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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Nan Nan Resources Enterprise Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2023
AND
NOTICE OF SGM**

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders



A letter from the Board is set out on pages 8 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 22 of this circular. A letter from the Independent Financial Adviser, Lego Corporate Finance, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 49 of this circular.

A notice convening the SGM to be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 9 December 2022 at 11:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

16 November 2022

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing coronavirus disease (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending shareholders, staff and stakeholders from the risk of infection including, without limitation:

- (1) Compulsory temperature checks
- (2) Submission of health declaration form
- (3) Compulsory wearing of surgical face mask
- (4) No provision of refreshments or drinks
- (5) No distribution of corporate gift

Any person who does not comply with the precautionary measures, is with a body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. If necessary, more severe precautionary measures and/or other arrangement may be adopted at the SGM to comply with any new, amended and then existing law provision of Hong Kong in effect that time. Shareholders should check the website of the Company at <https://www.nannanlisted.com> or the website of the Stock Exchange at <https://www.hkexnews.hk> for future announcements and updates on the SGM arrangements.

The Company reminds Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights and they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise.

“1st Extension”	the extension of the Maturity Date of the Convertible Bond for 36 months, together with the Conversion Period which was also extended for 36 months to 13 March 2014 accordingly pursuant to the Deed of Amendment
“1st Extension Circular”	the Company’s circular dated 21 February 2011 in relation to, among other matters, the 1st Extension
“2nd Deed of Amendment”	the 2nd deed of amendment dated 21 January 2014 (as amended and supplemented by the Supplemental Deed) entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to further extend the Maturity Date and Conversion Period of the Convertible Bond for 36 months to 13 March 2017
“2nd Extension”	the extension of the Maturity Date of the Convertible Bond for 36 months from the 1st Extension, together with the Conversion Period which was also extended for 36 months to 13 March 2017 pursuant to the 2nd Deed of Amendment
“2nd Extension Circular”	the Company’s circular dated 13 February 2014 in relation to, among other matters, the 2nd Extension
“3rd Deed of Amendment”	the 3rd deed of amendment dated 25 January 2017 entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to further extend the Maturity Date and Conversion Period of the Convertible Bond for 36 months to 13 March 2020
“3rd Extension”	the further extension of the Maturity Date of the Convertible Bond for 36 months from the 2nd Extension, together with the Conversion Period which will also be further extended for 36 months to 13 March 2020 pursuant to the 3rd Deed of Amendment
“3rd Extension Circular”	the Company’s circular dated 17 February 2017 in relation to, among other matters, the 3rd Extension

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“4th Deed of Amendment”	the 4th deed of amendment dated 3 February 2020 entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to further extend the Maturity Date and Conversion Period of the Convertible Bond for 36 months to 13 March 2023
“4th Extension”	the further extension of the Maturity Date of the Convertible Bond for 36 months from the 3rd Extension, together with the Conversion Period which will also be further extended for 36 months to 13 March 2023 pursuant to the 4th Deed of Amendment
“4th Extension Circular”	the Company’s circular dated 24 February 2020 in relation to, among other matters, the 4th Extension
“5th Deed of Amendment”	the 5th deed of amendment dated 11 August 2022 entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed to further extend the Maturity Date and Conversion Period of the Convertible Bond for 36 months to 13 March 2026
“5th Extension”	the further extension of the Maturity Date of the Convertible Bond for 36 months from the 4th Extension, together with the Conversion Period which will also be further extended for 36 months to 13 March 2026 pursuant to the 5th Deed of Amendment
“Ascent Goal” or “Subscriber”	Ascent Goal Investments Limited, the controlling shareholder of the Company and the subscriber to the Convertible Bond, a company incorporated in British Virgin Islands with limited liability
“Announcements”	(i) the announcement of the Company dated 28 January 2008 in relation to the subscription of the Convertible Bond; (ii) the announcement of the Company dated 11 February 2011 in relation to the 1st Extension; (iii) the announcement of the Company dated 21 January 2014 and the clarification announcement of the Company dated 28 January 2014 both in relation to the 2nd Extension; (iv) the announcement of the Company dated 25 January 2017 in relation to the 3rd Extension; (v) the announcement of the Company dated 3 February 2020 in relation to the 4th Extension; and (vi) the announcement of the Company dated 11 August 2022 in relation to the 5th Extension

DEFINITIONS

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Circulars”	(i) the Company’s circular dated 21 February 2008 in relation to, among other matters, the proposed subscription of the Convertible Bond; (ii) the Company’s circular dated 21 February 2011 in relation to, among other matters, the 1st Extension; (iii) the Company’s circular dated 13 February 2014 in relation to, among other matters, the 2nd Extension; (iv) the Company’s circular dated 17 February 2017 in relation to, among other matters, the 3rd Extension; (v) the Company’s circular dated 24 February 2020 in relation to, among other matters, the 4th Extension
“Company”	Nan Nan Resources Enterprise Limited (stock code: 1229), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Conversion Period”	the period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date
“Conversion Price”	HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type
“Conversion Share(s)”	share(s) to be issued pursuant to exercise of the Convertible Bond
“Convertible Bond”	outstanding and exercisable zero per cent convertible bond issued by the Company to the Subscriber with an aggregate principal amount of HK\$200,000,000
“Deed of Amendment”	the deed of amendment dated 11 February 2011 entered into between the Company and the Subscriber, whereby the Company and the Subscriber agreed the 1st Extension

DEFINITIONS

“Directors”	the directors of the Company
“Enlarged Kaiyuan Mine”	Kaiyuan Mine with an enlarged mining area of approximately 4.1123 km ²
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors to advise the Independent Shareholders on the 5th Extension
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the 5th Extension
“Independent Shareholders”	the shareholders of the Company, other than the Subscriber and its associates
“Independent Third Party”	third party(ies) independent of and not connected with the Company and its connected persons
“Kaiyuan Mine”	an open pit coal mine situated at Zhundong Economic and Technological Development Zone, Xinjiang, the PRC* (中國新疆准東經濟技術開發區), of which its mining right is owned by Kaiyuan Company
“km ² ”	square kilometres
“Last Trading Day”	10 August 2022, being the last trading day of the Shares immediately before the date of the 5th Deed of Amendment

DEFINITIONS

“Latest Practicable Date”	11 November 2022, being the latest practicable date for ascertaining certain information in this circular before printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date upon which the Convertible Bond will expire and the last day for the Company to repay the outstanding amount under the Convertible Bond being the date falling 216 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2026, pursuant to the 5th Deed of Amendment
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New Mining Right”	the new mining right of the Enlarged Kaiyuan Mine for 30 years from August 2019 to August 2049 to conduct mining activities at the Enlarged Kaiyuan Mine
“PRC”	the People’s Republic of China (for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Renewed Mining Permit”	the renewed mining permit granted by the Department of Natural Resources of Xinjiang Uygur Autonomous Region of the PRC* (中國新疆維吾爾自治區自然資源廳) in respect of the Group’s mining operations and sale at the Enlarged Kaiyuan Mine with the validity period of 10 year from 11 October 2021 and expiring on 11 October 2031
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve among other matters, the 5th Extension

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Ascent Goal Investments Limited, the Controlling Shareholder of the Company and the subscriber to the Convertible Bond, a company incorporated in British Virgin Islands with limited liability
“Subscription Agreement”	the subscription agreement dated 15 January 2008 entered into between the Company and the Subscriber in respect of, among other things, the subscription of the Convertible Bond
“Subscription Circular”	the Company’s circular dated 21 February 2008 in relation to, among other matters, (i) proposed subscription of new shares and convertible bond and (ii) increase in authorized share capital
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Updated Optimization and Upgrading Plan”	the optimization and upgrading plan in respect of the management restructuring of seven different coal mines in the Xiheishan Mining Area, where (i) Kaiyuan Mine would be restructured and upgraded, and the exploration permit granted to the Company in relation to the Zexu Mine would be terminated; and (ii) the mining area of the Kaiyuan Mine was proposed to be increased from 1.1596 km ² to 4.12 km ² , with the estimated coal resources of approximately 131.18 million tonnes, as detailed in the announcements of the Company dated 11 November 2011, 12 March 2012, 21 March 2012, 15 June 2012, 21 March 2014, 15 August 2017, 28 March 2018, 14 December 2018, 31 December 2018, 15 May 2019, 31 May 2019, 4 November 2019, 15 November 2019, 6 December 2019 and 20 December 2019
“Zexu Mine”	an open pit coal mine situated at Qitai County, Changji Hui Autonomous Prefecture, Xinjiang, the PRC* (中國新疆昌吉回族自治州奇台縣)

* For identification purposes only

LETTER FROM THE BOARD



NAN NAN RESOURCES ENTERPRISE LIMITED

南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

Directors:

Mr. Kwan Man Fai (*Chairman and Managing Director*)

Mr. Wong Sze Wai

Mr. Li Chun Fung

Dr. Wong Man Hin Raymond[#]

Mr. Chan Yiu Fai Youdey[#]

Mr. Pak Wai Keung Martin[#]

[#] *Independent non-executive Director*

Registered office:

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in Hong Kong:*

8/F., Tower 2

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18 Harcourt Road

Admiralty, Hong Kong

16 November 2022

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2023**

1. INTRODUCTION

References are made to (i) Announcement and (ii) Circulars; and (iii) the announcement of the Company dated 11 August 2022 in relation to the 5th Extension.

