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 2013

The board of directors (the "Board") of Nan Nan Resources Enterprise Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Turnover	3	**165,041**	190,974
Cost of sales		**(136,031)**	(145,408)
Gross profit		**29,010**	45,566
Other revenue		**2,822**	1,413
(Impairment loss)/reversal on intangible assets	5	**(49,928)**	39,733
Gain on disposal of subsidiaries		**–**	1,141
Selling and distribution expenses		**(1,126)**	(1,079)
Administrative expenses		**(21,769)**	(18,934)
Change in fair value of convertible loan notes		**24,031**	(12,703)
Finance costs	6	**(23)**	–
(Loss)/profit before tax		**(16,983)**	55,137
Income tax credit/(expense)	7	**6,803**	(11,420)
(Loss)/profit for the year	8	**(10,180)**	43,717

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Other comprehensive income			
Exchange difference on translation of functional currency to presentation currency		**1,079**	6,568
Reclassification adjustment for exchange difference relating to disposal of subsidiaries		**–**	1,509
Other comprehensive income for the year, net of nil tax		**1,079**	8,077
Total comprehensive (loss)/income for the year		**(9,101)**	51,794
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(10,180)**	43,717
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(9,101)**	51,794
(Loss)/earnings per share (expressed in Hong Kong cents)			
– Basic	10	**(1.33)**	5.71
– Diluted	10	**(1.98)**	2.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**21,215**	24,229
Intangible assets		**71,877**	132,471
Goodwill		**–**	–
Security deposit		**2,820**	2,809
Deferred tax assets		**3,786**	–
		99,698	159,509
Current assets			
Inventories		**68,277**	38,483
Trade and other receivables	11	**2,952**	5,054
Cash and cash equivalents		**255,620**	257,246
		326,849	300,783
Current liabilities			
Trade and other payables	12	**38,302**	26,743
Amount due to an intermediate holding company		**–**	40
Tax payable		**4,085**	1,076
Convertible loan notes designated as financial liabilities at fair value through profit or loss		**189,858**	–
		232,245	27,859
Net current assets		**94,604**	272,924
Total assets less current liabilities		**194,302**	432,433
Capital and reserves			
Share capital		**76,537**	76,537
Reserves		**97,837**	106,938
Equity attributable to owners of the Company		**174,374**	183,475
Non-current liabilities			
Convertible loan notes designated as financial liabilities at fair value through profit or loss		**–**	213,889
Provision for close down, restoration and environmental costs		**1,959**	1,951
Deferred tax liabilities		**17,969**	33,118
		19,928	248,958
		194,302	432,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except as disclosed below, the application of the above amendments to HKFRSs in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

The Amendments to HKFRS 7 require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement. Upon the adoption of the Amendments to HKFRS 7, additional disclosures on the Group's discounted bills receivable were made in the consolidated financial statements.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns, discounts allowed and value added tax. An analysis of the Group's turnover is as follows:

	2013 *HK$'000*	2012 *HK$'000*
Sales of coal	**165,041**	190,974

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker who are also the executive directors, 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. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

i) coal mine business – engages in mining and sales of coal; and

ii) others – included provision of management services and sales of clocks and other office related products, which were not significant as a reportable segment of the Group since the year ended 31 March 2011. The operations of this segment were disposed of during the year ended 31 March 2012.

a) Segment revenue and results

The following tables present the turnover, results and expenditure of the Group's reportable segments.

For the year ended 31 March 2013

	Coal mine business *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment Turnover:			
Sales to external customers	**165,041**	**–**	**165,041**
Segment results	**(34,419)**	**–**	**(34,419)**
Interest income			**2,599**
Change in fair value of convertible loan notes designated as financial liabilities at FVTPL			**24,031**
Central administration costs			**(9,194)**
Loss before tax			**(16,983)**

For the year ended 31 March 2012

	Coal mine business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment Turnover:			
Sales to external customers	190,974	–	190,974
Segment results	74,922	(350)	74,572
Interest income			1,117
Change in fair value of convertible loan notes designated as financial liabilities at FVTPL			(12,703)
Central administration costs			(7,849)
Profit before tax			55,137

