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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)**

### **FURTHER DEVELOPMENT ON THE UPDATED OPTIMIZATION AND UPGRADING PLAN**

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).

References are made to the announcements of Nan Nan Resources Enterprise Limited (the “**Company**”) dated 11 November 2011, 12 March 2012, 21 March 2012, 15 June 2012, 23 May 2013, 21 March 2014 and 15 August 2017 (the “**Announcements**”) respectively. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcements.

As stated in the Company’s announcement dated 15 August 2017, according to the Updated Optimization and Upgrading Plan, the mining area of the Kaiyuan Mine was proposed to be increased from 1.1596 km<sup>2</sup> to 4.12 km<sup>2</sup>. Zexu Company and Kaiyuan Company respectively entered into the Four Undisputed Agreements to dispose of the Zexu Mine and acquire the Kaiyuan Extended Area. Upon completion of the Third Undisputed Agreement and Fourth Undisputed Agreement, the area of the Kaiyuan Mine will only increase to approximately 2.4676 km<sup>2</sup>. Concerning the outstanding proposed increased area of approximately 1.6524 km<sup>2</sup> (the “**Outstanding Mining Area**”), so far as the Company is aware, such area is located next to the Kaiyuan Mine and is currently owned by the PRC government. To obtain the exploration right and the mining right of the Outstanding Mining Area, the Company is still required to go through official procedures with the relevant land and resources departments. This announcement is about the application for exploration right and mining right of the Outstanding Mining Area.

By a letter dated 6 February 2018 from the Zhundong Economic and Technological Development Zone Division of the Ministry of Land and Resources of Changji Hui Autonomous Prefecture\* (昌吉回族自治州國土資源局准東經濟技術開發區分局) (the “**Zhundong Division of the Ministry of Land and Resources**”), as part of the application, the Zhundong Division of the Ministry of Land and Resources required Kaiyuan Company to sign a deed of undertaking (the “**Deed of Undertaking**”).

Since the Outstanding Mining Area is a national resource of the PRC government, the Deed of Undertaking requires Kaiyuan Company to undertake to (1) apply for a bid invitation, auction and listing (the “**Bid, Auction and Listing**”) for exploration right of the Outstanding Mining Area and to grant state-owned enterprises within the Zhundong Economic and Technological Development Zone\* (准東經濟技術開發區) (the “**State-Owned Enterprises**”) a priority to participate in the Bid, Auction and Listing (the “**Priority**”); and (2) grant the State-Owned Enterprises who obtain exploration right in the Outstanding Mining Area a right to invest in the mining of the Outstanding Mining Area (the “**Right to Invest**”). As at the date of this announcement, no concrete terms of the Priority and the Right to Invest have been provided by the Zhundong Division of the Ministry of Land and Resources. Detailed terms and conditions of the possible business cooperation with the State-Owned Enterprises in the Outstanding Mining Area will be subject to further development on the Updated Optimization and Upgrading Plan and government policy.

Upon receiving the Deed of Undertaking, the Company proactively contacted the Zhundong Division of the Ministry of Land and Resources in order to understand or obtain the concrete terms of the Priority and the Right to Invest as stated in the Deed of Undertaking. However, after a few weeks of contact and communication, with the intervening Chinese New Year holiday from 13 February 2018 to 8 March 2018 in the Xinjiang Uygur Autonomous Region of China (“**Xinjiang**”), the Zhundong Division of the Ministry of Land and Resources confirmed that at this moment, it is not able to provide any concrete terms of the Priority and the Right to Invest. In light of these circumstances, the Company has sought legal opinion from a PRC lawyer in Xinjiang. According to the PRC legal opinion obtained by the Company:

1. three out of the four companies with mines in the Xiheishan Mining Area have executed the Deed of Undertaking;
2. if Kaiyuan Company does not execute the Deed of Undertaking, the Zhundong Division of the Ministry of Land and Resources will cease to process Kaiyuan Company’s application for exploration right and mining right in the Kaiyuan Extended Area; and
3. no concrete terms of the Priority and the Right to Invest have been provided by the Zhundong Division of the Ministry of Land and Resources.

To further facilitate the Updated Optimization and Upgrading Plan and to enable Kaiyuan Company to continue to apply for exploration right and mining right in the Kaiyuan Extended Area, Kaiyuan Company will proceed to execute the Deed of Undertaking within 7 days of the date of this announcement. The Priority and the Right to Invest may or may not be exercised by the State-Owned Enterprises. The Board considers that any possible business cooperation

with the State-Owned Enterprises in the Outstanding Mining Area is to comply with the execution of the Updated Optimization and Upgrading Plan. In the event that the Right to Invest is exercised by the State-Owned Enterprises, the Company will negotiate for fair and reasonable terms taking into account the interests of the Company and shareholders as a whole.

The management of Kaiyuan Company has been communicating and negotiating with the Zhundong Division of the Ministry of Land and Resources in order to protect the Company's best interest in the Outstanding Mining Area.

The Company shall keep the shareholders and investors of the Company informed of any further development in respect of the application for exploration right in the Kaiyuan Extended Area and any possible business cooperation with the State-Owned Enterprises. Further announcement will be made by the Company as and when appropriate in compliance with the Listing Rules.

The application for exploration right and mining right of the Outstanding Mining Area is irrelevant to the renewal of the Mining Rights in the Kaiyuan Open Pit Coal Mine\* (凱源露天煤礦) as stated in the announcement of the Company dated 27 December 2017. The Department of Land and Resources of Xinjiang Uygur Autonomous Region\* (新疆維吾爾自治區國土資源廳) is still in the process of reviewing the renewal application. The Company will keep the shareholders and potential investors of the Company informed of the progress of the renewal application of the Mining Rights.

**As the Company has not yet obtained the exploration right or mining right in respect of the Kaiyuan Extended Area, the exploration permit or mining permit may or may not be granted by the relevant PRC government authorities, and the possible business cooperation with the State-Owned Enterprises in the Outstanding Mining Area may or may not occur; shareholders, 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, 28 March 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 purposes only*