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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the "Board") of Nan Nan Resources Enterprise Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2017 (the "Reporting Period") together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**72,832**	25,772
Cost of sales		**(54,264)**	(17,266)
Gross profit		**18,568**	8,506
Other revenue		**2,181**	2,961
Selling and distribution expenses		**(202)**	(303)
Administrative and other operating expenses		**(10,804)**	(10,521)
Exchange gain/(loss), net		**3,426**	(5,897)
Impairment loss on property, plant and equipment		**(3,511)**	–
Impairment loss on intangible assets		**(12,618)**	–
Finance costs		**–**	(6)
Change in fair value of convertible bond		**27,856**	34,186
Profit before tax		**24,896**	28,926
Income tax expense	*4*	**(1,314)**	(3,039)
Profit for the period	*5*	**23,582**	25,887

	Notes	Six months ended 30 September **2017** ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited)
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		**5,250**	(2,788)
Other comprehensive income/(loss) for the period (net of nil tax)		**5,250**	(2,788)
Total comprehensive income for the period		**28,832**	23,099
Profit for the period attributable to:			
– Owners of the Company		**23,582**	25,887
Total comprehensive income for the period attributable to:			
– Owners of the Company		**28,832**	23,099
Earnings/(loss) per share (expressed in Hong Kong cents)			
– Basic	*7*	**3.08**	3.38
– Diluted	*7*	**(0.79)**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Notes	30 September 2017 HK$'000 (unaudited)	31 March 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**7,003**	11,070
Intangible assets	*9*	**25,167**	37,787
Goodwill		**–**	–
Non-refundable deposit		**2,467**	–
Security deposit		**4,783**	4,601
		39,420	53,458
Current assets			
Inventories		**31,693**	50,923
Trade and other receivables	*10*	**6,132**	12,517
Cash and cash equivalents		**372,190**	331,606
		410,015	395,046
Current liabilities			
Trade and other payables	*11*	**59,090**	56,524
Tax payable		**6,843**	4,278
		(65,933)	(60,802)
Net current assets		**344,082**	334,244
Total assets less current liabilities		**383,502**	387,702
Capital and reserves			
Share capital	*12*	**76,537**	76,537
Reserves		**67,662**	38,830
Equity attributable to owners of the Company		**144,199**	115,367
Non-current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		**233,760**	261,616
Provision for close down, restoration and environmental costs		**2,914**	2,802
Deferred tax liabilities		**2,629**	7,917
		239,303	272,335
		383,502	387,702

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Nan Nan Resources Enterprise Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors, the Group's parent company is Ascent Goal Investments Limited ("Ascent Goal"), a company incorporated in the British Virgin Islands with limited liability and its ultimate holding company is New Bright International Development Limited ("New Bright"), a company incorporated in Hong Kong with limited liability. Its ultimate controlling party is Ms. Fung Yuen Kwan Veronica.

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$") for convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in mining and sales of coal.

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange, including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Preparation of the condensed consolidated interim financial information requires the directors of the Company to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, significant judgements made by the directors of the Company in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied in the Group's annual consolidated financial statements for the year ended 31 March 2017 (the "2016/2017 Audited Financial Statements").

The condensed consolidated interim financial information includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2017, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the 2016/2017 Audited Financial Statements.

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Company's audit committee and the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2017 are consistent with those followed in the preparation of the 2016/2017 Audited Financial Statements.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

- Amendments to HKAS 7, Disclosure Initiative
- Amendments to HKAS 12, Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated interim financial information and/or disclosure set out in these condensed consolidated interim financial information.

3. REVENUE AND SEGMENT INFORMATION

The Group has only one single operating segment being the mining and sales of coal in the People's Republic of China (the "PRC"). Geographical segmental information is therefore not presented.

4. INCOME TAX EXPENSE

The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Tax in other jurisdictions		
– current	**6,823**	1,734
Deferred tax	**(5,509)**	1,305
Income tax expense	**1,314**	3,039

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profits being derived from Hong Kong for both six months ended 30 September 2017 and 2016. 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 in Bermuda. The Company's subsidiaries established in the British Virgin Islands are exempted from income tax in the British Virgin Islands.