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit/loss of each segment without allocation of central administration costs including directors' emoluments, interest income, change in fair value of convertible loan notes designated as financial liabilities at FVTPL. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

b) Segment assets and liabilities

For the year ended 31 March 2013

	Coal mine business ***HK$'000***	**Others** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Assets				
Segment assets	**221,504**	**–**	**–**	**221,504**
Unallocated assets	**–**	**–**	**205,043**	**205,043**
Total assets				**426,547**
Liabilities				
Segment liabilities	**43,153**	**–**	**–**	**43,153**
Unallocated liabilities	**–**	**–**	**209,020**	**209,020**
Total liabilities				**252,173**
Other segment information				
Amounts included in the measure of segment profit or loss or regularly provided to the chief operating decision maker:				
Additions of property, plant and equipment	**48**	**–**	**910**	**958**
Depreciation and amortisation	**16,473**	**–**	**378**	**16,851**
Impairment loss on intangible assets	**49,928**	**–**	**–**	**49,928**
Write down of inventories	**15,058**	**–**	**–**	**15,058**
Interest income	**(524)**	**–**	**(2,075)**	**(2,599)**
Income tax credit	**(6,803)**	**–**	**–**	**(6,803)**

For the year ended 31 March 2012

	Coal mine business *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets				
Segment assets	201,439	–	–	201,439
Unallocated assets	–	–	258,853	258,853
Total assets				460,292
Liabilities				
Segment liabilities	28,008	–	–	28,008
Unallocated liabilities	–	–	248,809	248,809
Total liabilities				276,817
Other segment information				
Amounts included in the measure of segment profit or loss or regularly provided to the chief operating decision maker:				
Additions to property, plant and equipment	253	–	644	897
Depreciation and amortisation	11,202	–	5	11,207
Reversal of impairment loss on intangible assets	(39,733)	–	–	(39,733)
Reversal of write down of inventories	(17,900)	–	–	(17,900)
Loss on disposal of property, plant and equipment	6	–	–	6
Interest income	(735)	–	(382)	(1,117)
Income tax expense	11,420	–	–	11,420

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets other than deferred tax assets and other corporate assets are allocated to operating segments. Assets used jointly by segments are allocated in proportion to the revenues earned by individual segments; and

– all liabilities other than amount due to an intermediate holding company, deferred tax liabilities, convertible loan notes designated as financial liabilities at FVTPL and other corporate liabilities are allocated to operating segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

c) **Geographical information**

The Group's revenue from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:

	Hong Kong		PRC (other than HK) (place of domicile)		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**–**	–	**165,041**	190,974	**165,041**	190,974
Non-current assets	**1,189**	651	**91,903**	156,049	**93,092**	156,700

* Non-current assets exclude deferred tax assets and security deposit.

d) **Information about major customers**

For the year ended 31 March 2013, there was no individual customer contributed more than 10% of the total revenue of the Group.

For the year ended 31 March 2012, a single customer of the coal mine business of the Group with revenue contributed to the Group amounting to approximately HK$20,342,000 had individually accounted for over 10% of the Group's total revenue.

5. (IMPAIRMENT LOSS)/REVERSAL ON INTANGIBLE ASSETS

The (impairment loss)/reversal on intangible assets made during the year ended 31 March 2013 and 2012 was related to the mining right and exploration right of the Group:

Mining right

The management conducted impairment review of the mining rights at the end of each reporting period with reference to the professional valuation which was based on value-in-use calculations. The calculations used cash flow projections based on financial budgets prepared by management covering a five-year period with growth rate not exceeding the long-term average growth rate of coal mine business, and discount rate of 38% (2012: 29%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit ("Mining CGU"), being the subsidiary operates under the mining right. Cash flows beyond 5 year period have been extrapolated using zero growth rate per annum. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. During the year ended 31 March 2013, with reference to the professional valuation which was based on the discounted future cash flow to be generated, the management expected that the recoverable amount of this Mining CGU exceeds its carrying amount. Accordingly, no impairment loss is required.

During the year ended 31 March 2012, due to the increase in average selling price of coal which resulted in increase in gross profits and operating income from this Mining CGU, and with reference to the professional valuation which was based on the discounted future cash flow to be generated, the management expected that the recoverable amount of this Mining CGU exceeds its carrying amount. Therefore, a reversal of impairment loss of approximately HK$26,027,000 was allocated to the mining right which was recognised in profit or loss and included in reversal of impairment loss on intangible assets.

