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## **NAN NAN RESOURCES ENTERPRISE LIMITED**

### **南南資源實業有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The board of directors (the “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 2022 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2021 as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2022*

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2022 HK\$'000 (unaudited)</b>	<b>2021 HK\$'000 (unaudited)</b>
Revenue	4	<b>110,712</b>	117,995
Cost of services and goods sold		<b>(49,996)</b>	(74,733)
Gross profit		<b>60,716</b>	43,262
Other revenue		<b>1,166</b>	575
Selling and distribution expenses		<b>(482)</b>	(373)
Administrative and other operating expenses		<b>(18,984)</b>	(17,199)
Exchange loss, net		<b>(7,442)</b>	(2,156)
Finance costs	5	<b>(3,967)</b>	(5,652)
Change in fair value of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”)		<b>(263,539)</b>	(45,290)
Impairment loss on goodwill		<b>–</b>	(3,040)
Loss before tax	5	<b>(232,532)</b>	(29,873)
Income tax expenses	6	<b>(9,193)</b>	(27)
<b>Loss for the period</b>		<b>(241,725)</b>	(29,900)

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive (loss)/income:</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of the Company's financial statements to presentation currency		<b>4,722</b>	1,508
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		<u>(44,352)</u>	<u>3,986</u>
Other comprehensive (loss)/income for the period		<u>(39,630)</u>	<u>5,494</u>
<b>Total comprehensive loss for the period</b>		<u>(281,355)</u>	<u>(24,406)</u>
<b>Loss for the period attributable to:</b>			
– Owners of the Company		(241,353)	(29,641)
– Non-controlling interests		<u>(372)</u>	<u>(259)</u>
		<u>(241,725)</u>	<u>(29,900)</u>
<b>Total comprehensive loss for the period attributable to:</b>			
– Owners of the Company		(280,923)	(24,124)
– Non-controlling interests		<u>(432)</u>	<u>(282)</u>
		<u>(281,355)</u>	<u>(24,406)</u>
Loss per share (expressed in Hong Kong cents)			
– Basic	8	<u>(31.53)</u>	<u>(3.87)</u>
– Diluted	8	<u>(31.53)</u>	<u>(3.87)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>116,436</b>	125,553
Intangible assets		<b>181,388</b>	203,699
Goodwill		<b>4,229</b>	4,229
Prepayments for acquisition of property, plant and equipment	9	<b>14,575</b>	5,306
Deferred tax assets		<b>4,884</b>	2,561
		<hr/> <b>321,512</b>	<hr/> 341,348
<b>Current assets</b>			
Inventories		<b>7,032</b>	2,930
Trade and other receivables	9	<b>12,116</b>	11,239
Cash and cash equivalents		<b>203,124</b>	260,753
		<hr/> <b>222,272</b>	<hr/> 274,922
<b>Current liabilities</b>			
Trade and other payables	10	<b>62,536</b>	70,444
Mining right payables, current portion		<b>4,074</b>	4,410
Interest-bearing borrowings	11	<b>3,471</b>	37,254
Convertible bond designated as financial liabilities at FVPL		<b>446,076</b>	182,537
Lease liabilities		<b>1,378</b>	1,068
Tax payables		<b>4,647</b>	11,277
		<hr/> <b>522,182</b>	<hr/> 306,990
<b>Net current liabilities</b>		<hr/> <b>(299,910)</b>	<hr/> (32,068)
<b>Total assets less current liabilities</b>		<hr/> <b>21,602</b>	<hr/> 309,280

		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(audited)
<b>Capital and reserves</b>			
Share capital	12	<b>76,537</b>	76,537
Reserves		<b>(135,922)</b>	145,001
		<hr/>	<hr/>
<b>(Deficit)/Equity attributable to owners of the Company</b>			
		<b>(59,385)</b>	221,538
Non-controlling interests		<b>2,219</b>	2,651
		<hr/>	<hr/>
		<b>(57,166)</b>	224,189
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Provision for close down, restoration and environmental costs		<b>2,701</b>	3,045
Mining right payables, non-current portion		<b>74,856</b>	81,011
Lease liabilities		<b>464</b>	270
Deferred tax liabilities		<b>747</b>	765
		<hr/>	<hr/>
		<b>78,768</b>	85,091
		<hr/>	<hr/>
		<b>21,602</b>	309,280
		<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 September 2022*

## 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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company, its holding 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, 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 condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand except when otherwise indicated, for the convenience of the shareholders as the Company is listed in Hong Kong. The functional currency of the Company is Renminbi (“RMB”).

