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 2019

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 2019 (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 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**75,625**	182,445
Cost of services and goods sold		**(44,542)**	(130,398)
Gross profit		**31,083**	52,047
Other revenue		**10,438**	6,332
Selling and distribution expenses		**(474)**	(414)
Administrative and other operating expenses		**(28,688)**	(22,456)
Exchange (loss)/gain, net		**(6,175)**	8,866
Impairment loss on property, plant and equipment		**–**	(3,511)
Impairment loss on intangible assets		**–**	(12,618)
Finance costs		**(964)**	–
Change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL")		**29,373**	14,374
Profit before tax	*5*	**34,593**	42,620
Income tax expenses	*6*	**(5,750)**	(5,942)
Profit for the year		**28,843**	36,678

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Other comprehensive (loss)/income, net of nil tax			
Item that maybe reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		**(10,909)**	13,671
Total comprehensive income for the year		**17,934**	50,349
Profit for the year attributable to:			
– Owners of the Company		**28,843**	36,678
– Non-controlling interests		**–**	–
		28,843	36,678
Total comprehensive income for the year attributable to:			
– Owners of the Company		**17,923**	50,349
– Non-controlling interests		**11**	–
		17,934	50,349
Earnings/(Loss) per share (expressed in Hong Kong cents)			
– Basic	*8*	**3.77**	4.79
– Diluted	*8*	**0.90**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**51,370**	9,166
Intangible assets		**18,505**	23,095
Goodwill		**4,229**	–
Security deposit		**5,506**	5,048
Non-refundable deposits	*9*	**2,431**	2,604
Prepayments for acquisition of property, plant and equipment	*9*	**19,635**	–
Deferred tax assets		**2,009**	1,940
		103,685	41,853
Current assets			
Inventories		**7,573**	7,221
Financial assets measured at FVPL		**60,236**	–
Trade and other receivables	*9*	**8,224**	4,209
Restricted bank balances	*10*	**77,612**	–
Cash and cash equivalents		**278,814**	440,437
		432,459	451,867
Current liabilities			
Convertible bond designated as financial liabilities at FVPL		**217,869**	–
Trade and other payables	*11*	**58,794**	69,798
Interest-bearing borrowings	*12*	**68,345**	–
Tax payables		**3,196**	7,890
		(348,204)	(77,688)
Net current assets		**84,255**	374,179
Total assets less current liabilities		**187,940**	416,032

	Notes	**2019**	2018
	Notes	***HK$'000***	*HK$'000*
Capital and reserves			
Share capital		**76,537**	76,537
Reserves		**107,102**	89,179
Equity attributable to owners of the Company		**183,639**	165,716
Non-controlling interests		**1,044**	–
Total equity		**184,683**	165,716
Non-current liabilities			
Convertible bond designated as financial liabilities at FVPL		**–**	247,242
Provision for close down, restoration and environmental costs		**2,870**	3,074
Deferred tax liabilities		**387**	–
		3,257	250,316
		187,940	416,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. BASIS OF PREPARATION

These 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. These 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.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 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 HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied for the first time, the following new/revised HKFRSs that are relevant to the Group.

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of HK(IFRIC)-Int 22 does not have any significant impact on the consolidated financial statements.

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.

- FVOCI: fair value through other comprehensive income.

- Designated FVOCI: equity instruments measured at FVOCI.

- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed as at 1 April 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

    (i) the determination of the business model within which a financial asset is held;

    (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

    (iii) the de-designation of financial assets or financial liabilities at FVPL.

    The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial assets and financial liabilities as at 31 March 2019 and 1 April 2018. The carrying amounts for all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity as at 1 April 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed as at 1 April 2018 in accordance with the transitional provisions therein.

The adoption of HKFRS 15 does not have any significant impact on the consolidated financial statements.

3. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	**75,234**	182,445
Renewable energy business		
– Service income from renewable energy services	**391**	–
	75,625	182,445

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

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition:		
– at a point in time		
Sales of coals	**75,234**	182,445
– over time		
Service income from renewable energy services	**391**	–
	75,625	182,445

4. 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 coal mine in the People's Republic of China (the "PRC"); and

2) Renewable energy business segment: service income from renewable energy services in Malaysia.

Segment revenue and results

Segment revenue represents revenue derived from (i) coal mining business and (ii) renewable energy 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 change in fair value of convertible bond designated as financial liabilities at FVPL and exchange loss or gain.

Segment assets include property, plant and equipment, intangible assets, goodwill, security deposit, deferred tax assets, inventories, financial assets measured at FVPL, 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, 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*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2019				
Revenue from external customers and reportable segment revenue	75,234	391	–	75,625
Gross profit	30,867	216	–	31,083
Selling and distribution expenses	(474)	–	–	(474)
Segment results	30,393	216	–	30,609
Other revenue	8,865	–	1,573	10,438
Administrative and other operating expenses	(14,099)	(261)	(14,328)	(28,688)
Finance costs	(964)	–	–	(964)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	29,373	29,373
Exchange loss, net	–	–	(6,175)	(6,175)
Profit / (Loss) before tax	24,195	(45)	10,443	34,593
Income tax expenses	(5,750)	–	–	(5,750)
Profit / (Loss) for the year	18,445	(45)	10,443	28,843
Additional segment information:				
Amortisation	4,659	26	–	4,685
Depreciation	2,141	117	98	2,356
Additions to property, plant and equipment	40,199	–	242	40,441
Additions to intangible assets	–	1,618	–	1,618

	Coal mining business HK$'000	Renewable energy business HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 March 2018				
Revenue from external customers and reportable segment revenue	182,445	–	–	182,445
Gross profit	52,047	–	–	52,047
Selling and distribution expenses	(414)	–	–	(414)
Impairment loss on property, plant and equipment	(3,511)	–	–	(3,511)
Impairment loss on intangible assets	(12,618)	–	–	(12,618)
Segment results	35,504	–	–	35,504
Other revenue	5,424	–	908	6,332
Administrative and other operating expenses	(12,491)	–	(9,965)	(22,456)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	14,374	14,374
Exchange gain, net	–	–	8,866	8,866
Profit before tax	28,437	–	14,183	42,620
Income tax expenses	(5,942)	–	–	(5,942)
Profit for the year	22,495	–	14,183	36,678
Additional segment information:				
Amortisation	5,478	–	–	5,478
Depreciation	2,968	–	54	3,022
Additions to property, plant and equipment	4,167	–	–	4,167

	Coal mining business HK$'000	Renewable energy business HK$'000	Unallocated HK$'000	Total HK$'000
As at 31 March 2019				
Property, plant and equipment	45,507	5,618	245	51,370
Intangible assets	16,913	1,592	–	18,505
Goodwill	–	4,229	–	4,229
Other assets	327,299	1,340	133,401	462,040
Total assets	389,719	12,779	133,646	536,144
Convertible bond designated as financial liabilities at FVPL	–	–	(217,869)	(217,869)
Other liabilities	(129,435)	(1,084)	(3,073)	(133,592)
Total liabilities	(129,435)	(1,084)	(220,942)	(351,461)
As at 31 March 2018				
Property, plant and equipment	9,060	–	106	9,166
Intangible assets	23,095	–	–	23,095
Goodwill	–	–	–	–
Other assets	306,415	–	155,044	461,459
Total assets	338,570	–	155,150	493,720
Convertible bond designated as financial liabilities at FVPL	–	–	(247,242)	(247,242)
Other liabilities	(79,669)	–	(1,093)	(80,762)
Total liabilities	(79,669)	–	(248,335)	(328,004)

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, non-refundable deposits 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	
	2019	2018
	HK$'000	*HK$'000*
The PRC	**75,234**	182,445
Malaysia	**391**	–
	75,625	182,445

Location of the Specified Non-current Assets

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
The PRC	**84,486**	34,759
Malaysia	**11,439**	–
	95,925	34,759

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A from coal mining business segment	**56,661**	70,563
Customer B from coal mining business segment	*	48,980
Customer C from coal mining business segment	*	18,284

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the year ended 31 March 2019.