Exploration and evaluation assets

It represented exploration right possessed by the Group which the Group owns a priority to transfer the exploration right to mining right. For the year ended 31 March 2012, the management conducted impairment review of the exploration and evaluation assets with reference to the professional valuation which was based on value-in-use calculations. The calculations used cash flow projections based on financial budgets prepared by management, which expected that the mining right would be obtained and mining activities would be commenced in 2015, covering a five-year period with growth rate not exceeding the long-term average growth rate of coal mine business, and discount rate of 24.7% using pre-tax rates that reflected the then current market assessments of the time value of money and the risks specific to the cash generating unit ("E&E CGU"). Cash flows beyond 5 year period were extrapolated using zero growth rate per annum, which was based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. Due to the increase in average selling price of coal which resulted in increase in gross profits and operating income from this E&E CGU, and with reference to a professional valuation which was based on the discounted future cash flow to be generated, the management expected the recoverable amount of this E&E CGU exceeds its carrying amount. Therefore, a reversal of impairment loss of approximately HK$13,706,000 was allocated to the exploration right which was recognised in profit or loss and included in reversal of impairment loss on intangible assets during the year ended 31 March 2012.

For the year ended 31 March 2013, the exploration and evaluation assets were fully impaired in profit or loss based on a professional valuation which concluded that no defined or reliable future economic benefit could be drawn from the E&E CGU due to the following facts and circumstances:

– the exploration right has been renewed twice and the expiry date of it would be on 20 February 2014;

– according to a legal opinion obtained by the Group, the exploration right can only be renewed twice under PRC law and regulation, and no further renewal for period beyond 20 February 2014 can be obtained;

– the management re-assessed the status and considered that the Group is not able to obtain a mining right prior to the expiry of the exploration right; and

– that no defined or reliable future economic benefit could be drawn based on the current progress relating to the Management Restructuring Plan.

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on bank advances wholly repayable within five years		
– interest expenses on bills receivables discounted to banks	**23**	–

7. INCOME TAX (CREDIT)/EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Tax (credit)/expenses comprises:		
Hong Kong Profits Tax		
– current year	**–**	–
Tax in other jurisdictions		
– current year	**12,419**	2,944
– (over)/under-provision in prior years	**(261)**	373
	12,158	3,317
Deferred tax	**(18,961)**	8,103
	(6,803)	11,420

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profits being derived from Hong Kong for both years ended 31 March 2013 and 2012. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the People's Republic of China 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.

Pursuant to the laws and regulations in the PRC, one of the Group's subsidiaries operating in the PRC is entitled to exemption from PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the following three years. The subsidiary was eligible to the above tax concession policy commencing from 1 January 2007 until 31 December 2011.

8. (LOSS)/PROFIT FOR THE YEAR

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

	2013	2012
	HK$'000	*HK$'000*
Amount of inventories sold	**120,973**	163,308
Write down/(reversal of write down) of inventories	**15,058**	(17,900)
Cost of inventories sold	**136,031**	145,408
Staff costs (excluding directors' remuneration):		
Basic salaries and allowances	**8,306**	5,691
Retirement benefits scheme contributions	**744**	507
	9,050	6,198
Depreciation of property, plant and equipment	**4,053**	4,041
Amortisation of intangible assets	**12,798**	7,166
Less: Amounts capitalised in inventories	**(6,497)**	(1,945)
Amounts included in cost of sales	**6,301**	5,221
Auditor's remuneration		
– audit services	**748**	540
– other services	**130**	125
	878	665
Operating leases charges on rented premises	**2,076**	1,854
Net exchange gain on financial liabilities at FVTPL	**(725)**	(8,457)
Other net exchange loss	**790**	7,899
Loss on disposal of property, plant and equipment	**–**	6
Interest income on financial assets not at fair value through profit or loss	**(2,599)**	(1,117)

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

10. (LOSS)/EARNINGS PER SHARE

a) Basic earnings per share

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

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit		
(Loss)/profit for the purpose of basic earnings per share ((Loss)/profit for the year attributable to owners of the Company)	**(10,180)**	43,717
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**765,373,584**	765,373,584

b) **Diluted 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)*

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners	**(10,180)**	43,717
Fair value (gain)/loss of convertible loan notes	**(24,031)**	12,703
Exchange gain on convertible loan notes	**(725)**	(8,457)
(Loss)/profit attributable to owners (diluted)	**(34,936)**	47,963

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

	2013	2012
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**765,373,584**	765,373,584
Effect of conversion of convertible loan notes	**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

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables	**735**	2,499
Prepayments, deposits and other receivables	**2,217**	2,555
	2,952	5,054

All of the trade and other receivables are expected to be recovered or recognized 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.

