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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)

PROFIT ALERT

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of Nan Nan Resources Enterprise Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to inform the shareholders of the Company and potential investors that based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 September 2018, there may record a decrease of approximately 77.9% in the total revenue of the Group to approximately HK\$16.1 million for the six months ended 30 September 2018, as compared to approximately HK\$72.8 million for the six months ended 30 September 2017 (the final figure is subject to any adjustment to be made under applicable accounting principles). There is also a decrease of approximately 77.1% in the gross profit of the Group to approximately HK\$4.3 million for the six months ended 30 September 2018, as compared to approximately HK\$18.6 million for the six months ended 30 September 2017 (the final figure is subject to any adjustment to be made under applicable accounting principles).

The aforesaid decrease in the total revenue of the Group for the six months ended 30 September 2018 as compared to the corresponding period in 2017 was mainly attributable to (i) the suspension of the production at the Kaiyuan Open Pit Coal Mine (“**Kaiyuan Mine**”) from 11 April 2018 to 29 August 2018; and (ii) the construction of a coal sifting machine at the Kaiyuan Mine as required by the Ministry of Ecology and Environment* (環保局) which has impacted the normal production at the Kaiyuan Mine during the relevant period.

Despite the aforesaid decrease in the total revenue and gross profit of the Group for the six months ended 30 September 2018 as compared to the corresponding period in 2017, the Group is expected to record a net profit increase of approximately 46.6% to approximately HK\$34.6 million for the six months ended 30 September 2018, as compared to approximately HK\$23.6 million for the six months ended 30 September 2017 (the final figure is subject to any adjustment to be made under applicable accounting principles).

According to the draft valuation reports of the convertible bond of the Company and the mining rights and related assets of Kaiyuan Mine of the Group (the “**Coal Mining Assets**”), as well as the draft condensed consolidated statement of profit or loss and other comprehensive income of the Group, the aforesaid increase in the net profit was mainly attributable to (i) gain on the change in fair value of the Company’s convertible bond for the six months ended 30 September 2018 is expected to be approximately HK\$44.1 million (the final figure is subject to any adjustment to be made under applicable accounting principles), as compared to approximately HK\$27.9 million for the six months ended 30 September 2017. The change in fair value of the Company’s convertible bond is a non-cash item and will not affect the cash flow of the Group; and (ii) no impairment loss on the Coal Mining Assets was recorded for the six months ended 30 September 2018 (the final figure is subject to any adjustment to be made under the applicable accounting principles) as compared to the impairment losses of the same of approximately HK\$16.1 million for the six months ended 30 September 2017.

The Company is still in the course of finalizing its unaudited consolidated financial results of the Group for the six months ended 30 September 2018. The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management accounts and the information currently available to the Board. As at the date of this announcement, such information has neither been confirmed nor reviewed by the auditor of the Company or the audit committee of the Board and may be subject to change. The auditor will review the interim results in due course but no audit will be carried out. Shareholders and potential investors of the Company are advised to refer to the interim results announcement of the Group for the six months ended 30 September 2018 when it is published.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Made by the order of the Board, save for Ms. Lo Fong Hung who could not be contacted as at the date of this announcement.

By Order of the Board
Nan Nan Resources Enterprise Limited
Kwan Man Fai
Chairman and Managing Director

Hong Kong, 9 November 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kwan Man Fai, Ms. Lo Fong Hung and Mr. Wang Xiangfei; three independent non-executive Directors, namely Mr. Wong Man Hin, Raymond, Mr. Chan Yiu Fai, Youdey and Mr. Pak Wai Keung, Martin; and one alternate Director, Mr. Wong Sze Wai (alternate to Mr. Wang Xiangfei).

** For identification purpose only*