LETTER FROM THE BOARD

The Company entered into a conditional subscription agreement on 15 January 2008 with the Subscriber, pursuant to which the Company issued the Convertible Bond to the Subscriber in an aggregate principal amount of HK\$200,000,000. The Convertible Bond bears no interest and is convertible into Shares. All outstanding Convertible Bond should have matured on 13 March 2011 pursuant to the original terms and conditions of the Convertible Bond.

On 11 February 2011, the Company and the Subscriber entered into the Deed of Amendment to extend the Maturity Date and the Conversion Period of the Convertible Bond for 36 months to 13 March 2014.

On 21 January 2014, the Company and the Subscriber entered into the 2nd Deed of Amendment, as amended and supplemented by the Supplemental Deed dated 28 January 2014, to further extend the Maturity Date and the Conversion Period of the Convertible Bond for 36 months to 13 March 2017.

On 25 January 2017, the Company and the Subscriber entered into the 3rd Deed of Amendment to further extend the Maturity Date and the Conversion Period of the Convertible Bond for 36 months to 13 March 2020.

On 3 February 2020, the Company and the Subscriber entered into the 4th Deed of Amendment to further extend the Maturity Date and the Conversion Period of the Convertible Bond for 36 months to 13 March 2023.

As at the Latest Practicable Date, the Convertible Bond with an aggregate amount of HK\$200,000,000 held by the Subscriber is still outstanding. Please refer to the Announcements and Circulars for the details of the Convertible Bond and its extensions.

The purposes of this circular is to provide you with, among other things, (i) further information on the 5th Deed of Amendment and the 5th Extension; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM to consider and, if thought fit, approve among other matters, the resolution in relation to the 5th Deed of Amendment and the 5th Extension.

LETTER FROM THE BOARD

2. THE 5TH DEED OF AMENDMENT

On 11 August 2022, the Company and the Subscriber entered into the 5th Deed of Amendment, pursuant to which the Maturity Date will be extended for 36 months from the 4th Extension and the Conversion Period will accordingly be extended for 36 months to 13 March 2026. Save for the Maturity Date and the Conversion Period, all terms of the Convertible Bond remain unchanged.

The 5th Deed of Amendment is subject to the fulfillment of the following conditions:

- (a) the passing by the Independent Shareholders at the SGM of the necessary resolutions to ratify and approve the 5th Deed of Amendment and the 5th Extension;
- (b) the Stock Exchange having approved the 5th Extension in accordance with Rule 28.05 of the Listing Rules; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the 5th Extension having been obtained.

None of the above conditions precedent could be waived by the parties to the 5th Deed of Amendment. The 5th Deed of Amendment shall have no effect unless and until all the conditions precedent set out above are fulfilled. The effective date of the 5th Deed of Amendment shall be on the date when all its conditions precedent are fulfilled. As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

3. TERMS OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond (as amended by the Deed of Amendment, the 2nd Deed of Amendment, the 3rd Deed of Amendment, the 4th Deed of Amendment and the 5th Deed of Amendment) will be as follows:

Principal amount	HK\$200,000,000
Coupon	Zero (0)% interest rate
Maturity Date	The Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the maturity date, being the date falling 216 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2026.

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- Conversion
- The holders of the Convertible Bond may convert the whole or part of the principal amount of the Convertible Bond (in multiples of HK\$1,000,000) into such number of Shares determined by dividing the principal amount of the Convertible Bond being converted by the Conversion Price then in effect on any business day during the Conversion Period.
- Conversion Price
- HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type.
- The Conversion Price, which was determined when the Subscription Agreement was entered into in January 2008, represents (assuming no adjustment to the Conversion Price is to be made):
- (a) a discount of approximately 28.57% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
 - (b) a discount of approximately 29.82% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
 - (c) a discount of approximately 31.03% to the average closing price of approximately HK\$0.29 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
 - (d) a discount of approximately 25.93% to the average closing price of approximately HK\$0.27 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day.

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Following various discussions and negotiation between the Company and the Subscriber on the terms of the 5th Extension, including the Conversion Price, having principally taken into account that: (i) the Conversion Price was determined when the Subscription Agreement was entered into in January 2008 with reference to primarily the then net asset value of the Group; (ii) the zero coupon rate of the Convertible Bond; (iii) the cash position of the Company as at 30 June 2022; and (iv) other possible alternate financing methods to settle the Convertible Bonds, which are not commercially reasonable, the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 5th Deed of Amendment. As detailed in the section "Reason for the 5th Extension" below and the considerations listed above, the Directors are of the view that the 5th Extension at the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The theoretical dilution effect of the issue of the Conversion Shares at the Conversion Price calculated based on the benchmark price of approximately HK\$0.28 (being the closing price on the Last Trading Day) is approximately 16.18% and thus the issue of the Conversion Shares at the Conversion Price will not result in a theoretical dilution effect of 25% or more on its own as referred to under Rule 7.27B of the Listing Rules. The Company will continue to comply with Rule 7.27B of the Listing Rules after the 5th Extension.

Adjustments to Conversion Price

The Conversion Price is subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:

- (i) any consolidation or sub-division of the Shares, in which case the Conversion Price in force immediately before such consolidation or sub-division shall be adjusted by, in summary, multiplying it by the revised nominal amount and dividing the result by the former nominal amount;

LETTER FROM THE BOARD

- (ii) any issue of Shares (other than in lieu of a cash dividend) by way of capitalization of profits or reserves, in which case the Conversion Price in force immediately before such issue shall be adjusted by, in summary, multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalization;
- (iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash, in which case the Conversion Price in force immediately before such distribution or grant shall be adjusted by, in summary, multiplying it by a formula taking into account the market price on the date of such distribution or grant, and the fair market value on the same day of the portion of the capital distribution or of such rights which is attributed to one Share;
- (iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before the date of announcement of such offer or grant, by a formula taking into account the number of Shares in issue immediately before the date of such announcement, the number of Shares which the aggregate of the amount payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price, and the aggregate number of Shares for subscription or comprised in the options or warrants;

LETTER FROM THE BOARD

- (v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before such issue, by a formula taking into account the number of Shares in issue immediately before the date of such issue, the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price, and the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price;

- (vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before such modification, by a formula taking into account the number of Shares in issue immediately before the date of such modification, the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price, and the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified price; or

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- (vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before the related announcement, by a formula taking into account the number of Shares in issue immediately before the date of such announcement, the number of Shares which the aggregate amount payable for the issue would purchase at such market price, and the number of Shares so issued.

Conversion Period The Conversion Period is a period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date.

Redemption Neither the Company nor the holder of Convertible Bond shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.

Transferability The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.

Conversion restrictions The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

There is no restriction on the exercise of the conversion rights attaching to the Convertible Bond in relation to the mandatory offer obligations under Rule 26 of the Takeovers Code. As at the Latest Practicable Date, in light of the Subscriber's approximate 74.42% shareholding interest in the Company, the exercise of such conversion rights (in whole or in part) by the Subscriber will not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. In the event that the Convertible Bond were to be transferred to a third party, such third party transferee would be bound by the Takeovers Code and any implications thereof in exercising such conversion rights.

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Ranking of Conversion Shares The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.

Listing of the Convertible Shares No application has been nor will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognized stock or securities exchanges.

Application had been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

4. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Upon full conversion of the Convertible Bond at the Conversion Price of HK\$0.20 per Share, an aggregate of 1,000,000,000 new Shares would fall to be issued (determined by dividing the full principal amount of the Convertible Bond being converted: HK\$200,000,000, by the Conversion Price then in effect: HK\$0.20 per Conversion Share).

The effect of exercising the conversion rights attaching to the Convertible Bonds in full (assuming that there is no other change in the share capital and shareholding structure of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds) is as follows:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bond ^(Note)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Ascent Goal Investments Limited	569,616,589	74.42	1,569,616,589	88.91
Existing public Shareholders	195,756,995	25.58	195,756,995	11.09
Total	<u>765,373,584</u>	<u>100.00</u>	<u>1,765,373,584</u>	<u>100.00</u>

Note: In view of the dilution effect as illustrated in the table above, the conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

LETTER FROM THE BOARD

5. REASONS FOR THE 5TH EXTENSION

The Group has been actively proceeding with the Updated Optimization and Upgrading Plan since 2011 as part of the government restructuring proposals to consolidate smaller mines as well as an expansion and development of the Group's business of coal mining and sales. As detailed in the announcement of the Company dated 24 November 2021, the Group has been granted the ten-year Renewed Mining Permit in respect of the New Mining Right for the Enlarged Kaiyuan Mine covering a mining area of approximately 4.112 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).

