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NAN NAN RESOURCES ENTERPRISE LIMITED

南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

PROFIT WARNING

This announcement is made by Nan Nan Resources Enterprise Limited (the “**Company**”) together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary view of the latest unaudited consolidated management accounts of the Group for the year ended 31 March 2023 (“**FY2023**”), it is expected that the Group will record a consolidated loss after taxation of approximately HK\$59.04 million for FY2023, as compared to the consolidated profit after taxation of approximately HK\$66.00 million for the year ended 31 March 2022 (“**FY2022**”).

The loss of the Group for FY2023 was primarily attributable to the following factors:

- (a) a change in fair value and loss arising from modification of the terms of the zero-coupon convertible bond issued by the Company to be matured on 13 March 2026 with an aggregate principal amount of HK\$200,000,000 (the “**Convertible Bond**”) issued in 2008, which is designated as financial liabilities at fair value through profit or loss, of approximately HK\$116.84 million (FY2022: change in fair value of approximately HK\$11.25 million). The said change in fair value of the Convertible Bond was mainly due to the significant changes in the stock price of the Company during FY2023 and the extension of the maturity date of the Convertible Bond;

- (b) a decrease in revenue to approximately HK\$239.89 million during FY2023, representing a decrease of approximately HK\$60.36 million as compared to FY2022, mainly due to a reduction of coal sales in the coal mining business of the Company;
- (c) a decrease in gross profit to approximately HK\$133.83 million during FY2023, representing a decrease of approximately HK\$28.77 million as compared to FY2022, mainly due to the aforementioned reduction in sales of the coal mining business of the Company; and
- (d) an increase in the administrative and other operating expenses to approximately HK\$48.90 million during FY2023, representing an increase of approximately HK\$6.82 million as compared to FY2022, mainly due to an increase in salaries, bonus and staff welfare of the Company.

For illustration purposes only, without taking into account the effect of the said increase in fair value of the convertible bonds during FY2023 as set out in sub-paragraph (a) above, it is expected that the Group's consolidated profit after taxation for FY2023 will be approximately HK\$57.80 million (FY2022: approximately HK\$77.25 million).

The Company is still in the course of finalising its annual results of the Group for FY2023. The information contained in this announcement is solely based on the preliminary assessment made by the Board with reference to the unaudited consolidated management accounts and the information currently available to the Board, which have not been audited or reviewed by the Company's auditor and audit committee, and are subject to adjustments were necessary. As such, the annual results may be different from the information contained in this announcement. Details of the financial information for FY2023 will be disclosed in the annual results announcement of the Group which is expected to be published by the end of June 2023 in accordance with the requirements under the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 16 June 2023

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.