Included in the trade and bills receivables are bills receivables amounted to approximately HK$684,000 (2012: HK$2,348,000) aged within one year.

At the end of reporting period, the aging 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 debts was as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**684**	1,977
91–180 days	**–**	522
181 days – 365 days	**–**	–
Over 1 year	**51**	–
	735	2,499

a) As of the end of reporting period, the aging analysis of trade and bills receivables that were past due but not impaired are as follows:

	Total	**Neither past due nor impaired**	**Past due but not impaired**		
			<90 days	**91 to 365 days**	**Over 1 year**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31/3/2013	735	684	–	–	51
31/3/2012	2,499	2,499	–	–	–

Trade and bills receivables that were neither past due nor impaired related to wide range of customers for whom there was no recent history of default. The Group did not hold any collateral over these balances.

Trade receivables that were past due but not impaired at 31 March 2013 related to an individual customer that has a good track record with the Group. Based on past experience, management believes that no impairment is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

b) Movements in the allowance for doubtful debts of trade receivables during the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	719
Derecognised on disposal of subsidiaries	**–**	(719)
Balance at end of the year	**–**	–

12. TRADE AND OTHER PAYABLES

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

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**658**	1,249
91–180 days	**337**	1,436
181–365 days	**546**	2,138
Over 1 year	**29**	12
Trade payables	**1,570**	4,835
Receipt in advance	**2,152**	1,606
Value-added tax and non-income tax payable	**1,524**	2,333
Government levies payable	**26,110**	10,602
Accrued expenses	**1,694**	1,519
Other payables	**5,252**	5,848
	38,302	26,743

All the trade and other payables are expected to be settled or recognised as income within one year.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The Group recorded a turnover of approximately HK$165,041,000 for the year ended 31 March 2013 (2012: HK$190,974,000). It represents a decrease of approximately HK$25,933,000 or 13.58% as compared with last year.

The decrease was due to decrease in market demand.

Gross profit

The gross profit of the Group for the year ended 31 March 2013 was decreased to approximately HK$29,010,000 (2012: HK$45,566,000). This was mainly due to a write down of inventories to net realizable value amounted to HK$15,058,000 was recognized during the year.

Loss for the year

Loss of the Group for the year ended 31 March 2013 was approximately HK$10,180,000 (2012: profit approximately HK$43,717,000). This was mainly due to the reduction of gross profit, impairment loss of intangible assets, and change in fair value of the convertible loan notes.

Segment Information

Business segment

The performance of each of the Group's business segment for the year ended 31 March 2013 are set out in note 4 and are summarised below:

Coal Mine Business

Coal Mine Division is the sole business division of the Group at present. The Division contributed a turnover of HK$165,041,000 for year ended 31 March 2013 (2012: HK$190,974,000) and represents 13.58% decreased as compared with 2012. The decrease in turnover is resulted by weak market demand.

Mine Sales and Production

During the year ended 31 March 2013, the Group sold 1.52 million tones to have the total sales income HK$165,041,000. Details of coal sales in tones are listed in the below tables.

	Year ended 31 March	
	2013	2012
Coal sales	**1,519,582 tones**	2,538,603 tones

Coal Sales (tones) and Percentage of Coal Sales

	Coal Sales (tones)	**Coal Sales in %**
Large Coal	**262,064**	**17.25**
Middle Coal	**310,464**	**20.43**
Nucleus Coal	**382,766**	**25.19**
Slack Coal	**564,288**	**37.13**
Total Sales	**1,519,582**	**100.00**

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 respectively. The coal reserve remaining of Kaiyuan Mine was 13.96 million tones as at 31 March 2013 (2012: 16.46 million tones). Coal extracted during the year is around 2.50 million tones. The exploration permit of Zexu Mine will expire on 20 February 2014, full impairment of this intangible asset has been made in the financial year. The following tables are the estimated coal reserves for the Kaiyuan Open Pit Coal Mine and estimated coal resources for the Zexu Open Pit Coal Mine Exploration Right area as at the year 2010 conducted by John T. Boyd Company in June 2010.

