	<hr/>	<hr/>
	<b>49,616</b>	38,302
	<hr/>	<hr/>

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Turnover*

The Group recorded a turnover of approximately HK\$123,100,000 for the year ended 31 March 2014 (2013: HK\$165,041,000). It represents a decrease of approximately HK\$41,941,000 or 25.41% as compared with last year.

The decrease was due to decrease in both selling prices and sale volume of the large, middle and nucleus coals.

#### *Gross profit*

The gross profit of the Group for the year ended 31 March 2014 was decreased to approximately HK\$22,264,000 (2013: HK\$29,010,000). This was mainly due to decrease in sales in the period as a result of the weak demand for coal in Xinjiang area of Mainland China.

#### *Loss for the year*

Loss of the Group for the year ended 31 March 2014 was approximately HK\$13,456,000 (2013: HK\$10,180,000), representing an increase of HK\$3,276,000 compared with last year. The increase in loss was mainly due to the reduction in gross profit of HK\$6,746,000, decrease in income tax credit of HK\$6,288,000, increase in loss on change in fair value of convertible loan notes of HK\$39,404,000 and reduction in impairment loss on intangible assets of HK\$49,928,000.

### Segment Information

#### *Business segment*

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

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

#### *Coal Mining Business*

Coal mining is the sole business of the Group at present. It contributed a turnover of HK\$123,100,000 for the year ended 31 March 2014 (2013: HK\$165,041,000), a 25.41% decrease as compared with 2013. The decrease in turnover is resulted from decrease in both selling price and sales volume of the large, middle and nucleus coals.

### *Sales and Production of Coals*

During the year ended 31 March 2014, the Group sold 1.43 million tonnes of coals with total sales income of HK\$123,100,000. Details of coal sales in tonnes are listed in the below table.

	<b>Year ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
Coal sales	<b>1,432,318 tonnes</b>	1,519,582 tonnes

### *Coal Sales (tonnes) and Percentage of Coal Sales*

	<b>Coal Sales (tonnes)</b>	<b>Coal Sales in %</b>
Large Coal	<b>110,348</b>	<b>7.70</b>
Middle Coal	<b>155,148</b>	<b>10.83</b>
Nucleus Coal	<b>201,786</b>	<b>14.09</b>
Slack Coal	<b>965,036</b>	<b>67.38</b>
Total Sales	<b>1,432,318</b>	<b>100.00</b>

### *Reserves and Resources*

The Group owns one mining right and one exploration right in Xinjiang, PRC including Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine respectively. The estimated remaining coal reserve in Kaiyuan Mine was 13.96 million tonnes as at 31 March 2014 (2013: 13.96 million tonnes). No coal was extracted during the year. The original exploration permit of Zexu Mine had expired on 20 February 2014 and a renewal of the permit was granted by the Xinjiang Land Department on 19 March 2014 to further extend the permit to 25 February 2016. The following tables are the estimated coal reserves for the Kaiyuan Open Pit Coal Mine and estimated coal resources for the Zexu Open Pit Coal Mine Exploration Right area as of 31 March 2010 conducted by John T. Boyd Company in June 2010.

Estimated coal reserves for the Kaiyuan Open Pit Coal Mine:

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

Coal Reserve as at 31 March 2014 = Coal Reserve as at 31 March 2013 – Amount of coal extracted (the “Coal Extracts”) by the Group during 1 April 2013 to 31 March 2014.

Estimated coal resources for the Zexu Open Pit Coal Mine Exploration Rights area total 119.38 Mt, as summarized below:

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

### *Cost of Sales*

The cost of sales for the year was HK\$100,836,000 (2013: HK\$136,031,000). The cost mainly comprised machine rental cost, direct labor cost and amortisation of mining right. The decrease in cost of sales during the year was mainly due to the decrease in sales volume.

