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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 2017

EXTENSION OF THE TERM OF THE CONVERTIBLE BOND

On 25 January 2017, the Company and the Subscriber entered into the 3rd Deed of Amendment to further extend the Maturity Date of the Convertible Bond for 36 months and the Conversion Period will accordingly be further extended for 36 months to 13 March 2020. Save for the Maturity Date and the Conversion Period, all terms of the Convertible Bond remain unchanged.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the 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 3rd Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

As the Subscriber is a Controlling Shareholder of the Company, thereby a connected person of the Company under the Listing Rules. Accordingly, the 3rd Extension to be effected by the 3rd Deed of Amendment between the Company and the Subscriber constitutes a connected transaction of the Company under the Listing Rules, therefore, the 3rd Extension is subject to the requirements for reporting, announcement and Independent Shareholders' approval at the SGM by way of poll.

GENERAL

An Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the 3rd Extension.

A circular containing, among other matters, (i) further information on the 3rd Deed of Amendment and the 3rd Extension; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders on or before 17 February 2017 in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that the 3rd Extension is conditional upon fulfillment of all conditions precedent in the 3rd Deed of Amendment, the transactions contemplated thereunder may or may not materialise. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

BACKGROUND INFORMATION

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 and the 1st Extension Circular, the announcement of the Company dated 21 January 2014, the clarification announcement of the Company dated 28 January 2014 in relation to the 2nd Extension and the 2nd 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.

On 11 February 2011, the Company and the Subscriber entered into the Deed of Amendment to extend the Maturity Date and the Conversion Period of the Convertible Bond for 36 months to 13 March 2014. Accordingly, the Maturity Date of the Convertible Bond was extended to 13 March 2014.

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 and the Conversion Period of the Convertible Bond for 36 months to 13 March 2017. Accordingly, all outstanding Convertible Bond is going to mature on 13 March 2017.

As at the date of this announcement, the Convertible Bond with an aggregate amount of HK\$200,000,000 held by the Subscriber is still outstanding.

Please refer to the Subscription Circular, the 1st Extension Circular and the 2nd Extension Circular for the details of the Convertible Bond, the 1st Extension and the 2nd Extension.

3RD DEED OF AMENDMENT

On 25 January 2017, the Company and the Subscriber entered into the 3rd Deed of Amendment, pursuant to which the Maturity Date of the Convertible Bond will be extended for 36 months from the 2nd Extension and the Conversion Period will accordingly be extended for 36 months to 13 March 2020. Save for the Maturity Date and the Conversion Period, all terms of the Convertible Bond remain unchanged.

The 3rd 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 ratify and approve the 3rd Deed of Amendment and the 3rd Extension;
- (b) the Stock Exchange having approved the 3rd 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 3rd Extension having been obtained.

None of the above conditions precedent could be waived by the parties to the 3rd Deed of Amendment. The 3rd Deed of Amendment shall have no effect unless and until all the conditions precedent set out above are fulfilled. The effective date of the 3rd Deed of Amendment shall be on the date when all its conditions precedent are fulfilled.

As at the date of this announcement, none of the above conditions precedent have been fulfilled.

TERMS OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond (as amended by the Deed of Amendment, the 2nd Deed of Amendment and the 3rd Deed of Amendment) will be as follows:

Principal amount HK\$200,000,000.

Coupon Zero (0)% interest rate

Maturity Date 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 144 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2020

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 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 (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 requirement	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 of the Convertible Shares	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 had 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 Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond in full, which was granted on 11 March 2008.

REASONS FOR THE 3RD EXTENSION

The 3rd 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 date of this announcement, the Company has sufficient funds to fully repay the Convertible Bond. However, the management of the Company is of the view that the 3rd Extension will enable the Company to retain the funds for potential investments or opportunities. In addition, as the Convertible Bond is zero coupon, it will not incur any interest burden for the Group for the next 3 years. Save for the Maturity Date and the Conversion Period, all terms and conditions of the Convertible Bond remain unchanged.

The Board^{Note 1} (excluding the independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) considers that the terms and conditions of the 3rd Deed of Amendment are fair and reasonable and the 3rd Extension is in the interests of the Company and the Shareholders as a whole. The management of the Company is of the view that the 3rd 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 3rd Extension.

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 the 74.42% shareholding in the Company and the Convertible Bond, the Subscriber does not have any other significant business activities.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the 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 3rd Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

The executive 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 3rd 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.

As at the date of this announcement, the Subscriber holds 74.42% of the issued share capital of the Company and hence a Controlling Shareholder and connected person of the Company under the Listing Rules. The 3rd Extension to be effected by the 3rd Deed of Amendment between the Company and the Subscriber constitutes a connected transaction of the Company under the Listing Rules, therefore, the 3rd Extension is subject to the requirements for reporting, announcement and Independent Shareholders' approval at the SGM by way of poll.

GENERAL

An Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the 3rd Extension.

A circular containing, among other matters, (i) further information on the 3rd Deed of Amendment and the 3rd Extension; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders on or before 17 February 2017 in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that the 3rd Extension is conditional upon fulfillment of all conditions precedent in the 3rd Deed of Amendment, the transactions contemplated thereunder may or may not materialise. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITION

In this announcement, the following expressions have the meanings set out below 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 was also extended for 36 months to 13 March 2014 accordingly pursuant to the Deed of Amendment
“1st Extension Circular”	the Company’s circular 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”	the extension of the Maturity Date of the Convertible Bond for 36 months from the 1st Extension, together with the Conversion Period which was also extended for 36 months to 13 March 2017 pursuant to the 2nd Deed of Amendment
“2nd Extension Circular”	the Company’s circular dated 13 February 2014 in relation to, among other matters, the 2nd Extension
“3rd Deed of Amendment”	the 3rd deed of amendment dated 25 January 2017 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 2020
“3rd Extension”	the further extension of the Maturity Date of the Convertible Bond for 36 months from the 2nd Extension, together with the Conversion Period which will also be further extended for 36 months to 13 March 2020 pursuant to the 3rd Deed of Amendment
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the 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
“Controlling Shareholder(s)”	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
“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 People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors to advise the Independent Shareholders on the 3rd Extension
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the 3rd Extension
“Independent Shareholders”	the shareholders of the Company, other than the Subscriber and its associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 being the date falling 144 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2020
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve among other matters, the 3rd Extension
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Ascent Goal Investments Limited, the Controlling 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 circular 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
“Supplemental Deed”	the supplemental deed dated 28 January 2014 entered into between the Company and the Subscriber, to amend and supplement the 2nd Deed of Amendment

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

Hong Kong, 25 January 2017

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.