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 2018

The board of directors (the "Directors") (the "Board") of Nan Nan Resources Enterprise Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 (the "Year") together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*3*	**182,445**	73,024
Cost of sales		**(130,398)**	(48,426)
Gross profit		**52,047**	24,598
Other revenue		**6,332**	9,943
Selling and distribution expenses		**(414)**	(733)
Administrative and other operating expenses		**(22,456)**	(20,755)
Exchange gain/(loss), net		**8,866**	(11,490)
Impairment loss on property, plant and equipment		**(3,511)**	–
Impairment loss on intangible assets		**(12,618)**	–
Finance costs		**–**	(176)
Change in fair value and loss arising from modification of convertible bond designated as financial liabilities at fair value through profit or loss		**14,374**	56,034
Profit before tax	*5*	**42,620**	57,421
Income tax expense	*6*	**(5,942)**	(9,154)
Profit for the year		**36,678**	48,267

	Notes	2018 HK$'000	2017 HK$'000
Other comprehensive income/(loss)			
Item that maybe reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		**13,671**	(5,787)
Other comprehensive income/(loss) for the year, net of nil tax		**13,671**	(5,787)
Total comprehensive income for the year		**50,349**	42,480
Profit for the year attributable to:			
– Owners of the Company		**36,678**	48,267
Total comprehensive income for the year attributable to:			
– Owners of the Company		**50,349**	42,480
Earnings/(loss) per share (expressed in Hong Kong cents)			
– Basic	8	**4.79**	6.31
– Diluted	8	**(0.07)**	0.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**9,166**	11,070
Intangible assets		**23,095**	37,787
Goodwill		**–**	–
Security deposit		**5,048**	4,601
Non-refundable deposits	*9*	**2,604**	–
Deferred tax assets		**1,940**	–
		41,853	53,458
Current assets			
Inventories		**7,221**	50,923
Trade and other receivables	*9*	**4,209**	12,517
Cash and cash equivalents		**440,437**	331,606
		451,867	395,046
Current liabilities			
Trade and other payables	*10*	**69,798**	56,524
Tax payable		**7,890**	4,278
		(77,688)	(60,802)
Net current assets		**374,179**	334,244
Total assets less current liabilities		**416,032**	387,702
Capital and reserves			
Share capital		**76,537**	76,537
Reserves		**89,179**	38,830
Equity attributable to owners of the Company		**165,716**	115,367
Non-current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		**247,242**	261,616
Provision for close down, restoration and environmental costs		**3,074**	2,802
Deferred tax liabilities		**–**	7,917
		250,316	272,335
		416,032	387,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term incudes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new/revised HKFRSs issued by the HKICPA, which are effective for the current financial reporting period.

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption of the amendments results in the additional disclosures to the consolidated financial statements.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements 2014-2016 Cycle: HKFRS 12 – Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

The possible impacts of new/revised HKFRSs issued by the HKICPA but not yet effective for the current financial reporting period are set out in the consolidated financial statements.

3. REVENUE

Revenue represents the amounts received and receivable for coal sold by the Group to external 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 makers who are also the executive directors of the Company, 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 are delivered. The Group's revenue and results from operations are mainly derived from activities in the People's Republic of China (the "PRC"). Activities outside the PRC are insignificant. The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is provided.

Information about major customers

Revenue from external customers individually contributing over 10% of the total revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**70,563**	*
Customer B	**48,980**	*
Customer C	**18,242**	*
Customer D	*	**20,522**
Customer E	*	**18,920**

* The corresponding revenue did not contribute over 10% of the total revenue of the Group during the years ended 31 March 2018 or 2017.

5. PROFIT BEFORE TAX

This is stated at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
(a) Staff costs		
Staff costs (excluding directors' remuneration)		
Basic salaries, allowances and other short-term employee benefits	**9,278**	9,076
Contributions to defined contribution plan	**988**	965
	10,266	10,041
(b) Other items		
Amortisation of intangible assets	**5,478**	2,710
Less: Amounts captialised in inventories	**–**	(1,112)
Amounts included in cost of sales	**5,478**	1,598
Auditor's remuneration		
– audit services	**700**	740
– other services	**180**	300
	880	1,040
Cost of inventories sold	**130,398**	48,426
Depreciation of property, plant and equipment	**3,022**	3,501
Exchange (gain)/loss on convertible bond designated as financial liabilities at fair value through profit or loss, net	**(23,569)**	19,318
Other exchange loss/(gain), net	**14,703**	(7,828)
Loss on disposal of property, plant and equipment	**132**	–
Operating leases payments	**2,560**	2,495
Impairment loss on property, plant and equipment	**3,511**	–
Impairment loss on intangible assets	**12,618**	–
Interest income on financial assets not at fair value through profit or loss	**(4,322)**	(2,822)

6. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Income tax expense comprises:		
PRC Enterprise Income Tax		
– current year	**15,871**	7,127
– under-provision in prior years	**201**	206
	16,072	7,333
Deferred tax		
– (Reversal)/Origination of temporary difference	**(10,130)**	1,821
	5,942	9,154

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits arising in Hong Kong for both years. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda. The Company's subsidiaries established in the British Virgin Islands ("BVI") are exempted from income tax in the BVI.

