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 2018

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 2018 (the "Reporting Period") together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**16,079**	72,832
Cost of sales		**(11,824)**	(54,264)
Gross profit		**4,255**	18,568
Other revenue		**5,836**	2,181
Selling and distribution expenses		**(183)**	(202)
Administrative and other operating expenses		**(12,221)**	(10,804)
Exchange (loss)/gain, net		**(6,971)**	3,426
Impairment loss on property, plant and equipment		**–**	(3,511)
Impairment loss on intangible assets		**–**	(12,618)
Change in fair value of convertible bond		**44,148**	27,856
Profit before tax		**34,864**	24,896
Income tax expense	*4*	**(291)**	(1,314)
Profit for the period	*5*	**34,573**	23,582

	Notes	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		**(15,421)**	5,250
Other comprehensive (loss)/income for the period (net of nil tax)		**(15,421)**	5,250
Total comprehensive income for the period		**19,152**	28,832
Profit for the period attributable to:			
– Owners of the Company		**34,573**	23,582
Total comprehensive income for the period attributable to:			
– Owners of the Company		**19,152**	28,832
Earnings/(Loss) per share (expressed in Hong Kong cents)			
– Basic	*7*	**4.52**	3.08
– Diluted	*7*	**0.61**	(0.79)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**8,137**	9,166
Intangible assets	9	**19,309**	23,095
Goodwill		**–**	–
Deposits paid for acquisition of subsidiaries	10	**2,500**	–
Prepayments for acquisition of property, plant and equipment	10	**28,349**	–
Security deposits		**5,389**	5,048
Non-refundable deposits	10	**2,380**	2,604
Deferred tax assets		**1,769**	1,940
		67,833	41,853
Current assets			
Inventories		**11,810**	7,221
Trade and other receivables	10	**5,779**	4,209
Restricted bank balances	11	**75,968**	–
Cash and cash equivalents		**355,559**	440,437
		449,116	451,867
Current liabilities			
Trade and other payables	12	**55,857**	69,798
Interest bearing borrowings	13	**68,031**	–
Tax payable		**2,289**	7,890
		126,177	77,688
Net current assets		**322,939**	374,179
Total assets less current liabilities		**390,772**	416,032
Capital and reserves			
Share capital	14	**76,537**	76,537
Reserves		**108,331**	89,179
Equity attributable to owners of the Company		**184,868**	165,716
Non-current liabilities			
Convertible bond designated as financial liabilities at fair value through profit or loss		**203,094**	247,242
Provision for close down, restoration and environmental costs		**2,810**	3,074
		205,904	250,316
		390,772	416,032

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

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 of the Company, 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 ("HKAS") 34 "Interim Financial Reporting" 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.

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 2018, 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 Group's annual consolidated financial statements for the year ended 31 March 2018 (the "2017/2018 Audited Financial Statements").

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 2017/2018 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 2018 are consistent with those followed in the preparation of the 2017/2018 Audited Financial Statements.

In the current interim period, the Group has applied the following new/revised HKFRSs issued by the HKICPA.

Annual Improvements to HKFRSs	2014 - 2016 Cycle: HKFRS 1 and HKAS 28
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Apart from the impact on adoption of HKFRS 9 and HKFRS 15 as set out below, the adoption of those new and revised HKFRSs has no material impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

HKFRS 9 *"Financial Instruments"*

HKFRS 9 introduces new requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Key requirements of HKFRS 9 which are relevant to the Group are:

(i) all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods with gain/loss recognised in profit or loss. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(ii) with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

(iii) in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 for classification and measurement based on the facts and circumstances that existed at that date and for impairment on expected credit losses using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The application of HKFRS 9 has had no material effect on classification and measurement of financial assets and no impairment allowance was recognised in the condensed consolidated interim financial information.

HKFRS 15 "*Revenue from Contracts with Customers*"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company considers that the performance obligations that may be identified under HKFRS 15 are similar to the identification of revenue components under the Group's existing revenue recognition policy and therefore, the adoption of HKFRS 15 does not have any significant impact on recognition of revenue.

As at the date of authorisation of the condensed consolidated interim financial information, the Group has not early adopted the new/revised HKFRSs that have been issued but are not yet effective.

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Tax in other jurisdictions – the PRC		
– current	**286**	6,823
Deferred tax	**5**	(5,509)
Income tax expense	**291**	1,314

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 2018 and 2017.

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%, and profits above HK$2 million will be taxed at 16.5%. 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.

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

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 2018 and 2017.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in "Cost of sales")	**1,865**	1,473
Amount of inventories recognised as cost of sales	**11,824**	54,264
Depreciation of property, plant and equipment	**1,116**	2,083
Staff costs (excluding directors' remuneration)		
– Basic salaries and allowances	**4,165**	4,357
– Contributions to defined contribution retirement plan	**471**	490

6. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2018 (six months ended 30 September 2017: Nil). The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2017: 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	
	2018	2017
	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	**34,573**	23,582
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**765,373,584**	765,373,584

b) **Diluted earnings/(loss) per share**

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

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period attributable to owners	**34,573**	23,582
Fair value gain of convertible bond	**(44,148)**	(27,856)
Exchange loss/(gain) on convertible bond	**20,426**	(9,716)
Profit/(Loss) attributable to owners (diluted)	**10,851**	(13,990)

ii) *Weighted average number of ordinary shares (diluted)*

	Six months ended 30 September	
	2018	2017
	(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 earnings/(loss) 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 2018, the Group acquired property, plant and equipment with a cost of approximately HK$1,852,000 (six months ended 30 September 2017: approximately HK$1,154,000).

During the six months ended 30 September 2018, the Group disposed property, plant and equipment with a total carrying amount of approximately HK$991,000 resulted in a loss of approximately HK$991,000 (six months ended 30 September 2017: disposal of a total carrying amount of approximately HK$22,000 resulted in a gain of approximately HK$68,000).

During the six months ended 30 September 2018, no impairment loss (six months ended 30 September 2017: impairment loss of approximately HK$3,511,000) was made on property, plant and equipment.

9. INTANGIBLE ASSETS

During the six months ended 30 September 2018, no impairment loss (six months ended 30 September 2017: impairment loss of approximately HK$12,618,000) 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 2018	31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**3,061**	1,116
Trade and bills receivables	**3,061**	1,116
Prepayments, deposits and other receivables	**2,718**	3,093
Deposits paid for acquisition of subsidiaries	**2,500**	–
Prepayments for acquisition of property, plant and equipment	**28,349**	–
Non-refundable deposits	**2,380**	2,604
Total trade and other receivables	**39,008**	6,813
Analysed by:		
Non-current	**33,229**	2,604
Current	**5,779**	4,209
	39,008	6,813

11. RESTRICTED BANK BALANCES

Pursuant to the loan agreement signed with a bank in the PRC, the amounts represent bank balances in the bank in the PRC maintained solely for the purpose of settlement of outstanding interest bearing borrowings and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in RMB.

12. TRADE AND OTHER PAYABLES

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

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**6,123**	9,478
91-180 days	**18**	2,032
181-365 days	**90**	2,609
Over 1 year	**67**	13
Trade payables	**6,298**	14,132
Receipt in advance	**2,741**	1,534
Other taxes payable	**2,824**	6,877
Government levies payable		
– Economic development fees in coal resources areas	**26,728**	29,241
– Others	**3,763**	4,117
Accrued expenses	**1,764**	2,325
Non-refundable deposits received	**5,553**	6,075
Other payables	**6,186**	5,497
Total trade and other payables	**55,857**	69,798

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.

13. INTEREST BEARING BORROWINGS

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Current portion		
Interest bearing borrowings, secured *(Note)*	**68,031**	–

Note:

At 30 September 2018, the Group's interest bearing borrowings carry interest rate at 4.75% per annum (31 March 2018: Nil) and are repayable by instalments of RMB1,000,000 semi-annually while the outstanding balances of the borrowings to be repaid in full in September 2020 (31 March 2018: Nil). The interest bearing borrowings with a clause in their terms that gives the bank an overriding right to demand for repayment without notice at its sole discretion are classified as current liabilities even though the directors of the Company do not expect that the bank would exercise its right to demand repayment. The interest bearing borrowings are secured by restricted bank balances with carrying amount of approximately HK$75,968,000 (31 March 2018: Nil).

14. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Amount *HK$'000*
Ordinary Shares		
Authorised:		
At 1 April 2017 (audited), 31 March 2018 (audited) and 30 September 2018 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2017 (audited), 31 March 2018 (audited) and 30 September 2018 (unaudited)	765,373,584	76,537

15. EVENTS AFTER REPORTING PERIOD

On 10 August 2018, Radiant Day Holdings Limited ("Radiant Day"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement, pursuant to which Radiant Day has conditionally agreed to acquire and the vendor has conditionally agreed to sell 90% of the issued share capital of NEFIN Leasing Technologies Limited ("NEFIN Leasing") at an aggregate consideration of US$1,350,000 (equivalent to approximately HK$10,530,000). At the end of the reporting period, the conditions as stipulated in the sale and purchase agreement have not yet fulfilled. Details of the acquisition were set out in the Company's announcement dated 10 August 2018.

NEFIN Leasing, together with its wholly-owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. (together referred to as the "Target Group"), principally engaged in provision of renewable energy and leasing solution and solar farm and high yield plantation development. The directors of the Company are of the view that the acquisition will further enhance the Group's expansion of innovative and renewable energy business.

On 8 October 2018, all conditions as stipulated in the sale and purchase agreement were fulfilled and the Target Group became indirect non-wholly owned subsidiaries of the Company. The acquisition constituted a business combination and will be accounted for using the acquisition method under HKFRS 3 Business Combinations.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately HK$16,079,000, which was a decrease of approximately 78% or approximately HK$56,753,000 as compared with approximately HK$72,832,000 achieved in the previous corresponding period.

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.

Decrease in revenue was mainly due to (i) the suspension of production at the Kaiyuan Open Pit Coal Mine ("Kaiyuan Mine") from 11 April 2018 to 29 August 2018; and (ii) the construction of a coal sifting machine at the Kaiyuan Mine as required by the Ministry of Ecology and Environment and expected to be completed approximately towards the end of November 2018 and will impact upon the normal production at the Kaiyuan Mine. The Group sold approximately 357,372 tonnes (2017: approximately 1,246,391 tonnes) of coal, decreased by approximately 71% in volume from a year ago.

Cost of sales

The cost of sales for the Reporting Period was approximately HK$11,824,000 (2017: approximately HK$54,264,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation etc. The decrease in cost of sales was largely in line with the decrease in sales volume during the 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 decreased to approximately HK$4,255,000 from approximately HK$18,568,000 for the six months ended 30 September 2017, representing a decrease of approximately 77% but gross profit margin maintained at approximately 25% to 26% for the Reporting Period and the previous corresponding period.

Other revenue

The Group's other revenue for the Reporting Period was approximately HK$5,836,000, representing an increase of approximately HK$3,655,000 or approximately 168% as compared with the previous corresponding period. This was mainly contributed by increase in net income from selling coal gangue (煤矸石) and pulverized coal (風化粉煤) during the Reporting Period.

Administrative and operating expenses

The Group's administrative and operating expenses for the Reporting Period was approximately HK$12,221,000, representing an increase of approximately HK$1,417,000 or approximately 13% as compared with the previous corresponding period.

Profit for the period

Profit of the Group for the Reporting Period was approximately HK$34,573,000 (2017: profit of approximately HK$23,582,000), representing an increase of approximately HK$10,991,000 as compared with the previous corresponding period. Although there was a significant decrease in the gross profit from operation, the increase in profit was mainly due to an increase in profit arising from change in fair value of convertible bond to approximately HK$44,148,000 as compared with a profit of approximately HK$27,856,000 in the previous corresponding period, and no impairment loss on intangible assets and property, plant and equipment during the Reporting Period.

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$16,079,000 for the Reporting Period (2017: approximately HK$72,832,000), a decrease of approximately 78% as compared with the corresponding period in 2017. The decrease in revenue was mainly resulted from decrease in sales volume during the Reporting Period.

Sales and production of coals

During the Reporting Period, the Group sold approximately 0.357 million tonnes of coals with total sales income of approximately HK$16,079,000. Details of coal sales in tonnes are listed in the below table:

	Period ended 30 September	
	2018	2017
Coal sales	**357,372 tonnes**	1,246,391 tonnes

Coal sales in tonnes and percentage

	Coal Sales *(tonnes)*	**Coal Sales** *in %*
Three Six Coal	125	0.03
Three Eight Coal	66	0.02
Mixed Coal	31,510	8.82
Slack Coal	53,440	14.95
Weathered Coal	272,231	76.18
Total	357,372	100

Reserves and resources

The Group owns a mining right in Xinjiang, which is Kaiyuan Mine. The estimated remaining coal reserve in Kaiyuan Mine was approximately 7.22 million tonnes as at 30 September 2018 (2017: approximately 9.34 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 2018 = Coal reserve as at 31 March 2018 – Amount of coal extracted by the Group during 1 April 2018 to 30 September 2018.