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 six months ended 30 September 2017 and 2016.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2017	2016
	HK\$'000	*HK\$'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**1,473**	1,878
Less: Amounts capitalised in inventories	**–**	(582)
Amounts included in cost of sales	**1,473**	1,296
Amount of inventories recognised as cost of sales	**54,264**	17,266
Depreciation of property, plant and equipment	**2,083**	2,154
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	**4,357**	4,167
– Contributions to defined contribution retirement plan	**490**	517

6. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2017 (six months ended 30 September 2016: Nil). The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2016: Nil).

7. 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 period is based on the following data:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit		
Profit for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	**23,582**	25,887
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 (loss)/earnings per share

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

i) (Loss)/profit for the period attributable to owners of the Company (diluted)

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period attributable to owners	**23,582**	25,887
Fair value gain of convertible bond	**(27,856)**	(34,186)
Exchange (gain)/loss on convertible bond	**(9,716)**	10,024
(Loss)/profit attributable to owners (diluted)	**(13,990)**	1,725

ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
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 (loss)/earnings per share	**1,765,373,584**	1,765,373,584

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 September 2017, the Group acquired property, plant and equipment with a cost of approximately HK$1,154,000 (six months ended 30 September 2016: approximately HK$19,000).

During the six months ended 30 September 2017, the Group disposed property, plant and equipment with a total carrying amount of approximately HK$22,000 resulted in a gain of approximately HK$68,000 (six months ended 30 September 2016: disposal of approximately HK$1,000 resulted in a loss of approximately HK$1,000).

During the six months ended 30 September 2017, impairment loss of approximately HK$3,511,000 (six months ended 30 September 2016: Nil) was made on property, plant and equipment.

9. INTANGIBLE ASSETS

During the six months ended 30 September 2017, impairment loss of approximately HK$12,618,000 (six months ended 30 September 2016: Nil) was made on the intangible assets.

10. TRADE AND OTHER RECEIVABLES

The Group's coal sales to customers are largely on cash basis or with payment in advance. For certain well-established customers, the Group allows an average credit period of 180 days.

The following is an aging analysis of trade receivables (presented based on invoice date) and bills receivables (presented based on the issuance date of relevant bills), net of allowance for doubtful debts:

	30 September 2017 *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Within 90 days	**2,615**	6,421
91 days to 180 days	**1,175**	4,170
Trade and bills receivables	**3,790**	10,591
Prepayments, deposits and other receivables	**2,342**	1,926
Total trade and other receivables	**6,132**	12,517

11. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented based on invoice date:

	30 September 2017 *HK$'000* **(unaudited)**	31 March 2017 *HK$'000* (audited)
Within 90 days	**7,032**	8,649
91-180 days	**1,433**	4,057
181-365 days	**91**	1,243
Over 1 year	**8**	27
Trade payables	**8,564**	13,976
Receipt in advance	**2,897**	2,261
Other taxes payable	**3,533**	1,357
Government levies payable		
– Economic development fees in coal resources areas	**27,704**	26,651
– Others	**4,420**	4,177
Accrued expenses	**4,816**	2,162
Other payables	**7,156**	5,940
Total trade and other payables	**59,090**	56,524

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.

12. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	**Amount** *HK$'000*
Ordinary Shares		
Authorised:		
At 1 April 2016 (audited), 31 March 2017 (audited) and 30 September 2017 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2016 (audited), 31 March 2017 (audited) and 30 September 2017 (unaudited)	765,373,584	76,537

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately HK$72,832,000, which was an increase of approximately 183% or approximately HK$47,060,000 as compared with approximately HK$25,772,000 achieved in the corresponding period in 2016.

Geographically, Xinjiang Uygur Autonomous Region ("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.

Increase in sales was mainly due to increase demand for small-medium sized, middle and slack coals since more sales effort has been put by the senior management of the Xinjiang office of the Group. The Group sold approximately 1,246,391 tonnes (2016: approximately 388,122 tonnes) of coal, increased by approximately 221% in volume from a year ago.

Cost of sales

The cost of sales for the Reporting Period was approximately HK$54,264,000 (2016: approximately HK$17,266,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation etc. The increase in cost of sales was largely in line with the increase in sales volume during the Reporting Period as compared with the previous corresponding period.

Gross profit

Due to the factors explained above, the gross profit of the Group for the Reporting Period increased to approximately HK$18,568,000 from approximately HK$8,506,000 for the six months ended 30 September 2016, representing an increase of approximately 118% but gross profit margin decreased by approximately 7.51% for the Reporting Period to approximately 25.49%. It is mainly due to the high sales volume of slack coals which generated lower gross profit margin compared with the piece coals.

Other revenue

The Group's other revenue for the Reporting Period was approximately HK$2,181,000, representing a decrease of approximately HK$780,000 or approximately 26% as compared with the corresponding period in the last year. This was mainly due to decrease in net income from selling coal gangue (煤矸石) by approximately HK$1,679,000 but compensated by the increase of interest income and other revenue by approximately HK$924,000.

Administrative and operating expenses

The Group's administrative and operating expenses for the Reporting Period was approximately HK$10,804,000, representing an increase of approximately HK$283,000 or approximately 2.7% as compared with the previous corresponding period.

Profit for the period

Profit of the Group for the Reporting Period was approximately HK$23,582,000 (2016: profit of approximately HK$25,887,000), representing an decrease of approximately HK$2,305,000 as compared with the corresponding period in the last year. Although there was a significant increase in the gross profit from operation, the decrease in profit was mainly due to a decrease in profit arising from change in fair value of convertible bond of approximately HK$27,856,000 as compared with a profit of approximately HK$34,186,000 in the previous corresponding period, and the recognition of an impairment loss on intangible asset and property, plant and equipment of approximately HK$16,129,000.

Segment Information

Business segment

The Group's operating segment, based on information reported to the chief operating decision makers who are also the executive directors, for the purposes of resources allocation and performance assessment, is more specifically focused on the types of goods delivered and services provided by the Group's operating divisions.

Coal mining business is the only reportable operating segment from which the Group derived its revenue from sales of coal. Accordingly, no further segment information is provided.

Coal mining business

Coal mining is the sole business of the Group at present. It contributed a revenue of approximately HK$72,832,000 for the Reporting Period (2016: approximately HK$25,772,000), an increase of approximately 183% as compared with the corresponding period in 2016. The increase in revenue was mainly resulted from increase in sales volume during the Reporting Period.

Sales and production of coals

During the Reporting Period, the Group sold approximately 1.246 million tonnes of coals with total sales income of approximately HK$72,832,000. Details of coal sales in tonnes are listed in the below table:

	Period ended 30 September	
	2017	2016
Coal sales	**1,246,391 tonnes**	388,122 tonnes

Coal sales in tonnes and percentage

	Coal Sales *(tonnes)*	**Coal Sales** *in %*
Large Coal	15,112	1.21
Middle Coal	42,749	3.43
Three Six Coal	93,395	7.49
Three Eight Coal	74,037	5.94
Small-medium sized Coal	74,178	5.95
Slack Coal	516,258	41.42
Weathered Coal	430,662	34.56
Total	1,246,391	100

Reserves and resources

The Group owns a mining right in Xinjiang, which is Kaiyuan Open Pit Coal Mine ("Kaiyuan Mine"). The estimated remaining coal reserve in Kaiyuan Mine was approximately 9.34 million tonnes as at 30 September 2017 (2016: approximately 10.01 million tonnes). The coal reserve was calculated by using the following formula, which was in line with the market practice:

Coal reserve as at 30 September 2017 = Coal reserve as at 31 March 2017 – Amount of coal extracted by the Group during 1 April 2017 to 30 September 2017.

The mining right of Kaiyuan Mine was granted by the Department of Land and Resources of Xinjiang Uygur Autonomous Region (the "Xinjiang Land Department") from 26 December 2015 to 26 December 2017.

Cost of sales

The cost of sales for the Reporting Period was approximately HK$54,264,000 (2016: approximately HK$17,266,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation etc. The increase in cost of sales was largely in line with the increase in sales volume.

Geographical segment

The geographical location of customers is determined based on the location where the goods are delivered. The Group's revenue and results from operations are all derived from activities in the PRC. No business activities are carried out outside the PRC. The principal assets of the Group are also located in the PRC. Accordingly, no geographical segment information is required.