### *Geographic segments*

Hong Kong and PRC (other than Hong Kong) were the major geographical segments of the Group for the year ended 31 March 2014. Ratio analysis by geographical segments for the Group's turnover for the year ended 31 March 2014 is as follows:

	Hong Kong		PRC (other than Hong Kong)	
	2014	2013	2014	2013
	%	%	%	%
Segment turnover to total turnover	<u>–</u>	<u>–</u>	<u>100.00</u>	<u>100.00</u>

### **Liquidity and Financial Resources**

As at 31 March 2014, the Group had:

- net current assets of approximately HK\$282,852,000 (2013: approximately HK\$94,604,000). The substantial increase in net current assets was mainly due to the redemption of the convertible loan notes designated as financial liabilities at fair value through profit or loss of HK\$189,858,000 stated as current liability in 2013. The new convertible loan notes issued during the year with three years term was classified as non-current liabilities in 2014.
- bank balances and cash of approximately HK\$319,460,000 (2013: approximately HK\$255,620,000) which were the major components of the Group's current assets of approximately HK\$334,865,000 (2013: approximately HK\$326,849,000).
- current liabilities of approximately HK\$52,013,000 (2013: approximately HK\$232,245,000) which comprised mainly trade and other payables of HK\$49,616,000 (2013: HK\$38,302,000) and convertible loan notes designated as financial liabilities at fair value through profit or loss of HK\$Nil (2013: HK\$189,858,000).
- non-current liabilities of approximately HK\$217,782,000 (2013: approximately HK\$19,928,000) which comprised mainly deferred tax liability of HK\$10,555,000 (2013: HK\$17,969,000) and convertible loan notes designated as financial liabilities at fair value through profit or loss of approximately HK\$205,231,000 (2013: Nil).

The Group's gearing ratio was 1.25 (2013: 1.09). The computation is based on total debt (convertible loan notes designated at fair value through profit and loss) divided by total equity.

## **Charges on Group's Assets**

As at 31 March 2014, none of the Group's assets was under charges (2013: Nil).

## **Foreign Exchange Exposure**

The Group mainly earns revenue in RMB and incurs costs in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between Hong Kong dollars and RMB arising from its core operation in the PRC. In order to minimize 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' of operating cash flows requirements of the Group.

## **Treasury Policies**

Apart from the issue of convertible loan notes 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 2014, the Group did not have any material contingent liabilities.

## **Employees**

As at 31 March 2014, the Group had 91 employees (2013: 114) spreading among Hong Kong and the PRC. Employment relationship has been well maintained. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In the opinion of the directors of the Company, the Company has during the year ended 31 March 2014 complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, save for the deviation from code provision A.2.1, A.6.7 and E.1.2 as disclosed below:

1. Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive ("CE") should be separate and should not be performed by the same individual. During the year ended 31 March 2014, the Company did not have any officer with CE title. Ms. Lo Fong Hung, the Chairperson and Managing Director of the Company, also carried out the responsibility of CE during such period. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

2. Under the code provision A.6.7 of the Code, the independent non-executive directors and other non-executive directors should attend the general meeting and develop a balanced understanding of the views of shareholders. It was noted that one of the Independent Non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 23 August 2013 due to his other business commitments.
3. Under code provision E.1.2 of the Code provides that the chairman of the Board should attend the annual general meeting. It was noted that the chairperson of the Board and the Nomination Committee, Ms. Lo Fong Hung and the chairman of the Remuneration Committee, Mr. Wong Man Hin, Raymond were unable to attend the annual general meeting of the Company held on 23 August 2013, while the chairperson of the Board and the Nomination Committee, Ms. Lo Fong Hung was unable to attend the special general meeting of the Company held on 10 March 2014, due to other business commitments.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2014.

### **AUDIT COMMITTEE**

The audit committee of the Company currently consists of three independent non-executive Directors, namely Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey. The audit committee has reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2014.

### **PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.nannanlisted.com](http://www.nannanlisted.com). The annual report of the Company for the year ended 31 March 2014 containing all information required by the Listing Rules will be despatched to shareholders and published on above websites in due course.

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

Hong Kong, 17 June 2014

*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.*