The Company is an investment holding company and the subsidiaries of the Company (together the “Group”) are principally engaged in (i) mining and sales of coal; (ii) renewable energy solutions; and (iii) information technology (“IT”) outsourcing, consultancy and technical services (together referred to as “IT Services”).

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 2022 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 2022 (the “2021/2022 Audited Financial Statements”).

In preparing the 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 2021/2022 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 convertible bond, which is measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2022 are consistent with those followed in the preparation of the 2021/2022 Audited Financial Statements.

The adoption of the new/revised HKFRSs which are relevant to the Group and effective for current period does not have any significant 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.

At the date of authorisation of the condensed consolidated interim financial information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and the financial position of the Group.

### **Going concern**

In preparing the condensed consolidated interim financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK\$299,910,000 and the Group's total liabilities exceeded its total assets by approximately HK\$57,166,000 as at 30 September 2022. These figures are mainly attributable to the convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL") of approximately HK\$446,076,000. There is a material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Upon consideration of the following factors that: (i) the holder of the convertible bond is the holding company of the Group, Ascent Goal, (ii) the Company had entered into a fifth deed of amendment with Ascent Goal on 11 August 2022, pursuant to which the maturity date and the conversion period of the convertible bond will be further extended for 36 months to 13 March 2026, subject to the approval from the independent shareholders of the Company at the special general meeting to be held on 9 December 2022, and (iii) even if the convertible bond was not extended, Ascent Goal had committed to provide financial support to the Group as is necessary to enable the Group to meet its financial obligation as they fall due as alternative, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations, and that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

### 3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coals in the Mainland China;
- (2) Renewable energy business segment: service income from renewable energy solutions in Malaysia; and
- (3) IT Services business segment: IT consultancy and technical services (including sales of IT hardware products) and IT outsourcing services in Hong Kong, Malaysia, Singapore and the United Kingdom (the “UK”).

#### **Segment revenue, results, assets and liabilities**

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

Segment results, which are the measures reported to the CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of change in fair value of convertible bond designated as financial liabilities at FVPL and net exchange loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayment for acquisition of property, plant and equipment, deferred tax assets, inventories, trade and other receivables and cash and cash equivalents. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include trade and other payables, mining right payables, interest-bearing borrowings, lease liabilities, tax payables, convertible bond designated as financial liabilities at FVPL, provision for close down, restoration and environmental costs and deferred tax liabilities. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

In addition, the directors of the Company consider that the Group’s place of domicile is Hong Kong, where the central management and control is located.

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2022 (unaudited)</b>					
Revenue from external customers and reportable segment revenue	<u>94,376</u>	<u>1,804</u>	<u>14,532</u>	<u>-</u>	<u>110,712</u>
Gross profit	57,451	813	2,452	-	60,716
Selling and distribution expenses	<u>(464)</u>	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>(482)</u>
Segment results	56,987	813	2,434	-	60,234
Other revenue	529	15	407	215	1,166
Administrative and other operating expenses	(8,453)	(292)	(3,351)	(6,888)	(18,984)
Finance costs	(3,891)	-	(28)	(48)	(3,967)
Change in fair value of convertible bond designated as financial liabilities at FVPL	-	-	-	(263,539)	(263,539)
Exchange loss, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,442)</u>	<u>(7,442)</u>
Profit/(Loss) before tax	45,172	536	(538)	(277,702)	(232,532)
Income tax (expenses)/credit	<u>(9,201)</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>(9,193)</u>
Profit/(Loss) for the period	<u>35,971</u>	<u>544</u>	<u>(538)</u>	<u>(277,702)</u>	<u>(241,725)</u>
<i>Additional segment information:</i>					
Amortisation	11,896	33	-	-	11,929
Depreciation	4,471	793	379	450	6,093
Additions to property, plant and equipment	8,937	88	-	1,508	10,533
Additions to intangible assets	<u>11,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,954</u>