5. PROFIT BEFORE TAX

This is stated at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Finance costs		
Interest on interest-bearing borrwings	**964**	–
Staff costs		
Staff costs (excluding directors' remuneration)		
Basic salaries, allowances and other short-term employee benefits	**9,885**	9,278
Contributions to defined contribution plan	**1,028**	988
	10,913	10,266
Other items		
Amortisation of intangible assets (charged to "cost of services and goods sold")	**4,685**	5,478
Auditor's remuneration		
– audit services	**1,050**	700
– other services	**1,080**	180
	2,130	880
Cost of inventories sold	**44,542**	130,398
Depreciation of property, plant and equipment	**2,356**	3,022
Exchange loss/(gain) on financial liabilities at FVPL, net	**16,340**	(23,569)
Other exchange (gain)/loss, net	**(10,165)**	14,703
Operating leases payments	**2,318**	2,560
Impairment loss on property, plant and equipment	**–**	3,511
Impairment loss on intangible assets	**–**	12,618
Loss on disposal of property, plant and equipment	**979**	131

6. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Income tax expenses comprise:		
The PRC Enterprise Income Tax		
– current year	**5,948**	15,871
– under-provision in prior years	**–**	201
	5,948	16,072
Deferred tax		
– Reversal of temporary difference	**(198)**	(10,130)
	5,750	5,942

Hong Kong Profits Tax has not been provided as there was no estimated assessable profits arising in Hong Kong for both years. Where there is Hong Kong assessable profits, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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

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

Malaysia corporate income tax is calculated at the rate of 24% of the Group's estimated assessable profits arising from Malaysia during the year ended 31 March 2019.

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

	2019	2018
	HK$'000	*HK$'000*
Profit before tax	**34,593**	42,620
Notional tax on profit before tax, calculated at the rates applicable to profit in the countries concerned	**7,772**	9,452
Tax effect of expenses not deductible for tax purposes	**2,572**	1,720
Tax effect of income not taxable for tax purpose	**(4,855)**	(5,437)
Under-provision in prior years	**–**	201
Others	**261**	6
Income tax expenses for the year	**5,750**	5,942

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the current reporting period (2018: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings per share

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

	2019	2018
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**28,843**	36,678

	2019	2018
	Number of shares	*Number of shares*
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,373,584**	765,373,584

(b) Diluted earnings/(loss) per share

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

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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**28,843**	36,678
Change in fair value of convertible bond	**(29,373)**	(14,374)
Exchange loss/(gain) on convertible bond	**16,340**	(23,569)
	15,810	(1,265)

(ii) Weighted average number of ordinary shares

	2019	2018
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,373,584**	765,373,584
Effect of conversion of convertible bond	**1,000,000,000**	1,000,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**1,765,373,584**	1,765,373,584

9. TRADE AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade and bills receivables from third parties	(a)	-	1,116
Prepayments, deposits and other receivables		**4,040**	3,093
Refundable deposit paid for acquisition of subsidiaries	14	**3,571**	-
Other taxes receivables		**613**	-
Non-refundable deposits	(b)	**2,431**	2,604
Prepayments for acquisition of property, plant and equipment		**19,635**	-
		30,290	6,813

Analysed by:

	2019 HK$'000	2018 HK$'000
Non-current assets	**22,066**	2,604
Current assets	**8,224**	4,209
	30,290	6,813

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.

Notes:

(a) *Trade and bills 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.

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

	2019 HK$'000	2018 HK$'000
Within 90 days	–	1,116

As at 31 March 2018, all trade an bills receivables were neither past due nor impaired related to wide range of customers for who, were no recent history of default. The Company does not hold any collateral over these balances.

(b) *Non-refundable deposits*

Non-refundable deposits of approximately RMB2,099,000 (equivalent to approximately HK$2,431,000) were paid to two independent third parties in accordance with respective undisputed agreements regarding the acquisition of areas of the coal mine held by the third parties to extend the coal mine of the Group. Further details are set out in the Company's announcement dated 15 August 2017. The Group was required to go through official procedures with the relevant land and resources departments to obtain the exploration right and then the mining right in respect of these extended areas. The non-refundable deposits will be transferred to intangible assets upon completion of acquisition.

These transactions are not yet completed at the date of approving the consolidated financial statements.

10. RESTRICTED BANK BALANCES

Pursuant to the loan agreement signed with a bank in the PRC, the amounts represent bank balances in the bank in the PRC 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 carried interest at prevailing market rates.

11. TRADE AND OTHER PAYABLES

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

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Within 90 days		**11**	9,478
91–180 days		**10,523**	2,032
181–365 days		**80**	2,609
Over 1 year		**75**	13
Trade payables		**10,689**	14,132
Contract liabilities	*(a)*	**564**	1,534
Other taxes payable		**–**	6,877
Government levies payable			
– Economic development fees in coal resources areas		**27,307**	29,241
– Others		**3,845**	4,117
Accrued expenses		**3,906**	2,325
Non-refundable deposits received	*(b)*	**5,673**	6,075
Other payables		**6,810**	5,497
		58,794	69,798

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 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes:

(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 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the reporting period	**1,534**	2,261
Receipt in advances	**564**	1,534
Recognised as revenue	**(1,534)**	(2,261)
At the end of the reporting period	**564**	1,534

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.

(b) *Non-refundable deposits received*

Non-refundable deposits received of approximately RMB4,897,000 (equivalent to approximately HK$5,673,000) were received from two independent third parties in accordance with respective undisputed agreements signed during the year ended 31 March 2018 regarding the disposal of areas of coal mine held by the Group. Further details are set out in the Company's announcement dated 15 August 2017.

These transactions are not yet completed at the date of approving the consolidated financial statements.

12. INTEREST-BEARING BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current portion		
Interest-bearing borrowings, secured	**68,345**	–

As at 31 March 2019, the Group's interest-bearing borrowings carry interest rate at 4.75% per annum and are repayable by instalments of RMB1,000,000 semiannually while the outstanding balances of the borrowings to be repaid in full in September 2020.

The interest-bearing borrowings with a clause in their terms that gives the bank an overriding right to demand for repayment without notice at its sole discretion are classified as current liabilities even though the directors of the Company do not expect that the bank would exercise its right to demand repayment. The interest-bearing borrowings are secured by restricted bank balances (Note 10) with carrying amount of approximately HK$77,612,000.