The Group wishes to retain sufficient working capital for its current business operations as well as the operations at the Enlarged Kaiyuan Mine, given that the Group is granted with the Renewed Mining Permit and the Enlarged Kaiyuan Mine's production has resumed full mining operations and sales since August 2020. The Company is of the view that the 5th Extension will enable the Group to retain the funds for replenishing the Company's working capital for such purposes, as the 5th Extension effectively allows the Group to refinance the debts under the Convertible Bond under the same terms at zero interest rate for a further 36 months.

In addition, as the Convertible Bond is zero coupon, it will not incur any interest burden for the Group until its maturity in March 2026. Save for the Maturity Date and the Conversion Period, all terms and conditions of the Convertible Bond remain unchanged. Besides, the subscription price was determined based on the then prevailing market conditions and net asset value of the Group back in January of 2008 between the Company and the Subscriber after arm's length negotiations. Thus, despite the Conversion Price representing a discount to the benchmarks set out in the section headed "Terms of the Convertible Bond – Conversion Price" above, the recent increase in the price of the Shares may not fully reflect its value as the transaction volume remains relatively low in comparison to the volume of the Conversion Shares should the conversion rights attached to the Convertible Bond be exercised. Accordingly, after negotiation and due consideration, the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 5th Deed of Amendment.

The Board has considered alternate financing methods to settle the Convertible Bonds, including bank loans and equity financing, however, neither option is commercially reasonable. Regarding the bank loans, it is inevitable that there will be interest incurred, meaning an additional financial burden to be borne by the Group. As for the latter, there is high uncertainty regarding the outcome of equity financing, as it may require a deeper discount to attract potential investors and would ultimately lead to a dilution of shareholding. Accordingly, the Board is of the view that it is not in the interests of the Company to adopt alternate financing methods to refinance the Convertible Bonds.

LETTER FROM THE BOARD

Although there is still more than half a year from the Convertible Bonds' maturity date of 13 March 2023, the Company has entered into the 5th Deed of Amendment ahead of time with an aim to reduce the uncertainty brought by the subsistence of COVID-19 to the Company's working capital position and operations, as the pandemic has brought about a challenging business environment and various uncertainties, particularly with respect to the coal mining and information technology business segments of the Company.

As such, entering into the 5th Deed of Amendment a few months before the Convertible Bonds fall due would provide the Company with additional time and more financial flexibility in planning its working capital to fund its operation and/or business development so as to maximise returns to the Company's shareholders, instead of towards repaying the outstanding Convertible Bond upon its maturity.

The Board ^{Note 1} (excluding the independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) considers that the terms and conditions of the 5th Deed of Amendment are fair and reasonable and the 5th Extension is in the interests of the Company and the Shareholders as a whole, as it allows the Company to enjoy more financial flexibility by allocating its working capital towards its operation, business development and potential investments, and ultimately maximise its returns to the Shareholders. The management of the Company is of the view that the 5th Extension will not pose any significant impact on the operations of the Group.

Note 1: As Mr. Wong Sze Wai has material interest in the transaction, he has abstained from voting on the Board resolution in relation to the 5th Extension.

LETTER FROM THE BOARD

6. INFORMATION ON THE GROUP AND THE SUBSCRIBER

The Group is principally engaged in (i) mining and sales of coal; (ii) the provision of renewable energy solutions and services; and (iii) the provision of information technology outsourcing, consultancy and technical services.

The Subscriber is an investment holding company. Save for holding the 569,616,589 issued Shares, representing approximately 74.42% current shareholding interest in the Company and the Convertible Bond, the Subscriber does not have any other significant business activities. The Subscriber is ultimately owned as to 70% by New Bright International Development Limited, where 70% shares in New Bright International Development Limited is held by Ms. Fung Yuen Kwan Veronica and the remaining 30% shares being beneficially owned by Ms. Lo Fong Hung.

7. LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the proposed amendments contemplated by the 5th Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

As at the Latest Practicable Date, the Subscriber holds 569,616,589 issued Shares, representing approximately 74.42% of the issued share capital of the Company and hence a controlling shareholder of the Company. Accordingly, the Subscriber is a connected person of the Company under the Listing Rules. The 5th Extension to be effected by the 5th Deed of Amendment entered into between the Company and the Subscriber constitutes a connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The executive Directors of the Company, Mr. Wong Sze Wai, has material interest in the transaction and has abstained from voting on the board resolution in relation to the 5th Extension. Mr. Wong Sze Wai has a material interest in the transaction by virtue of him being a director of the Subscriber.

8. GENERAL

The Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders and Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the 5th Deed of Amendment and the 5th Extension.

LETTER FROM THE BOARD

9. SGM AND PROXY ARRANGEMENT

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve among other things, the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension). The SGM will be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 9 December 2022 at 11:30 a.m.. The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

According to bye-law 66 of the Bye-laws, at any general meeting, a resolution put to the vote shall be decided on a show of hands unless (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by, among others, the chairman of such meeting. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. In order to comply with the Listing Rules and bye-law 66 of the Bye-laws, all votes at the SGM will be taken by poll and the Company will announce the poll results after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, since the Subscriber has a material interest in the transaction contemplated under the 5th Deed of Amendment, the Subscriber and its associates will abstain from voting on the resolution to approve the 5th Deed of Amendment and the 5th Extension.

A form of proxy for use at the SGM is enclosed with this circular and such form is also published on the website of the Stock Exchange at www.hkex.com.hk. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instruction printed thereon and return the same to the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The register of members of the Company will be closed from Tuesday, 6 December 2022 to Friday, 9 December 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the SGM to be held on Friday, 9 December 2022, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 5 December 2022.

LETTER FROM THE BOARD

10. RECOMMENDATION

The Directors (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular), consider that the terms of the 5th Extension are fair and reasonable and in the interests of the Shareholders and the Company as a whole, therefore they recommend the Independent Shareholders to vote in favour of the proposed ordinary resolution as set out in the notice of the SGM to approve and/or ratify the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension).

11. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 22 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the transaction; and (ii) the letter from the Independent Financial Adviser as set out on pages 23 to 49 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the transaction and the principal factors and reasons considered by Lego Corporate Finance in arriving at its recommendations.

Yours faithfully,
For and on behalf of the Board
Nan Nan Resources Enterprise Limited
Kwan Man Fai
Chairman and Managing Director



NAN NAN RESOURCES ENTERPRISE LIMITED
南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

16 November 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2023

INTRODUCTION

We refer to the circular of the Company of even date (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension). Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 23 to 49 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the 5th Deed of Amendment, the transactions contemplated thereunder and taking into account the independent advice of Lego Corporate Finance and the relevant information contained in the letter from the Board, we are of the opinion that the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension), despite not being in the ordinary and usual course of business of the Company, are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve and/or ratify the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension).

Yours faithfully,
For and on behalf of
Independent Board Committee

Dr. Wong Man Hin
Raymond

Mr. Chan Yiu Fai
Youdey
Independent Non-Executive Directors

Mr. Pak Wai Keung
Martin

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the 5th Deed of Amendment and the 5th Extension which have been prepared for the purpose of inclusion in this circular.



16 November 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK\$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2023

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of whether the 5th Extension is in the interests of the Company and the Shareholders as a whole and whether the terms of the 5th Deed of Amendment are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned. Details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 16 November 2022 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 11 August 2022, the Company and the Subscriber entered into the 5th Deed of Amendment to further extend the Maturity Date and Conversion Period of the Convertible Bond for 36 months to 13 March 2026, subject to the fulfillment of the conditions precedent under the 5th Deed of Amendment. Save for the Maturity Date and the Conversion Period, all terms of the Convertible Bond remain unchanged.

As at the Latest Practicable Date, the Subscriber holds 569,616,589 issued Shares, representing approximately 74.42% of the issued share capital of the Company and is therefore a controlling shareholder and a connected person of the Company under the Listing Rules. The 5th Extension to be effected by the 5th Deed of Amendment entered into between the Company and the Subscriber constitutes a connected transaction of the Company under the Listing Rules and therefore, the 5th Extension is subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Subscriber and its associates will abstain from voting in respect of the relevant resolution(s) approving the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension) at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin have been established to advise the Independent Shareholders as to whether the 5th Extension and the terms of the 5th Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable so far as the Company and Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution(s) to be proposed at the SGM to approve the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, the Company has applied to the Stock Exchange for its approval of the proposed amendments contemplated by the 5th Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interest with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the 5th Extension and the terms of the 5th Deed of Amendment and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the time they were made and may be relied upon. We have also assumed that all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all respects at the time they were made and continued to be so up to the date of the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Subscriber or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the 5th Extension and the terms of the 5th Deed of Amendment, we have considered the following principal factors and reasons:

1. Background information

The Group is principally engaged in (i) mining and sales of coal; (ii) provision of renewable energy solution and services; and (iii) provision of information technology outsourcing, consultancy and technical services.

On 14 March 2008, the Company issued zero coupon Convertible Bond with an aggregate principal amount of HK\$200,000,000 to the Subscriber due 13 March 2011 pursuant to the Subscription Agreement dated 15 January 2008 entered into between the Company and the Subscriber, pursuant to which the Company (i) had conditionally agreed to allot and issue to the Subscriber, and the Subscriber had conditionally agreed to subscribe in cash consideration of HK\$80,000,000 for a total of 400,000,000 subscription shares at the subscription price of HK\$0.20 per subscription share; and (ii) had conditionally agreed to issue the Convertible Bond to the Subscriber in an aggregate principal amount of HK\$200,000,000 for a term of three years. The Convertible Bond bears no interest and is convertible into Shares. All outstanding Convertible Bond should have matured on 13 March 2011 pursuant to the original terms and conditions of the Convertible Bond.

On 11 February 2011, the Company and the Subscriber entered into the Deed of Amendment to extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2014, which was approved by the independent Shareholders in the special general meeting on 11 March 2011. Accordingly, the maturity date and the conversion period of the Convertible Bond were extended to 13 March 2014.

On 21 January 2014, the Company and the Subscriber entered into the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed) to further extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2017, which was approved by the independent Shareholders in the special general meeting on 10 March 2014. As such, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 25 January 2017, the Company and the Subscriber entered into the 3rd Deed of Amendment to further extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2020, which was approved by the independent Shareholders in the special general meeting on 7 March 2017. Correspondingly, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2020.

On 3 February 2020, the Company and the Subscriber entered into the 4th Deed of Amendment to further extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2023, which was approved by the independent Shareholders in the special general meeting on 11 March 2020. Correspondingly, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2023. As at the Latest Practicable Date, the Convertible Bond with an aggregate amount of HK\$200,000,000 held by the Subscriber was still outstanding.

The following table summarises the financial information of the Group for the three years ended 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2021 (the “2020/2021 Annual Report”) and the annual report of the Company for the year ended 31 March 2022 (the “2021/2022 Annual Report”).

	For the year ended 31 March		
	2020	2021	2022
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Revenue	127,989	130,521	300,241
– Coal mining business	73,910	100,688	275,463
– Renewable energy business	775	1,285	3,781
– IT services business	53,304	28,548	20,997
Gross profit	52,214	54,607	162,596
Profit/(Loss) before tax	(18,422)	(16,534)	88,940
Profit/(Loss) for the year	(24,604)	(2,208)	66,000
		As at 31 March	
		2021	2022
		<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Non-current assets		319,846	341,348
Current assets		240,342	274,922
Current liabilities		152,732	306,990
Non-current liabilities		257,873	85,091
Net current assets/(liabilities)		87,610	(32,068)
Net assets		149,583	224,189
Cash and cash equivalents		204,079	260,753

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the years ended 31 March 2020 and 2021

The revenue of the Group increased from approximately HK\$128.0 million for the year ended 31 March 2020 to approximately HK\$130.5 million for the year ended 31 March 2021. According to the 2020/2021 Annual Report, such increase was mainly attributable to the increase in revenue generated from the coal mining business by approximately HK\$26.8 million as a result of the increase in sales volume of coal by approximately 38.64% (from approximately 1,037,492 tonnes during the year ended 31 March 2020 to approximately 1,438,392 tonnes during the year ended 31 March 2021). The effect of which was partially offset by the decrease in the revenue generated from the IT services business by approximately HK\$24.8 million for the year ended 31 March 2021, mainly due to the prolonged social unrest in Hong Kong and subsistence of the COVID-19 in Hong Kong and worldwide. The Group's loss for the year decreased from approximately HK\$24.6 million for the year ended 31 March 2020 to approximately HK\$2.2 million for the year ended 31 March 2021, mainly due to the net effect of, among others, (i) the saving of a supplemental resources fee of approximately HK\$85.7 million; (ii) the change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL") of approximately HK\$24.9 million as compared to the change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL of approximately HK\$71.4 million; (iii) the exchange gain of approximately HK\$8.0 million; (iv) the decrease in administrative and other operating expenses by approximately HK\$14.9 million; (v) the increase in impairment loss on goodwill by approximately HK\$10.7 million; and (vi) the change from income tax expenses of approximately of HK\$6.2 million for the year ended 31 March 2020 to income tax credit of approximately of HK\$14.3 million for the year ended 31 March 2021. Further, the Group recorded net current assets of approximately HK\$87.6 million and net assets of approximately HK\$149.6 million as at 31 March 2021, respectively.

For the years ended 31 March 2021 and 2022

The revenue of the Group increased from approximately HK\$130.5 million for the year ended 31 March 2021 to approximately HK\$300.2 million for the year ended 31 March 2022. According to the 2021/2022 Annual Report, such increase was mainly attributable to the increase in revenue generated from the coal mining business by approximately HK\$174.8 million as a result of (i) the increase in sales volume of coal by approximately 28.52% (from approximately 1,438,392 tonnes during the year ended 31 March 2021 to approximately 1,988,282 tonnes during the year ended 31 March 2022); and (ii) the increase in selling price of coal due to the strong local demand and facilitated supply arrangement by the local authorities. The effect of which was partially offset by the decrease in the revenue generated from the IT services business by approximately HK\$7.6 million for the year ended 31 March 2022, mainly due to the subsistence of the COVID-19 in Hong Kong and worldwide. The Group turned around from loss of approximately HK\$2.2 million for the year ended 31 March 2021 to profit of approximately HK\$66.0 million for the year ended 31 March 2022, mainly due to the net effect of, among others, (i) the increase in gross profit by approximately HK\$108.0 million; (ii) the exchange loss of

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approximately HK\$4.1 million; (iii) the decrease in other revenue by approximately HK\$7.4 million; (iv) the increase in administrative and other expenses by approximately HK\$7.6 million; (v) the fair value loss of convertible bond designated as financial liabilities at FVPL of approximately HK\$11.3 million for the year ended 31 March 2022 as compared to approximately HK\$24.9 million for the year ended 31 March 2021; and (vi) the change from income tax credit of approximately HK\$14.3 million for the year ended 31 March 2021 to income tax expenses of approximately HK\$22.9 million for the year ended 31 March 2022. Further, the Group recorded net current liabilities of approximately HK\$32.1 million (consisting of, among others, (i) cash and cash equivalents of approximately HK\$260.8 million; and (ii) convertible bond designated as financial liabilities at FVPL of approximately HK\$182.5 million) and net assets of approximately HK\$224.2 million as at 31 March 2022.

Coal mining business

As disclosed in the 2021/2022 Annual Report, the Group owns one mining right in Xinjiang in respect of the Enlarged Kaiyuan Mine. As disclosed in the Letter from the Board, the Group has been actively proceeding with the Updated Optimization and Upgrading Plan since 2011 as part of the government restructuring proposals to consolidate smaller mines as well as expansion and development of the Group's coal mining business. The Updated Optimization and Upgrading Plan included (i) restructuring and upgrading the Kaiyuan Mine and terminating the exploration right in the Zexu Mine; and (ii) increasing the mining area of the Kaiyuan Mine, where the Company is now conducting mining activities, from 1.1596 km² to 4.112 km², with estimated coal resources of approximately 131.18 million tonnes.

As disclosed in the announcement of the Company dated 6 December 2019, Mulei County Kai Yuan Company Limited* (木壘縣凱源煤炭有限責任公司) ("**Kaiyuan Company**"), an indirect wholly-owned subsidiary of the Company, as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the "**Transfer Agreement**") dated 2 December 2019, pursuant to which Kaiyuan Company acquired the mining right of the Enlarged Kaiyuan Mine for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration (the "**Consideration**") of RMB160,978,000, which shall be settled in cash and paid by Kaiyuan Company to Xinjiang Natural Resources Department in fifteen instalments: (i) the first instalment in an amount of RMB32,200,000 which was paid by Kaiyuan Company in November 2019; (ii) the second to fourteenth instalments in an amount of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and (iii) the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033. The Consideration was determined by Xinjiang Natural Resources Department based on the valuation assessment (the "**Valuation Assessment**") prepared by the designated valuer engaged by Xinjiang Natural Resources Department with reference to, among others, the estimated coal resources stated in the mineral resources verification report (the "**Verification Report**"). Based on the Verification Report and

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the Valuation Assessment, the accumulated output of Kaiyuan Mine was 23.65 million tonnes as at the end of 2017, of which resources fee of 3.8819 million tonnes of coal was paid by Kaiyuan Company. As part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 to Xinjiang Natural Resources Department within 30 days from signing of the Transfer Agreement for the unpaid output of 19.8 million tonnes of coal of Kaiyuan Mine. Such amount was paid by Kaiyuan Company in November 2019.

As disclosed in the announcement of the Company dated 24 November 2021, the Group has been granted the ten-year Renewed Mining Permit from 11 October 2021 to 11 October 2031 in respect of the New Mining Right for the Enlarged Kaiyuan Mine covering a mining area of approximately 4.112 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).

Renewable energy business

In addition to the coal mining business which is the main business of the Group, the Group is engaged in the provision of renewable energy solutions in Malaysia. The Group has also allocated resources into solar energy projects to enable higher efficiency together with the existing solar assets. The renewable energy business has achieved steady growth during the three years ended 31 March 2022. The revenue of this segment increased from approximately HK\$775,000 for the year ended 31 March 2020 to approximately HK\$1.3 million for the year ended 31 March 2021 and further increased to approximately HK\$3.8 million for the year ended 31 March 2022, mainly due to the enhanced production capacity since early 2021.

IT services business

Under the IT services business segment, the Group is principally engaged in the provision of information technology outsourcing, consultancy and technical services mainly in Hong Kong with expanding business in the United Kingdom, Malaysia and Singapore. The IT services business has been adversely impacted by the COVID-19 pandemic in Hong Kong and worldwide during the two years ended 31 March 2022.

Prospects

Regarding the Updated Optimization and Upgrading Plan, the Renewed Mining Permit allows the Group to enhance the development of its sales operations of Enlarged Kaiyuan Mine in the future, which is in line with the Group's strategy to expand its coal mining business. As mentioned in the 2021/2022 Annual Report, in coming years, there will be (i) a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works; and (ii) reasonable expenditure for works required by the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) ("Safety Bureau") of the Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區) to improve safety standard of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group's coal mine. Sources of funding are expected to come primarily from the coal sales revenue and external banking facilities of the Group. In addition, the Group has been exploring new markets and seeking to extend its business coverage on technological and renewable energy sectors in order to diversify its business portfolio into sectors offering higher growth momentum. The Company expects that the IT services business will resume its growth when the COVID-19 situation in Hong Kong subsides.

2. Reasons for and benefit of the 5th Extension

As stated in the Letter from the Board, the Convertible Bond will be due on 13 March 2023. According to the terms of the Convertible Bond, the Company shall redeem all outstanding Convertible Bond on the maturity date (i.e. 13 March 2023), which amounted to HK\$200,000,000 as at the Latest Practicable Date. By entering into of the 5th Deed of Amendment, the Directors consider that the 5th Extension can relieve the imminent need of the Company to repay the Convertible Bond over a relatively short period in light of the Group's latest cash position, which in turn, can enable the Company to retain the funds for replenishing the Company's working capital to support the current business operations including the coal mining business operation at the Enlarged Kaiyuan Mine, as the 5th Extension effectively allows the Group to refinance the debts under the Convertible Bond under the same terms for a further 36 months.

In addition, as the Convertible Bond is zero coupon, it will not incur any interest burden for the Group for the next three years. Save for the Maturity Date and the Conversion Period, all terms and conditions of the Convertible Bond remain unchanged. Besides, the subscription price was determined based on the then prevailing market conditions and net asset value of the Group back in January 2008 between the Company and the Subscriber after arm's length negotiations. Thus, despite the Conversion Price representing a discount to the benchmarks set out in the section headed "Principal terms of the Convertible Bond – Conversion Price" below, the recent increase in the price of the Shares may not fully reflect its value as the transaction volume remains relatively low in comparison to the volume of the Conversion Shares should the conversion rights attached to the Convertible Bond be exercised. Accordingly, after negotiation and due consideration, the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 5th Deed of Amendment.

In considering the reasons for and benefits of the 5th Extension, we have considered the following factors:

Financial position of the Group

As mentioned in the section headed "Background information" above, the Group recorded net current liabilities of approximately HK\$32.1 million as at 31 March 2022. As at 31 March 2022, the Group had (i) cash and cash equivalents of approximately HK\$260.8 million; (ii) trade and other receivables of approximately HK\$11.2 million; (iii) convertible bond designated as financial liabilities at FVPL of approximately HK\$182.5 million; (iv) trade and other payables of approximately HK\$70.4 million; and (v) interest-bearing borrowings of approximately HK\$37.3 million. In addition, we have reviewed the latest management accounts of the Group, and noted that the cash and cash equivalents decreased to approximately HK\$209.5 million as at 31 August 2022.

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In light of the above, we noted that the full repayment of the outstanding principal amount of the Convertible Bond of HK\$200 million will materially and negatively affect the Group's liquidity based on the Group's current cash level. We are of the view that the 5th Extension can relieve the imminent need of the Company to repay the Convertible Bond, which in turn, enables the Group to retain cash and maintain healthy liquidity level and have more financial flexibility to develop its business instead of repaying the Convertible Bond within a relatively short period.

Expected cash outflow and capital expenditure

As mentioned in the section headed "Background information" above, the Consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to Xinjiang Natural Resources Department in fifteen instalments. The first instalment amounting to RMB32,200,000 had been paid by Kaiyuan Company in November 2019, and the second to fourteenth instalments of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033. In light of the above, the Company is required to pay an aggregate amount of approximately RMB27.6 million (the "5th to 7th Instalments") to Xinjiang Natural Resources Department for the forthcoming three instalments from 2023 to 2025.

Apart from the expected cash outflow in relation to the 5th to 7th Instalments as mentioned above, as advised by the Management, the Group requires capital to facilitate the increased production capacity of the Enlarged Kaiyuan Mine. In addition, as mentioned in the section headed "Background information" above, it is expected that there will be a reasonable amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works and reasonable expenditure for works required by the Safety Bureau to improve safety standard of the Group's coal mine. The Company has been granted the New Mining Permit in respect of the New Mining Right for the Enlarged Kaiyuan Mine which covers a mining area of approximately 4.112 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. In order to cope with such expected increase in coal resources and hence the increase in production capacity of the Enlarged Kaiyuan Mine as well as to fulfill the requirements of conducting the environmental protection remedial works as requested by the relevant government departments, since 2018, the Group has engaged certain contractors to set up some ancillary facilities for the production such as high voltage electrical facilities and facilities relating to the production so as to facilitate the production process and/or procedure to meet the increase in production capacity, to implement the environmental protection remedial works, and to improve safety standard of the Group's coal mine. Furthermore, the Group is planning to purchase some machines and other relevant equipment for coal mining. Based on the payment schedule under the signed contracts for setting up ancillary facilities together with the additional equipment to be purchased as mentioned above, it is expected that an aggregate amount of approximately RMB37.8 million (equivalent to approximately HK\$43.7 million) of capital expenditure will be incurred and paid for the two years ending 31 March 2024.

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Should the Company repay the Convertible Bond in full, not only the Company may have insufficient cash resources for its current business operations, including the operations at the Enlarged Kaiyuan Mine, but also to pay the 5th to 7th Instalments and to fund the expected capital expenditure under the Group's coal mining business as discussed above. Given the funding needs of the payment of the 5th to 7th Instalments and the operations of the Group's coal mining business as discussed above, we are of the view that the 5th Extension would allow the Group to delay the cash repayment obligation for the redemption of the Convertible Bond and hence provide flexibility for the deployment of its financial resources to settle part of the Consideration and to fund its operations and development, as well as to plan its working capital requirements.

Other financing alternatives

Upon enquiry with the Management, we were given to understand that the Company has considered other financing alternatives for the Group to raise funds to repay the Convertible Bond rather than the extension of the Convertible Bond, including but not limited to, bank borrowing and equity financing. With regard to bank borrowing, it will incur interest burden on the Group, which will have negative impact on the liquidity and financial performance of the Group. With regard to equity financing, in view of the generally low liquidity of the Shares as further discuss in the section headed "Principal terms of the Convertible Bond" below as well as the recent volatile market condition, the procurement of commercial underwriting would be difficult and a private placement of Shares will inevitably cause immediate dilution effect on the shareholding of the existing Shareholders. Also, substantial cost and time may be involved in equity financing. Based on the above and the fact that the outstanding Convertible Bond is non-interest bearing, we concur with the view of the Management that the 5th Extension is the most appropriate means to refinance the Convertible Bond.

Having considered that (i) the 5th Extension would effectively allow the Group to refinance its debts under the Convertible Bond under the same terms for further three years; (ii) full repayment of the Convertible Bond will substantially decrease the cash balance of the Group which may impose negative impact on the Group's liquidity; (iii) the 5th Extension would delay the cash outflow for the redemption of the Convertible Bond on maturity and hence provide the Group with flexibility in deploying its resources to fund its business development, taking into account the funding needs for the 5th to 7th Instalments and the Group's coal mining business in respect of the respective estimated capital expenditure to be incurred; (iv) the 5th Extension is the most appropriate means to refinance the Convertible Bond considering the Group's financial condition and market condition; and (v) the Convertible Bond is zero coupon and hence will not impose any interest burden on the Group for the next three years, we are of the view that the 5th Extension and the entering into of the 5th Deed of Amendment, despite not being in the ordinary and usual course of business of the Company, are in the interests of the Company and the Shareholders as a whole.

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Although there is still more than half a year from the Convertible Bond's maturity date of 13 March 2023, the Company advised that they have entered into the 5th Deed of Amendment ahead of time with an aim to reduce the uncertainty brought by the subsistence of COVID-19 to the Company's working capital position and operations, as the pandemic has brought about a challenging business environment and various uncertainties, particularly with respect to the coal mining and information technology business segments of the Company. We are of the view that it is reasonable and necessary for the Company to enter into the 5th Deed of Amendment a few months before the Convertible Bond falls due because it allows the Company to secure the 5th Extension in advance, otherwise the Company would need considerable time to seek funding and plan its financial resources in order to repay the Convertible Bond by its original maturity date.

3. Principal terms of the Convertible Bond

On 11 August 2022, the Company and the Subscriber entered into the 5th Deed of Amendment, pursuant to which the Maturity Date and the Conversion Period of the Convertible Bond will be further extended for 36 months to 13 March 2026. Save for the Maturity Date and the Conversion Period, all terms of the Convertible Bond remain unchanged.

The 5th Deed of Amendment is subject to the fulfillment of the following conditions:

- (a) the passing by the Independent Shareholders at the SGM of the necessary resolutions to ratify and approve the 5th Deed of Amendment and the 5th Extension;
- (b) the Stock Exchange having approved the 5th Extension in accordance with Rule 28.05 of the Listing Rules; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the 5th Extension having been obtained.

None of the above conditions precedent could be waived by the parties to the 5th Deed of Amendment. The 5th Deed of Amendment shall have no effect unless and until all the conditions precedent set out above are fulfilled. The effective date of the 5th Deed of Amendment shall be on the date when all its conditions precedents are fulfilled. As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

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The principal terms of the Convertible Bond were set out in the circular of the Company dated 21 February 2008. Save for the maturity date and the conversion period, all terms of the Convertible Bond remain unchanged. The principal terms of the Convertible Bond (as amended by the Deed of Amendment, the 2nd Deed of Amendment, the 3rd Deed of Amendment, the 4th Deed of Amendment and the 5th Deed of Amendment) are included in the Letter from the Board under the section headed “Terms of the Convertible Bond”, the key terms of which are summarised as below:

Principal amount	:	HK\$200,000,000
Coupon	:	Zero (0)% interest rate
Maturity Date	:	The Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the maturity date, being the date falling 216 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2026.
Conversion	:	The holders of the Convertible Bond may convert the whole or part of the principal amount of the Convertible Bond (in multiples of HK\$1,000,000) into such number of Shares determined by dividing the principal amount of the Convertible Bond being converted by the Conversion Price then in effect on any business day during the Conversion Period.
Conversion Price	:	HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type.

The Conversion Price, which was determined when the Subscription Agreement was entered into in January 2008, represents (assuming no adjustment to the Conversion Price is to be made):

- (a) a discount of approximately 28.57% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 29.82% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

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- (c) a discount of approximately 31.03% to the average closing price of approximately HK\$0.29 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- (d) a discount of approximately 25.93% to the average closing price of approximately HK\$0.27 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day.

Following various discussions and negotiation between the Company and the Subscriber on the terms of the 5th Extension, including the Conversion Price, having principally taken into account that: (i) the Conversion Price was determined when the Subscription Agreement was entered into in January 2008 with reference to primarily the then net asset value of the Group; (ii) the zero coupon rate of the Convertible Bond; (iii) the cash position of the Company as at 30 June 2022; and (iv) other possible alternate financing methods to settle the Convertible Bonds, which are not commercially reasonable, the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 5th Deed of Amendment. As detailed beside taking into account the reasons set forth in the section “Reason for the 5th Extension” in the Letter from the Board, the Directors are of the view that the 5th Extension at the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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The theoretical dilution effect of the issue of the Conversion Shares at the Conversion Price calculated based on the benchmark price of approximately HK\$0.28 (being the closing price on the Last Trading Day) is approximately 16.18% and thus the issue of the Conversion Shares at the Conversion Price will not result in a theoretical dilution effect of 25% or more on its own as referred to under Rule 7.27B of the Listing Rules. The Company will continue to comply with Rule 7.27B of the Listing Rules after the 5th Extension.

Adjustments to Conversion Price : The Conversion Price is subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:

- (i) any consolidation or sub-division of the Shares, in which case the Conversion Price in force immediately before such consolidation or sub-division shall be adjusted by, in summary, multiplying it by the revised nominal amount and dividing the result by the former nominal amount;
- (ii) any issue of Shares (other than in lieu of a cash dividend) by way of capitalization of profits or reserves, in which case the Conversion Price in force immediately before such issue shall be adjusted by, in summary, multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalization;

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- (iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash, in which case the Conversion Price in force immediately before such distribution or grant shall be adjusted by, in summary, multiplying it by a formula taking into account the market price on the date of such distribution or grant, and the fair market value on the same day of the portion of the capital distribution or of such rights which is attributed to one Share;

- (iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before the date of announcement of such offer or grant, by a formula taking into account the number of Shares in issue immediately before the date of such announcement, the number of Shares which the aggregate of the amount payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price, and the aggregate number of Shares for subscription or comprised in the options or warrants;

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- (v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before such issue, by a formula taking into account the number of Shares in issue immediately before the date of such issue, the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price, and the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price;

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- (vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before such modification, by a formula taking into account the number of Shares in issue immediately before the date of such modification, the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price, and the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified price; or

- (vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the related announcement, in which case the Conversion Price shall be adjusted by, in summary, multiplying the Conversion Price in force immediately before the related announcement, by a formula taking into account the number of Shares in issue immediately before the date of such announcement, the number of Shares which the aggregate amount payable for the issue would purchase at such market price, and the number of Shares so issued.

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- Conversion Period : The Conversion Period is a period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date.
- Redemption : Neither the Company nor the holder of Convertible Bond shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.
- Transferability : The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.
- Conversion restrictions : The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

There is no restriction on the exercise of the conversion rights attaching to the Convertible Bond in relation to the mandatory offer obligations under Rule 26 of the Takeovers Code. As at the Latest Practicable Date, in light of the Subscriber's approximate 74.42% shareholding interest in the Company, the exercise of such conversion rights (in whole or in part) by the Subscriber will not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. In the event that the Convertible Bond were to be transferred to a third party, such third party transferee would be bound by the Takeovers Code and any implications thereof in exercising such conversion rights.

- Ranking of Conversion Shares : The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.

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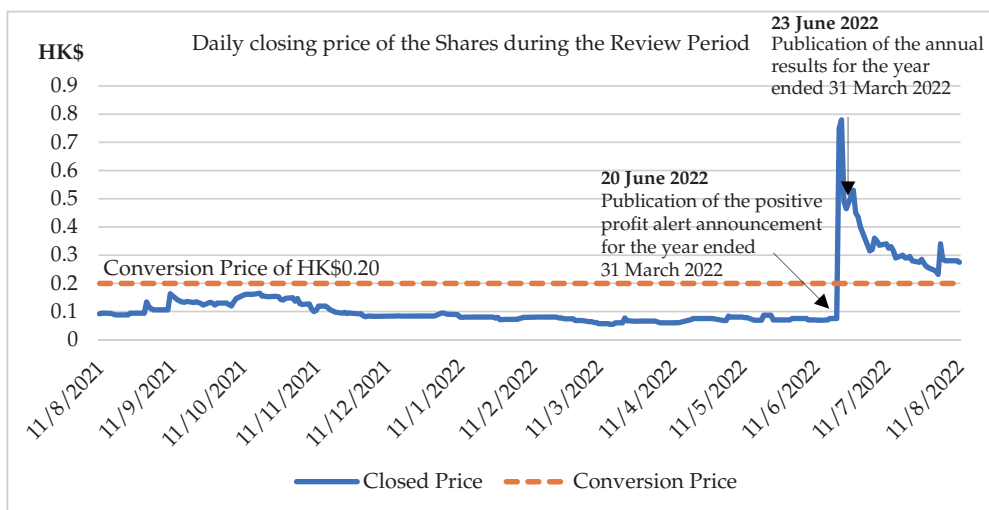
Listing of the Convertible Shares : No application has been nor will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognized stock or securities exchanges.

Application had been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

(i) *Conversion Price*

Closing prices of the Shares

In order to assess the fairness and reasonableness of the Conversion Price, we have reviewed the daily prices of the Shares on the Stock Exchange for the period from 11 August 2021 (being the 12-month period immediately prior to the date of the 5th Deed Amendment), up to and including the date of 5th Deed of Amendment (the “**Review Period**”). We consider that a period of 12 months prior to the date of the 5th Deed Amendment is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the historical closing prices of the Shares and the Conversion Price as (i) a one-year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purpose. The comparison of daily closing prices of the Shares during the Review period and the Conversion Price is shown in the chart below:



Source: The website of the Stock Exchange (www.hkex.com.hk)

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As shown in the chart above, the closing prices of the Shares during the Review Period ranged from HK\$0.054 per Share to HK\$0.78 per Share, with an average closing price of approximately HK\$0.130 per Share. The Conversion Price of HK0.20 per Conversion Share is within the range of the lowest and highest closing prices of the Shares and represents (i) a premium of approximately 270.37% over the lowest closing price of the Shares; (ii) a discount of approximately 74.36% to the highest closing price of the Shares; and (iii) a premium of approximately 53.84% over the average closing price of the Shares during the Review Period.

During the period commencing from 11 August 2021 to 20 June 2022, the closing price of Shares fluctuated within the range from HK\$0.054 per Share to HK\$0.165 per Share. The closing price of Shares soared to the highest price of HK\$0.78 per Share on 22 June 2022 after the publication of the positive profit alert announcement for the year ended 31 March 2022 on 20 June 2022. Since the publication of the annual results of the Company for the year ended 31 March 2022 on 23 June 2022, the closing prices of the Shares demonstrated a declining trend. As at the Latest Practicable Date, the Shares closed at HK\$0.285, being 42.50% higher than the Conversion Price.

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Liquidity of the Shares

We have also reviewed the historical liquidity of the Shares. The following table sets out the average daily trading volume per month of the Shares during the Review Period:

	Average daily trading volume of Shares during the month <i>(Shares)</i> <i>(Note 1)</i>	Percentage of average daily trading volume of Shares to the total number of issued Shares <i>(%)</i> <i>(Note 2)</i>
2021		
August (from 11 August 2021 to 31 August 2021)	420,945	0.055%
September	1,229,619	0.161%
October	565,564	0.074%
November	1,116,195	0.146%
December	187,091	0.024%
2022		
January	142,668	0.019%
February	12,235	0.002%
March	70,443	0.009%
April	129,778	0.017%
May	62,600	0.008%
June	46,965,915	6.136%
July	7,670,339	1.002%
August (up to and including the date of 5th Deed of Amendment)	14,756,222	1.928%
Average	5,640,739	0.737%
Maximum	46,965,915	6.136%
Minimum	12,235	0.002%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Computed by dividing the total daily trading volume of the Shares by the number of trading days of the respective corresponding months/periods.
2. Computed by dividing the average daily trading volume of the Shares by the total number of issued Shares of 765,373,584 Shares as at the Latest Practicable Date.

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We noted that the average trading volume of the Shares ranged from approximately 12,235 Shares to approximately 46,965,915 Shares during the Review Period, representing approximately 0.002% to 6.136% of a total of 765,373,584 Shares in issued as at the Latest Practicable Date.

We further noted that, excluding the abnormal trading volume during the period from June to August 2022, the trading volume of the Shares was extremely thin during the Review Period, where the percentages of the average daily trading volume of the Shares to the total number of issued Shares were generally below or around 0.1%.

Due to the generally low liquidity of the Shares, we consider that it might not be possible for the Subscriber to realise its shareholdings in the market after full conversion of the Convertible Bond. In addition, given the trading volume of the Shares is insufficient, the disposal of large number of Shares within a short period in the market might generate substantial downward pressure on the market price of the Shares, which in turn might have negative impact on the financing ability of the Group.

Comparison with other issue and subscription of convertible bonds/notes exercises

As part of our analysis, we have further reviewed the relevant issues and subscriptions of convertible bonds/notes exercise by companies listed on the Main Board of the Stock Exchange (the “**Comparables**”) as announced during the last three months prior to and including 11 August 2022, being the date of the 5th Deed of Amendment (the “**Comparable Period**”) and identified an exhaustive list of 14 Comparables. We consider that the abovementioned period adopted is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the issue of convertible bonds/notes for fund raising purposes (and excluding any acquisition involving issuance of convertible bonds/notes as fully or partial settlement of consideration) under recent market condition and sentiment. In addition, in view that similarity of the nature of the convertible bonds/notes exercises, we consider that the Comparables are fair and representative samples. Independent Shareholders should, however, note that the businesses, operation and prospects of the Group are not the same as the Comparables, and accordingly the Comparables are only used to provide a general reference for the common market practice in recent issuance of convertible bonds/notes

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by the companies listed on the Stock Exchange. Set out below is the summary of the Comparables:

No.	Company name	Stock code	Date of relevant announcement	Conversion price premium over/(discount to) the closing price on the last trading day prior to the date of agreement (Approximately)	Interest rate (p.a.)	Term to maturity (Number of years)
1	Standard Chartered PLC.	2888	5-Aug-22	2.94%	7.75%	Perpetual ^(Note 1)
2	China Baoli Technologies Holdings Limited	164	1-Aug-22	50.00%	4.00%	3
3	Vobile Group Limited	3738	1-Aug-22	32.67%	4.00%	3
4	Luye Phama Group Ltd.	2186	28-Jul-22	40.00%	6.50%	0.99 ^(Note 2)
5	Virtual Mind Holding Company Limited	1520	27-Jul-22	6.84%	10.00%	2
6	Jiayuan International Group Limited	2768	8-Jul-22	56.32%	8.00%	1
7	Yeahka Limited	9923	5-Jul-22	4.11%	6.25%	5
8	Grand Ocean Advanced Resources Company Limited	65	21-Jun-22	6.95%	1-year HIBOR plus 0.25% ^(Note 3)	1
9	China Zenith Chemical Group Limited	362	21-Jun-22	49.30%	-	1
10	Ev Dynamics (Holdings) Limited ^(Note 4)	476	14-Jun-22	88.31%	2.00%	3
				142.20%	2.00%	3
				238.98%	2.00%	3
11	Anchorstone Holdings Limited	1592	10-Jun-22	(10.91)%	2.00%	1
12	China Health Group Limited	673	9-Jun-22	112.77%	6.00%	2
13	China Fordoo Holdings Limited	2399	8-Jun-22	5.26%	8.00%	2
14	Huazhang Technology Holding Limited	1673	13-May-22	-	12.00%	2
			Min	(10.91)%	0.00%	0.99
			Max	238.98%	12.00%	5.00
			Average	51.61%	5.37%	2.08
			Median	36.34%	6.00%	2.00
			The Company	(28.57)%	0.00%	3

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Source: the announcement of relevant companies published on the Stock Exchange's website

Notes:

1. The figure has been excluded from the computations in relation to the term to maturity as the rest of the Comparables contain a finite term to maturity, and is therefore considered as outlier which may skew the overall results.
2. The term to maturity of 0.99 years is estimated based on the maturity of 360 days.
3. The figure has been excluded from the computations in relation to the interest rate as the 1-year HIBOR is a floating rate, which shall be calculated as the average of the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for one year on the date of the subscription agreement and on the maturity date.
4. Three series of convertible notes were issued with the conversion price of HK\$0.1111, HK\$0.1429 and HK\$0.2000 per conversion share respectively. It was treated as three transactions for the purpose of comparable analysis.

Among the Comparables, we noted that the range of the conversion price of the Comparables during the Comparable Period ranged from a discount of approximately 10.91% to a premium of approximately 238.98%, where the Conversion Price represents a discount of approximately 28.57% to the closing price of the Shares on the date of 5th Deed of Amendment. Although the discount rate of the Conversion Price to the closing price of the Shares on the date of 5th Deed of Amendment is out of the lower bound of that of the Comparables, we consider this should be collectively considered with other factors (including the background and the other terms of the convertible bonds) as a whole for our assessment of the 5th Deed of Amendment.

After taking into account (i) the full repayment of the Convertible Bond will substantially decrease the cash balance of the Group which may impose negative impact on the Group's liquidity as described above; (ii) the generally low liquidity of the Shares during the Review Period in which the Subscriber might not be able to realise its shareholdings in the market after the conversion of the Convertible Bond; (iii) it is difficult for the Company to conduct other fund arising activities in view of the financial position of the Group (please refer to the paragraph headed "Other financing alternatives" under the section headed "Reasons for and benefit of the 5th Extension" above for detail analysis); (iv) the business prospects of the Company remain uncertain amid the global economic environment and the COVID-19 pandemic; (v) the Convertible Bond has zero coupon payable by the Company to the Subscriber for a period of three years, which is a loan much preferable than the market rate for commercial loans offered by financial institutions in Hong Kong; and (vi) the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 5th Deed of Amendment, we consider that the Conversion Price is still acceptable so far as the Independent Shareholders are concerned.

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For the avoidance of doubt, the adjustment events in respect of the Convertible Bond are not being amended by the 5th Deed of Amendment and no adjustment has been taken place since the 4th Extension.

(ii) *Interest rate*

As shown in the table above, the interest rates of the Comparables range from nil to 12.00%, with an average of approximately 5.37%. The Convertible Bond is non-interest bearing and at the bottom of the range of interest rates of the Comparables.

(iii) *Term to maturity*

The terms to maturity of the Comparables range from a minimum of 0.99 year and up to 5 year, with an average term of approximately 2.08 years. The 5th Extension pursuant to the 5th Deed of Amendment of 3 years therefore falls within the range of the terms to maturity of the Comparables and is in line with the recent market practice.

In view of the above and taking into account the reasons for and benefits of the 5th Extension as described above, we are of the view that the principal terms of the 5th Deed of Amendment including the Conversion Price, the interest rate and the extended term to maturity of the Convertible Bond are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Financial impacts of the entering into of the 5th Deed of Amendment

When assessing the financial impacts of entering into of the 5th Deed of Amendment, we have taken into account the following main aspects:

Net asset value

According to the 2021/2022 Annual Report, the net assets of the Group was approximately HK\$224.2 million as at 31 March 2022. Upon completion of the 5th Deed of Amendment, there may result in changes in the fair value of the Convertible Bond which will be subject to the valuation from independent valuers and the review of the independent auditors of the Company in the Group's subsequent financial statements.

Liquidity

The 5th Extension will not have any adverse impact on the liquidity of the Group. Conversely, as mentioned in the section headed "Reasons for and benefit of the 5th Extension" above, if the 5th Extension does not proceed and the Subscriber chooses to redeem the Convertible Bond to fully settle the Convertible Bond, cash outflow of approximately HK\$200 million would be incurred which will materially and negatively affect on the Group's liquidity. As such, the entering into of the 5th Deed of Amendment is expected to maintain the liquidity and working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Earning

Upon the 5th Deed of Amendment becoming effective, the outstanding Convertible Bond will remain as non-interest bearing. The Company will not be required to pay any interest to the Subscriber. Therefore, the 5th Extension will not have any adverse impact on the earnings of the Group.

Gearing ratio

Upon completion of the 5th Deed of Amendment, both the total borrowing and total equity of the Group would remain unchanged assuming no other factors affecting the financial position of the Group. As such, it is expected that the 5th Extension will not have any immediate material impact on the gearing position of the Group. It should be noted that, however, the full repayment of the Convertible Bond would improve the gearing position of the Group as the Group's overall indebtedness would be reduced by the liability component of the Convertible Bond, but in turn it will substantially decrease the cash balance of the Group which will impose material adverse impact on the Group's liquidity as discussed above. Based on the aforesaid, although the 5th Extension will not help to improve the gearing position of the Group, after taking into consideration of the liquidity position of the Group as discussed above, we are of the view that the 5th Extension and the entering into the 5th Deed of Amendment is in the interests of the Company and the Shareholders as a whole.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into the 5th Deed of Amendment.

5. Dilution effect on the shareholding interests of the existing public Shareholders

The table below illustrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bond:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bond ^(Note)	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Ascent Goal Investments Limited	569,616,589	74.42	1,569,616,589	88.91
Existing public Shareholders	195,756,995	25.58	195,756,995	11.09
Total	765,373,584	100.00	1,765,373,584	100.00

Note: In view of the dilution effect as illustrated in the table above, the conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrates in the above table, upon full conversion of the Convertible Bond, the aggregate shareholding of the existing public Shareholders will decrease from approximately 25.58% as at the Latest Practicable Date to approximately 11.09%, which will fall below the 25% minimum public float requirement under the Listing Rules. Pursuant to the terms of the Convertible Bond, the exercise of the conversion rights attaching to the Convertible Bond by the bondholders will be subject to the provisions of the Listing Rules in which the Company shall ensure that no less than 25% shareholdings will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules. In particular, the conversion rights attaching to the Convertible Bond will not be exercised by the bondholders and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

Based on the aforesaid, although the Subscriber is unable to fully exercise the conversion rights attached to the Convertible Bond in view of the dilution effect as illustrated in the table above as a result of possible breach of the minimum public float requirement under the Listing Rules, the Subscriber may alternatively sell a portion of the existing interest in the Company in the market prior to exercising the conversion rights attaching to the Convertible Bond in order to comply with the minimum public float requirement under the Listing Rules.

Based on the above analysis on the market price and the trading volume of the Shares during the Review Period, in the event that the Subscriber decides to sell a portion of the existing interest in the Company, it could put substantial downward pressure on the price of the Shares due to the low liquidity of the Shares, which in turn might have negative impact on the funding ability and credibility of the Group.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the 5th Deed of Amendment and the 5th Extension are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and although not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the laws of Hong Kong). She has over 15 years of experience in the securities and investment banking industries.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors' and chief executives' interests and short positions**

As at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates, had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have been taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests in Share Options of the Company

The Group has not adopted any share option scheme after the expiration of the old share option scheme on 27 August 2013. There was no outstanding share option under the share option scheme as at the Latest Practicable Date.

(c) Substantial Shareholders' interests

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares or underlying shares of the Company

Name of Shareholder	Notes	Nature of Interest	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the total number of shares of the Company in issue (Note 5)
Ascent Goal	1, 5	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
CSIL Limited ("CSIL")	2, 5	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
New Bright International Development Limited ("New Bright")	2, 5	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Ms. Fung Yuen Kwan Veronica	3, 5	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%

Notes:

- Ascent Goal was directly interested in 569,616,589 shares and further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20 per share. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares.
- Since Ascent Goal is a wholly-owned subsidiary of CSIL which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of CSIL and in turn the interests of New Bright under the SFO.

3. Ms. Fung Yuen Kwan Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.
4. The approximate percentage of shareholdings is based on 765,373,584 Shares as at the Latest Practicable Date, not the enlarged issued share capital of the Company upon full conversion of the Convertible Bond.
5. The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent approximately 74.42% and approximately 130.66% of the total number of issued shares of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent approximately 205.08% of the total number of issued shares of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

Save as disclosed above, so far as is known to the Directors and the chief executives of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executives of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

As at the Latest Practicable Date, save for Mr. Wong Sze Wai, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

5. INTERESTS OF DIRECTORS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, as far as the Directors were aware, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualifications of the expert who has given opinions or advice which are contained or referred to in this circular:

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

Lego Corporate Finance has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included herein in the form and context in which it is included.

9. EXPERTS' INTERESTS

Lego Corporate Finance confirmed that as at the Latest Practicable Date, it did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up, and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. GENERAL

- (a) The company secretary of the Company is Mr. Li Chun Fung, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (e) The English text of this circular, the accompanying form of proxy and the notice of SGM shall prevail over the Chinese translation in case of any inconsistency.

11. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.nannanlisted.com>) for a period of 14 days from the date hereof:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 49 of this circular;
- (c) the written consent of Lego Corporate Finance;
- (d) the Subscription Agreement dated 15 January 2008 and the terms and conditions of the Convertible Bond;
- (e) the Deed of Amendment dated 11 February 2011;
- (f) the 2nd Deed of Amendment dated 21 January 2014 (as amended and supplemented by the Supplemental Deed dated 28 January 2014);
- (g) the 3rd Deed of Amendment dated 25 January 2017;
- (h) the 4th Deed of Amendment dated 3 February 2020; and
- (i) the 5th Deed of Amendment dated 11 August 2022.

NOTICE OF SGM



NAN NAN RESOURCES ENTERPRISE LIMITED

南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of Nan Nan Resources Enterprise Limited (the “**Company**”) will be held at Suites 2701-08, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 9 December 2022 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 16 November 2022 (the “**Circular**”).

ORDINARY RESOLUTION

“THAT:

the entry into of the 5th Deed of Amendment (as defined in the Circular), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder (including the 5th Extension) and the execution of the 5th Deed of Amendment and any documents and agreements incidental thereto under the common seal of the Company by any director of the Company on behalf of the Company, be and are hereby confirmed, approved, authorised and ratified in all respect; and

any director of the Company (under hand or under seal) be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do all such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the 5th Deed of Amendment and the transactions contemplated thereunder (including the 5th Extension) or otherwise in relation to the 5th Deed of Amendment and the matters and the transactions contemplated thereunder (including the 5th Extension).”

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

Hong Kong, 16 November 2022

NOTICE OF SGM

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice (the “Meeting”) is entitled to appoint a proxy or, if he is a holder of more than one share, proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time for the holding of the Meeting or adjourned meeting.
4. In order to attend and vote at the Meeting to be held on Friday, 9 December 2022, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 5 December 2022.
5. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting (or any adjournment thereof) if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The ordinary resolution as set out above will be voted by way of poll.
7. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 8:30 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at www.nannanlisted.com and on the website of the Stock Exchange at www.hkexnews.hk to notify its Shareholders of the date, time and place of the rescheduled meeting.
8. In view of the ongoing COVID-19 epidemic and the requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the Meeting to protect attending shareholders, staff and other stakeholders from the risk of infection:
 - (i) Compulsory body temperature screening or checks will be carried out on every shareholder, proxy and other attendee at the entrance of the Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius, is exhibiting flu-like symptoms or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the Meeting venue and be requested to leave the Meeting venue.
 - (ii) Every attendee will be required to wear a surgical face mask throughout the Meeting and sit at a distance from other attendees. Please note that no surgical face masks will be provided at the Meeting venue and attendees should bring and wear their own masks.
 - (iii) No refreshments or drinks will be served and no gift will be distributed to attendees at the Meeting.

To the extent permitted under law, the Company reserves the right to deny entry into the Meeting venue or require any person to leave the Meeting venue in order to ensure the safety of the attendees at the Meeting.

NOTICE OF SGM

If necessary, more severe precautionary measures and/or other arrangement may be adopted at the Meeting to comply with any new, amended and then existing law provision of Hong Kong in effect that time. Shareholders should check the website of the Company at <https://www.nannanlisted.com> or the website of the Stock Exchange at <https://www.hkexnews.hk> for future announcements and updates on the Meeting arrangements.

The Company reminds shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights and they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person.

As at the date of this notice, the Board comprises three executive directors, namely Mr. Kwan Man Fai, Mr. Wong Sze Wai and Mr. Li Chun Fung; and three independent non-executive directors, namely Dr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin.