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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)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board of directors (the “Directors”) (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2021 (the “Year”) together with the comparative figures for the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	<b>130,521</b>	127,989
Cost of services and goods sold		<b>(75,914)</b>	(75,775)
Gross profit		<b>54,607</b>	52,214
Other revenue		<b>8,661</b>	5,833
Selling and distribution expenses		<b>(642)</b>	(367)
Administrative and other operating expenses		<b>(34,505)</b>	(49,411)
Exchange gain/(loss), net		<b>7,979</b>	(4,672)
Finance costs		<b>(9,626)</b>	(6,952)
Supplemental resources fee		–	(85,688)
Change in fair value of contingent consideration receivables		<b>(3,648)</b>	3,009
Change in fair value and gain arising from modification of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”)		<b>(24,857)</b>	71,443
Impairment loss on goodwill		<b>(14,503)</b>	(3,831)
Loss before tax	5	<b>(16,534)</b>	(18,422)
Income tax credit/(expenses)	6	<b>14,326</b>	(6,182)
<b>Loss for the year</b>		<b>(2,208)</b>	(24,604)

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Other comprehensive loss, net of nil tax</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of the Company's financial statements to presentation currency		<b>9,118</b>	(4,856)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		<u><b>(10,392)</b></u>	<u>(2,988)</u>
Other comprehensive loss for the year		<u><b>(1,274)</b></u>	<u>(7,844)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(3,482)</b></u>	<u>(32,448)</u>
Loss for the year attributable to:			
– Owners of the Company		<b>(2,936)</b>	(25,306)
– Non-controlling interests		<u><b>728</b></u>	<u>702</u>
		<u><b>(2,208)</b></u>	<u>(24,604)</u>
Total comprehensive loss for the year attributable to:			
– Owners of the Company		<b>(4,243)</b>	(33,089)
– Non-controlling interests		<u><b>761</b></u>	<u>641</u>
		<u><b>(3,482)</b></u>	<u>(32,448)</u>
Loss per share (expressed in Hong Kong cents)			
– Basic	8	<u><b>(0.38)</b></u>	<u>(3.31)</u>
– Diluted	8	<u><b>(0.38)</b></u>	<u>(5.87)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021**

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>109,011</b>	96,856
Intangible assets		<b>187,577</b>	128,886
Goodwill		<b>10,043</b>	24,546
Prepayments for acquisition of property, plant and equipment	9	<b>4,102</b>	1,093
Deferred tax assets		<b>9,113</b>	2,065
Contingent consideration receivables		–	6,186
		<u><b>319,846</b></u>	<u>259,632</u>
<b>Current assets</b>			
Inventories		<b>23,265</b>	8,179
Trade and other receivables	9	<b>12,998</b>	16,389
Restricted bank balances	10	–	73,760
Cash and cash equivalents		<b>204,079</b>	161,366
		<u><b>240,342</b></u>	<u>259,694</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>81,071</b>	54,929
Mining right payables, current portion		<b>3,901</b>	3,348
Interest-bearing borrowings	12	<b>60,636</b>	65,345
Promissory notes		<b>2,400</b>	2,400
Lease liabilities		<b>1,836</b>	1,905
Tax payables		<b>2,888</b>	4,697
		<u><b>152,732</b></u>	<u>132,624</u>
<b>Net current assets</b>		<u><b>87,610</b></u>	<u>127,070</u>
<b>Total assets less current liabilities</b>		<u><b>407,456</b></u>	<u>386,702</u>

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>76,537</b>	76,537
Reserves	<b>69,770</b>	74,013
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<b>Equity attributable to owners of the Company</b>	<b>146,307</b>	150,550
Non-controlling interests	<b>3,276</b>	2,515
	<hr/>	<hr/>
<b>Total equity</b>	<b>149,583</b>	153,065
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Convertible bond designated as financial liabilities at FVPL	<b>171,283</b>	146,426
Provision for close down, restoration and environmental costs	<b>2,941</b>	2,726
Mining right payables, non-current portion	<b>82,522</b>	80,155
Promissory notes	–	2,211
Lease liabilities	<b>349</b>	1,333
Deferred tax liabilities	<b>778</b>	786
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	<b>257,873</b>	233,637
	<hr/>	<hr/>
	<b>407,456</b>	386,702
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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

### **1. BASIS OF COMPLIANCE**

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

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

### **2. ADOPTION OF NEW/REVISED HKFRSs**

The Group has applied for the first time, the following new/revised HKFRSs:

#### **Amendments to HKASs 1 and 8: Definition of Material**

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

#### **Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1**

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### **Amendments to HKFRS 3: Definition of a Business**

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### **Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021**

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated losses and therefore the comparative information has not been restated.

The early adoption of the amendments resulted in the recognition of rent concessions amounted to approximately HK\$20,000 as “Other revenue” in the profit or loss for the year ended 31 March 2021.

## **3. SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coals in the People’s Republic of China (the “Mainland China”);
- (2) Renewable energy business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services business segment: information technology (“IT”) consultancy and technical services (including sales of IT hardware products) and IT outsourcing services (together referred to as “IT Services”) in Hong Kong, Malaysia, Singapore and the United Kingdom (the “UK”).

## **Segment revenue and results**

Segment revenue represents revenue derived from (i) coal mining business; (ii) renewable energy business; and (iii) IT Services business.

Segment results, which are the measures reported to the CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of changes in fair value of contingent consideration receivables and convertible bond designated as financial liabilities at FVPL and exchange gain or loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayment for acquisition of property, plant and equipment, deferred tax assets, contingent consideration receivables, inventories, trade and other receivables, restricted bank balances and cash and cash equivalents. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include convertible bond designated as financial liabilities at FVPL, trade and other payables, interest-bearing borrowings, promissory notes, lease liabilities, mining right payables, tax payables, provision for close down, restoration and environmental costs and deferred tax liabilities. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

In addition, the directors of the Company consider that the Group's place of domicile is Hong Kong, where the central management and control is located.

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Year ended 31 March 2021</b>					
Revenue from external customers and reportable segment revenue	<u>100,688</u>	<u>1,285</u>	<u>28,548</u>	<u>–</u>	<u>130,521</u>
Gross profit	46,775	768	7,064	–	54,607
Selling and distribution expenses	<u>(642)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(642)</u>
Segment results	46,133	768	7,064	–	53,965
Other revenue	5,876	517	2,236	32	8,661
Administrative and other operating expenses	(13,048)	(660)	(5,634)	(15,163)	(34,505)
Finance costs	(9,136)	–	(221)	(269)	(9,626)
Change in fair value of contingent consideration receivables	–	–	–	(3,648)	(3,648)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	–	(24,857)	(24,857)
Impairment loss on goodwill	–	–	(14,503)	–	(14,503)
Exchange gain, net	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,979</u>	<u>7,979</u>
Profit/(Loss) before tax	29,825	625	(11,058)	(35,926)	(16,534)
Income tax credit	<u>14,288</u>	<u>11</u>	<u>27</u>	<u>–</u>	<u>14,326</u>
Profit/(Loss) for the year	<u>44,113</u>	<u>636</u>	<u>(11,031)</u>	<u>(35,926)</u>	<u>(2,208)</u>
<i>Additional segment information:</i>					
Amortisation	6,621	66	–	–	6,687
Depreciation	7,526	413	1,010	1,163	10,112
Additions to property, plant and equipment	5,178	9,874	788	–	15,840
Additions to intangible assets	54,037	–	–	–	54,037
Charge of loss allowance of trade receivables	<u>–</u>	<u>6</u>	<u>14</u>	<u>–</u>	<u>20</u>

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2020					
Revenue from external customers and reportable segment revenue	<u>73,910</u>	<u>775</u>	<u>53,304</u>	<u>–</u>	<u>127,989</u>
Gross profit	42,145	469	9,600	–	52,214
Selling and distribution expenses	<u>(367)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(367)</u>
Segment results	41,778	469	9,600	–	51,847
Other revenue	4,215	–	15	1,603	5,833
Administrative and other operating expenses	(21,559)	(1,005)	(4,889)	(21,958)	(49,411)
Finance costs	(6,228)	–	(349)	(375)	(6,952)
Supplemental resources fee	(85,688)	–	–	–	(85,688)
Change in fair value of contingent consideration receivables	–	–	–	3,009	3,009
Change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL	–	–	–	71,443	71,443
Impairment loss on goodwill	–	–	(3,831)	–	(3,831)
Exchange loss, net	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,672)</u>	<u>(4,672)</u>
(Loss)/Profit before tax	(67,482)	(536)	546	49,050	(18,422)
Income tax (expenses)/credit	<u>(5,764)</u>	<u>23</u>	<u>(441)</u>	<u>–</u>	<u>(6,182)</u>
(Loss)/Profit for the year	<u>(73,246)</u>	<u>(513)</u>	<u>105</u>	<u>49,050</u>	<u>(24,604)</u>
Additional segment information:					
Amortisation	2,890	66	–	–	2,956
Depreciation	5,215	229	789	1,140	7,373
Additions to property, plant and equipment	32,634	18,937	1,479	870	53,920
Additions to intangible assets	116,115	–	–	–	116,115
Charge of loss allowance of trade receivables	<u>–</u>	<u>–</u>	<u>7</u>	<u>–</u>	<u>7</u>

## Segment assets and liabilities

The followings are analysis of the Group's assets and liabilities by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>As at 31 March 2021</b>					
Property, plant and equipment	73,076	33,690	1,058	1,187	109,011
Intangible assets	186,117	1,460	–	–	187,577
Goodwill	–	4,229	5,814	–	10,043
Other assets	197,474	1,642	13,789	40,652	253,557
Total assets	<u>456,667</u>	<u>41,021</u>	<u>20,661</u>	<u>41,839</u>	<u>560,188</u>
Convertible bond designated as financial liabilities at FVPL	–	–	–	(171,283)	(171,283)
Promissory notes	–	–	–	(2,400)	(2,400)
Mining right payables	(86,423)	–	–	–	(86,423)
Other liabilities	(144,375)	(773)	(3,393)	(1,958)	(150,499)
Total liabilities	<u>(230,798)</u>	<u>(773)</u>	<u>(3,393)</u>	<u>(175,641)</u>	<u>(410,605)</u>
<b>As at 31 March 2020</b>					
Property, plant and equipment	69,990	23,244	1,280	2,342	96,856
Intangible assets	127,360	1,526	–	–	128,886
Goodwill	–	4,229	20,317	–	24,546
Contingent consideration receivables	–	–	–	6,186	6,186
Other assets	171,618	6,638	12,850	71,746	262,852
Total assets	<u>368,968</u>	<u>35,637</u>	<u>34,447</u>	<u>80,274</u>	<u>519,326</u>
Convertible bond designated as financial liabilities at FVPL	–	–	–	(146,426)	(146,426)
Promissory notes	–	–	–	(4,611)	(4,611)
Mining right payables	(83,503)	–	–	–	(83,503)
Other liabilities	(110,024)	(9,510)	(6,133)	(6,054)	(131,721)
Total liabilities	<u>(193,527)</u>	<u>(9,510)</u>	<u>(6,133)</u>	<u>(157,091)</u>	<u>(366,261)</u>

## Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and prepayment for acquisition of property, plant and equipment ("Specified Non-current Assets"). The geographical location of the revenue is presented based on the location of the customers. The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets.

## Location of revenue

### Revenue from external customers

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
The Mainland China	100,688	73,910
Hong Kong	19,549	32,537
Malaysia	3,101	14,160
Singapore	4,576	3,891
The UK	2,607	3,491
	<u>130,521</u>	<u>127,989</u>

### Location of the Specified Non-current Assets

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
The Mainland China	263,295	198,442
Hong Kong	13,748	29,695
Malaysia	33,690	23,244
	<u>310,733</u>	<u>251,381</u>

### Information about major customers

Revenue from external customers contributing 10% or more of the total revenue is as follow:

	2021	2020
	HK\$'000	HK\$'000
Customer A and its affiliated companies from IT Services business segment	*	22,112
Customer B from coal mining business segment	29,773	*
Customer C from coal mining business segment	19,124	*
	<u>19,124</u>	<u>22,112</u>

\* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the years ended 31 March 2021 and 2020.

#### 4. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within HKFRS 15		
<b>Coal mining business</b>		
– Sales of coals	<u>100,688</u>	<u>73,910</u>
<b>Renewable energy business</b>		
– Service income from renewable energy solutions	<u>1,285</u>	<u>775</u>
<b>IT Services business</b>		
– Sales of IT hardware products	5,424	13,893
– IT outsourcing services	18,187	32,028
– IT consultancy and technical services	<u>4,937</u>	<u>7,383</u>
	<u>28,548</u>	<u>53,304</u>
	<u><b>130,521</b></u>	<u><b>127,989</b></u>

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Timing of revenue recognition:</i>		
<b>– at a point in time</b>		
Sales of coals	100,688	73,910
Sales of IT hardware products	<u>5,424</u>	<u>13,893</u>
	<u>106,112</u>	<u>87,803</u>
<b>– over time</b>		
Service income from renewable energy solutions	1,285	775
IT outsourcing services	18,187	32,028
IT consultancy and technical services	<u>4,937</u>	<u>7,383</u>
	<u>24,409</u>	<u>40,186</u>
	<u><b>130,521</b></u>	<u><b>127,989</b></u>

## 5. LOSS BEFORE TAX

This is stated at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Finance costs</b>		
Interest on interest-bearing borrowings	2,185	4,251
Interest on mining right payables	7,103	2,272
Interest on promissory notes	189	247
Interest on lease liabilities	149	182
	<u>9,626</u>	<u>6,952</u>
<b>Staff costs</b>		
Staff costs (excluding directors' remuneration)		
Basic salaries, allowance and other short-term employee benefits	31,756	48,725
Contributions to defined contribution retirement plan	1,650	1,884
	33,406	50,609
<b>Other items</b>		
Amortisation of intangible assets (charged to "cost of services and goods sold")	6,687	2,956
Auditor's remuneration		
– audit services	1,038	1,310
– other services	510	360
	1,548	1,670
Cost of inventories sold	58,963	43,553
Depreciation of property, plant and equipment and right-of-use assets	10,112	7,373
Charge of loss allowance of trade receivables	20	7
Exchange gain on financial liabilities at FVPL, net	(11,830)	(6,802)
Other exchange loss, net	3,851	11,474
Expenses recognised payments under short-term leases	1,041	1,756
Loss on disposal of property, plant and equipment	<u>–</u>	<u>170</u>

## 6. INCOME TAX (CREDIT)/EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Income tax (credit)/expenses comprise:</b>		
The Mainland China Enterprise Income Tax ( <i>Note</i> )	(7,599)	5,922
Hong Kong Profits Tax	151	370
Malaysia corporate income tax	(180)	–
Singapore corporate income tax (“Singapore CIT”)	–	38
The UK corporate income tax	–	296
	<u>(7,628)</u>	<u>6,626</u>
Deferred tax		
– Origination and reversal of temporary differences	(6,698)	(444)
	<u>(14,326)</u>	<u>6,182</u>

*Note:* During the year ended 31 March 2021, the Group reached an agreement with relevant tax authority in the Mainland China for a preferential tax treatment on the deductibility of certain expenses incurred during the year ended 31 March 2020. Accordingly, a tax refund was received from the relevant tax authority and was recognised as income tax credit for the year ended 31 March 2021.

The Company is incorporated in Bermuda and is exempted from income tax. The Company’s subsidiaries established in the British Virgin Island and Samoa are exempted from income tax of the respective jurisdictions.

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for both years.

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25% (the “graduated tax rate”), and profits above HK\$2 million will be taxed at 16.5% for the years ended 31 March 2021 and 2020. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the years ended 31 March 2021 and 2020.

Malaysia corporate income tax is calculated at the rate of 24% of the estimated assessable profits of the Group’s entities in Malaysia arising from Malaysia during the years ended 31 March 2021 and 2020. During the year ended 31 March 2021, Malaysia incorporated entities with paid-up capital of Malaysia Ringgit (“RM”) 2.5 million or less enjoy tax rate of 18% (2020: 17%) on the first RM600,000 (2020: RM500,000) and remaining balance of the estimated assessable profits at the standard rate.

During the year ended 31 March 2021, the Group recognised an over provision of Malaysia corporate income tax in respect of prior years of approximately HK\$180,000.

During the year ended 31 March 2021, Singapore CIT is calculated at the rate of 17% (2020:17%) of the estimated assessable profits of the Group’s entities in Singapore arising from Singapore with no rebate (2020: Singapore CIT rebate of 20%, capped at Singapore Dollars (“S\$”) 10,000).

During the years ended 31 March 2021 and 2020, Singapore incorporated companies can enjoy 75% tax exemption on the first S\$10,000 of normal taxable income and a further 50% tax exemption on the next S\$190,000 of normal taxable income.

The Group's entity established in the UK is subject to the corporate income tax at a statutory rate of 19% for the years ended 31 March 2021 and 2020.

The income tax expenses for the year can be reconciled to the loss before tax as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	<u>(16,534)</u>	<u>(18,422)</u>
Notional tax on loss before tax, calculated at the rates applicable to profit in the countries concerned	(2,761)	(8,169)
Tax effect of expenses not deductible for tax purposes	7,167	26,661
Tax effect of income not taxable for tax purposes	(3,531)	(12,842)
Tax effect of graduated tax rate and tax concession	(333)	(207)
Utilisation of previously unrecognised tax losses	(4,616)	–
Over provision for prior year	(7,779)	–
Recognition of previously unrecognised deferred tax assets	(1,686)	–
Others	<u>(787)</u>	<u>739</u>
Income tax (credit)/expenses for the year	<u>(14,326)</u>	<u>6,182</u>

## 7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the current reporting period (2020: Nil).

## 8. LOSS PER SHARE

### (a) Basic loss per share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	<u>(2,936)</u>	<u>(25,306)</u>
	2021 <i>Number of shares</i>	2020 <i>Number of shares</i>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>765,373,584</u>	<u>765,373,584</u>

**(b) Diluted loss per share**

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

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Loss for the year attributable to owners of the Company	<b>(2,936)</b>	(25,306)
Change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL	<b>24,857</b>	(71,443)
Exchange gain on convertible bond designated as financial liabilities at FVPL	<b>(11,830)</b>	(6,802)
	<b><u>10,091</u></b>	<u>(103,551)</u>

(ii) *Weighted average number of ordinary shares*

	<b>2021</b>	2020
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>765,373,584</b>	765,373,584
Effect of conversion of convertible bond	<b><u>1,000,000,000</u></b>	<u>1,000,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b><u>1,765,373,584</u></b>	<u>1,765,373,584</u>

For the year ended 31 March 2021, the Company's outstanding convertible bond had an anti-dilutive effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted loss per share for the year ended 31 March 2021 are equal.

## 9. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from third parties	9(a)	<b>4,713</b>	8,663
Prepayments, deposits and other receivables		<b>5,386</b>	4,997
Other taxes receivables		<b>339</b>	107
Guaranteed profit compensation receivables	9(b)	<b>2,560</b>	2,622
Prepayments for acquisition of property, plant and equipment		<b>4,102</b>	1,093
		<b>17,100</b>	17,482

*Analysed by:*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets	<b>4,102</b>	1,093
Current assets	<b>12,998</b>	16,389
	<b>17,100</b>	17,482

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expense within one year.

### 9(a) Trade receivables from third parties

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

The Group grants credit period up to 60 days from the date of issuance of invoice to its customers from renewable energy business segment and IT Services business segment.

### *Ageing analysis*

At the end of reporting period, the ageing analysis of the trade receivables (presented based on the invoice date), net of loss allowance, was as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	<b>975</b>	2,882
31 – 60 days	<b>1,437</b>	2,602
61 – 90 days	<b>1,328</b>	239
Over 90 days	<b>1,044</b>	2,991
	<hr/>	<hr/>
	<b>4,784</b>	8,714
Less: Loss allowance	<b>(71)</b>	(51)
	<hr/>	<hr/>
	<b>4,713</b>	8,663
	<hr/>	<hr/>

### **9(b) Guaranteed profit compensation receivables**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Vendor of NEFIN Leasing Technologies Limited and its wholly-owned subsidiary	<b>22</b>	435
Vendor of Harbour Group Holdings Limited and its subsidiaries	<b>2,538</b>	2,187
	<hr/>	<hr/>
	<b>2,560</b>	2,622
	<hr/>	<hr/>

## **10. RESTRICTED BANK BALANCES**

Pursuant to the loan agreement signed with a bank in the Mainland China, the amounts represent bank balances in the bank in the Mainland China maintained solely for the purpose of settlement of outstanding interest-bearing borrowings and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in RMB and carried interest at prevailing market rates. As at 31 March 2021, the respective borrowings were fully settled and the restricted bank balances were released by the bank.

## 11. TRADE AND OTHER PAYABLES

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

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days		<b>11,583</b>	715
91 – 180 days		<b>7,888</b>	1,488
181 – 365 days		<b>14,355</b>	3,993
Over 1 year		<b>6,712</b>	2,840
Trade payables		<b>40,538</b>	9,036
Contract liabilities	<i>11(a)</i>	<b>1,328</b>	2,023
Government levies payable			
– Economic development fees in coal resources areas		<b>28,505</b>	26,819
– Others		<b>481</b>	445
Accrued expenses		<b>6,451</b>	5,813
Payables for construction-in-progress		<b>175</b>	8,952
Other payables		<b>3,593</b>	1,841
		<b>81,071</b>	54,929

All of the trade and other payables that are classified as current liabilities are expected to be settled within one year.

The average credit period of purchases of goods is up to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 11(a) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the years ended 31 March 2021 and 2020 are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the reporting period	<b>2,023</b>	564
Receipts in advance	<b>1,328</b>	2,023
Recognised as revenue	<b>(2,023)</b>	(564)
At the end of the reporting period	<b>1,328</b>	2,023

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

## 12. INTEREST-BEARING BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current portion</b>		
Interest-bearing borrowings, secured	<u>60,636</u>	<u>65,345</u>

The interest-bearing borrowings with a clause in their terms that give the banks an overriding right to demand for repayment without notice at their sole discretion are classified as current liabilities even though the directors of the Company do not expect that the banks would exercise their right to demand repayment.

As at 31 March 2021, the interest-bearing borrowings are secured by:

- (i) mining right with carrying amount of approximately HK\$132,175,000 (2020: restricted bank balances with carrying amount of approximately HK\$73,760,000);
- (ii) unlimited personal guarantee given by a director of a subsidiary; and/or
- (iii) limited government guarantee under SME Loan Guarantee Scheme.

The interest-bearing borrowings are repayable from within two years to five years since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 5.1% – 9.1% (2020: 4.9% – 8.0%) per annum. All the interest-bearing borrowings are denominated in HK\$ and RMB (2020: RMB).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the Year, the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business; and (3) information technology (“IT”) services business. Our main business includes coal mining and sales of coal in Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (the “Mainland China”). Xinjiang is remote from major industrial cities in the Mainland China, and hence coal produced in Xinjiang is mainly consumed locally due to the logistic and the transportation costs. On 8 October 2018, we completed the acquisition of NEFIN Leasing Technologies Limited and its wholly-owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. (together the “NEFIN Group”) which is principally engaged in renewable energy solutions in Malaysia. We further allocated resources into the solar energy projects during the Year so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we further completed the acquisition of Harbour Group Holdings Limited (“Harbour Group Holdings”) and its subsidiaries (collectively the “Harbour Group”) which is principally engaged in the provision of information technology outsourcing, consultancy and technical services (together referred to as “IT Services”) mainly in Hong Kong Special Administrative Region of the People’s Republic of China (“HKSAR” or “Hong Kong”) with expanding business in the United Kingdom (the “UK”), Malaysia and Singapore. Our Group will continue our focus on developing the existing business. In the long run, we will aspire and strive to grow into an enterprise with a diversified business.

### Major Events

#### *Acquisition of the New Mining Right of the Enlarged Kaiyuan Mine*

As disclosed in the announcements of the Company dated 11 November 2011, 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 and 15 November 2019, the Group negotiated with the Department of Natural Resources of Xinjiang Uygur Autonomous Region\* (新疆維吾爾自治區自然資源廳) of the Mainland China (the “Xinjiang Natural Resources Department”) regarding the Optimization and Upgrading Plan<sup>#</sup> relating to the Kaiyuan Open Pit Coal Mine (the “Kaiyuan Mine”) (i.e. the operating coal mine of the Group in Xinjiang), in particular, to increase the mining area of the Kaiyuan Mine and obtain the corresponding new mining right.

- (i) Mulei County Kai Yuan Coal 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 new mining right (the “New Mining Right”) of the Kaiyuan Mine with an enlarged mining area (including the original mining area of approximately 1.1596 km<sup>2</sup>) of 4.1123 km<sup>2</sup> in Xinjiang (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 of Renminbi (“RMB”) 160,978,000 (the “Acquisition”);
- (ii) the estimated coal resources of the Enlarged Kaiyuan Mine are 41.6433 million tonnes for the mining life of 30 years under the Transfer Agreement;
- (iii) the new mining permit (the “New Mining Permit”) in respect of the New Mining Right with mining term of 1 year from 21 December 2018 to 21 December 2019 regarding the New Mining Right was granted to Kaiyuan Company on 3 November 2018, which has been renewed for two years from 21 December 2019 to 21 December 2021;
- (iv) Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the New Mining Right under the Transfer Agreement;
- (v) the consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to the Xinjiang Natural Resources Department in fifteen instalments: (a) the first instalment in an amount of RMB32,200,000 was paid by Kaiyuan Company; (b) 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 (c) the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033;
- (vi) the Acquisition constituted a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and
- (vii) as part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 (the “Resources Fee”) to the Xinjiang Natural Resources Department for 19.8 million tonnes of coal of Kaiyuan Mine, which represented the difference between the accumulated output of 23.65 million tonnes of the Kaiyuan Mine at the end of 2017 and the output of 3.8819 million tonnes (Resources Fee of such output had been paid by Kaiyuan Company to the Xinjiang Natural Resources Department) and recognised in the profit or loss for the year ended 31 March 2020. Based on the advice given by the legal adviser of the Company as to the laws of the Mainland China, other than the payment of the Resources Fee, Kaiyuan Company will not be subject to any fees relating to the original Kaiyuan Mine pursuant to the terms of the Transfer Agreement.

### *Temporary Suspension of Enlarged Kaiyuan Mine*

As disclosed in the announcements of the Company dated 20 December 2019 and 16 March 2020, the sales and operation of the Enlarged Kaiyuan Mine was temporarily suspended since 21 December 2019 (the “Temporary Suspension”) due to the expiry of the New Mining Permit on 21 December 2019 and the delay in renewal of the New Mining Permit.

The New Mining Permit was renewed in March 2020 and the resumption application has been approved 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) (“Economic Zone”) on 2 August 2020. On 2 August 2020 the approval on the resumption application issued by the Safety Bureau of the Economic Zone was received and was allowed to resume mining operations and sales.

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

### *Acquisition of shares and subscription of new shares in Harbour Group Holdings*

References are made to announcements of the Company dated 11 March 2019 and 23 April 2019 and the circular of the Company dated 1 April 2019 in relation to the acquisition of shares and subscription of new shares in Harbour Group Holdings.

On 11 March 2019, (i) Ample Talent Ventures Limited (“Ample Talent”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with an independent third party (the “Vendor”), pursuant to which the Vendor conditionally agreed to sell, and Ample Talent conditionally agreed to purchase 80% shareholding interest in Harbour Group Holdings at a consideration of HK\$35,712,000 (the “Harbour Group Acquisition”); and (ii) Ample Talent and Harbour Group Holdings entered into a subscription agreement, pursuant to which Harbour Group Holdings conditionally agreed to issue and allot to Ample Talent, and Ample Talent conditionally agreed to subscribe for 450 ordinary shares of Harbour Group Holdings, representing approximately 4.5% of the total number of shares of Harbour Group Holdings in issue as at the date of subscription agreement at an aggregate subscription price (the “Subscription Price”) of HK\$2,008,800 (the “Subscription”). The Company indirectly interests in 80.86% shares of Harbour Group Holdings in issue upon completion of the Harbour Group Acquisition and Subscription on 23 April 2019.

The consideration for the Harbour Group Acquisition was settled in cash of HK\$28,512,000 by Ample Talent to the Vendor and the remaining amount of HK\$7,200,000 by means of the issue of the three promissory notes (“Promissory Note(s)”), each in the principal amount of HK\$2,400,000 by the Company to the Vendor. The Subscription Price was settled in cash.

Harbour Group consists of Harbour Group Holdings, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. Harbour Group is principally engaged in the provision of IT Services mainly in HKSAR with expanding business in the UK, Malaysia and Singapore. The Directors are of the view that the Harbour Group Acquisition and the Subscription can broaden the Group’s revenue base and benefit from the diversified return in future. The Harbour Group Acquisition and the Subscription constituted a business combination and was accounted for using the acquisition method under Hong Kong Financial Reporting Standard (“HKFRS”) 3 Business Combinations.

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to guarantee that the audited consolidated net profit generated from operating activities of the Harbour Group in its ordinary and usual course of business, prepared in accordance with HKFRSs (the “Net Profit”), for the years ended 31 December 2018 (“FY2018”), 31 December 2019 (“FY2019”) and 31 December 2020 (“FY2020”, and each such 12-month period, a “PG 12-Month Period”) shall be no less than HK\$7,200,000 per annum (the “Guaranteed Profit”). In the event that the Net Profit during the each PG 12-Month Period is less than the Guaranteed Profit, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay the shortfall multiplied by the ratio of 1.13 to the Group by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Note(s) issued to the Vendor.

The profit guarantee for FY2018 was met but the profit guarantee for FY2019 and FY2020 was not fulfilled.

As disclosed in the announcement dated 7 April 2020, the shortfall for FY2019 profit guarantee equals to HK\$2,187,091 (rounded to the nearest dollar). Such amount was deducted from the Promissory Note in the principal amount of HK\$2,400,000 and the outstanding amount of HK\$212,909 (i.e. after deduction of the shortfall amount) of the Promissory Note was paid to the Vendor by the Group.

As disclosed in the announcement dated 7 May 2021, the shortfall for FY2020 profit guarantee equals to HK\$2,538,041 (rounded to the nearest dollar). Such amount was deducted from the Promissory Note in the principal amount of HK\$2,400,000 and the outstanding amount of HK\$138,041 after deduction of the Promissory Note was paid by the Vendor to the Group.

## **Prospects**

The Group actively proceeded with the Optimization and Upgrading Plan since 2011 in relation to the New Mining Right of the Enlarged Kaiyuan Mine. The Acquisition enlarged the Group's coal resources and allowed the Group to enhance the development of its sales operations of Kaiyuan Mine in the future. The Directors consider that the transaction is in line with the Group's strategy to expand the coal mining business of the Group.

In the 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 Safety Bureau to improve safety standard of our coal mine. Sources of funding are expected to come primarily from the coal sales revenue and external banking facilities of the Group.

In addition to coal mining, the Group has been exploring new markets and seeking to develop its business coverage on technological and renewable energy sectors, in particular, the acquisition of Harbour Group in 2019 and NEFIN Group in 2018. It is one of the objectives of the Group to diversify its business portfolio into sectors offering higher growth momentum.

Due to the recent social and political instability in HKSAR and the outbreak of COVID-19 worldwide, we are facing the difficult business environment, which negatively impact the growth of our business. In particular IT Services business in HKSAR is expected to be hit hard by the prolonged social unrest and subsistence of the COVID-19 in HKSAR.

The Board will continue to keep track of the latest development of the COVID-19 and will use its best endeavors to manage the Group's business portfolio with a view to improving the Group's financial performance and enhance shareholders' value.

## **Financial Review**

### *Revenue*

The Group recorded a revenue of approximately HK\$130,521,000 for the Year (2020: approximately HK\$127,989,000). It represents an increase of approximately HK\$2,532,000 or approximately 1.98% as compared with the previous year.

### *Coal Mining Business*

During the Year, the revenue of approximately HK\$100,688,000 of the coal mining business is increased by approximately HK\$26,778,000 or approximately 36.23% as compared to approximately HK\$73,910,000 last year. The increase in revenue of the coal mining business was mainly due to the reason that the Group sold approximately 1,438,392 tonnes (2020: approximately 1,037,492 tonnes) of coal during the Year, representing an increase by approximately 38.64% in volume compared to that in the previous year.

### *Renewable Energy Business*

During the Year, the renewable energy business recorded a turnover of approximately HK\$1,285,000 (2020: approximately HK\$775,000). The increase in revenue of the renewable energy business was mainly due to the enhanced production capacity during the Year.

### *IT Services Business*

During the Year, the IT Services business contributed a revenue of approximately HK\$28,548,000 (2020: approximately HK\$53,304,000). The decrease in revenue of approximately HK\$24,756,000, representing a decrease of approximately 46.44% was mainly due to the prolonged social unrest in HKSAR and subsistence of the COVID-19 worldwide.

### *Cost of services and goods sold*

#### Coal Mining Business

The cost of sales of the coal mining business for the Year was approximately HK\$53,913,000 (2020: approximately HK\$31,765,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The increase in cost of sales was mainly due to absorption of fixed costs to cost of goods sold which are unamortised to inventories due to the suspension of mining operations until August 2020, and also the increase of coal extracted for 0.81 million tonnes for the Year.

#### Renewable Energy Business

During the Year, the cost of services of the renewable energy business is approximately HK\$517,000 (2020: approximately HK\$306,000).

## IT Services Business

During the Year, the cost of services and goods sold of the IT Services business is approximately HK\$21,484,000 (2020: approximately HK\$43,704,000). The decrease in cost of services and goods sold was largely in line with the drop of revenue during the Year, particularly the significant curtail of operations in Malaysia and HKSAR by the subsidiaries of Harbour Group, as compared with the previous year.

### *Gross profit*

The gross profit of the Group for the Year increased to approximately HK\$54,607,000 (2020: approximately HK\$52,214,000). It represents an increase of approximately HK\$2,393,000 or approximately 4.58% and gross profit margin increased by approximately 1.04% for the Year to approximately 41.84% as compared with last financial year. Coal mining business contributed approximately HK\$46,775,000 (2020: approximately HK\$42,145,000), IT Services business contributed approximately HK\$7,064,000 (2020: approximately HK\$9,600,000) and renewable energy business contributed approximately HK\$768,000 (2020: approximately HK\$469,000).

### *Other revenue*

The Group's other revenue for the Year was approximately HK\$8,661,000 (2020: approximately HK\$5,833,000), representing an increase of approximately HK\$2,828,000 or approximately 48.48% as compared with last financial year. This is mainly due to the net effect of 1) increase of interest income on bank deposits substantially from the coal mining business of approximately HK\$2,639,000; 2) no sales derived from the coal gangue in the Year (2020: approximately HK\$2,041,000); and 3) government grants amounting to about HK\$2,403,000 (2020: Nil) from the Anti-epidemic Fund set up by the HKSAR government under an Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant during the Year.

### *Administrative and other operating expenses*

The Group's administrative and other operating expenses for the Year was approximately HK\$34,505,000 (2020: approximately HK\$49,411,000), representing a decrease of approximately HK\$14,906,000 or approximately 30.17% as compared with the previous year. This was mainly due to the 1) the saving of payment of additional land fee in the current year (2020: approximately HK\$7,579,000); 2) the reduction of legal and professional fee for approximately HK\$3,173,000; and 3) the decrease in salaries and allowances for approximately HK\$2,477,000.

### *Loss for the Year*

Loss of the Group for the Year was approximately HK\$2,208,000 (2020: loss of approximately HK\$24,604,000), representing an upturn of approximately HK\$22,396,000 as compared with last year. The upturn was mainly due to the net effect of the following:

- a) the saving of a supplemental resources fee in the current year (2020: approximately HK\$85,688,000);
- b) the exchange gain of approximately HK\$7,979,000 (2020: exchange loss of approximately HK\$4,672,000);
- c) the increase of gross profit by approximately HK\$2,393,000;
- d) the increase of other revenue by approximately HK\$2,828,000;
- e) the decrease of administrative and other operating expenses by approximately HK\$14,906,000;
- f) change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”) of approximately HK\$24,857,000 (2020: change in fair value and gain arising from modification of convertible bond designated as financial liabilities at FVPL of approximately HK\$71,443,000);
- g) fair value loss of contingent consideration receivables of approximately HK\$3,648,000 (2020: fair value gain of approximately HK\$3,009,000);
- h) the increase in the finance costs by approximately HK\$2,674,000;
- i) impairment loss on goodwill of approximately HK\$14,503,000 (2020: approximately HK\$3,831,000); and
- j) the turnaround from income tax expenses of approximately of HK\$6,182,000 in the previous year to income tax credit of approximately of HK\$14,326,000 for the year as the Group reached an agreement with relevant tax authority in the Mainland China for a preferential tax treatment on the deductibility of certain expenses incurred during the year ended 31 March 2020, and accordingly a tax refund was received from the relevant tax authority and was recognised as income tax credit for the year ended 31 March 2021.

## **Segment Information**

### *Business segment*

Information reported to the executive Directors, being identified as the chief operating decision makers (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coal mine in the Xinjiang of the Mainland China;
- (2) Renewable energy business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services business segment: provision of IT Services in HKSAR, Singapore, Malaysia and the UK.

### **Segment revenue and results**

Segment revenue represents revenue derived from (i) coal mining business, (ii) renewable energy business and (iii) IT Services business.

#### *(i) Coal Mining Business*

Coal mining is the major business of the Group at present. It contributed a revenue of approximately HK\$100,688,000 for the Year (2020: approximately HK\$73,910,000), representing an increase of approximately 36.23% as compared with last year.

## Sale and Production of Coals

During the Year, the Group sold approximately 1,438,392 tonnes of coals (2020: approximately 1,037,492 tonnes) with total sales income of approximately HK\$100,688,000 (2020: approximately HK\$73,910,000). Details of sales of coals in tonnes are listed in the below table:

	<b>2021</b>	2020
Sales of coals	<b><u>1,438,392 tonnes</u></b>	<u>1,037,492 tonnes</u>

### Coal Sales (tonnes) and Percentage of Coal Sales

	<b>Coal Sales (tonnes)</b>	Coal Sales in %
Slack Coal	<b>1,002,548</b>	69.70
Weathered Coal	<b><u>435,844</u></b>	<u>30.30</u>
Total	<b><u>1,438,392</u></b>	<u>100.00</u>

#### (ii) *Renewable Energy Business*

Service income from renewable energy business contributed a revenue of approximately HK\$1,285,000 for the Year (2020: approximately HK\$775,000). The increase in revenue of the renewable energy business was mainly due to the enhanced production capacity during the Year.

#### (iii) *IT Services Business*

Service income from IT Services business contributed a revenue of approximately HK\$28,548,000 for the Year (2020: approximately HK\$53,304,000). The decrease in revenue was mainly due to the prolonged social unrest in HKSAR and subsistence of the COVID-19 worldwide.

## *Reserves and Resources*

The Group owns a mining right located in Xinjiang. The estimated remaining reserve in Kaiyuan Mine (excluding the Enlarged Kaiyuan Mine (as defined in “Major Events”)) was approximately 5.11 million tonnes as at 31 March 2020.

On 2 December 2019, the Transfer Agreement was officially passed by the Xinjiang Natural Resources Department to Kaiyuan Company. According to the Competent Person’s report and valuation report of the Enlarged Kaiyuan Mine dated 19 August 2020, the probable reserve in the Enlarged Kaiyuan Mine was approximately 63.48 million tonnes as at the date of acquisition of the Enlarged Kaiyuan Mine.

During the Year, approximately 1.90 million tonnes of coal was extracted (2020: approximately 1.09 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 31 March 2021 is equivalent to 66.69 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (2020: approximately 5.11 million tonnes).

Coal Reserve as at 31 March 2021 = Coal Reserve as at 31 March 2020 – Amount of coal extracted by the Group during the Year + the probable reserve in the Enlarged Kaiyuan Mine.

## *Geographical segment*

The geographical location of customers is determined based on the location where the goods are delivered or services are rendered. The Group’s revenue and results from operations are mainly derived from activities in the Mainland China, HKSAR, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the Mainland China, HKSAR and Malaysia.

## **Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets**

Save as otherwise disclosed, there were neither significant investments held as at 31 March 2021 nor material acquisitions and disposals of subsidiaries during the Year.

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

## Liquidity and Financial Resources

As at 31 March 2021, the Group had:

- net current assets of approximately HK\$87,610,000 (2020: approximately HK\$127,070,000).
- cash and cash equivalents of approximately HK\$204,079,000 (2020: approximately HK\$235,126,000), which comprised restricted bank balances of Nil (2020: approximately HK\$73,760,000) and the bank balances and cash of approximately HK\$204,079,000 (2020: approximately HK\$161,366,000), were the major components of the Group's current assets of approximately HK\$240,342,000 (2020: approximately HK\$259,694,000). All the cash and cash equivalents and restricted bank balances are denominated in HK\$, Malaysia Ringgit ("MYR"), Singapore Dollars ("S\$"), Great Britain Pound ("GBP"), United States Dollars ("US\$") and RMB (2020: HK\$, MYR, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$152,732,000 (2020: approximately HK\$132,624,000) which comprised mainly trade and other payables of approximately HK\$81,071,000 (2020: approximately HK\$54,929,000) and interest-bearing borrowings of approximately HK\$60,636,000 (2020: approximately HK\$65,345,000).

The interest-bearing borrowings are repayable from within two years to five years since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 5.1% – 9.1% (2020: 4.9% – 8.0%) per annum. The interest-bearing borrowings are denominated in HK\$ and RMB (2020: HK\$ and RMB).

- non-current liabilities of approximately HK\$257,873,000 (2020: approximately HK\$233,637,000) which comprised convertible bond designated as financial liabilities at FVPL of approximately HK\$171,283,000 (2020: approximately HK\$146,426,000) and non-current portion payable of approximately HK\$82,522,000 (2020: approximately HK\$80,155,000) related to mining right payables.

The Group's gearing ratio was approximately 2.16 (2020: approximately 1.98). The computation is based on total debt (convertible bond designated as financial liabilities at FVPL, mining right payables, promissory notes, lease liabilities and interest-bearing borrowings) divided by total equity.

## **Capital Structure**

The capital of the Group comprises only ordinary shares.

As at 31 March 2021, there were 765,373,584 ordinary shares of the Company in issue.

Zero coupon convertible bond of the Company with an aggregate principal amount of HK\$200,000,000 were issued on 14 March 2008 the maturity date of which was approved to be further extended for 36 months to 13 March 2023 by the shareholders of the Company on 11 March 2020.

## **Charges on Group's Assets**

As at 31 March 2021, the Group had pledged its mining right with carrying amount of approximately HK\$132,175,000 (2020: restricted bank balances of approximately HK\$73,760,000) to the bank as a security for interest-bearing borrowings.

## **Foreign Exchange Exposure**

The Group mainly earns revenue in RMB, HK\$ and MYR and incurs costs in RMB, HK\$ and MYR. The Group is exposed to foreign exchange risk based on fluctuations between HK\$ and RMB arising from its core operation in the Mainland China as well as HK\$ and MYR arising from its operation in Malaysia. The currency exchange risk for the Year is mainly derived from the net exchange gain on convertible bond designated as financial liabilities at FVPL, which is a result from the currency appreciation of RMB against HK\$. In order to minimise the foreign currency risk exposure between these two currencies, the Group maintained cash balances in both currencies that are sufficient to meet several months' operating cash flows requirements of the Group.

## **Treasury Policies**

Apart from the issuance of convertible bond at their face value of HK\$200,000,000 and the interest-bearing borrowings amounting to approximately HK\$60,636,000 (2020: approximately HK\$65,345,000), the Group finances its operation mainly by internal generated resources.

## **Contingent Liabilities**

As at 31 March 2021, the Group did not have any material contingent liabilities (2020: Nil).

## **Employees**

As at 31 March 2021, the Group had 120 employees (2020: 126) spreading amongst HKSAR, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding directors' emoluments) for the Year amounted to approximately HK\$33,406,000 (2020: approximately HK\$50,609,000), representing a significant reduction of manpower in HKSAR and Malaysia under the IT Services segment, and the increase in number of staff in the coal mining business in Xinjiang. Employment relationship has been well maintained by the Group with its employees.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the Year (2020: Nil).

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

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive (the "CE") should be separate and should not be performed by the same individual. During the Year, the Company did not have any officer with CE title. Mr. Kwan Man Fai, the chairman and managing director of the Company also carried out the responsibility of CE during the Year. In view of the size of operation of the Group, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

## **AUDIT COMMITTEE**

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

## **SCOPE OF WORK OF MAZARS CPA LIMITED**

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

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT**

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

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

Hong Kong, 22 June 2021

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

\* *English translation for identification purposes only.*