Under the Law of the PRC 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 expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**42,620**	57,421
Notional tax on profit before tax, calculated at the rates applicable to profit in the countries concerned	**9,452**	10,280
Tax effect of expenses not deductible for tax purposes	**1,720**	8,267
Tax effect of income not taxable for tax purpose	**(5,437)**	(9,606)
Under-provision in prior years	**201**	206
Others	**6**	7
Income tax expense for the year	**5,942**	9,154

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the current reporting period (2017: Nil).

8. EARNINGS/(LOSS) PER SHARE

a) Basic earnings per share

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

	2018	2017
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**36,678**	48,267

	2018	2017
	Number of shares	*Number of shares*
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,373,584**	765,373,584

b) Diluted (loss)/earnings per share

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

i) *(Loss)/Profit for the year attributable to owners of the Company (diluted)*

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners	**36,678**	48,267
Change in fair value of convertible bond	**(14,374)**	(61,975)
Loss arising from modification of convertible bond	**–**	5,941
Exchange (gain)/loss on convertible bond	**(23,569)**	19,318
(Loss)/Profit attributable to owners (diluted)	**(1,265)**	11,551

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

	2018	2017
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,373,584**	765,373,584
Effect of conversion of convertible bond	**1,000,000,000**	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,765,373,584**	1,765,373,584

9. TRADE AND OTHER RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade and bills receivables *(Note a)*	**1,116**	10,591
Prepayments, deposits and other receivables	**3,093**	1,926
Non-refundable deposits *(Note b)*	**2,604**	–
	6,813	12,517

Analysed by:

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets	**2,604**	–
Current assets	**4,209**	12,517
	6,813	12,517

All of the trade and other receivables that are classified as current assets 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.

Note:

a. At the end of reporting period, the ageing 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 debt was as follows:

	2018 *HK$'000*	2017 *HK$'000*
Within 90 days	**1,116**	6,421
91 days to 180 days	**–**	4,170
	1,116	10,591

As of the end of reporting period, all trade and bills receivables (2017: HK$Nil) were neither past due nor impaired related to wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

b. Non-refundable deposits of approximately RMB2,099,000 (equivalent to approximately HK$2,604,000) were paid to two independent third parties in accordance with respective undisputed agreements signed during the year regarding the acquisition of areas of the coal mine held by third parties to extend the coal mine of the Group. Further details are set out in the Company's announcement dated 15 August 2017. The Group was required to go through official procedures with the relevant land and resources departments to obtain the exploration right and then the mining right in respect of these extended areas. The non-refundable deposits will be transferred to intangible assets in the consolidated statement of financial position upon the completion of acquisition.

These transactions are not yet completed at the date of approving the consolidated financial statements.

10. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**9,478**	8,649
91–180 days	**2,032**	4,057
181–365 days	**2,609**	1,243
Over 1 year	**13**	27
Trade payables	**14,132**	13,976
Receipt in advance	**1,534**	2,261
Other taxes payable	**6,877**	1,357
Government levies payable		
– Economic development fees in coal resources areas	**29,241**	26,651
– Others	**4,117**	4,177
Accrued expenses	**2,325**	2,162
Non-refundable deposits received *(Note a)*	**6,075**	–
Other payables	**5,497**	5,940
	69,798	56,524

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.

Note:

a. Non-refundable deposits received of approximately RMB4,897,000 (equivalent to approximately HK$6,075,000) were received from two independent third parties in accordance with respective undisputed agreements signed during the year regarding the disposal of areas of coal mine held by the Group. Further details are set out in the Company's announcement dated 15 August 2017.

These transactions are not yet completed at the date of approving the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Year, the Group continued to focus on coal resources mining business.

During the Year, the growth of the People's Republic of China (the "PRC") economy continued to slow down. The demand for coals from the market has been decreasing gradually in recent years as a result of fewer large scale industrial and infrastructure projects and the promotion of the use of clean energy by the PRC government, which also had negative impacts on the coal price, exerting high pressure to the Group's operation. However, the management of the Group has adjusted short-term operation strategy and modified the production plan through understanding the local government's policies. The Group will keep strict control over the costs and expenses to maintain a strong financial position as a whole.