13. ACQUISITION OF SUBSIDIARIES

On 10 August 2018, Radiant Day Holdings Limited ("Radiant Day"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with NEFIN Holding Limited and Mr. Lim Hong Teo (together referred to as the "Vendors"), pursuant to which Radiant Day agreed to purchase, and the Vendors agreed to sell 90% equity interest in NEFIN Leasing Technologies Limited and its wholly-owned subsidiary, NEFIN Technology (Malaysia) Sdn. Bhd. ("NEFIN Technology") (together the "NEFIN Group") at an aggregate consideration of US$1,350,000 (equivalent to approximately HK$10,530,000). The Vendors have jointly and severally guaranteed that the annual result of NEFIN Technology for the years ending 30 September 2019, 2020, 2021, 2022 and 2023 would not be less than 5% of the consideration, i.e. approximately HK$527,000 per annum. The transaction completed on 8 October 2018 as all conditions in the sale and purchase agreement were fulfilled.

NEFIN Group is principally engaged in renewable energy solutions and solar farm development in Malaysia. The directors of the Company are of the view that the acquisition will further enhance the Group's expansion of innovative and renewable energy business. The acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 *Business Combinations*.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed of NEFIN Group at the date of acquisition:

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	5,636
Intangible assets – renewable energy service contract	1,618
Bank balances and cash	207
Trade and other receivables	353
Deferred tax liabilities	(387)
Trade and other payables	(93)
Total identifiable net assets	7,334
Non-controlling interests	(1,033)
Goodwill arising on acquisition	4,229
Total consideration	10,530
Satisfied by:	
Cash	10,530
Analysis of the net cash outflow in respect of the acquisition of NEFIN Group is as follows:	
Cash and cash equivalents acquired	207
Cash paid	(10,530)
	(10,323)

The directors of the Company has engaged Roma Appraisals Limited ("Roma"), an independent professional valuer, to provide assistance in determining the fair value of the assets and liabilities of NEFIN Group. Roma has reviewed the methodologies, the key valuation parameters and business assumptions adopted.

The non-controlling interests were measured at the present ownership instruments' proportionate share in the recognised amounts of NEFIN Group's identifiable net assets as at 8 October 2018.

The goodwill arising from the acquisition is attributable to the growth and profit potential in the expansion of innovative and renewable energy business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition and up to 31 March 2019, the acquired business has contributed revenue of approximate HK$391,000 and contributed a loss of approximately HK$45,000 to the Group.

If the business combinations effected during the year ended 31 March 2019 had been taken places as at 1 April 2018, the revenue and profits of the Group would be increased by approximately HK$587,000 and decreased by approximately HK$83,000, respectively.

14. EVENT AFTER REPORTING PERIOD

On 11 March 2019, Ample Talent Ventures Limited ("Ample Talent"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which the vendor has conditionally agreed to sell, and Ample Talent has conditionally agreed to purchase 80% equity interest in Harbour Group Holdings Limited ("Harbour Group") and its subsidiaries (together referred to as the "Target Group"), at an aggregate consideration of HK$35,712,000; and (ii) Ample Talent and Harbour Group entered into a subscription agreement, pursuant to which Habour Group has conditionally agreed to issue and allot to Ample Talent, and Ample Talent has conditionally agreed to subscribe for 450 ordinary shares, representing approximately 4.5% of the total number of shares in issue as at the date of subscription agreement at an aggregate subscription price of HK$2,008,800. Upon completion of the above transactions, Ample Talent will hold approximately 80.86% equity interest in Harbour Group.

Pursuant to the sale and purchase agreement, the vendor has agreed to guarantee that the audited consolidated net profit generated from operating activities of the Target Group in its ordinary and usual course of business, prepared in accordance with HKFRSs (the "Net Profit"), for the years ended or ending 31 December 2018, 31 December 2019 and 31 December 2020 (the "PG 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 of the PG Period is less than the Guaranteed Profit, the vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay the shortfall to the Group under the terms as stipulated in the sale and purchase agreement.

The Target Group consists of Harbour Group, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. The Target Group is principally engaged in the provision of information technology outsourcing, consultancy and technical services mainly in Hong Kong with expanding business in United Kingdom, Malaysia and Singapore. The directors of the Company are of the view that the acquisition can broaden the Group's revenue base and benefit from the diversified return in future.

As at 31 March 2019, deposit for acquisition of the Target Group of approximately HK$3,571,000 was paid to the vendor and was included in "Refundable deposit paid for acquisition of subsidiaries" as set out in Note 9 to this announcement. Details of the acquisition were set out in the Company's circular dated 12 April 2019.

On 23 April 2019, the conditions as stipulated in the sale and purchase agreement and subscription agreement were fulfilled. The Target Group became indirect non-wholly owned subsidiaries of the Company. The acquisition constituted a business combination and will be accounted for using the acquisition method under HKFRS 3 *Business Combinations*.

As the initial accounting for the acquisition of the Target Group is incomplete, it is not practicable to reliably estimate its financial effort.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Year, the Group continued to focus on coal resources mining business and started to invest in other businesses.

During the Year, the growth of the People's Republic of China (the "PRC") economy continued to slow down. The demand for coals from the market has been decreasing gradually in recent years as a result of fewer large scale industrial and infrastructure projects and the promotion of the use of clean energy by the PRC government, which also had negative impacts on the coal price, exerting high pressure to the Group's operation. However, the management of the Group has adjusted short-term operation strategy and modified the production plan through understanding the local government's policies. The Group will keep strict control over the costs and expenses to maintain a strong financial position as a whole.

(A) Progress of the Optimization and Upgrading Plan[#] and the Updated Optimization and Upgrading Plan[##]

Pursuant to the instructions from the National Development and Reform Commission of the PRC, the Department of Land and Resources of Xinjiang Uygur Autonomous Region (the "Xinjiang Land Department") had to plan for a management restructuring of seven different coal mines (including the Zexu Open Pit Coal Mine (the "Zexu Mine")) in the Xiheishan Mining Area (the "Optimization and Upgrading Plan"), consolidating some smaller mines together so as to increase the size efficiency (for details, please refer to the Company's announcement dated 11 November 2011). After being informed of this Optimization and Upgrading Plan, the Board has requested our management in the Xinjiang Uyger Autonomous Region of China ("Xinjiang") to conduct frequent meetings and negotiations with the Xinjiang Land Department and other relevant government authorities in order to protect the Company's interest in relation to the exploration permit of the Zexu Mine (the "Exploration Permit").

According to the letter dated 13 June 2012 issued by the Administrative Bureau of Coal Industry of Changji Prefecture informing the updated status of the Optimization and Upgrading Plan, the following proposals (the "Updated Optimization and Upgrading Plan") in relation to the Company's Kaiyuan Open Pit Coal Mine (the "Kaiyuan Mine") and Zexu Mine have been submitted to the working group head office for coal industry structural upgrade work of Xinjiang for consideration and approval:

1. The Company's Kaiyuan Mine would be restructured and upgraded, and the Exploration Permit granted to the Company would be terminated; and

2. The mining area of the Kaiyuan Mine, where the Company is now conducting mining activities, was proposed to be increased from 1.1596 square kilometers to 4.12 square kilometers ("Kaiyuan Extended Area"), with the estimated coal resources of approximately 131.18 million tonnes.

As stated in the Company's announcement dated 15 August 2017, as requested by the Department of Land and Resources of Changji Hui Autonomous Prefecture* (昌吉回族自治州國土資源局) (the "Changji Land Department"), with the aim of expediting the resources restructuring work and accelerating and completing the process to fix the mining area for each mining right owner inside Zhundong Meitian Xiheishan Coal Mining Area* (准東煤田西黑山煤炭礦區), where the Zexu Mine and Kaiyuan Mineof the Company are located, Qitai County Zexu Trading Company Limited* (奇台縣澤旭商貿有限責任公司) ("Zexu Company") and Mulei County Kai Yuan Coal Company Limited* (木壘縣凱源煤炭有限責任公司) ("Kaiyuan Company"), the subsidiaries of the Company, respectively entered into the following four undisputed agreements (the "Four Undisputed Agreements") with the relevant parties to dispose of Zexu Mine and acquire Kaiyuan Extended Area:

1. First Undisputed Agreement

   On 15 August 2017, Zexu Company entered into an undisputed agreement (the "First Undisputed Agreement") with Xinjiang Jinneng Mining Company Limited ("Jinneng Company"), pursuant to which Jinneng Company should occupy an area of 0.297 km^2 within the Zexu Mine and could apply to the Xinjiang Land Department to fix such mining area. Jinneng Company should, within 10 working days upon signing the agreement, compensate Zexu Company with an amount of RMB505,197, which was calculated by multiplying the area of 0.297 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

2. Second Undisputed Agreement

   On 15 August 2017, Zexu Company entered into an undisputed agreement (the "Second Undisputed Agreement") with Xinjiang Beishan Mining Company Limited ("Beishan Company"), pursuant to which Beishan Company should occupy an area of 2.582 km^2 within the Zexu Mine and could apply to the Xinjiang Land Department to fix such mining area. Beishan Company should, within 10 working days upon signing the agreement, compensate Zexu Company with an amount of RMB4,391,982, which was calculated by multiplying the area of 2.582 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

3 Third Undisputed Agreement

On 15 August 2017, Kaiyuan Company entered into an undisputed agreement (the "Third Undisputed Agreement") with Jinneng Company, pursuant to which Kaiyuan Company should occupy an area of 1.292 km^2 within the exploration area of the mine of Jinneng Company (the "First Extended Area") and could apply to the Xinjiang Land Department to fix such mining area. Kaiyuan Company should, within 10 working days upon signing the agreement, compensate Jinneng Company with an amount of RMB2,197,692, which was calculated by multiplying the area of 1.292 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

The First Extended Area to be occupied by Kaiyuan Company from Jinneng Company is located next to the Kaiyuan Mine currently operated by Kaiyuan Company.

4. Fourth Undisputed Agreement

On 15 August 2017, Kaiyuan Company entered into an undisputed agreement (the "Fourth Undisputed Agreement") with Beishan Company, pursuant to which Kaiyuan Company should occupy an area of 0.016 km^2 within the mining area of the mine of Beishan Company (the "Second Extended Area") and could apply to the Xinjiang Land Department to fix such mining area. Kaiyuan Company should, within 10 working days upon signing the agreement, compensate Beishan Company with an amount of RMB27,216, which was calculated by multiplying the area of 0.016 km^2 with the agreed compensation amount of RMB486,000 per km^2 and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

The Second Extended Area to be occupied by Kaiyuan Company from Beishan Company is located next to the Kaiyuan Mine currently operated by Kaiyuan Company.

The total area of 2.879 km^2 of Zexu Mine being occupied by Jinneng Company and Beishan Company under the First Undisputed Agreement and the Second Undisputed Agreement respectively represent the whole area of the Zexu Mine. Since the said two agreements had been completed, the Exploration Permit became invalid. Since the Zexu Mine has not commenced mining, it has not generated any revenue for the Group in the past years.

So far as the Company is aware, the First Extended Area and the Second Extended Area being occupied by Kaiyuan Company under the Third Undisputed Agreement and Fourth Undisputed Agreement respectively have not yet commenced mining. After having completed such agreements, the Company was required to go through official procedures with the relevant land and resources departments to obtain the exploration right and then the mining right in respect of these extended areas. When the related exploration right or mining right is obtained, the Company will appoint professional parties to evaluate possible coal reserves and perform valuation on the First Extended Area and Second Extended Area. For accounting purposes, these extended area were booked as "Non-refundable deposits" under non-current assets with value of approximately RMB2,099,000 (equivalent to approximately HK$2,604,000) in the Group's consolidated statement of financial position, which, if appropriate, would be transferred to the intangible assets after conclusion is reached with the government departments. Upon obtaining the exploration right or mining right, the Company will discuss again with professional parties (including its valuer and auditor) regarding the possible coal reserves, valuation and accounting treatment of the First Extended Area and Second Extended Area. The Company has not received any update from the relevant government departments since the completion of the Four Undisputed Agreements.

According to the Updated Optimization and Upgrading Plan, the mining area of the Kaiyuan Mine was proposed to be increased from 1.1596 km^2 to 4.12 km^2. For the First Extended Area and the Second Extended Area, since they were originally owned by Jinneng Company and Beishan Company respectively, the Third Undisputed Agreement and the Fourth Undisputed Agreement were required to be signed respectively for transfer of such area and as one of the important procedures for obtaining the exploration right and then the mining right. Upon completion of the Third Undisputed Agreement and Fourth Undisputed Agreement, the area of the Kaiyuan Mine will only increase to approximately 2.4676 km^2. Concerning the outstanding proposed increased area of approximately 1.6524 km^2 (the "Outstanding Mining Area"), so far as the Company is aware, such area is located next to the Kaiyuan Mine and is currently owned by the government. To obtain the exploration right and then the mining right of such area, the Company is still required to go through official procedures with the relevant land and resources departments.

By a letter dated 6 February 2018 from the Zhundong Economic and Technological Development Zone Division of the Ministry of Land and Resources of Changji Hui Autonomous Prefecture* (昌吉回族自治州國土資源局准東經濟技術開發區分局) (the "Zhundong Division of the Ministry of Land and Resources"), as part of the application, the Zhundong Division of the Ministry of Land and Resources required Kaiyuan Company to sign a deed of undertaking (the "Deed of Undertaking").

Since the Outstanding Mining Area is a national resource of the PRC government, the Deed of Undertaking requires Kaiyuan Company to undertake to (1) apply for a bid invitation, auction and listing (the "Bid, Auction and Listing") for exploration right of the Outstanding Mining Area and to grant state-owned enterprises within the Zhundong Economic and Technological Development Zone* (准東經濟技術開發區) (the "State-Owned Enterprises") a priority to participate in the Bid, Auction and Listing (the "Priority"); and (2) grant the State-Owned Enterprises who obtain exploration right in the Outstanding Mining Area a right to invest in the mining of the Outstanding Mining Area (the "Right to Invest"). As at the date of the announcement on 28 March 2018, no concrete terms of the Priority and the Right to Invest have been provided by the Zhundong Division of the Ministry of Land and Resources. Detailed terms and conditions of the possible business cooperation with the State-Owned Enterprises in the Outstanding Mining Area will be subject to further development on the Updated Optimization and Upgrading Plan and government policy.

Upon receiving the Deed of Undertaking, the Company proactively contacted the Zhundong Division of the Ministry of Land and Resources in order to understand or obtain the concrete terms of the Priority and the Right to Invest as stated in the Deed of Undertaking. However, after a few weeks of contact and communication, with the intervening Chinese New Year holiday from 13 February 2018 to 8 March 2018 in Xinjiang, the Zhundong Division of the Ministry of Land and Resources confirmed that it was not able to provide any concrete terms of the Priority and the Right to Invest. In light of these circumstances, the Company sought legal opinion from a PRC lawyer in Xinjiang. According to the PRC legal opinion obtained by the Company:

1. three out of the four companies with mines in the Xiheishan Mining Area had executed the Deed of Undertaking;

2. if Kaiyuan Company did not execute the Deed of Undertaking, the Zhundong Division of the Ministry of Land and Resources will cease to process Kaiyuan Company's application for exploration right and mining right in the Kaiyuan Extended Area; and

3. no concrete terms of the Priority and the Right to Invest had been provided by the Zhundong Division of the Ministry of Land and Resources.

