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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)

BUSINESS UPDATE

(1) GRANT OF NEW MINING PERMIT OF KAIYUAN EXTENDED AREA MINING RIGHT AND

(2) COMMENCEMENT OF OPERATIONS AT ENLARGED KAIYUAN MINE

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, 21 March 2014, 28 March 2018, 14 December 2018, 31 December 2018, 15 May 2019, 31 May 2019 and 4 November 2019, respectively (collectively, the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

GRANT OF NEW MINING PERMIT

New Mining Permit

The Board is pleased to announce that Kaiyuan Company has been granted the New Mining Permit in respect of the Kaiyuan Extended Area Mining Right for the Kaiyuan Mine with an enlarged mining area (including the original mining area) from the original mining area of approximately 1.1596 km² (the “**Original Kaiyuan Mine**”) to 4.1123 km² (the “**Enlarged Kaiyuan Mine**”). The New Mining Permit is valid for 1 year from 21 December 2018 to 21 December 2019, which covers a mining area of approximately 4.1123 km² with designed capacity of 0.9 million tonnes per annum, representing ten times of the designed annual capacity of 90,000 tonnes of the Original Kaiyuan Mine.

According to the New Mining Permit, the estimated coal resources of the approved Kaiyuan Extended Area Mining Right for the mining life of 30 years are 41.6433 million tonnes and Kaiyuan Company is permitted to mine at a depth from 727 metres to 525 metres. The assessed value of the Kaiyuan Extended Area Mining Right by the Xinjiang Natural Resources Department is RMB160,978,000 (the “**Assessed Value**”).

The Company notes that the New Mining Permit is valid for 1 year and the Kaiyuan Extended Area Mining Right is valid for 30 years. The Company’s legal adviser as to Chinese laws has made certain enquiries with the Xinjiang Natural Resources Department and was informed that, in practice, the mining term is usually 1 year and is subject to annual renewal for the mining permit(s) granted in Xinjiang area and Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the Kaiyuan Extended Area Mining Right.

Payment Notice

On 1 November 2019, the Xinjiang Natural Resources Department issued a payment notice (the “**Payment Notice**”) to Kaiyuan Company, which required Kaiyuan Company to pay a total amount of RMB108,702,500 (the “**Payment**”), being part of the payment (the “**Deposit**”) for the Assessed Value of RMB32,200,000 and the supplemental resources fee (the “**Supplemental Resources Fee**”) relating to resources fee payable for prior years’ output of the Original Kaiyuan Mine of RMB76,502,500, before 20 November 2019. The Payment has been made by Kaiyuan Company and the Deposit has been recognised as non-refundable deposit by the Group.

In respect of the one-off payment of the Supplemental Resources Fee, the Board wishes to inform Shareholders and potential investors of the Company that such payment would have a negative impact on the financial results of the Group for the year ending 31 March 2020.

Possible Agreement for the Kaiyuan Extended Area Mining Right

Based on the discussion between Kaiyuan Company and the Xinjiang Natural Resources Department in relation to the Kaiyuan Extended Area Mining Right and the Payment Notice, a formal transfer agreement is requested to be entered into between Kaiyuan Company and the Xinjiang Natural Resources Department, which sets out the rights and obligations of the respective parties in respect of the Kaiyuan Extended Area Mining Right, including but not limited to, the details of the Kaiyuan Extended Area Mining Right granted by the Xinjiang Natural Resources Department to Kaiyuan Company as disclosed above, the amount payable (i.e. the Assessed Value) by the Kaiyuan Company to the Xinjiang Natural Resources Department for the transfer of the Kaiyuan Extended Area Mining Right, the Supplemental Resources Fee and the relevant payment schedule. Such agreement is now placed under the official approval process of the Xinjiang Natural Resources Department.

If such agreement proceeds and materialises, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) and/or circular(s) (if applicable) in accordance with the Listing Rules as and when appropriate when there is any material development on such agreement.

COMMENCEMENT OF OPERATIONS AT ENLARGED KAIYUAN MINE

According to the legal opinion issued by the legal adviser of the Company as to Chinese laws, Kaiyuan Company is allowed to commence the mining operations of the Enlarged Kaiyuan Mine following the grant of the New Mining Permit and Kaiyuan Company has commenced the mining operations of the Enlarged Kaiyuan Mine.

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

Hong Kong, 15 November 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kwan Man Fai, Mr. Wang Xiangfei (with Mr. Wong Sze Wai as alternate) and Mr. Wong Sze Wai and three independent non-executive Directors, namely Dr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin.