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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)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2013</b>	<b>2012</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	3	<b>64,323</b>	94,052
Cost of sales		<b>(54,225)</b>	(69,907)
Gross profit		<b>10,098</b>	24,145
Other revenue		<b>1,140</b>	1,247
Selling and distribution expenses		<b>(394)</b>	(582)
Administrative expenses		<b>(10,985)</b>	(10,608)
Change in fair value of convertible loan notes		<b>(2,139)</b>	3,216
(Loss)/profit before tax		<b>(2,280)</b>	17,418
Income tax expense	4	<b>(4,604)</b>	(1,111)
<b>(Loss)/profit for the period</b>	5	<b>(6,884)</b>	16,307

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	2012
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income</b>			
	Exchange difference on translation of functional currency to presentation currency	<u>3,315</u>	<u>(1,230)</u>
	Other comprehensive income/(loss) for the period (net of nil tax)	<u>3,315</u>	<u>(1,230)</u>
	<b>Total comprehensive (loss)/income for the period</b>	<u><b>(3,569)</b></u>	<u>15,077</u>
	<b>(Loss)/profit for the period attributable to:</b>		
	– Owners of the Company	<u><b>(6,884)</b></u>	<u>16,307</u>
	<b>Total comprehensive (loss)/income for the period attributable to:</b>		
	– Owners of the Company	<u><b>(3,569)</b></u>	<u>15,077</u>
	(Loss)/earnings per share (expressed in Hong Kong cents)		
	– Basic	7 <u><b>(0.90)</b></u>	<u>2.13</u>
	– Diluted	7 <u><b>(0.90)</b></u>	<u>0.83</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2013**

	<i>Notes</i>	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	21,735	21,215
Intangible assets		73,290	71,877
Goodwill		–	–
Security deposit		2,876	2,820
Deferred tax assets		2,925	3,786
		<u>100,826</u>	<u>99,698</u>
<b>Current assets</b>			
Inventories		39,670	68,277
Trade and other receivables	9	7,483	2,952
Cash and cash equivalents		288,345	255,620
		<u>335,498</u>	<u>326,849</u>
<b>Current liabilities</b>			
Trade and other payables	10	49,830	38,302
Tax payable		3,371	4,085
Convertible loan notes designated as financial liabilities at fair value through profit or loss		191,997	189,858
		<u>245,198</u>	<u>232,245</u>
<b>Net current assets</b>		<u>90,300</u>	94,604
<b>Total assets less current liabilities</b>		<u>191,126</u>	<u>194,302</u>
<b>Capital and reserves</b>			
Share capital	11	76,537	76,537
Reserves		94,268	97,837
<b>Equity attributable to owners of the Company</b>		<u>170,805</u>	174,374
<b>Non-current liabilities</b>			
Provision for close down, restoration and environmental costs		1,998	1,959
Deferred tax liabilities		18,323	17,969
		<u>20,321</u>	<u>19,928</u>
		<u>191,126</u>	<u>194,302</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Nan Nan Resources Enterprise Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, the Group’s parent company is Ascent Goal Investments Limited (“Ascent Goal”), a company incorporated in the British Virgin Islands with limited liability and the Group’s ultimate holding company is New Bright International Development Limited (“New Bright”), a company incorporated in Hong Kong with limited liability. Its ultimate controlling party is Ms. Fung Yuen Kwan, Veronica.

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and principal place of business is Suites 1003-6, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong. The functional currency of the Company is Renminbi (“RMB”). The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in mining and sales of coal.

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 September 2013 consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1
HKAS 1 (Amendments)	Presentation of items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial information and/or disclosure set out in these condensed consolidated financial information.

### 3. TURNOVER AND SEGMENT INFORMATION

The Group has only one single operating segment as the Group is principally engaged in mining and sales of coal. No geographical information is presented as the Group's customers and operations are located in Mainland China.

### 4. INCOME TAX EXPENSE

The major components of income tax expense in the condensed consolidated statement of comprehensive income are:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Tax in other jurisdictions		
– current	<b>3,673</b>	4,190
Deferred tax	<b>931</b>	(3,079)
	<hr/>	<hr/>
Income tax expense	<b>4,604</b>	1,111
	<hr/>	<hr/>

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profit derived from Hong Kong for both periods ended 30 September 2013 and 30 September 2012.

Under the Law of the People's Republic of China ("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 periods ended 30 September 2013 and 30 September 2012.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

### 5. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Amortisation of intangible assets (included in cost of sales)	–	2,583
Cost of inventories sold	<b>54,225</b>	69,907
Depreciation of property, plant and equipment	<b>2,164</b>	1,944
Staff costs (excluding directors' emoluments)		
– Basic salaries and allowances	<b>3,880</b>	3,914
– Retirement benefit scheme contributions	<b>453</b>	381
	<hr/>	<hr/>

## 6. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2013. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2012: Nil).

## 7. (LOSS)/EARNINGS PER SHARE

- a) The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>(Loss)/profit</b>		
(Loss)/profit for the purposes of basic (loss)/earnings per share		
((Loss)/profit for the period attributable to owners of the Company)	<b>(6,884)</b>	16,307
	<b>2013</b>	2012
	<b>(unaudited)</b>	(unaudited)
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	<b>765,373,584</b>	765,373,584

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

<i>i) (Loss)/profit attributable to owners of the Company (diluted)</i>		
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the period attributable to owners	<b>(6,884)</b>	16,307
Fair value gain on convertible loan notes*	–	(3,216)
Exchange loss on convertible loan notes*	–	1,571
(Loss)/profit attributable to owners (diluted)	<b>(6,884)</b>	14,662
<i>ii) Weighted average number of ordinary shares (diluted)</i>		
	<b>2013</b>	2012
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>765,373,584</b>	765,373,584
Effect of conversion of convertible loan notes*	–	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>765,373,584</b>	1,765,373,584

- \* The calculation of the diluted loss per share for the six months ended 30 September 2013 did not assume the conversion of the convertible loan notes since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

## 8. PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the six months ended 30 September 2013, the Group acquired property, plant and equipment with a cost of HK\$2,734,000 (six months ended 30 September 2012: HK\$958,000).

During the six months ended 30 September 2013, the Group disposed of cost of property, plant and equipment of HK\$900,784 with loss of HK\$20,722 (six months ended 30 September 2012: HK\$Nil).

## 9. TRADE AND OTHER RECEIVABLES

The Group's sales to coal customers are largely on cash basis or with payment in advance. For certain well-established customers, the Group allows an average credit period of 90 days.

The following is an analysis of trade and bills receivables by age, presented based on invoice date (net of allowance for doubtful debts):

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Within 90 days	2,360	684
91 days to 180 days	1,332	–
181 days to 365 days	–	–
Over 1 year	52	51
	<hr/>	<hr/>
Trade and bills receivables	3,744	735
Prepayments, deposits and other receivables	3,739	2,217
	<hr/>	<hr/>
Total trade and other receivables	<b>7,483</b>	<b>2,952</b>

## 10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date.

	<b>30 September 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
Within 90 days	2,444	658
91-180 days	312	337
181-365 days	15	546
Over 1 year	30	29
	<hr/>	<hr/>
Trade payables	2,801	1,570
Receipt in advance	4,820	2,152
Value-added tax and non-income tax payable	3,332	1,524
Government levies payable	28,397	26,110
Accrued expenses	949	1,694
Other payables	9,531	5,252
	<hr/>	<hr/>
Total trade and other payables	<b>49,830</b>	<b>38,302</b>

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.

## 11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
<b>Ordinary Shares</b>		
Authorised:		
At 1 April 2012, 31 March 2013 and 30 September 2013	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2012, 31 March 2013 and 30 September 2013	<u>765,373,584</u>	<u>76,537</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a turnover of approximately HK\$64,323,000 during the six months ended 30 September 2013, decreased by HK\$29,729,000 or 32% compared to the corresponding period in last year.

Geographically, Xinjiang Autonomous Region is remote from rest of the Country. Coal produced in Xinjiang is mainly consumed locally due to logistic and cost reason. The coal price in Xinjiang is substantially lower than the average China market price.

Decrease in sales in the period was due to weak demand for coal in Xinjiang area of Mainland China. The Group sold approximately 712,915 tonnes (2012: 890,000 tonnes) of coal, decreased by 20% in volume compared to the corresponding period in last year.

The Group recorded a significant loss amounted to some HK\$6,884,000 (last year was HK\$16,307,000 profit during the six months ended 30 September 2012). Cause for the Loss was mainly due to the decrease in both sales volume and average selling price, together with loss on change in fair value of convertible loan notes of approximately HK\$2,139,000.



## MINE SALES AND PRODUCTION

During the period, the Group sold 0.7 million tonnes to have the total sales income HK\$64,323,000. Details of coal sales in tonnes are listed in the below tables.

	<b>Coal Sales</b> <i>(tonnes)</i>	<b>Coal Sales in</b> <i>%</i>
Large Coal (大塊煤)	<b>67,790</b>	<b>10</b>
Middle Coal (中塊煤)	<b>92,064</b>	<b>13</b>
Nucleus Coal (煤核)	<b>145,824</b>	<b>20</b>
Slack Coal (沫煤)	<b>407,237</b>	<b>57</b>
	<hr/>	<hr/>
Total Sales	<b>712,915</b>	<b>100</b>

## RESERVES AND RESOURCES

The Group owns one mining right and one exploration right in the Xinjiang, PRC including Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine. The coal reserve remaining of Kaiyuan Mine was 13.96 million tonnes as at 30 September 2013 (coal reserve as at 31 March 2013 was 13.96 million tonnes). The coal reserve was calculated by using the following formula, which was in line with the market practice:

Coal Reserve as at 30 September 2013 = Coal Reserve as at 31 March 2013 – amount of coal extracted (the “Coal Extracts”) by the Group during April 2013 to September 2013.

During the period from 1 April 2013 to 30 September 2013, no coal was extracted, which was verified by Xinjiang Jiangwei Survey Company Limited (新疆江緯測繪有限責任公司), a PRC professional survey company, by using a GPS based 3-D modeling computer program.

The exploration permit of Zexu Mine will expire on 20 February 2014, full impairment of this intangible asset has been made in 2013 financial year.

## COST OF SALES

The cost of sales for the period was approximately HK\$54,225,000 (2012: HK\$69,907,000). The cost mainly comprise machine rental cost, direct labor cost, cost for explosive works and etc. The decrease in cost of sales during the period was mainly due to decrease in production during the period as compared with last period.

## PROSPECTS

The Board believes that the coal business is full of challenges and is confident our investments can add value for our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2013, the Group had net current asset of approximately HK\$90,300,000 (31 March 2013: HK\$94,604,000) and its current ratio, being the proportion of total current assets against total current liabilities, was 1.37 times (31 March 2013: 1.41 times). The Group continued to maintain a strong financial position. At 30 September 2013, the Group had cash and bank balances of approximately HK\$288,345,000 (31 March 2013: approximately HK\$255,620,000).

As at 30 September 2013, there was no bank and other borrowing in the Group (31 March 2013: HK\$Nil).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES (AND RELATED HEDGES)**

The Group mainly earns revenue in RMB and incurs cost in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between the Hong Kong dollars and the RMB arising from its operation in the PRC. In order to limit this foreign currency risk exposure, the Group maintained cash balance that approximate three to four months' of operating cash flows.

## **CHARGES ON ASSETS**

As at 30 September 2013, no trade receivable was pledged to secure the borrowing, and no assets or fund of the Group were pledged to secure general banking facilities granted to the Group (2012: HK\$Nil).

## **CAPITAL STRUCTURE**

There was no change in the capital structure of the Company during the six months ended 30 September 2013.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

During the six months ended 30 September 2013, capital expenditure of HK\$1,587,000 in respect of the acquisition of property, plant and equipment was contracted for but not provided in the unaudited consolidated financial statement (31 March 2013: HK\$Nil).

## **HUMAN RESOURCES**

The Group had approximately 101 employees as at 30 September 2013 (31 March 2013: 114).

Apart from the basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. A share option scheme, which is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, has been expired on 27 August 2013.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: 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 six months ended 30 September 2013.

## **CORPORATE GOVERNANCE**

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code provisions of the code under the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2013 except for the Code provision A.2.1, A.6.7 and E.1.2 which are summarized below:

### **Code Provision A.2.1**

Under the Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company did not have any officer with CEO title. Ms. Lo Fong Hung is currently the Chairperson and Managing Director of the Company. The duties of CEO were carried out by Ms. Lo Fong Hung. In view of the size of operation of the Company, 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.

### **Code Provisions A.6.7 and E.1.2**

In respect of Code provision A.6.7 of the Code, one of the independent non-executive directors of the Company was unable to attend the annual general meeting of the Company held on 23 August 2013 (the "AGM") due to his other business commitments.

Code provision E.1.2 of the Code provides that the chairman of the board should attend the annual general meeting. Due to other business commitments, Ms. Lo Fong Hung, the Chairperson of the Board, was unable to attend the AGM and has delegated Mr. Kwan Man Fai, the executive director, to attend the AGM on her behalf.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2013.

## AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham, 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 and reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2013.

## PUBLICATION OF INTERIM REPORT

The interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.nannanlisted.com](http://www.nannanlisted.com). The interim report will be dispatched to the shareholders and will be available at the websites of The Hong Kong Exchanges and Clearing Limited and the Company in due course.

By order of the Board  
**Wang Xiangfei**  
*Executive Director*

Hong Kong, 22 November 2013

*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. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey.*