Coal Reserve as at 31 March 2013 = Coal Reserve as at 31 March 2012 – amount of coal extracted (the "Coal Extracts") by the Group during 1 April 2012 to 31 March 2013.

Estimated coal reserves for the Kaiyuan Open Pit Coal Mine are:

Seam Bench	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (tones-millions) 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.

Estimates of Coal Resources for the Zexu Open Pit Coal Mine Exploration Right area total 119.38 Mt, as summarized below:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (tones-millions) 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

Cost of Sales

The cost of sales for the year was HK$136,031,000 (2012: HK$145,408,000). The cost mainly comprise machine rental cost, direct labor cost, cost for explosive works, amortisation of mining right, etc. The decrease in cost of sales during the year was mainly due to the decrease in coal demand, whilst the increase in cost of sales are due to a write down of inventories and increase in production cost.

Geographic segments

Hong Kong and PRC (other than Hong Kong) were the major geographical segments of the Group for the year ended 31 March 2013. Ratio analysis by geographical segments for the Group's turnover for the year ended 31 March 2013 is as follows:

	Hong Kong		**PRC (other than Hong Kong)**	
	2013	2012	**2013**	2012
	%	%	**%**	%
Segment turnover to total turnover	**–**	–	**100.00**	100.00

Liquidity and Financial Resources

As at 31 March 2013, the Group had:

- net current assets of approximately HK$94,604,000 (2012: approximately HK$272,924,000).

- bank balances and cash of approximately HK$255,620,000 (2012: approximately HK$257,246,000) which were the major components of the Group's current assets of approximately HK$326,849,000 (2012: approximately HK$300,783,000).

- current liabilities of approximately HK$232,245,000 (2012: approximately HK$27,859,000) which were mainly composed of trade and other payables of HK$38,302,000 (2012: HK$26,743,000) and the convertible loan notes designated as financial liabilities at fair value through profit or loss approximately HK$189,858,000 (2012:Nil).

- non-current liabilities of approximately HK$19,928,000 (2012: approximately HK$248,958,000) which were mainly composed of deferred tax liability of HK$17,969,000(2012: HK$33,118,000) and the convertible loan notes designated as financial liabilities at fair value through profit or loss was HK$ Nil (2012: HK$213,889,000).

The Group's gearing ratio was Nil (2012: Nil). The computation is based on total debt (trade and other payable, amount due to an intermediate holding company and convertible loan notes designed at fair value through profit and loss) less cash and cash equivalents divided by total equity. As cash and cash equivalents exceed the total debt for the year ended 31 March 2013, therefore gearing ratio was nil.

Charges on Group's Assets

As the financial year ended 31 March 2013, none of trade receivables was pledged to secure the borrowing (2012: Nil), no leasehold land and buildings or investment properties of the Group were pledged to secure general banking facilities granted to the Group (2012: Nil).

Significant Investments and Material Acquisitions

During the year ended 31 March 2013, there were no significant investments and material acquisitions.

Discontinued Operation

During the year ended 31 March 2013, there was no discontinuing operations in the Group.

Foreign Exchange Exposure

The Group mainly earns revenue in RMB and incurs costs 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 core 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.

Treasury Policies

The Group generally finances its operation with internal generated resources.

Contingent Liabilities

As at 31 March 2013, the Group did not have any contingent liabilities (2012: Nil).

Employees

As at 31 March 2013, the Group had 114 employees (2012: 117) spreading among Hong Kong and the PRC. Industrial relationship has been well maintained. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs. The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company (the "Directors"), the Company has during the year ended 31 March 2013 complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, save for the deviation from Code provision A.2.1 as disclosed below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the year ended 31 March 2013, the Company did not have any officer with CEO title. Ms. Lo Fong Hung, the Chairperson and Managing Director of the Company, also carried out the responsibility of CEO during such period. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. All directors of the Company 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 ended 31 March 2013.

AUDIT COMMITTEE

The audit committee of the Company currently consists of three independent non-executive Directors, namely Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey. The audit committee has reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.nannanlisted.com. The annual report of the Company for the year ended 31 March 2013 containing all information required by the Listing Rules will be despatched to shareholders and published on above websites in due course.

By Order of the Board
Nan Nan Resources Enterprise Limited
Wang Xiangfei
Executive Director

Hong Kong, 21 June 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. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey.