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 2022

The board of directors (the "Directors") (the "Board") of Nan Nan Resources Enterprise Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2022 (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 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*4*	**300,241**	130,521
Cost of services and goods sold		**(137,645)**	(75,914)
Gross profit		**162,596**	54,607
Other revenue		**1,305**	8,661
Selling and distribution expenses		**(1,376)**	(642)
Administrative and other operating expenses		**(42,084)**	(34,505)
Exchange (loss)/gain, net		**(4,091)**	7,979
Finance costs	*5*	**(10,342)**	(9,626)
Change in fair value of contingent consideration receivables		**–**	(3,648)
Change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL")		**(11,254)**	(24,857)
Impairment loss on goodwill		**(5,814)**	(14,503)
Profit/(Loss) before tax	*5*	**88,940**	(16,534)
Income tax (expenses)/credit	*6*	**(22,940)**	14,326
Profit/(Loss) for the year		**66,000**	(2,208)

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Other comprehensive income/(loss), net of nil tax			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of the Company's financial statements to presentation currency		**2,912**	9,118
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of functional currency to presentation currency		**5,694**	(10,392)
Other comprehensive income/(loss) for the year		**8,606**	(1,274)
Total comprehensive income/(loss) for the year		**74,606**	(3,482)
Profit/(Loss) for the year attributable to:			
– Owners of the Company		**66,592**	(2,936)
– Non-controlling interests		**(592)**	728
		66,000	(2,208)
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		**75,231**	(4,243)
– Non-controlling interests		**(625)**	761
		74,606	(3,482)
Earnings/(Loss) per share (expressed in Hong Kong cents)			
– Basic	*8*	**8.70**	(0.38)
– Diluted	*8*	**4.07**	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**125,553**	109,011
Intangible assets		**203,699**	187,577
Goodwill		**4,229**	10,043
Prepayments for acquisition of property, plant and equipment	*9*	**5,306**	4,102
Deferred tax assets		**2,561**	9,113
		341,348	319,846
Current assets			
Inventories		**2,930**	23,265
Trade and other receivables	*9*	**11,239**	12,998
Cash and cash equivalents		**260,753**	204,079
		274,922	240,342
Current liabilities			
Trade and other payables	*10*	**70,444**	81,071
Mining right payables, current portion		**4,410**	3,901
Interest-bearing borrowings	*11*	**37,254**	60,636
Convertible bond designated as financial liabilities at FVPL		**182,537**	–
Promissory notes		**–**	2,400
Lease liabilities		**1,068**	1,836
Tax payables		**11,277**	2,888
		306,990	152,732
Net current (liabilities)/assets		**(32,068)**	87,610
Total assets less current liabilities		**309,280**	407,456

	2022	2021
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**76,537**	76,537
Reserves	**145,001**	69,770
Equity attributable to owners of the Company	**221,538**	146,307
Non-controlling interests	**2,651**	3,276
Total equity	**224,189**	149,583
Non-current liabilities		
Convertible bond designated as financial liabilities at FVPL	**–**	171,283
Provision for close down, restoration and environmental costs	**3,045**	2,941
Mining right payables, non-current portion	**81,011**	82,522
Lease liabilities	**270**	349
Deferred tax liabilities	**765**	778
	85,091	257,873
	309,280	407,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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 of Hong Kong Limited.

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 2021 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

Going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$32,068,000 as at 31 March 2022. There is a material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company considered that (i) the holder of the convertible bond is the holding company of the Group, Ascent Goal Investments Limited ("Ascent Goal"), (ii) after negotiation with Ascent Goal about the extension of the maturity date of the convertible bond, together with past experience of successfully extension for four times in previous years, and (iii) even if the convertible bond was not extended, Ascent Goal had intended to provide financial support to the Group as is necessary to enable the Group to meet its financial obligation as they fall due as alternative, they are therefore of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements.

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measure is successful, the directors of the Company are of the opinion that, in the light of the measure taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The directors of the Company believe that the aforementioned measure will be successful, based on the continuous efforts by the management of the Group.

However, should the above measure not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

2. ADOPTION OF NEW/REVISED HKFRSs

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

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and

- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

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 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 fair value through profit or loss ("FVPL") and exchange gain or loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayments for acquisition of property, plant and equipment, deferred tax assets, inventories, trade and other receivables 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.

Segment revenue and results

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*
Year ended 31 March 2022					
Revenue from external customers and reportable segment revenue	**275,463**	**3,781**	**20,997**	**–**	**300,241**
Gross profit	**157,906**	**1,652**	**3,038**	**–**	**162,596**
Selling and distribution expenses	**(1,352)**	**–**	**(24)**	**–**	**(1,376)**
Segment results	**156,554**	**1,652**	**3,014**	**–**	**161,220**
Other revenue	**1,085**	**1**	**181**	**38**	**1,305**
Administrative and other operating expenses	**(20,475)**	**(754)**	**(6,421)**	**(14,434)**	**(42,084)**
Finance costs	**(10,203)**	**–**	**(103)**	**(36)**	**(10,342)**
Change in fair value of convertible bond designated as financial liabilities at FVPL	**–**	**–**	**–**	**(11,254)**	**(11,254)**
Impairment loss on goodwill	**–**	**–**	**(5,814)**	**–**	**(5,814)**
Exchange loss, net	**–**	**–**	**–**	**(4,091)**	**(4,091)**
Profit/(Loss) before tax	**126,961**	**899**	**(9,143)**	**(29,777)**	**88,940**
Income tax (expenses)/credit	**(22,854)**	**11**	**(97)**	**–**	**(22,940)**
Profit/(Loss) for the year	**104,107**	**910**	**(9,240)**	**(29,777)**	**66,000**
Additional segment information:					
Amortisation	**11,160**	**66**	**–**	**–**	**11,226**
Depreciation	**8,690**	**1,711**	**893**	**1,059**	**12,353**
Additions to property, plant and equipment	**24,915**	**226**	**1,202**	**301**	**26,644**
Additions to intangible assets	**20,763**	**–**	**–**	**–**	**20,763**
Reversal of loss allowance of trade receivables	**–**	**–**	**(17)**	**–**	**(17)**

	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 2021					
Revenue from external customers and reportable segment revenue	100,688	1,285	28,548	–	130,521
Gross profit	46,775	768	7,064	–	54,607
Selling and distribution expenses	(642)	–	–	–	(642)
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	–	–	–	7,979	7,979
Profit/(Loss) before tax	29,825	625	(11,058)	(35,926)	(16,534)
Income tax credit	14,288	11	27	–	14,326
Profit/(Loss) for the year	44,113	636	(11,031)	(35,926)	(2,208)
Additional segment information:					
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	–	6	14	–	20

Segment assets and liabilities

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

	Coal mining business	Renewable energy business	IT Services business	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2022					
Property, plant and equipment	**91,986**	**31,743**	**1,367**	**457**	**125,553**
Intangible assets	**202,305**	**1,394**	**–**	**–**	**203,699**
Goodwill	**–**	**4,229**	**–**	**–**	**4,229**
Other assets	**244,655**	**3,843**	**9,400**	**24,891**	**282,789**
Total assets	**538,946**	**41,209**	**10,767**	**25,348**	**616,270**
Convertible bond designated as financial liabilities at FVPL	**–**	**–**	**–**	**(182,537)**	**(182,537)**
Mining right payables	**(85,421)**	**–**	**–**	**–**	**(85,421)**
Other liabilities	**(119,100)**	**(526)**	**(2,696)**	**(1,801)**	**(124,123)**
Total liabilities	**(204,521)**	**(526)**	**(2,696)**	**(184,338)**	**(392,081)**
As at 31 March 2021					
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	456,667	41,021	20,661	41,839	560,188
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	(230,798)	(773)	(3,393)	(175,641)	(410,605)

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 prepayments 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	
	2022	2021
	HK$'000	*HK$'000*
The Mainland China	**275,463**	100,688
Hong Kong	**12,754**	19,549
Malaysia	**4,025**	3,101
Singapore	**5,350**	4,576
The UK	**2,649**	2,607
	300,241	130,521

Location of the Specified Non-current Assets

	As at 31 March	
	2022	2021
	HK$'000	*HK$'000*
The Mainland China	**299,597**	263,295
Hong Kong	**1,824**	13,748
Malaysia	**37,366**	33,690
	338,787	310,733

Information about major customers

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

	2022	2021
	HK$'000	*HK$'000*
Customer A from coal mining business segment	*****	29,773
Customer B from coal mining business segment	**–**	19,124
Customer C from coal mining business segment	**45,799**	–
Customer D from coal mining business segment	**42,761**	*

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the years ended 31 March 2022 and 2021.

4. REVENUE

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	**275,463**	100,688
Renewable energy business		
– Service income from renewable energy solutions	**3,781**	1,285
IT Services business		
– Sales of IT hardware products	**6,191**	5,424
– IT outsourcing services	**12,828**	18,187
– IT consultancy and technical services	**1,978**	4,937
	20,997	28,548
	300,241	130,521

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

	2022	2021
	HK$'000	*HK$'000*
Timing of revenue recognition:		
– at a point in time		
Sales of coals	**275,463**	100,688
Sales of IT hardware products	**6,191**	5,424
	281,654	106,112
– over time		
Service income from renewable energy solutions	**3,781**	1,285
IT outsourcing services	**12,828**	18,187
IT consultancy and technical services	**1,978**	4,937
	18,587	24,409
	300,241	130,521

5. PROFIT/(LOSS) BEFORE TAX

This is stated at after charging/(crediting):

	2022	2021
	HK$'000	*HK$'000*
Finance costs		
Interest on interest-bearing borrowings	**3,026**	2,185
Interest on mining right payables	**7,198**	7,103
Interest on promissory notes	**–**	189
Interest on lease liabilities	**118**	149
	10,342	9,626
Staff costs		
Staff cost (excluding directors' remuneration) (charged to "cost of services and goods sold", "selling and distribution expenses" and "administrative and other operating expenses")		
Salaries, bonus, allowance and other short-term employee benefits	**35,304**	31,756
Contributions to defined contribution retirement plan	**3,650**	1,650
	38,954	33,406
Other items		
Amortisation of intangible assets (charged to "cost of services and goods sold")	**11,226**	6,687
Auditor's remuneration		
– audit services	**1,038**	1,038
– other services	**250**	510
	1,288	1,548
Cost of inventories sold	**115,632**	58,963
Depreciation of property, plant and equipment and right-of-use assets (charged to "cost of services and goods sold" and "administrative and other operating expenses")	**12,353**	10,112
(Reversal)/Charge of loss allowance of trade receivables, net	**(17)**	20
Exchange gain on financial liabilities at FVPL, net	**(6,068)**	(11,830)
Other exchange loss, net	**10,159**	3,851
Expenses recognised payments under short-term leases	**660**	1,041
Loss on disposal of property, plant and equipment	**26**	–

6. INCOME TAX EXPENSES/(CREDIT)

	2022	2021
	HK$'000	*HK$'000*
Income tax expenses/(credit) comprise:		
The Mainland China Enterprise Income Tax *(Note)*		
Current year	**14,211**	–
Over provision in prior year	**–**	(7,599)
Withholding tax	**1,834**	–
Hong Kong Profits Tax	**48**	151
Malaysia corporate income tax	**–**	(180)
Singapore corporate income tax ("Singapore CIT")	**51**	–
The UK corporate income tax	**1**	–
	16,145	(7,628)
Deferred tax		
– Origination and reversal of temporary differences	**6,795**	(6,698)
	22,940	(14,326)

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 Islands 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.

Dividends payable by a foreign invested enterprise in the Mainland China to its foreign investors are subject to 10% withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the Mainland China that provides for a different withholding arrangements.

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 2022 and 2021. 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 2022 and 2021.

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 2022 and 2021. During the year ended 31 March 2022, Malaysia incorporated entities with paid-up capital of Malaysia Ringgit ("RM") 2.5 million or less and gross business income of not more than RM50 million enjoy tax rate of 17% (2021: 18%) on the first RM600,000 (2021: RM600,000) 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 2022, Singapore CIT is calculated at the rate of 17% (2021: 17%) of the estimated chargeable income of the Group's entities in Singapore arising from Singapore with no rebate (2021: no rebate).

During the years ended 31 March 2022 and 2021, Singapore incorporated companies can enjoy 75% tax exemption on the first Singapore Dollars ("S$") 10,000 of normal chargeable income and a further 50% tax exemption on the next S$190,000 of normal chargeable 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 2022 and 2021.

The income tax expenses/(credit) for the year can be reconciled to the profit/(loss) before tax as follows:

	2022	2021
	HK$'000	*HK$'000*
Profit/(Loss) before tax	**88,940**	(16,534)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profit in the countries concerned	**22,147**	(2,761)
Tax effect of expenses not deductible for tax purposes	**7,942**	7,167
Tax effect of income not taxable for tax purposes	**(27)**	(3,531)
Tax effect of graduated tax rate and tax concession	**(76)**	(333)
Tax effect of tax losses not recognised	**522**	–
Utilisation of previously unrecognised tax losses	**(9,458)**	(4,616)
Over provision for prior year	**–**	(7,779)
Recognition of previously unrecognised deferred tax assets	**–**	(1,686)
Withholding tax	**1,834**	–
Others	**56**	(787)
Income tax expenses/(credit) for the year	**22,940**	(14,326)

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of the current reporting period (2021: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2022	2021
	HK$'000	*HK$'000*
Profit/(Loss)		
Profit/(Loss) for the purpose of basic earnings/(loss) per share (Profit/(Loss) for the year attributable to owners of the Company)	**66,592**	(2,936)

	2022	2021
	Number of shares	Number of shares
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) 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

	2022	2021
	HK$'000	*HK$'000*
Profit/(Loss) for the year attributable to owners of the Company	**66,592**	(2,936)
Change in fair value of convertible bond designated as financial liabilities at FVPL	**11,254**	24,857
Exchange gain on convertible bond designated as financial liabilities at FVPL	**(6,068)**	(11,830)
	71,778	10,091

(ii) Weighted average number of ordinary shares

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) 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

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 were the same.

9. TRADE AND OTHER RECEIVABLES

	Notes	**2022** ***HK\$'000***	2021 *HK\$'000*
Trade receivables from third parties	*9(a)*	**4,770**	4,713
Prepayments, deposits and other receivables		**5,926**	5,386
Other taxes receivables		**543**	339
Guaranteed profit compensation receivables	*9(b)*	**–**	2,560
Prepayments for acquisition of property, plant and equipment		**5,306**	4,102
		16,545	17,100

Analysed by:

	2022 ***HK\$'000***	2021 *HK\$'000*
Non-current assets	**5,306**	4,102
Current assets	**11,239**	12,998
	16,545	17,100

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.

Included in the balances are the trade receivables from contracts with customers within HKFRS 15:

	2022	2021
	HK$'000	*HK$'000*
At the beginning of the reporting period	**4,713**	8,663
At the end of reporting period	**4,770**	4,713

For the year ended 31 March 2022, a reversal of loss allowance of approximately HK$17,000 (2021: charge of loss allowance of approximately HK$20,000) is recognised for the trade receivables from contracts with customers within HKFRS 15.

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:

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**1,793**	975
31 – 60 days	**1,245**	1,437
61 – 90 days	**733**	1,328
Over 90 days	**1,053**	1,044
	4,824	4,784
Less: Loss allowance	**(54)**	(71)
	4,770	4,713

9(b) Guaranteed profit compensation receivables

	2022 *HK$'000*	2021 *HK$'000*
Vendor of NEFIN Leasing Technologies Limited and its subsidiary	**–**	22
Vendor of Harbour Group Holdings Limited and its subsidiaries	**–**	2,538
	–	2,560

10. TRADE AND OTHER PAYABLES

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

	Note	2022 *HK$'000*	2021 *HK$'000*
Within 90 days		**5,914**	11,583
91 – 180 days		**2,779**	7,888
181 – 365 days		**6,337**	14,355
Over 1 year		**3,119**	6,712
Trade payables		**18,149**	40,538
Contract liabilities	*10(a)*	**6,414**	1,328
Government levies payable			
– Economic development fees in coal resources areas		**28,964**	28,505
– Others		**497**	481
Accrued expenses		**3,224**	2,632
Other taxes payable		**9,217**	3,956
Payables for construction-in-progress		**–**	175
Other payables		**3,979**	3,456
		70,444	81,071

All of the trade and other payables that are classified as current liabilities are expected to be settled on demand or 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.

10(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 2022 and 2021 are as follows:

	2022	2021
	HK$'000	*HK$'000*
At the beginning of the reporting period	**1,328**	2,023
Receipts in advance	**6,414**	1,328
Recognised as revenue	**(1,328)**	(2,023)
At the end of the reporting period	**6,414**	1,328

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.

The significant increase in contract liabilities was mainly due to the significant receipts from the customers in advance for purchase of coal resources, which is the normal practice of coal mining business to make sales in advance basis.

11. INTEREST-BEARING BORROWINGS

	2022	2021
	HK$'000	*HK$'000*
Current portion		
Interest-bearing borrowings, secured	**37,254**	60,636

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 bank would exercise their right to demand repayment.

As at 31 March 2022, the interest-bearing borrowings are secured by:

(i) mining right with carrying amount of approximately HK$128,446,000 (2021: approximately HK$132,175,000);

(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 one year to five years (2021: two years to five years) since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 3.9% – 9.7% (2021: 5.1% – 9.1%) per annum. All the interest-bearing borrowings are denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") (2021: HK$ and RMB).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the Year, the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business; and (3) IT Services (as defined below) business. Our main business is 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 since then so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we 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 ("IT") outsourcing, consultancy and technical services (together referred to as "IT Services") mainly in Hong Kong with expanding business in the United Kingdom ("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# 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.

* *English translation for identification purposes only.*

\# "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.

(i) Mulei County Kai Yuan Company Limited* (木壘縣凱源煤炭有限責任公司) ("Kaiyuan Company"), an indirect wholly-owned subsidiary of the Company, as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the "Transfer Agreement") dated 2 December 2019, pursuant to which Kaiyuan Company acquired the 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^2) of 4.1123 km^2 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; On 10 October 2021, the New Mining Right has been further renewed for ten years from 11 October 2021 to 11 October 2031.

(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 of Hong Kong Limited (the "Listing Rules") and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and

* *English translation for identification purposes only.*

(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.

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 Hong Kong 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 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. During the Year, Kaiyuan Company successfully renewed and received the renewed New Mining Permit issued by the Xinjiang Natural Resources Department, pursuant to which the term of the mining right of the Enlarged Kaiyuan Mine is renewed for a period of 10 years from 11 October 2021 to 11 October 2031.

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 subsistence of COVID-19 in Hong Kong and worldwide, we have been facing the difficult business environment, which negatively impacted the growth of our IT Services business in Hong Kong. We hope the COVID-19 situation in Hong Kong will ease in the coming months and our IT Services business will resume its growth.

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$300,241,000 for the Year (2021: approximately HK$130,521,000). It represents an increase of approximately HK$169,720,000 or approximately 130.03% as compared with the previous year.

Coal Mining Business

During the Year, revenue of approximately HK$275,463,000 of the coal mining business is increased by approximately HK$174,775,000 or approximately 173.58% as compared to approximately HK$100,688,000 in previous year. The increase in revenue of the coal mining business was mainly due to the strong local demand and facilitated supply arrangement by the local authorities; and also increase in selling price. The Group sold approximately 1,988,282 tonnes (2021: approximately 1,438,392 tonnes) of coal during the Year, increased by approximately 38.23% 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$3,781,000 (2021: approximately HK$1,285,000). The increase in revenue of the renewable energy business amounting to approximately HK$2,496,000 was mainly due to the enhanced production capacity since early 2021.

IT Services Business

During the Year, the IT Services business contributed a revenue of approximately HK$20,997,000 (2021: approximately HK$28,548,000). The decrease in revenue of approximately HK$7,551,000, representing a decrease of approximately 26.45% was mainly due to the subsistence of the COVID-19 in Hong Kong and 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$117,557,000 (2021: approximately HK$53,913,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of materials, etc. The increase in cost of sales was mainly in line with the increase in sales volume and selling price during the Year as compared with previous year.

Renewable Energy Business

During the Year, the cost of services of the renewable energy business was approximately HK$2,129,000 (2021: approximately HK$517,000). The increase in cost of services of the renewable energy business was mainly due to the enhanced production capacity since early 2021 amounting to approximately HK$1,612,000.

IT Services Business

During the Year, the cost of services and goods sold of the IT Services business was approximately HK$17,959,000 (2021: approximately HK$21,484,000). 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 Hong Kong 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$162,596,000 (2021: approximately HK$54,607,000). It represents an increase of approximately HK$107,989,000 or approximately 197.76% and gross profit margin increased by approximately 12.32% to approximately 54.16% for the Year as compared with the previous year. Coal mining business contributed significantly amounting to approximately HK$157,906,000 (2021: approximately HK$46,775,000); IT Services business contributed approximately HK$3,038,000 (2021: approximately HK$7,064,000); and renewable energy business contributed approximately HK$1,652,000 (2021: approximately HK$768,000).

Other revenue

The Group's other revenue for the Year was approximately HK$1,305,000 (2021: approximately HK$8,661,000), representing a decrease of approximately HK$7,356,000 or approximately 84.93% as compared with last financial year. This is mainly due to the net effect of 1) decrease of interest income on bank deposits substantially from the coal mining business of approximately HK$4,923,000; and 2) no government grants for the Year (2021: approximately HK$2,403,000) from the Anti-epidemic Fund set up by the Hong Kong government under an Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the Year was approximately HK$42,084,000 (2021: approximately HK$34,505,000), representing an increase of approximately HK$7,579,000 or approximately 21.96% as compared with the previous year. This was mainly due to the 1) the increase in salaries and bonus and staff welfare of approximately HK$6,260,000 and 2) the additional maintenance cost and the increase of low-value consumables and accessories of approximately HK$1,090,000 as a result of the significant increase of sales volume of coal mining business during the Year.

Profit for the Year

Profit for the Year of the Group was approximately HK$66,000,000 (2021: loss of approximately HK$2,208,000), representing an upturn of approximately HK$68,208,000 as compared with last year. The upturn was mainly due to the net effect of the following:

a) the exchange loss of approximately HK$4,091,000 (2021: exchange gain of approximately HK$7,979,000);

b) the increase of gross profit by approximately HK$107,989,000;

c) the decrease of other revenue by approximately HK$7,356,000;

d) the increase of administrative and other operating expenses by approximately HK$7,579,000;

e) fair value loss of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL") of approximately HK$11,254,000 (2021: approximately HK$24,857,000); representing a further increase in fair value of convertible bond designated as financial liabilities at FVPL of approximately HK$11,254,000;

f) no fair value loss of contingent consideration receivables (2021: approximately HK$3,648,000);

g) the increase in the finance costs by approximately HK$716,000;

h) impairment loss on goodwill of approximately HK$5,814,000 (2021: approximately HK$14,503,000); representing a further impairment loss of goodwill of approximately HK$5,814,000; and

i) the turnaround from income tax credit of approximately HK$14,326,000 in the previous year to income tax expenses of approximately HK$22,940,000 for the Year as the Group reached 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 recognized as income tax credit for the year ended 31 March 2021, while the significant enterprise income tax was charged after the utilisation of all tax losses brought forward and the recognition of significant deferred tax liabilities of intangible assets for the 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 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 Hong Kong, 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$275,463,000 for the Year (2021: approximately HK$100,688,000), representing an increase of approximately 173.58% as compared with last year.

Sale and Production of Coals

During the Year, the Group sold approximately 1,988,282 tonnes of coals (2021: approximately 1,438,392 tonnes) with total sales income of approximately HK$275,463,000 (2021: approximately HK$100,688,000). Details of sales of coals in tonnes are listed in the below table:

	2022	2021
Sales of coals	**1,988,282 tonnes**	1,438,392 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales ***(tonnes)***	Coal Sales *in %*
Mixed Coal	**214,763**	10.80
Slack Coal	**1,534,935**	77.20
Weathered Coal	**238,584**	12.00
Total	**1,988,282**	100

(ii) Renewable Energy Business

Service income from renewable energy business contributed a revenue of approximately HK$3,781,000 for the Year (2021: approximately HK$1,285,000). The increase in revenue of the renewable energy business was mainly due to the enhanced production capacity since early 2021.

(iii) IT Services Business

Service income from IT Services business contributed a revenue of approximately HK$20,997,000 for the Year (2021: approximately HK$28,548,000). The decrease in revenue was mainly due to the subsistence of the COVID-19 in Hong Kong and 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 1.47 million tonnes of coal was extracted (2021: approximately 1.90 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 31 March 2022 is equivalent to 65.22 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (2021: approximately 66.69 million tonnes).

Coal Reserve as at 31 March 2022 = Coal Reserve as at 31 March 2021 – Amount of coal extracted by the Group during the Year.

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, Hong Kong, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the Mainland China, Hong Kong 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 2022 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 2022, the Group had:

- net current liabilities of approximately HK$32,068,000 (2021: net current assets approximately HK$87,610,000).

- cash and cash equivalents of approximately HK$260,753,000 (2021: approximately HK$204,079,000), which comprised the bank balances and cash of approximately HK$260,753,000 (2021: approximately HK$204,079,000), were the major components of the Group's current assets of approximately HK$274,922,000 (2021: approximately HK$240,342,000). All the cash and cash equivalents are denominated in HK$, Malaysian Ringgit ("MYR"), Singapore Dollars ("S$"), Great Britain Pound ("GBP"), United States Dollars ("US$") and RMB (2021: HK$, MYR, S$, GBP, US$ and RMB).

- current liabilities of approximately HK$306,990,000 (2021: approximately HK$152,732,000) which comprised mainly trade and other payables of approximately HK$70,444,000 (2021: approximately HK$81,071,000), interest-bearing borrowings of approximately HK$37,254,000 (2021: approximately HK$60,636,000) and current portion of Convertible Bond of approximately HK$182,537,000 (2021: Nil).

  The interest-bearing borrowings are repayable from within one year to five years (2021: two years to five years) since their inception. The average effective interest rates on the interest-bearing borrowings were ranging from 3.9% – 9.7% (2021: 5.1% – 9.1%) per annum. The interest-bearing borrowings are denominated in HK$ and RMB (2021: HK$ and RMB).

- non-current liabilities of approximately HK$85,091,000 (2021: approximately HK$257,873,000) which comprised non-current portion of Convertible Bond of approximately Nil (2021: approximately HK$171,283,000) and non-current portion payable related to mining right payables of approximately HK$81,011,000 (2021: approximately HK$82,522,000).

The Group's gearing ratio was approximately 1.37 (2021: approximately 2.16). 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 2022, there were 765,373,584 ordinary shares of the Company in issue.

The 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 2022, the Group had pledged its mining right with carrying amount of approximately HK$128,446,000 (2021: approximately HK$132,175,000).

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$37,254,000 (2021: approximately HK$60,636,000), the Group finances its operation mainly by internal generated resources.

Contingent Liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities (2021: Nil).

Employees

As at 31 March 2022, the Group had 140 employees (2021: 120) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding directors' emoluments) for the Year amounted to approximately HK$38,954,000 (2021: approximately HK$33,406,000), representing a significant reduction of manpower in Hong Kong 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 (2021: 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 draft 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 https://www.hkexnews.hk and the Company at https://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, 23 June 2022

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