	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2021 (unaudited)</b>					
Revenue from external customers and reportable segment revenue	<u>105,030</u>	<u>1,893</u>	<u>11,072</u>	<u>–</u>	<u>117,995</u>
Gross profit	40,874	995	1,393	–	43,262
Selling and distribution expenses	<u>(356)</u>	<u>–</u>	<u>(17)</u>	<u>–</u>	<u>(373)</u>
Segment results	40,518	995	1,376	–	42,889
Other revenue	450	–	110	15	575
Administrative and other operating expenses	(7,660)	(287)	(2,900)	(6,352)	(17,199)
Finance costs	(5,573)	–	(57)	(22)	(5,652)
Change in fair value of convertible bond designated as financial liabilities at FVPL	–	–	–	(45,290)	(45,290)
Impairment loss on goodwill	–	–	(3,040)	–	(3,040)
Exchange loss, net	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,156)</u>	<u>(2,156)</u>
Profit/(Loss) before tax	27,735	708	(4,511)	(53,805)	(29,873)
Income tax credit/(expenses)	<u>42</u>	<u>6</u>	<u>(75)</u>	<u>–</u>	<u>(27)</u>
Profit/(Loss) for the period	<u>27,777</u>	<u>714</u>	<u>(4,586)</u>	<u>(53,805)</u>	<u>(29,900)</u>
<i>Additional segment information:</i>					
Amortisation	5,837	5	–	–	5,842
Depreciation	4,240	689	520	571	6,020
Additions to property, plant and equipment	15,234	9	1,147	298	16,688
Additions to intangible assets	<u>18,970</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>18,970</u>

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

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>As at 30 September 2022 (unaudited)</b>					
Property, plant and equipment	85,860	28,010	1,073	1,493	116,436
Intangible assets	180,027	1,361	–	–	181,388
Goodwill	–	4,229	–	–	4,229
Other assets	179,721	4,957	11,649	45,404	241,731
Total assets	<u>445,608</u>	<u>38,557</u>	<u>12,722</u>	<u>46,897</u>	<u>543,784</u>
Convertible bond designated as financial liabilities at FVPL	–	–	–	(446,076)	(446,076)
Mining right payables	(78,930)	–	–	–	(78,930)
Other liabilities	(71,200)	(37)	(2,572)	(2,135)	(75,944)
Total liabilities	<u>(150,130)</u>	<u>(37)</u>	<u>(2,572)</u>	<u>(448,211)</u>	<u>(600,950)</u>
<b>As at 31 March 2022 (audited)</b>					
Property, plant and equipment	91,986	31,743	1,367	457	125,553
Intangible assets	202,305	1,394	–	–	203,699
Goodwill	–	4,229	–	–	4,229
Other assets	244,655	3,843	9,400	24,891	282,789
Total assets	<u>538,946</u>	<u>41,209</u>	<u>10,767</u>	<u>25,348</u>	<u>616,270</u>
Convertible bond designated as financial liabilities at FVPL	–	–	–	(182,537)	(182,537)
Mining right payables	(85,421)	–	–	–	(85,421)
Other liabilities	(119,100)	(526)	(2,696)	(1,801)	(124,123)
Total liabilities	<u>(204,521)</u>	<u>(526)</u>	<u>(2,696)</u>	<u>(184,338)</u>	<u>(392,081)</u>

## Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill, and prepayments for acquisition of property, plant and equipment ("Specified Non-current Assets"). The geographical location of the revenue is presented based on the location of the customers. The geographical location of property, plant and equipment and prepayments for acquisition of property, plant and equipment is presented based on the physical location of the assets and the geographical location of intangible assets and goodwill is presented based on the location of the respective business operations.