(A) Progress of the Optimization and Upgrading Plan# and the Updated Optimization and Upgrading Plan##

Pursuant to the instructions from the National Development and Reform Commission of the PRC, the Department of Land and Resources of Xinjiang Uygur Autonomous Region (the "Xinjiang Land Department") had to plan for a management restructuring of seven different coal mines (including the Zexu Open Pit Coal Mine (the "Zexu Mine")) in the Xiheishan Mining Area (the "Optimization and Upgrading Plan"), consolidating some smaller mines together so as to increase the size efficiency (for details, please refer to the Company's announcement dated 11 November 2011). After being informed of this Optimization and Upgrading Plan, the Board has requested our management in the Xinjiang Uyger Autonomous Region of China ("Xinjiang") to conduct frequent meetings and negotiations with the Xinjiang Land Department and other relevant government authorities in order to protect the Company's interest in relation to the exploration permit of the Zexu Mine (the "Exploration Permit").

According to the letter dated 13 June 2012 issued by the Administrative Bureau of Coal Industry of Changji Prefecture informing the updated status of the Optimization and Upgrading Plan, the following proposals (the "Updated Optimization and Upgrading Plan") in relation to the Company's Kaiyuan Open Pit Coal Mine (the "Kaiyuan Mine") and Zexu Mine have been submitted to the working group head office for coal industry structural upgrade work of Xinjiang for consideration and approval:

1. The Company's Kaiyuan Mine would be restructured and upgraded, and the Exploration Permit granted to the Company would be terminated; and

2. The mining area of the Kaiyuan Mine, where the Company is now conducting mining activities, was proposed to be increased from 1.1596 square kilometers to 4.12 square kilometers ("Kaiyuan Extended Area"), with the estimated coal resources of approximately 131.18 million tonnes.

As stated in the Company's announcement dated 15 August 2017, as requested by the Department of Land and Resources of Changji Hui Autonomous Prefecture* (昌吉回族自治州國土資源局) (the "Changji Land Department"), with the aim of expediting the resources restructuring work and accelerating and completing the process to fix the mining area for each mining right owner inside Zhundong Meitian Xiheishan Coal Mining Area* (准東煤田西黑山煤炭礦區), where the Zexu Mine and Kaiyuan Mine of the Company are located, Qitai County Zexu Trading Company Limited* (奇台縣澤旭商貿有限責任公司) ("Zexu Company") and Mulei County Kai Yuan Coal Company Limited* (木壘縣凱源煤炭有限責任公司) ("Kaiyuan Company"), the subsidiaries of the Company, respectively entered into the following four undisputed agreements (the "Four Undisputed Agreements") with the relevant parties to dispose of Zexu Mine and acquire Kaiyuan Extended Area:

1. First Undisputed Agreement

   On 15 August 2017, Zexu Company entered into an undisputed agreement (the "First Undisputed Agreement") with Xinjiang Jinneng Mining Company Limited ("Jinneng Company"), pursuant to which Jinneng Company should occupy an area of 0.297 km^2 within the Zexu Mine and could apply to the Xinjiang Land Department to fix such mining area. Jinneng Company should, within 10 working days upon signing the agreement, compensate Zexu Company with an amount of RMB505,197, which was calculated by multiplying the area of 0.297 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

2. Second Undisputed Agreement

   On 15 August 2017, Zexu Company entered into an undisputed agreement (the "Second Undisputed Agreement") with Xinjiang Beishan Mining Company Limited ("Beishan Company"), pursuant to which Beishan Company should occupy an area of 2.582 km^2 within the Zexu Mine and could apply to the Xinjiang Land Department to fix such mining area. Beishan Company should, within 10 working days upon signing the agreement, compensate Zexu Company with an amount of RMB4,391,982, which was calculated by multiplying the area of 2.582 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

3. Third Undisputed Agreement

   On 15 August 2017, Kaiyuan Company entered into an undisputed agreement (the "Third Undisputed Agreement") with Jinneng Company, pursuant to which Kaiyuan Company should occupy an area of 1.292 km^2 within the exploration area of the mine of Jinneng Company (the "First Extended Area") and could apply to the Xinjiang Land Department to fix such mining area. Kaiyuan Company should, within 10 working days upon signing the agreement, compensate Jinneng Company with an amount of RMB2,197,692, which was calculated by multiplying the area of 1.292 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

The First Extended Area to be occupied by Kaiyuan Company from Jinneng Company is located next to the Kaiyuan Mine currently operated by Kaiyuan Company.