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 2017 to 31 December 2018.

Cost of sales

The cost of sales for the Reporting Period was approximately HK$11,824,000 (2017: approximately HK$54,264,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation etc. The decrease in cost of sales was largely in line with the decrease in sales volume.

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 (the "Zexu Mine")) in the Xiheishan Mining Area (the "Optimization and Upgrading Plan"), consolidating some smaller mines together so as to increase the size efficiency (for details, please refer to the Company's announcement dated 11 November 2011). After being informed of this Optimization and Upgrading Plan, the Board has requested our management in 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 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$2,380,000) 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.

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

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

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

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

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

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

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

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

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

"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.

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.

On 18 October 2018, the renovation of gas station was completed after the inspection by the relevant government departments.

(C) Suspension of Production at Kaiyuan Mine

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

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

1. Impacts on the Group and measures to be taken

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

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

2. *Updates on the renewal of Mining Rights*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 10 August 2018, Radiant Day, an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement, pursuant to which Radiant Day has conditionally agreed to acquire and the vendor has conditionally agreed to sell 90% of the issued share capital of NEFIN Leasing at an aggregate consideration of US$1,350,000 (equivalent to approximately HK$10,530,000). At the end of the Reporting Period, the conditions as stipulated in the sale and purchase agreement have not yet fulfilled. Details of the acquisition were set out in the Company's announcement dated 10 August 2018.

The Target Group principally engaged in provision of renewable energy and leasing solution and solar farm and high yield plantation development. The directors of the Company are of the view that the acquisition will further enhance the Group's expansion of innovative and renewable energy business.

Prospects

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

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

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

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The Group has been exploring new markets and seeking to extend its business coverage on technological and renewable energy sector. The Board is of the view that the acquisition of NEFIN Leasing and its subsidiary will further enhance the Group's expansion of innovative and renewable energy business. There will be a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works. Sources of funding are expected to come primarily from the coal sales revenue and also external banking facilities of the Group.

Save as otherwise disclosed, there were neither significant investments held as at 30 September 2018 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

Liquidity and Financial Resources

As at 30 September 2018, the Group had:

- net current assets of approximately HK$322,939,000 (31 March 2018: approximately HK$374,179,000).

- bank balances and cash of approximately HK$355,559,000 (31 March 2018: approximately HK$440,437,000) which were the major components of the Group's current assets of approximately HK$449,116,000 (31 March 2018: approximately HK$451,867,000).

- current liabilities of approximately HK$126,177,000 (31 March 2018: approximately HK$77,688,000) which comprised mainly trade and other payables of approximately HK$55,857,000 (31 March 2018: approximately HK$69,780,000) and interest bearing borrowings of approximately HK$68,031,000 (31 March 2018: Nil).

- non-current liabilities of approximately HK$205,904,000 (31 March 2018: approximately HK$250,316,000) which comprised mainly convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK$203,094,000 (31 March 2018: approximately HK$247,242,000).

The Group's gearing ratio was approximately 1.47 (31 March 2018: approximately 1.49). The computation is based on total debt (interest bearing borrowings and 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 2018, 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 2018, the Group had pledged restricted bank balances with carrying amount of approximately HK$75,968,000 (31 March 2018: Nil) to the bank as a security for interest bearing borrowings.

Foreign Exchange Exposure

The Group mainly earns revenue in RMB and incurs costs in RMB and HK$. 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.

As at 30 September 2018, the Group had commitments contracted for but not provided for in the condensed consolidated interim financial information amounting to approximately HK$47,877,000 in respect of acquisition of property, plant and equipment (31 March 2018: Nil).

Employees

As at 30 September 2018, the Group had 76 employees (31 March 2018: 73) spreading among Hong Kong and the PRC. Total staff costs (excluding directors' emoluments) for the Reporting Period amounted to approximately HK$4,636,000 (2017: approximately HK$4,847,000). 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 (2017: 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, except Ms. Lo Fong Hung could not be contacted, 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, 20 November 2018

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

* *English name for identification purpose only.*