Major Events

(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 Xinjiang Land Department had to plan for a management restructuring of seven different coal mines (including Zexu Open Pit Coal Mine ("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 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 (the "Changji Administrative Bureau") 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 Mine and Zexu Mine have been submitted to the working group head office for coal industry structural upgrade work of Xinjiang Uygur Autonomous Region 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 Mine of 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 of 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 for occupying the extended area" under non-current assets with value of approximately RMB2,098,970 (equivalent to approximately HK$2,467,000) in the Company's accounts, which, if appropriate, would be transferred to the intangible assets under the Statement of Financial Position 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, 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.

"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 has 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 has 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, and it is expected that such works will complete before June 2018 if no complication arises.

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)" dated 21 September 2017 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 will not affect the operation of the Kaiyuan Mine seriously but may affect the production efficiency at the Kaiyuan Mine since staff of the Kaiyuan Mine will need to go to gas station about 30 km away to buy diesel regularly. Upon receipt of the Document, the management of Kaiyuan Company has 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 is also now looking for other effective means to supply diesel to the facilities and transportation vehicles at the Kaiyuan Mine. Kaiyuan Company will select a contractor for the renovation of the gas station once the design is approved by the relevant government departments.

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 Kaiyuen 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.

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 30 September 2017 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

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 of the Group.

Liquidity and Financial Resources

As at 30 September 2017, the Group had:

- net current assets of approximately HK$344,082,000 (31 March 2017: approximately HK$334,244,000).
- bank balances and cash of approximately HK$372,190,000 (31 March 2017: approximately HK$331,606,000) which were the major components of the Group's current assets of approximately HK$410,015,000 (31 March 2017: approximately HK$395,046,000).
- current liabilities of approximately HK$65,933,000 (31 March 2017: approximately HK$60,802,000) which comprised mainly trade and other payables of approximately HK$59,090,000 (31 March 2017: approximately HK$56,524,000).
- non-current liabilities of approximately HK$239,303,000 (31 March 2017: approximately HK272,335,000) which comprised mainly deferred tax liability of approximately HK$2,629,000 (31 March 2017: approximately HK$7,917,000) and convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK$233,760,000 (31 March 2017: approximately HK$261,616,000).

The Group's gearing ratio was approximately 1.62 (31 March 2017: approximately 2.27). The computation is based on total debt (convertible bond designated as financial liabilities at fair value through profit or loss) divided by total equity.

Capital Structure

The capital of the Group comprises only ordinary shares.

As at 30 September 2017, 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 30 September 2017, none of the Group's assets was under charges (2016: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue in 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. In order to minimize 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 of operating cash flows requirements of the Group.

Treasury Policies

Apart from the issue of convertible bond at their face value of HK$200 million, the Group finances its operation mainly by internal generated resources.

Contingent Liabilities and Capital Commitments

The Group did not have any material contingent liabilities and capital commitments.

Employees

As at 30 September 2017, the Group had 74 employees (31 March 2017: 74) spreading among Hong Kong and the PRC. Total staff costs (excluding directors' emoluments) for the Reporting Period amounted to approximately HK$4,847,000 (2016: approximately HK$4,684,000). 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (2016: 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 Reporting Period.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Reporting Period, 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 ("CE") should be separate and should not be performed by the same individual. During the Reporting Period, 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 Reporting Period. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Pak Wai Keung Martin as the chairman of the Audit Committee, Mr. Wong Man Hin Raymond and Mr. Chan Yiu Fai Youdey. The Audit Committee together with the management and external auditor of the Company have reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited condensed consolidated interim financial information of the Group for the Reporting Period. The review conducted by the external auditor of the Company was in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results 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 interim report will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

This announcement is made by the order of the Board, save for Ms. Lo Fong Hung who could not be contacted as at the date of this announcement.

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

Hong Kong, 21 November 2017

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Kwan Man Fai, Ms. Lo Fong Hung and Mr. Wang Xiangfei; three independent non-executive directors, namely Mr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin; and one alternate director, Mr. Wong Sze Wai (alternate to Mr. Wang Xiangfei).

* *English name for identification purposes only*