To further facilitate the Updated Optimization and Upgrading Plan and to enable Kaiyuan Company to continue to apply for exploration right and mining right in the Kaiyuan Extended Area, Kaiyuan Company had executed the Deed of Undertaking within 7 days of the date of the announcement on 28 March 2018. The Priority and the Right to Invest may or may not be exercised by the State-Owned Enterprises. The Board considers that any possible business cooperation with the State-Owned Enterprises in the Outstanding Mining Area is to comply with the execution of the Updated Optimization and Upgrading Plan. In the event that the Right to Invest is exercised by the State-Owned Enterprises, the Company will negotiate for fair and reasonable terms taking into account the interests of the Company and shareholders as a whole.

The management of Kaiyuan Company has been communicating and negotiating with the Zhundong Division of the Ministry of Land and Resources in order to protect the Company's best interest in the Outstanding Mining Area.

The application for exploration right and mining right of the Outstanding Mining Area is irrelevant to the renewal of the mining right in the Kaiyuan Mine (the "Mining Right") as stated in the announcement of the Company dated 27 December 2017.

On 30 November 2018 and 5 December 2018, Kaiyuan Company obtained notices and approvals (the "Notices and Approvals") from the Management Committee of Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區管理委員會) and Zhundong Economic and Technological Development Zone Division of the Ministry of Land and Resources of Changji Hui Autonomous Prefecture* (昌吉回族自治州國土資源局准東經濟技術開發區分局) respectively in respect of the application for the mining right of an annual production volume of 0.9 million tonnes of the Kaiyuan Extended Area ("Kaiyuan Extended Area Mining Right Application") and Kaiyuan Company subsequently submitted the Notices and Approvals to the Ministry of Land and Resources of Changji Hui Autonomous Prefecture* (昌吉回族自治州國土資源局) on 10 December 2018 for approval.

According to the legal opinion from the PRC lawyer, Kaiyuan Company is required to go through certain official procedures for the grant of the Kaiyuan Extended Area Mining Right Application, namely, upon obtaining the approval from the Ministry of Land and Resources of Changji Hui Autonomous Prefecture, Kaiyuan Company would need to submit the Kaiyuan Extended Area Mining Right Application to the Department of Land and Resources of Xinjiang Uygur Autonomous Region* (新疆維吾爾自治區國土資源廳) for such approval.

On 10 May 2019, the Company received a notification dated 8 April 2019 regarding the grant of exploration right for the Outstanding Mining Area with an area of 1.68 km^2 by the Department of Natural Resources of Xinjiang Uygur Autonomous Region* (新疆維吾爾自治區自然資源廳) for a period of 3 years from 8 April 2019 to 8 April 2022. Now having obtained the Exploration Permit, the Company will proceed to fulfill all the necessary requirements and procedures to obtain the relevant mining permit.

"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.

"Updated Optimization and Upgrading Plan" was previously referred to as "Updated Restructuring Proposals" in the announcement of the Company dated 15 June 2012 and in the announcements, notices, circulars, interim reports and annual reports of the Company thereafter.

(B) Suspension of Production and Production Resumption at Kaiyuan Mine and Demolishment of Gas Station

As stated in the Company's announcement dated 25 September 2017, Kaiyuan Company received notices from the relevant government departments requesting for suspension of the production at Kaiyuan Mine and demolishment of gas station therein.

1. Suspension of Production at Kaiyuan Mine

At the night of 19 September 2017, Kaiyuan Company received a notice dated 16 September 2017 from the Environmental Protection Bureau of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區環境保護局) and a notice dated 19 September 2017 from the Environmental Protection Committee of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區環境保護委員會), requesting Kaiyuan Company to suspend production at its Kaiyuan Mine since Kaiyuan Company had yet to implement the coal mine environmental comprehensive remediation proposal in accordance with the requirements of, among other things, the "Implementation Opinion on Environmental Protection Specific Remediation in Zhundong Development Area* (准東開發區環境保護專項整治實施意見)".

2. Production Resumption at Kaiyuan Mine

As stated in the Company's announcement dated 26 October 2017, Kaiyuan Company received notices from the relevant government departments to resume the production at Kaiyuan Mine.

At the night of 23 October 2017, Kaiyuan Company received a notice (the "Notice") dated 23 October 2017 from the Party and Government Office of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區黨政辦公室) requesting the relevant enterprises in the development area, including Kaiyuan Company, to thoroughly implement the requirements of the "Emergency notice to better implement the work to safeguard supply of coal* (關於做好保障煤炭供應工作的緊急通知)" (the "Emergency Notice") issued by the Office of the People's Government of Changji Hui Autonomous Prefecture* (昌吉回族自治州人民政府辦公室). According to the Emergency Notice, several coal mines, including the Kaiyuan Mine, were requested to conduct coal production and at the same time implement the environmental protection remedial works.

Upon discussion with the relevant government departments, Kaiyuan Company was confirmed that the Kaiyuan Mine could resume normal production while fulfilling the requirements of conducting the environmental protection remedial works.

The Kaiyuan Mine had resumed production according to the Notice and the Emergency Notice. Although the production at the Kaiyuan Mine was suspended for around one month, it did not create material financial impact on the Group since Kaiyuan Company continued to sell its inventory of slack coal during the production suspension period. So far as the Company is aware, Kaiyuan Company has not received any claims arising from non-supply of coal during the production suspension period. Meanwhile, Kaiyuan Company will cooperate with the relevant government departments to complete the requested environmental protection remedial works.

3. Demolishment of Gas Station

On 21 September 2017, Kaiyuan Company received an "Administrative Enforcement Document of Production Safety* (安全生產行政執法文書)" from the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) of the Administration Committee of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區管委會) (the "Document"), alleging that there were illegal storage and use of diesel at the Kaiyuan Mine and the gas station constructed therein was not in compliance with the "Regulations on Design and Construction of Gas Station* (加油站設計與施工規範)". Kaiyuan Company was requested to cease usage of the gas station immediately and demolish the gas station before 6 October 2017.

The gas station at the Kaiyuan Mine was constructed long time ago to supply diesel to the facilities and transportation vehicles at the Kaiyuan Mine. Demolishment of the gas station would not affect the operation of the Kaiyuan Mine seriously. Upon receipt of the Document, the management of Kaiyuan Company had negotiated with the relevant government departments, which on 22 September 2017, verbally allowed Kaiyuan Company to use up all the diesel remained in the gas station first and then demolish such station thereafter. The management of Kaiyuan Company looked for other effective means to supply diesel to the facilities and transportation vehicles at the Kaiyuan Mine. Kaiyuan Company selected a contractor for the renovation of the gas station after the design was approved by the relevant government departments.

(C) Suspension of Production at Kaiyuan Mine

On 11 April 2018, Kaiyuan Company received an on-site punishment decision* (現場處理決定書) dated 11 April 2018 (the "Decision") from the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) of the Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區) (the "Bureau"), ordering Kaiyuan Company to suspend all production, construction and operation at the Kaiyuan Mine. However, the construction work of basic facilities and sale of its inventory of slack coal during the production suspension period were permitted. The Decision was issued as the Mining Right and the work safety permit* (安全生產許可證) (the "Work Safety Permit") of Kaiyuan Company had expired on 26 December 2017 and 18 January 2018 respectively.

The renewal of the Work Safety Permit is conditional on the renewal of the Mining Right.

On 2 January 2019, the Safety Bureau of the Zhundong Development Zone suspended the operations of the Kaiyuan Mine due to the expiry of the Existing Mining Permit. On 9 January 2019, the Safety Bureau of the Zhundong Development Zone re-examined the mining permits of Kaiyuan Company and confirmed that the Existing Mining Permit had been renewed. According to the legal opinion issued by the PRC legal adviser of the Company, Kaiyuan Company based on such confirmation, is allowed to resume its mining operations and sale. On 10 January 2019, Kaiyuan Company resumed its mining operations and sale.

1. Impacts on the Group and measures to be taken

   Kaiyuan Mine is the major operating business of the Group. After preliminary assessment, it was expected that the production suspension at the Kaiyuan Mine will lead to a decrease in the production volume of coal. Nevertheless, since the Group can still sell its existing inventory of slack coal during the production suspension period, the production suspension shall not have material financial impact on the Group in short-term. The Company expects that the slack coal inventory may support the coming sales until around end of August 2018. If, after the slack coal inventory is sold out, the production still cannot be resumed, the production suspension may create adverse impact on the financial position and operation of the Group.

   Immediately upon receipt of the Decision, Kaiyuan Company proactively liaised with officers of the Bureau in order to understand the implementation of the punishment and the affected area of the Kaiyuan Mine as stated in the Decision. Upon preliminary communication with the officers, Kaiyuan Company was informed that the construction of basic facilities (including, among others, road hardening within the mine, domestic sewage treatment and backup gas station) and sale of its inventory of slack coal during the production suspension period are permitted. Kaiyuan Company will continue to closely follow up with the Bureau for the renewal of the Work Safety Permit in order to resume the production of the Kaiyuan Mine.

2. Updates on the renewal of Mining Right

   In light of the Decision, the Company has sought legal opinion from a PRC lawyer in Xinjiang. According to the PRC legal opinion obtained by the Company, Kaiyuan Company had commenced renewal application in September 2017 to renew the Mining Right which was expired on 26 December 2017. The Mining Right was subsequently granted on 28 May 2018.

According to the PRC legal opinion obtained by the Company, based on PRC laws and regulations, the renewal application of Mining Right was to be submitted to and reviewed by different governmental departments in a hierarchical order. Kaiyuan Company commenced the renewal application for the Mining Right in September 2017 at the Zhundong Economic and Technological Development Zone Division of the Department of Land and Resources* (新疆准東經濟技術開發區分局) and in turn the Changji Land Department.

On 9 November 2017, Kaiyuan Company already applied to the Xinjiang Land Department for the renewal of the Mining Right. After initial review by the Xinjiang Land Department, Kaiyuan Company submitted supplemental information on 14 December 2017.

The renewal application of the Mining Right was accepted at the office of the head of the Xinjiang Land Department meeting* (廳長辦公會議) on 9 March 2018 and the Xinjiang Land Department requested the Administration Committee of Xinjiang Zhundong Economy and Technology Development Area* (新疆准東經濟技術開發區管委會) (the "Administration Committee") to issue renewal approval documents so that the Mining Right can be renewed.

On 9 April 2018, Kaiyuan Company submitted the application report on consent to the renewal of the mining permit of 90,000 tonnes/year of Kaiyuan Company (同意木壘縣凱源煤炭有限責任公司9萬噸／年採礦證延續的申請報告) to the Administration Committee which processed the renewal application.

The PRC lawyer opined that, based on past experience, the renewal application of Mining Right shall be approved in approximately three months after the expiry. However, due to the local situation and the priority to deal with the social stability of the local area, the Xinjiang government has been highly occupied with stability maintenance work, which has been causing delay to the renewal application process of Mining Right.

The PRC lawyer further opined that the Decision would not affect the renewal application of the Mining Right, documentations for the Work Safety Permit renewal application are completed but the renewal of Mining Right must be obtained in order to proceed with the application. Kaiyuan Company will continue to communicate with the relevant government departments in order to facilitate the renewal of Mining Right and in turn the renewal of the Work Safety Permit. It is unable to estimate the time for the renewal application process hence the Company is unable to estimate the exact time for the resumption of production at the Kaiyuan Mine at this stage.

On 28 May 2018, the Kaiyuan Company successfully renewed and was granted a Mining Right by the Xinjiang Land Department. The Mining Right is valid for 1 year from 26 December 2017 to 31 December 2018 to conduct mining activities at the Kaiyuan Mine.

The Company had immediately on 29 May 2018 applied to the Xinjiang Coal Mine Safety Supervision and Administration Bureau* (新疆煤礦安全監察局) (the "Coal Mine Safety Bureau") for the renewal of the Work Safety Permit.

According to the PRC legal opinion obtained by the Company, based on past experience, the renewal application of the Work Safety Permit shall be approved in approximately thirty business days upon receipt of the renewal application by the Coal Mine Safety Bureau. However, due to the local situation and the priority to deal with the social stability of the local area, the Xinjiang government has been highly occupied with stability maintenance work, which made it difficult to estimate the processing time of the renewal application of the Work Safety Permit.

Once the renewal application is approved and the Company is granted the Work Safety Permit, the Company shall promptly apply to the Bureau for resumption of production at the Kaiyuan Mine. The PRC lawyer further opined that, the Company can only resume production at the Kaiyuan Mine once the Bureau has approved the application.

On 25 June 2018, the Kaiyuan Company successfully renewed and was granted the Work Safety Permit by the Coal Mine Safety Bureau. The Work Safety Permit is valid for 3 years from 25 June 2018 to 24 June 2021.

The Company has immediately applied to the Safety Bureau of the Zhundong Development Zone for the necessary approval and acceptance procedures to resume production at the Kaiyuan Mine.

Since the suspension of production at the Kaiyuan Mine on 11 April 2018, Kaiyuan Company has carried out plenty of effective remedial work. On 29 August 2018, Kaiyuan Company received a notice issued by the Safety Bureau of the Zhundong Development Zone confirming that the Kaiyuan Company could resume normal production at the Kaiyuan Mine. According to the notice, the Kaiyuan Company is required to, among other things, strictly observe and comply with the applicable laws and regulations on mining safety, strengthen on-site management on safety, ensure mining and production safety and undertake to resume production.

On 29 September 2018, Kaiyuan Company applied to the Xinjiang Natural Resources Department for a renewal of the Existing Mining Permit. The Company was informed that the Xinjiang Natural Resources Department was in the process of reviewing the Kaiyuan Extended Area Mining Right Application. Upon approval by the Xinjiang Natural Resources Department, the Kaiyuan Extended Area Mining Right shall be granted, in replacement of the Existing Mining Permit, with the mining area increased from approximately 1.1596 km^2 to approximately 4.1165 km^2, representing the enlarged mining area of the existing Kaiyuan Mine and the Kaiyuan Extended Area. The Kaiyuan Extended Area Mining Right shall entitle Kaiyuan Company an annual production volume of 0.9 million tonnes, whereas Kaiyuan Company is only entitled to an annual production volume of 0.09 million tonnes under the Existing Mining Permit.

In light of the above and according to the legal opinion issued by the PRC legal adviser of the Company, in compliance with the relevant laws and regulations of the PRC, Kaiyuan Company shall temporarily suspend its mining operations and sale after the expiry of the Existing Mining Permit on 31 December 2018 until the grant of the Kaiyuan Extended Area Mining Right.

After further communication between the Company and the Xinjiang Natural Resources Department, having considered that (i) Kaiyuan Company has been complying with the relevant laws and regulations of the PRC regarding its mining operations and sale; and (ii) the demand for coal in winter is huge in Xinjiang, the Xinjiang Natural Resources Department decided to approve renewal of the Existing Mining Permit (the “Renewed Mining Permit”). Kaiyuan Company obtained the Renewed Mining Permit on 7 January 2019, which is valid from 3 November 2018 to 3 November 2019.

(D) Acquisition of 90% of the issued share capital of NEFIN Leasing Technologies Limited and the loans

On 10 August 2018, Radiant Day Holdings Limited ("Radiant Day"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with NEFIN Holding Limited and Mr. Lim Hong Teo (together referred to as the "Vendors"), pursuant to which Radiant Day agreed to purchase, and the Vendors agreed to sell 90% equity interest in NEFIN Leasing Technologies Limited and its wholly-owned subsidiary, NEFIN Technology (Malaysia) Sdn. Bhd. ("NEFIN Technology") (together the "NEFIN Group") at an aggregate consideration of US$1,350,000 (equivalent to approximately HK$10,530,000). The Vendors have jointly and severally guaranteed that the annual result of NEFIN Technology for the years ending 30 September 2019, 2020, 2021, 2022 and 2023 would not be less than 5% of the consideration, i.e. approximately HK$527,000 per annum. The transaction completed on 8 October 2018 as all conditions in the sale and purchase agreement were fulfilled.

NEFIN Group is principally engaged in renewable energy solutions and solar farm development in Malaysia. The directors of the Company are of the view that the acquisition will further enhance the Group's expansion of innovative and renewable energy business. The acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 *Business Combinations*.

(E) Event after reporting period

On 11 March 2019, Ample Talent Ventures Limited ("Ample Talent"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which the vendor has conditionally agreed to sell, and Ample Talent has conditionally agreed to purchase 80% equity interest in Harbour Group Holdings Limited ("Harbour Group") and its subsidiaries (together referred to as the "Target Group"), at an aggregate consideration of HK$35,712,000; and (ii) Ample Talent and Harbour Group entered into a subscription agreement, pursuant to which Habour Group has conditionally agreed to issue and allot to Ample Talent, and Ample Talent has conditionally agreed to subscribe for 450 ordinary shares, representing approximately 4.5% of the total number of shares in issue as at the date of subscription agreement at an aggregate subscription price of HK$2,008,800. Upon completion of the above transactions, Ample Talent will hold approximately 80.86% equity interest in Harbour Group.

Pursuant to the sale and purchase agreement, the vendor has agreed to guarantee that the audited consolidated net profit generated from operating activities of the Target Group in its ordinary and usual course of business, prepared in accordance with HKFRSs (the "Net Profit"), for the years ended or ending 31 December 2018, 31 December 2019 and 31 December 2020 (the "PG 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 of the PG Period is less than the Guaranteed Profit, the vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay the shortfall to the Group under the terms as stipulated in the sale and purchase agreement.

The Target Group consists of Harbour Group, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. The Target Group is principally engaged in the provision of information technology outsourcing, consultancy and technical services mainly in Hong Kong with expanding business in United Kingdom, Malaysia and Singapore. The directors of the Company are of the view that the acquisition can broaden the Group's revenue base and benefit from the diversified return in future.

As at 31 March 2019, deposit for acquisition of the Target Group of approximately HK$3,571,000 was paid to the vendor and was included in "Refundable deposit paid for acquisition of subsidiaries" as set out in Note 9 to this announcement. Details of the acquisition were set out in the Company's circular dated 12 April 2019.

On 23 April 2019, the conditions as stipulated in the sale and purchase agreement and subscription agreement were fulfilled. The Target Group became indirect non-wholly owned subsidiaries of the Company. The acquisition constituted a business combination and will be accounted for using the acquisition method under HKFRS 3 *Business Combinations*.

As the initial accounting for the acquisition of the Target Group is incomplete, it is not practicable to reliably estimate its financial effort.

Prospects

The Board considers that the coal business is full of challenges and endeavors to achieve our goal of bringing maximum values for shareholders by strengthening management of the Company, controlling the cost of coal mining, cooperating with the national policies of developing economy in the western region, seizing new chances, exploring new markets, and seeking for investment opportunities.

Being cognizant of the impact of coal mining operations on the environment, we are committed to the implementation of environment management in compliance with laws and regulations. As coal mining inevitably generates emissions, the Group will increase investment in upgrading eco-friendly equipment, striving to mitigate dust dispersion in the production and storage process.

Regarding the Updated Optimization and Upgrading Plan, as explained above, Kaiyuan Company and Zexu Company have already followed the request from the Changji Land Department to enter into the Four Undisputed Agreements respectively to dispose of Zexu Mine and acquire the Kaiyuan Extended Area. The Company is now going through official procedures to apply for the exploration right and mining right in respect of the extended areas. The Company will make further announcement(s) as and when appropriate to keep shareholders posted of any further development of the Updated Optimization and Upgrading Plan.

The Group has been exploring new markets and seeking to extend its business coverage on technological and renewable energy sector. The Board is of the view that the acquisition of NEFIN Group will further enhance the Group's expansion of innovative and renewable energy business. There will 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.

Financial Review

Revenue

The Group recorded a revenue of approximately HK$75,625,000 for the Year (2018: approximately HK$182,445,000). It represents a decrease of approximately HK$106,820,000 or approximately 59% as compared with last year.

Geographically, Xinjiang is remote from major industrial cities in the PRC. Coal produced in Xinjiang is mainly consumed locally due to the reason of logistic and transportation costs.

Decrease in revenue was mainly due to (i) the suspension of production at the Kaiyuan Mine from 11 April 2018 to 29 August 2018; and (ii) the construction of a coal sifting machine at the Kaiyuan Mine as required by the Ministry of Ecology and Environment and expected to be completed approximately towards the end of August 2019 and will impact upon the normal production at the Kaiyuan Mine. The Group sold approximately 1,764,591 tonnes (2018: approximately 3,183,450 tonnes) of coal, decreased by approximately 44.6% in volume from a year ago.

Cost of sales

The cost of sales for the Year was approximately HK$44,542,000 (2018: approximately HK$130,398,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation etc. The decrease in cost of sales was largely in line with the decrease in sales volume during the Year as compared with the previous year.

Gross profit

Due to the factors explained above, the gross profit of the Group for the Year decreased to approximately HK$31,083,000 (2018: approximately HK$52,047,000). It represents a decrease of approximately of HK$20,964,000 or approximately 40% as compared with last year but gross profit margin increased by approximately 44.05% for the Year to approximately 41.1%. It was mainly due to the lower cost by selling of slack coal and weathered coal which then generated higher gross profit margin compared with the piece coal.

Other revenue

The Group's other revenue for the Year was approximately HK$10,438,000 (2018: approximately HK$6,332,000), representing an increase of approximately HK$4,106,000 or approximately 64.8% as compared with the last year. This was mainly due to increase in net income from selling coal gangue (煤矸石) by approximately HK$4,626,000, but compensated by the decrease of other revenue by approximately HK$476,000.

Administrative and operating expenses

The Group's administrative and operating expenses for the Year was approximately HK$28,688,000 (2018: approximately HK$22,456,000), representing an increase of approximately HK$6,232,000 or approximately 28% as compared with the previous year. This was mainly due to increase in legal and professional fees by approximately HK$3,754,000 for acquisitions during the Year.

Profit for the Year

Profit of the Group for the Year was approximately HK$28,843,000 (2018: approximately HK$36,678,000), representing a decrease in profit of approximately HK$7,835,000 as compared with last year. The decrease in profit was mainly due to the net effect of a decrease in gross profit; increase in gain in fair value of convertible bond from approximately HK$14,374,000 in last year to approximately HK$29,373,000 in current year; no impairment losses on intangible assets and property, plant and equipment incurred during the Year (2018: approximately HK$12,618,000 and approximately HK$3,511,000 respectively); and the turnaround from exchange gain to loss of approximately HK$15,041,000 as compared with last year.

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 PRC;

2) Renewable energy business segment: service income from renewable energy services in Malaysia.

Segment revenue and results

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

(i) Coal Mining Business

Coal mining is the major business of the Group at present. It contributed a revenue of approximately HK$75,234,000 for the Year (2018: approximately HK$182,445,000), representing an approximately 59% decrease as compared with last year.

Sales and Production of Coals

During the Year, the Group sold approximately 1.76 million tonnes of coals (2018: approximately 3.18 million tonnes) with total sales income of approximately HK$75,234,000 (2018: approximately HK$182,445,000). Details of coal sales in tonnes are listed in the below table:

	Year ended 31 March	
	2019	2018
Coal sales	**1,764,591 tonnes**	3,183,450 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales *(tonnes)*	Coal Sales *in %*
36 Coal	**125**	0
38 Coal	**66**	0
Mixed Coal	**169,644**	9.61
Slack Coal	**62,882**	3.56
Weathered Coal	**1,531,874**	86.83
Total	**1,764,591**	100.00

(ii) Renewable Energy Business

Service income from renewable energy services contributed a revenue of approximately HK$391,000 for the Year (2018: Nil).

Reserves and Resources

The Group owns a Mining Right, which is located in Xinjiang. The estimated remaining coal reserve in Kaiyuan Mine was approximately 6.20 million tonnes as at 31 March 2019 (2018: approximately 7.90 million tonnes). During the Year, there were approximately 1.70 million tonnes of coal being extracted (2018: approximately 1.81 million tonnes). The Group also owns an Exploration Permit, which is also located in Xinjiang. The original Exploration Permit had expired on 5 April 2017 and a renewal of the permit from 16 May 2017 to 16 May 2019 was granted by the Xinjiang Land Department. Please refer to the Progress of the Optimization and Upgrading Plan and the Updated Optimization and Upgrading Plan in relation to the latest status. The following tables are the estimated coal reserves for the Kaiyuan Mine and estimated coal resources for the Zexu Mine as of 31 March 2010 conducted by John T. Boyd Company in June 2010.

Estimated coal reserves for the Kaiyuan Mine:

Seam	Average Mineable Seam Thickness (m) Total (Coal/Parting)	Marketable Reserves (million tonnes) As of 31 March 2010 Proved	Probable	Total	% of Total
		North of Current Pit (Potentially Oxidized)			
B_2	13.1	–	4.58	4.58	100.00
		Mine Plan Area			
B_3	10.8	3.57	–	3.57	25.00
B_2	19.6	10.86	–	10.86	75.00
		14.43	–	14.43	100.00
		Total			
B_3	10.8	3.57	–	3.57	19.00
B_2	17.7	10.86	4.58	15.44	81.00
		14.43	4.58	19.01	100.00

Approximately 75% of the total reserves are classified as "Proved".

Coal Reserve as at 31 March 2019 = Coal Reserve as at 31 March 2018 – Amount of coal extracted by the Group during the period from 1 April 2018 to 31 March 2019.

Estimated coal resources for the Zexu Mine totalling 119.38 Mt, are summarised below:

Seam	Average Mineable Seam Thickness (m)	Marketable Resources (million tonnes) Measured	Indicated	Total	% of Resources
B_7	8.5	10.23	10.46	20.69	17
B_6	3.9	2.77	3.98	6.75	6
B_5	6.3	5.80	10.42	16.22	14
B_4^1	1.8	0.29	0.01	0.30	1
B_4	6.1	6.85	10.21	17.06	14
B_3	6.3	8.06	8.03	16.09	13
B_2	21.1	22.58	19.69	42.27	35
Total		56.58	62.80	119.38	100

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 PRC. Activities outside the PRC are insignificant. The principal assets of the Group are located in the PRC 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 2019 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 2019, the Group had:

- net current assets of approximately HK$84,255,000 (2018: approximately HK$374,179,000).

- cash and cash equivalents of approximately HK$416,662,000 (2018: approximately HK$440,437,000) which comprised financial assets measured at FVPL of approximately HK$60,236,000 and restricted bank balances of approximately HK$77,612,000 and the bank balances were the major components of the Group's current assets of approximately HK$432,459,000 (2018: approximately HK$451,867,000).

- current liabilities of approximately HK$348,204,000 (2018: approximately HK$77,688,000) which comprised mainly trade and other payables of approximately HK$58,794,000 (2018: approximately HK$69,798,000), interest-bearing borrowings of approximately HK$68,345,000 (2018: Nil) and convertible bond designated as financial liabilities at FVPL of approximately HK$217,869,000 (2018: Nil).

- non-current liabilities of approximately HK$3,257,000 (2018: approximately HK$250,316,000 which comprised mainly convertible bond designated as financial liabilities at FVPL of approximately HK$247,242,000).

The Group's gearing ratio was approximately 1.55 (2018: approximately 1.49). The computation is based on total debt (convertible bond designated as financial liabilities at FVPL and interest-bearing borrowings) divided by total equity.

Capital Structure

The capital of the Group comprises only ordinary shares.

As at 31 March 2019, there were 765,373,584 ordinary shares of the Company in issue.

Zero coupon convertible bonds 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 2020 by the shareholders of the Company on 7 March 2017.

Charges on Group's Assets

As at 31 March 2019, the Group had pledged restricted bank balances with carrying amount of approximately HK$77,612,000 (2018: Nil) to the bank as a security for interest-bearing borrowings.

Foreign Exchange Exposure

The Group mainly earns revenue in Renminbi ("RMB") and incurs costs in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between Hong Kong dollars and RMB arising from its core operation in the PRC. The currency exchange risk for the Year is mainly derived from the net exchange gain on convertible bond designated as financial liabilities at fair value through profit or loss, which is a result from the sustained depreciation of RMB against Hong Kong dollars. 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 three to four 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, the Group finances its operation mainly by internal generated resources.

Contingent Liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities.

Employees

As at 31 March 2019, the Group had 82 employees (2018: 73) spreading amongst Hong Kong, Malaysia and the PRC. Total staff costs (excluding Directors' emoluments) for the Year amounted to approximately HK$10,913,000 (2018: approximately HK$10,266,000). Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programmes.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2018: 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 and the Company at 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, 20 June 2019

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

* *English translation for identification purposes only.*