4. Fourth Undisputed Agreement

On 15 August 2017, Kaiyuan Company entered into an undisputed agreement (the "Fourth Undisputed Agreement") with Beishan Company, pursuant to which Kaiyuan Company should occupy an area of 0.016 km^2 within the mining area of the mine of Beishan Company (the "Second Extended Area") and could apply to the Xinjiang Land Department to fix such mining area. Kaiyuan Company should, within 10 working days upon signing the agreement, compensate Beishan Company with an amount of RMB27,216, which was calculated by multiplying the area of 0.016 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

The Second Extended Area to be occupied by Kaiyuan Company from Beishan Company is located next to the Kaiyuan Mine currently operated by Kaiyuan Company.

The total area of 2.879 km^2 of Zexu Mine being occupied by Jinneng Company and Beishan Company under the First Undisputed Agreement and the Second Undisputed Agreement respectively represent the whole area of the Zexu Mine. Since the said two agreements had been completed, the Exploration Permit became invalid. Since the Zexu Mine has not commenced mining, it has not generated any revenue for the Group in the past years.

So far as the Company is aware, the First Extended Area and the Second Extended Area being occupied by Kaiyuan Company under the Third Undisputed Agreement and Fourth Undisputed Agreement respectively have not yet commenced mining. After having completed such agreements, the Company was required to go through official procedures with the relevant land and resources departments to obtain the exploration right and then the mining right in respect of these extended areas. When the related exploration right or mining right is obtained, the Company will appoint professional parties to evaluate possible coal reserves and perform valuation on the First Extended Area and Second Extended Area. For accounting purposes, these extended area were booked as "Non-refundable deposits" under non-current assets with value of approximately RMB2,099,000 (equivalent to approximately HK$2,604,000) in the Group's consolidated statement of financial position, which, if appropriate, would be transferred to the intangible assets after conclusion is reached with the government departments. Upon obtaining the exploration right or mining right, the Company will discuss again with professional parties (including its valuer and auditor) regarding the possible coal reserves, valuation and accounting treatment of the First Extended Area and Second Extended Area. The Company has not received any update from the relevant government departments since the completion of the Four Undisputed Agreements.

According to the Updated Optimization and Upgrading Plan, the mining area of the Kaiyuan Mine was proposed to be increased from 1.1596 km^2 to 4.12 km^2. For the First Extended Area and the Second Extended Area, since they were originally owned by Jinneng Company and Beishan Company respectively, the Third Undisputed Agreement and the Fourth Undisputed Agreement were required to be signed respectively for transfer of such area and as one of the important procedures for obtaining the exploration right and then the mining right. 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^2. Concerning the outstanding proposed increased area of approximately 1.6524 km^2 (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 government. To obtain the exploration right and then the mining right of such area, the Company is still required to go through official procedures with the relevant land and resources departments.

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 the announcement on 28 March 2018, 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

Xinjiang, the Zhundong Division of the Ministry of Land and Resources confirmed that it was not able to provide any concrete terms of the Priority and the Right to Invest. In light of these circumstances, the Company 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 had executed the Deed of Undertaking;

2. if Kaiyuan Company did 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 had 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 had executed the Deed of Undertaking within 7 days of the date of the announcement on 28 March 2018. 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 application for exploration right and mining right of the Outstanding Mining Area is irrelevant to the renewal of the mining right in the Kaiyuan Mine (the "Mining Right") as stated in the announcement of the Company dated 27 December 2017.

[#] *"Optimization and Upgrading Plan" was previously referred to as "Management Restructuring Plan" in the announcement of the Company dated 11 November 2011 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.*

[##] *"Updated Optimization and Upgrading Plan" was previously referred to as "Updated Restructuring Proposals" in the announcement of the Company dated 15 June 2012 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.*

(B) *Suspension of Production and Production Resumption at Kaiyuan Mine and Demolishment of Gas Station*

As stated in the Company's announcement dated 25 September 2017, Kaiyuan Company received notices from the relevant government departments requesting for suspension of the production at Kaiyuan Mine and demolishment of gas station therein.

1. Suspension of Production at Kaiyuan Mine

   At the night of 19 September 2017, Kaiyuan Company received a notice dated 16 September 2017 from the Environmental Protection Bureau of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區環境保護局) and a notice dated 19 September 2017 from the Environmental Protection Committee of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區環境保護委員會), requesting Kaiyuan Company to suspend production at its Kaiyuan Mine since Kaiyuan Company had yet to implement the coal mine environmental comprehensive remediation proposal in accordance with the requirements of, among other things, the "Implementation Opinion on Environmental Protection Specific Remediation in Zhundong Development Area* (准東開發區環境保護專項整治實施意見)".

2. Production Resumption at Kaiyuan Mine

   As stated in the Company's announcement dated 26 October 2017, Kaiyuan Company received notices from the relevant government departments to resume the production at Kaiyuan Mine.

   At the night of 23 October 2017, Kaiyuan Company received a notice (the "Notice") dated 23 October 2017 from the Party and Government Office of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區黨政辦公室) requesting the relevant enterprises in the development area, including Kaiyuan Company, to thoroughly implement the requirements of the "Emergency notice to better implement the work to safeguard supply of coal* (關於做好保障煤炭供應工作的緊急通知)" (the "Emergency Notice") issued by the Office of the People's Government of Changji Hui Autonomous Prefecture* (昌吉回族自治州人民政府辦公室). According to the Emergency Notice, several coal mines, including the Kaiyuan Mine, were requested to conduct coal production and at the same time implement the environmental protection remedial works.

   Upon discussion with the relevant government departments, Kaiyuan Company was confirmed that the Kaiyuan Mine could resume normal production while fulfilling the requirements of conducting the environmental protection remedial works.

   The Kaiyuan Mine had resumed production according to the Notice and the Emergency Notice. Although the production at the Kaiyuan Mine was suspended for around one month, it did not create material financial impact on the Group since Kaiyuan Company continued to sell its inventory of slack coal during the production suspension period. So far as the Company is aware, Kaiyuan Company has not received any claims arising from non-supply of coal during the production suspension period. Meanwhile, Kaiyuan Company will cooperate with the relevant government departments to complete the requested environmental protection remedial works.

3. Demolishment of Gas Station

On 21 September 2017, Kaiyuan Company received an "Administrative Enforcement Document of Production Safety* (安全生產行政執法文書)" dated 21 September 2017 from the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) of the Administration Committee of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區管委會) (the "Document"), alleging that there were illegal storage and use of diesel at the Kaiyuan Mine and the gas station constructed therein was not in compliance with the "Regulations on Design and Construction of Gas Station* (加油站設計與施工規範)". Kaiyuan Company was requested to cease usage of the gas station immediately and demolish the gas station before 6 October 2017.

The gas station at the Kaiyuan Mine was constructed long time ago to supply diesel to the facilities and transportation vehicles at the Kaiyuan Mine. Demolishment of the gas station would not affect the operation of the Kaiyuan Mine seriously. Upon receipt of the Document, the management of Kaiyuan Company had negotiated with the relevant government departments, which on 22 September 2017, verbally allowed Kaiyuan Company to use up all the diesel remained in the gas station first and then demolish such station thereafter. The management of Kaiyuan Company looked for other effective means to supply diesel to the facilities and transportation vehicles at the Kaiyuan Mine. Kaiyuan Company selected a contractor for the renovation of the gas station after the design was approved by the relevant government departments.

(C) Suspension of Production at Kaiyuan Mine

On 11 April 2018, Kaiyuan Company received an on-site punishment decision* (現場處理決定書) dated 11 April 2018 (the "Decision") from the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) of the Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區) (the "Bureau"), ordering Kaiyuan Company to suspend all production, construction and operation at the Kaiyuan Mine. However, the construction work of basic facilities and sale of its inventory of slack coal during the production suspension period were permitted. The Decision was issued as the Mining Right and the work safety permit* (安全生產許可證) (the "Work Safety Permit") of Kaiyuan Company had expired on 26 December 2017 and 18 January 2018 respectively.

The renewal of the Work Safety Permit is conditional on the renewal of the Mining Right.

1. Impacts on the group and measures to be taken

Kaiyuan Mine is the only operating business of the Group. After preliminary assessment, it was expected that the production suspension at the Kaiyuan Mine will lead to a decrease in the production volume of coal. Nevertheless, since the Group can still sell its existing inventory of slack coal during the production suspension period, the production suspension shall not have material financial impact on the Group in short-term. The Company expects that the slack coal inventory may support the coming sales until around end of August 2018. If, after the slack coal inventory is sold out, the production still cannot be resumed, the production suspension may create adverse impact on the financial position and operation of the Group.

Immediately upon receipt of the Decision, Kaiyuan Company proactively liaised with officers of the Bureau in order to understand the implementation of the punishment and the affected area of the Kaiyuan Mine as stated in the Decision. Upon preliminary communication with the officers, Kaiyuan Company was informed that the construction of basic facilities (including, among others, road hardening within the mine, domestic sewage treatment and backup gas station) and sale of its inventory of slack coal during the production suspension period are permitted. Kaiyuan Company will continue to closely follow up with the Bureau for the renewal of the Work Safety Permit in order to resume the production of the Kaiyuan Mine.

2. Updates on the renewal of Mining Right

In light of the Decision, the Company has sought legal opinion from a PRC lawyer in Xinjiang. According to the PRC legal opinion obtained by the Company, Kaiyuan Company had commenced renewal application in September 2017 to renew the Mining Right which was expired on 26 December 2017. The Mining Right was subsequently granted on 28 May 2018.

According to the PRC legal opinion obtained by the Company, based on PRC laws and regulations, the renewal application of Mining Right was to be submitted to and reviewed by different governmental departments in a hierarchical order. Kaiyuan Company commenced the renewal application for the Mining Right in September 2017 at the Zhundong Economic and Technological Development Zone Division of the Department of Land and Resources* (新疆准東經濟技術開發區分局) and in turn the Changji Land Department.

On 9 November 2017, Kaiyuan Company already applied to the Xinjiang Land Department for the renewal of the Mining Right. After initial review by the Xinjiang Land Department, Kaiyuan Company submitted supplemental information on 14 December 2017.

The renewal application of the Mining Right was accepted at the office of the head of the Xinjiang Land Department meeting* (廳長辦公會議) on 9 March 2018 and the Xinjiang Land Department requested the Administration Committee of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區管委會) (the "Administration Committee") to issue renewal approval documents so that the Mining Right can be renewed.

On 9 April 2018, Kaiyuan Company submitted the application report on consent to the renewal of the mining permit of 90,000 tonnes/year of Kaiyuan Company (同意木壘縣凱源煤炭有限責任公司9萬噸/年採礦證研續的申請報告) to the Administration Committee which processed the renewal application.

The PRC lawyer opined that, based on past experience, the renewal application of Mining Right shall be approved in approximately three months after the expiry. However, due to the local situation and the priority to deal with the social stability of the local area, the Xinjiang government has been highly occupied with stability maintenance work, which has been causing delay to the renewal application process of Mining Right.

The PRC lawyer further opined that the Decision would not affect the renewal application of the Mining Right, documentations for the Work Safety Permit renewal application are completed but the renewal of Mining Right must be obtained in order to proceed with the application. Kaiyuan Company will continue to communicate with the relevant government departments in order to facilitate the renewal of Mining Right and in turn the renewal of the Work Safety Permit. It is unable to estimate the time for the renewal application process hence the Company is unable to estimate the exact time for the resumption of production at the Kaiyuan Mine at this stage.

On 28 May 2018, the Kaiyuan Company successfully renewed and was granted a Mining Right by the Xinjiang Land Department. The Mining Right is valid for 1 year from 26 December 2017 to 31 December 2018 to conduct mining activities at the Kaiyuan Mine.

The Company had immediately on 29 May 2018 applied to the Xinjiang Coal Mine Safety Supervision and Administration Bureau* (新疆煤礦安全監察局) (the "Coal Mine Safety Bureau") for the renewal of the Work Safety Permit.

According to the PRC legal opinion obtained by the Company, based on past experience, the renewal application of the Work Safety Permit shall be approved in approximately thirty business days upon receipt of the renewal application by the Coal Mine Safety Bureau. However, due to the local situation and the priority to deal with the social stability of the local area, the Xinjiang government has been highly occupied with stability maintenance work, which made it difficult to estimate the processing time of the renewal application of the Work Safety Permit.

Once the renewal application is approved and the Company is granted the Work Safety Permit, the Company shall promptly apply to the Bureau for resumption of production at the Kaiyuan Mine. The PRC lawyer further opined that, the Company can only resume production at the Kaiyuan Mine once the Bureau has approved the application.

Prospects

The Board considers that the coal business is full of challenges and endeavors to achieve our goal of bringing maximum values for shareholders by strengthening management of the Company, controlling the cost of coal mining, cooperating with the national policies of developing economy in the western region, seizing new chances, exploring new markets, and seeking for investment opportunities, in renewable energy and environmental engineering sectors.

Being cognizant of the impact of coal mining operations on the environment, we are committed to the implementation of environment management in compliance with laws and regulations. As coal mining inevitably generates emissions, the Group will increase investment in upgrading eco-friendly equipment, striving to mitigate dust dispersion in the production and storage process.

Regarding the Updated Optimization and Upgrading Plan, as explained above, Kaiyuan Company and Zexu Company have already followed the request from the Changji Land Department to enter into the Four Undisputed Agreements respectively to dispose of Zexu Mine and acquire the Kaiyuan Extended Area. The Company is now going through official procedures to apply for the exploration right and mining right in respect of the extended areas. The Company will make further announcement(s) as and when appropriate to keep shareholders posted of any further development of the Updated Optimization and Upgrading Plan.

Financial Review

Revenue

The Group recorded a revenue of approximately HK$182,445,000 for the Year (2017: approximately HK$73,024,000). It represents an increase of approximately HK$109,421,000 or approximately 150% as compared with last year.

Geographically, Xinjiang is remote from major industrial cities in the PRC. Coal produced in Xinjiang is mainly consumed locally due to the reason of logistic and transportation costs.

Increase in sales was mainly due to increase in demand for 36 coals, 38 coals, slack coals and weathered coals since more sales effort has been put by the senior management of the Xinjiang office of the Group. The Group sold approximately 3,183,450 tonnes (2017: approximately 1,065,662 tonnes) of coal, increased by approximately 199% in volume from a year ago.

Cost of sales

The cost of sales for the Year was approximately HK$130,398,000 (2017: approximately HK$48,426,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation etc. The increase in cost of sales was largely in line with the increase in sales volume during the Year as compared with the previous year.

Gross profit

Due to the factors explained above, the gross profit of the Group for the Year increased to approximately HK$52,047,000 (2017: approximately HK$24,598,000). It represents an increase of approximately of HK$27,449,000 or approximately 112% as compared with last year but gross profit margin decreased by approximately 5.18% for the Year to approximately 28.5%. It was mainly due to the high sale volume of slack coal and weathered coal which generated lower gross profit margin compared with the piece coal.

Other revenue

The Group's other revenue for the Year was approximately HK$6,332,000 (2017: approximately HK$9,943,000), representing a decrease of approximately HK$3,611,000 or approximately 36% as compared with the last year. This was mainly due to decrease in net income from selling coal gangue (煤矸石) by approximately HK$4,956,000 but compensated by the increase of interest income and other revenue by approximately HK$1,345,000.

Administrative and operating expenses

The Group's administrative and operating expenses for the Year was approximately HK$22,456,000 (2017: approximately HK$20,755,000), representing an increase of approximately HK$1,701,000 or approximately 8.20% as compared with the previous year.

Profit for the Year

Profit of the Group for the Year was approximately HK$36,678,000 (2017: approximately HK$48,267,000), representing a decrease in profit of approximately HK$11,589,000 as compared with last year. Although there was a significant increase in the gross profit from operation, the decrease in profit was mainly due to a decrease in positive change in fair value of convertible bond by approximately HK$41,660,000 as compared with a net gain on change in fair value and loss arising from modification of convertible bond of approximately HK$56,034,000 in last year, and the recognition of an impairment losses on intangible assets and property, plant and equipment of approximately HK$12,618,000 and approximately HK$3,511,000 (2017: Nil and Nil) respectively and the turnaround from exchange loss to gain of approximately HK$20,356,000 as compared with last year.

Segment Information

Business segment

The Group's operating segment, based on information reported to the chief operating decision maker who is also the executive Director, for the purposes 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 revenue of approximately HK$182,445,000 for the Year (2017: approximately HK$73,024,000), representing an approximately 150% increase as compared with last year.

Sales and Production of Coals

During the Year, the Group sold approximately 3.18 million tonnes of coals (2017: approximately 1.07 million tonnes) with total sales income of approximately HK$182,445,000 (2017: approximately HK$73,204,000). Details of coal sales in tonnes are listed in the below table:

	Year ended 31 March	
	2018	2017
Coal sales	**3,183,450 tonnes**	1,065,662 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales *(tonnes)*	**Coal Sales** *in %*
Large Coal	**26,122**	**0.82**
Middle Coal	**81,670**	**2.57**
Small Medium Coal	**118,829**	**3.73**
36 Coal	**230,397**	**7.24**
38 Coal	**133,989**	**4.21**
Slack Coal	**1,207,194**	**37.92**
Weathered Coal	**1,385,249**	**43.51**
Total Sales	**3,183,450**	**100.00**

Reserves and Resources

The Group owns a Mining Right, which is located in Xinjiang. The estimated remaining coal reserve in Kaiyuan Mine was approximately 7.90 million tonnes as at 31 March 2018 (2017: approximately 9.71 million tonnes). During the Year, there were approximately 1.81 million tonnes of coal being extracted (2017: approximately 0.68 million tonnes). The Group also owns an Exploration Permit, which is also located in Xinjiang. The original Exploration Permit had expired on 5 April 2017 and a renewal of the permit from 16 May 2017 to 16 May 2019 was granted by the Xinjiang Land Department. The following tables are the estimated coal reserves for the Kaiyuan Mine and estimated coal resources for the Zexu Mine as of 31 March 2010 conducted by John T. Boyd Company in June 2010.