### Location of revenue

#### *Revenue from external customers*

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The Mainland China	94,376	105,030
Hong Kong	10,963	4,165
Malaysia	1,888	2,016
Singapore	2,723	5,393
The UK	762	1,391
	<u>110,712</u>	<u>117,995</u>

### Location of the Specified Non-current Assets

	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
The Mainland China	280,462	299,597
Hong Kong	8,156	1,824
Malaysia	28,010	37,366
	<u>316,628</u>	<u>338,787</u>

## Information about major customers

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

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Customer A from coal mining business segment	12,136	20,879
Customer B from coal mining business segment	–	17,130
Customer C from coal mining business segment	<u>16,140</u>	<u>16,025</u>

## 4. REVENUE

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Revenue from contracts with customers within HKFRS 15		
<b>Coal mining business</b>		
– Sales of coals	<u>94,376</u>	<u>105,030</u>
<b>Renewable energy business</b>		
– Service income from renewable energy solutions	<u>1,804</u>	<u>1,893</u>
<b>IT Services business</b>		
– Sales of IT hardware products	6,107	5,015
– IT outsourcing services	5,149	5,291
– IT consultancy and technical services	<u>3,276</u>	<u>766</u>
	<u>14,532</u>	<u>11,072</u>
	<u>110,712</u>	<u>117,995</u>

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<i>Timing of revenue recognition:</i>		
<b>– at a point of time</b>		
Sales of coals	<b>94,376</b>	105,030
Sales of IT hardware products	<b>6,107</b>	5,015
	<u><b>100,483</b></u>	<u>110,045</u>
<b>– over time</b>		
Service income from renewable energy solutions	<b>1,804</b>	1,893
IT outsourcing services	<b>5,149</b>	5,291
IT consultancy and technical services	<b>3,276</b>	766
	<u><b>10,229</b></u>	<u>7,950</u>
	<u><b>110,712</b></u>	<u>117,995</u>

## 5. LOSS BEFORE TAX

This is stated at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Finance costs</b>		
Interest on interest-bearing borrowings	<b>579</b>	1,927
Interest on mining right payables	<b>3,319</b>	3,661
Interest on lease liabilities	<b>69</b>	64
	<b><u>3,967</u></b>	<b><u>5,652</u></b>
<b>Staff costs</b>		
Staff costs (excluding directors' remuneration)		
Basic salaries, allowance and other short-term employee benefits	<b>15,226</b>	17,356
Contributions to defined contribution retirement plan	<b>1,797</b>	1,678
	<b><u>17,023</u></b>	<b><u>19,034</u></b>
<b>Other items</b>		
Amortisation of intangible assets (charged to "Cost of services and goods sold")	<b>11,929</b>	5,842
Cost of inventories sold	<b>36,512</b>	49,313
Bank interest income (included in "Other revenue")	<b>(367)</b>	(465)
Depreciation of property, plant and equipment and right-of-use assets	<b>6,093</b>	6,020
Provision of loss allowance of trade receivables	<b>193</b>	8
Loss on disposal of property, plant and equipment	<b>–</b>	5
	<b><u>–</u></b>	<b><u>5</u></b>

## 6. INCOME TAX EXPENSES

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Current tax</b>		
The Mainland China Enterprise Income Tax (“Mainland China EIT”)		
– Current year	<b>10,205</b>	–
– Under-provision in respect of prior year	<b>1,747</b>	–
Hong Kong Profits Tax	–	22
Singapore corporate income tax (“Singapore CIT”)	–	51
The UK corporate income tax (“UK CIT”)	–	2
	<b>11,952</b>	75
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(2,759)</b>	(48)
Total income tax expenses	<b>9,193</b>	27

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

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for both six months ended 30 September 2022 and 2021.

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% for the six months ended 30 September 2022 and 2021. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits for the six months ended 30 September 2022 and 2021.

Malaysia corporate income tax (“Malaysia CIT”) is calculated at the rate of 24% of the estimated assessable profits of the Group’s entities in Malaysia arising from Malaysia during the six months ended 30 September 2022 and 2021. Malaysia incorporated entities with paid-up capital of Malaysia Ringgit (“RM”) 2.5 million or less and gross income from business of not more than RM50 million enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at the standard rate for the six months ended 30 September 2022 and 2021.

Singapore CIT is calculated at the rate of 17% of the estimated assessable profits of the Group's entity in Singapore arising from Singapore. There is no Singapore CIT rebate for the six months ended 30 September 2022 and 2021.

During the six months ended 30 September 2022 and 2021, Singapore incorporated companies can enjoy 75% tax exemption on the first Singapore Dollars (“S\$”) 10,000 of normal taxable income and a further 50% tax exemption on the next S\$190,000 of normal taxable income.

The Group's entity established in the UK is subject to the corporate income tax at a statutory rate of 19% for the six months ended 30 September 2022 and 2021.

For the six months ended 30 September 2022, the Hong Kong Profits Tax, Malaysia CIT, Singapore CIT and the UK CIT (30 September 2021: Mainland China EIT and Malaysia CIT) have not been provided for in the condensed consolidated interim financial information as there was either loss for taxation purpose or no assessable profits being derived from the Hong Kong, Malaysia, Singapore and the UK, respectively (30 September 2021: Mainland China and Malaysia, respectively).

## 7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2022 and 2021. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2022 and 2021.

## 8. LOSS PER SHARE

### (a) Basic loss per share

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Loss</b>		
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	<u>(241,353)</u>	<u>(29,641)</u>
	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<i>Number of shares</i>	<i>Number of shares</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>765,373,584</u>	<u>765,373,584</u>



**(b) Diluted loss per share**

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

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss for the period attributable to owners of the Company	<b>(241,353)</b>	(29,641)
Change in fair value of convertible bond designated as financial liabilities at FVPL	<b>263,539</b>	45,290
Exchange loss/(gain) on convertible bond designated as financial liabilities at FVPL	<b>35,707</b>	(2,041)
	<b><u>57,893</u></b>	<u>13,608</u>

*(ii) Weighted average number of ordinary shares*

	<b>Six months ended 30 September</b>	
	<b>2022</b>	2021
	<b>Number of shares</b>	Number of shares
	<b>(unaudited)</b>	(unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>765,373,584</b>	765,373,584
Effect of conversion of convertible bond designated as financial liabilities at FVPL	<b><u>1,000,000,000</u></b>	<u>1,000,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b><u>1,765,373,584</u></b>	<u>1,765,373,584</u>

For the six months ended 30 September 2022 and 2021, the Company's outstanding convertible bond had an anti-dilutive effect to the basic loss per share calculation. The conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore, the basic and diluted loss per share for the six months ended 30 September 2022 and 2021 are the same.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 September 2022</b>	31 March 2022
<i>Note</i>	<b>HK\$'000</b> <b>(unaudited)</b>	<b>HK\$'000</b> <b>(audited)</b>
<b>Trade receivables</b>		
From third parties	<b>6,922</b>	4,824
Loss allowance	<b>(247)</b>	(54)
	<u>6,675</u>	<u>4,770</u>
	<i>9(a)</i>	
<b>Other receivables</b>		
Prepayments, deposits and other receivables	<b>4,997</b>	5,926
Other taxes receivables	<b>444</b>	543
Prepayments for acquisition of property, plant and equipment	<b>14,575</b>	5,306
	<u>20,016</u>	<u>11,775</u>
	<b>26,691</b>	16,545
<b>Analysed by:</b>		
Non-current	<b>14,575</b>	5,306
Current	<b>12,116</b>	11,239
	<u>26,691</u>	<u>16,545</u>

**9(a) Trade receivables**

*Loss allowance*

The Group's sales to coal customers are largely done on payment in advance basis. For certain well-established customers, the Group allows an average credit period of 90 days.

The Group grants credit period up to 60 days from the date of issuance of invoice to its customers from renewable energy business segment and IT Services business segment.