Estimated coal reserves for the Kaiyuan Mine:

Seam	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (million tonnes) As of 31 March 2010 Proved	Probable	Total	% of Total
		North of Current Pit (Potentially Oxidized)			
B_2	13.1	–	4.58	4.58	100.00
		Mine Plan Area			
B_3	10.8	3.57	–	3.57	25.00
B_2	19.6	10.86	–	10.86	75.00
		14.43	–	14.43	100.00
		Total			
B_3	10.8	3.57	–	3.57	19.00
B_2	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 2018 = Coal Reserve as at 31 March 2017 – Amount of coal extracted by the Group during 1 April 2017 to 31 March 2018.

Estimated coal resources for the Zexu Mine totalling 119.38 Mt, are summarised below:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (million tonnes) Measured	Indicated	Total	% of Resources
B_7	8.5	10.23	10.46	20.69	17
B_6	3.9	2.77	3.98	6.75	6
B_5	6.3	5.80	10.42	16.22	14
B_4^1	1.8	0.29	0.01	0.30	1
B_4	6.1	6.85	10.21	17.06	14
B_3	6.3	8.06	8.03	16.09	13
B_2	21.1	22.58	19.69	42.27	35
Total		56.58	62.80	119.38	100

Geographical segment

The geographical location of customers is determined based on the location where the goods are delivered. The Group's revenue and results from operations are 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 segment information is provided.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future plans for material Investments or Capital Assets

Save as otherwise disclosed, there were neither significant investments held as at 31 March 2018 nor material acquisitions and disposals of subsidiaries during the Year.

The Group does not have any future plans for material investments. There will, however, be a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works. Sources of funding are expected to come primarily from the coal sales revenue of the Group.

Liquidity and Financial Resources

As at 31 March 2018, the Group had:

- net current assets of approximately HK$374,179,000 (2017: approximately HK$334,244,000).

- cash and cash equivalents of approximately HK$440,437,000 (2017: approximately HK$331,606,000) which were the major components of the Group's current assets of approximately HK$451,867,000 (2017: approximately HK$395,046,000).

- current liabilities of approximately HK$77,688,000 (2017: approximately HK$60,802,000) which comprised mainly trade and other payables of approximately HK$69,798,000 (2017: approximately HK$56,524,000).

- non-current liabilities of approximately HK$250,316,000 (2017: approximately HK$272,335,000) which comprised mainly convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK$247,242,000 (2017: approximately HK$261,616,000).

The Group's gearing ratio was approximately 1.49 (2017: approximately 2.27). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss) divided by total equity.

Capital Structure

The capital of the Group comprises only ordinary shares.

As at 31 March 2018, there were 765,373,584 ordinary shares of the Company in issue.

Zero coupon convertible bonds of the Company with an aggregate principal amount of HK$200,000,000 were issued on 14 March 2008 the maturity date of which was approved to be further extended for 36 months to 13 March 2020 by the shareholders of the Company on 7 March 2017.

Charges on Group's Assets

As at 31 March 2018, none of the Group's assets was under charges (2017: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue in Renminbi ("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. The currency exchange risk for the Year is mainly derived from the net exchange gain on convertible bond designated as financial liabilities at fair value through profit or loss, which is a result from the sustained depreciation of RMB against Hong Kong dollars. In order to minimise 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' operating cash flows requirements of the Group.

Treasury Policies

Apart from the issuance of convertible bond 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 2018, the Group did not have any material contingent liabilities.

Employees

As at 31 March 2018, the Group had 73 employees (2017: 74) spreading between Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the Year amounted to approximately HK$10,266,000 (2017: approximately HK$10,041,000). Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Year, save for the deviation from code provision A.2.1 as disclosed below:

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive (the "CE") should be separate and should not be performed by the same individual. During the Year, the Company did not have any officer with CE title. Mr. Kwan Man Fai, the chairman and managing director of the Company also carried out the responsibility of CE during the Year. 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.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors 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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of three independent non-executive Directors, namely Mr. Pak Wai Keung Martin, the chairman of the Audit Committee, Mr. Wong Man Hin Raymond and Mr. Chan Yiu Fai Youdey. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters including the review of the consolidated financial statements of the Group for the Year.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of this annual results announcement of the Group for the Year have been reviewed and agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.nannanlisted.com. The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

This announcement is 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, 20 June 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. Wong Xiangfei).

* *English translation for identification purposes only.*