*Ageing analysis*

At the end of reporting period, the ageing analysis of the trade receivables (presented based on the invoice date), net of loss allowances was as follows:

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
Within 30 days	<b>4,489</b>	1,793
31-60 days	<b>452</b>	1,245
61-90 days	<b>745</b>	733
Over 90 days	<b>1,236</b>	1,053
Less: Loss allowance	<b>(247)</b>	(54)
	<b><u>6,675</u></b>	<u>4,770</u>

## 10. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables (presented based on invoice date) is as follows:

	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Within 90 days	<b>12,421</b>	5,914
91-180 days	<b>1,816</b>	2,779
181-365 days	<b>859</b>	6,337
Over 1 year	<b>2,998</b>	3,119
	<hr/>	<hr/>
Trade payables	<b>18,094</b>	18,149
Contract liabilities	<b>3,615</b>	6,414
Government levies payable		
– Economic development fees in coal resources areas	<b>25,695</b>	28,964
– Others	<b>441</b>	497
Accrued expenses	<b>2,667</b>	3,224
Other taxes payable	<b>5,413</b>	9,217
Other payables	<b>6,611</b>	3,979
	<hr/>	<hr/>
Total trade and other payables	<b>62,536</b>	70,444
	<hr/>	<hr/>

The average credit period of purchases of goods is up to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 11. INTEREST-BEARING BORROWINGS

	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<b>Current portion</b>		
Interest-bearing borrowings	<b>3,471</b>	37,254
	<hr/>	<hr/>

The interest-bearing borrowings with a clause in their terms that gives the banks 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 banks would exercise their right to demand repayment.

As at 30 September 2022 and 31 March 2022, the interest-bearing borrowings are secured by:

- (i) mining right with carrying amount of approximately HK\$106,434,000 (31 March 2022: approximately HK\$128,446,000);
- (ii) unlimited personal guarantee given by a director of a subsidiary; and/or
- (iii) limited government guarantee under SME Loan Guarantee Scheme.

The interest-bearing borrowings are repayable within one year as at 30 September 2022 (31 March 2022: one year). The average effective interest rates on the interest-bearing borrowings were ranging from 1.6% to 4.6% (31 March 2022: 3.9% to 9.7%) per annum. All the interest-bearing borrowings are denominated in HK\$ and RMB (31 March 2022: HK\$ and RMB).

## 12. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Amount HK\$'000</b>
<b>Ordinary shares</b>		
Authorised:		
Balance as at 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and <b>30 September 2022 (unaudited)</b>	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance as at 1 April 2021 (audited), 31 March 2022 (audited), 1 April 2022 (audited) and <b>30 September 2022 (unaudited)</b>	<u>765,373,584</u>	<u>76,537</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

For Reporting Period, the Group was engaged in three business segments, (1) coal mining business; (2) renewable energy business and (3) IT Services (as defined below) business. Our main business is coal mining and sales of coal in Xinjiang Uygur Autonomous Region (“Xinjiang”) of the People’s Republic of China (the “Mainland China”). Xinjiang is remote from major industrial cities in the Mainland China, and hence coal produced in Xinjiang is mainly consumed locally due to the logistic and the transportation costs. On 8 October 2018, we completed the acquisition of NEFIN Leasing Technologies Limited and its wholly owned subsidiary, NEFIN Technologies (Malaysia) Sdn. Bhd. (together the “NEFIN Group”) which is principally engaged in renewable energy solutions in Malaysia. We further allocated resources into the solar energy projects since then so as to enable higher efficiency together with the existing solar assets. On 23 April 2019, we completed the acquisition of Harbour Group Holdings Limited (“Harbour Group Holdings”) and its subsidiaries (collectively the “Harbour Group”) which is principally engaged in the provision of information technology (“IT”) outsourcing, consultancy and technical services (together referred to as “IT Services”) mainly in Hong Kong with expanding business in the United Kingdom (“UK”), Malaysia and Singapore. Our Group will continue our focus on developing the existing business. In the long run, we will aspire and strive to grow into an enterprise with a diversified business.

### **Revenue**

The Group recorded a revenue of approximately HK\$110,712,000 for the Reporting Period (2021: approximately HK\$117,995,000). It represents a decrease of approximately HK\$7,283,000 or approximately 6.2% as compared with the previous corresponding period.

## **Coal Mining Business**

During the Reporting Period, revenue of approximately HK\$94,376,000 of the coal mining business is decreased by approximately HK\$10,654,000 or approximately 10.1% as compared to approximately HK\$105,030,000 in the previous corresponding period. The decrease in revenue was mainly due to the worsening situation of the Coronavirus Disease 2019 (“COVID-19”) outbreak and the lockdown in Xinjiang for more than 3 months since August 2022, resulting in limited selling activities being carried out at the coal mine. The Group sold approximately 585,876 tonnes (2021: approximately 1,150,887 tonnes) of coal during the Reporting Period, decreased by 565,011 tonnes or approximately 49.1% compared to that in the previous corresponding period. However, the revenue was not decreased significantly in proportion to the volume decrease, due to the average selling prices per ton being increased by approximately HK\$69.83 or approximately 76.5% to approximately HK\$161.09 per ton during the Reporting Period (2021: HK\$91.26 per ton).

## **Renewable Energy Business**

During the Reporting Period, the renewable energy business recorded a revenue of approximately HK\$1,804,000 (2021: approximately HK\$1,893,000). The decrease in revenue of approximately 4.7% of the renewable energy business was mainly due to the adverse effect of exchange rate during the Reporting Period.

## **IT Services Business**

During the Reporting Period, the IT Services business contributed a revenue of approximately HK\$14,532,000 (2021: approximately HK\$11,072,000). Due to the COVID-19 control measures having been loosened in Hong Kong and worldwide, the business of IT services has been picked up progressively and the revenue was increased by approximately 31.3% as compared with the previous corresponding period.

## **Cost of services and goods sold**

### *Coal Mining Business*

The cost of sales of the coal mining business for the Reporting Period was approximately HK\$36,925,000 (2021: approximately HK\$64,156,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The decrease in cost of sales was mainly in line with the decrease of sales volume during the Reporting Period as compared with the previous corresponding period.

### *Renewable Energy Business*

During the Reporting Period, the cost of services of the renewable energy business is approximately HK\$991,000 (2021: approximately HK\$898,000). The increase in cost of services was mainly due to increase of depreciation expense during the Reporting Period as compared with the previous corresponding period.

### *IT Services Business*

During the Reporting Period, the cost of services and goods sold of the IT Services business is approximately HK\$12,080,000 (2021: approximately HK\$9,679,000). The increase in cost of services and goods sold was largely in line with the increase of revenue during the Reporting Period as compared with the previous corresponding period.

### **Gross profit**

The gross profit of the Group for the Reporting Period was approximately HK\$60,716,000 (2021: approximately HK\$43,262,000). The gross profit increased by approximately HK\$17,454,000 or approximately 40.3% and the gross profit margin of approximately 54.8% for the Reporting Period is increased by approximately 18.1% as compared with approximately 36.7% for the previous corresponding period. Coal mining business contributed gross profit of approximately HK\$57,451,000 (2021: approximately HK\$40,874,000), IT Services business contributed gross profit of approximately HK\$2,452,000 (2021: approximately HK\$1,393,000) and renewable energy business contributed gross profit of approximately HK\$813,000 (2021: approximately HK\$995,000).

### **Other revenue**

The Group's other revenue for the Reporting Period was approximately HK\$1,166,000 (2021: approximately HK\$575,000), representing an increase of approximately HK\$591,000 or approximately 102.8% as compared with the previous corresponding period. This is mainly due to the government grants amounting to approximately HK\$541,000 (2021: Nil) from the Anti-epidemic Fund under the Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant during the Reporting Period.



## **Administrative and other operating expenses**

The Group's administrative and other operating expenses for the Reporting Period was approximately HK\$18,984,000 (2021: approximately HK\$17,199,000), representing an increase of approximately HK\$1,785,000 or approximately 10.4% as compared with the previous corresponding period. This was mainly due to the combined effect of the increase in number of staff, in which the salaries and allowances and staff welfare derived from coal mining business was increased by approximately HK\$2,124,000 during the Reporting Period.

## **Loss for the Reporting Period**

Loss of the Group for the Reporting Period was approximately HK\$241,725,000 (2021: approximately HK\$29,900,000), representing an increase in loss of approximately HK\$211,825,000 as compared with the previous corresponding period. Such increase in loss was mainly due to the net effect of the following:

- (a) fair value loss of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL") of approximately HK\$263,539,000 (2021: approximately HK\$45,290,000);
- (b) impairment loss on goodwill: Nil (2021: approximately HK\$3,040,000);
- (c) the net exchange loss of approximately HK\$7,442,000 (2021: of approximately HK\$2,156,000);
- (d) the increase of other revenue by approximately HK\$591,000;
- (e) the increase of gross profit by approximately HK\$17,454,000;
- (f) the increase of administrative and other operating expenses by approximately HK\$1,785,000;
- (g) the decrease of finance costs by approximately HK\$1,685,000; and
- (h) the increase of income tax expenses by approximately HK\$9,166,000.

*Change in fair value of convertible bond designated as financial liabilities at FVPL*

The zero coupon convertible bond (the “Convertible Bond”) of the Company in the principal amount of HK\$200,000,000 was issued on 14 March 2008 with a conversion price of HK\$0.20 per share (subject to adjustments) and maturity date of 17 March 2011 (details of which were set out in the announcements of the Company dated 28 January 2008 and 14 March 2008).

The maturity date of the Convertible Bond was then extended to 13 March 2014, 13 March 2017, 13 March 2020, and further extended to 13 March 2023 (details of which were respectively set out in the circulars of the Company dated 21 February 2011, 13 February 2014, 17 February 2017 and 24 February 2020 and announcements of the Company dated 11 March 2011, 10 March 2014, 7 March 2017 and 11 March 2020).

On 11 August 2022, the Company entered into a fifth deed of amendment with Ascent Goal Investments Limited (“Ascent Goal”), to further extend the maturity date of the Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2023 (date of extension) to 13 March 2026. Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms. The fifth deed of amendment is subject to the approval of the independent shareholders of the Company at the special general meeting to be held on 9 December 2022. Details were set out in the announcement of the Company dated 11 August 2022 and the circular of the Company dated 16 November 2022.

As at the date of this announcement, the outstanding principal amount of the Convertible Bond is HK\$200,000,000.

The Company conducted valuation for the fair value of the Convertible Bond every financial year after its issuance in compliance with the relevant accounting policies. The Company has engaged ValQuest Advisory (Hong Kong) Limited (“ValQuest”) as its independent professional valuer for the purpose of assessing the fair value of the Convertible Bond as at 30 September 2022. In assessing the fair value of the Convertible Bond, the binomial option pricing model was adopted and factors including stock price of the Company, specific terms and structure of the Convertible Bond, trading conditions and liquidity of the Convertible Bond, and ancillary effects associated with the exercise or conversion and partial conversion of the Convertible Bond were taken into account. The credit rating of our Company is estimated to be CCC with reference to Standard & Poor’s Corporate Rating Criteria, where Corporate Bond with issuer credit rating from CCC- to CCC+ and similar time to maturity were selected, the discount rate is 19.67% (31 March 2022: 14.41%).

The fair values of the Convertible Bond were approximately HK\$446,076,000 and approximately HK\$182,537,000 as at 30 September 2022 and 31 March 2022, respectively. The amounts were assessed and reviewed by the directors of the Company (the “Directors”) and reviewed or audited by the auditor of the Company. According to the relevant accounting policies, the increase in fair value of the Convertible Bond represents an increase in liabilities of the Company. The amount of the change in fair value of the Convertible Bond of approximately HK\$263,539,000 was derived by taking the difference between the fair value of the Convertible Bond as at 30 September 2022 and 31 March 2022. The significant change in fair value of the Convertible Bond was mainly due to the significant change in the stock price of the Company and the expected volatility of the stock price of the Company during the Reporting Period. The closing stock prices of the Company were HK\$0.41 and HK\$0.066 as at 30 September 2022 and 31 March 2022, respectively, and the expected volatility of the stock price of the Company was 160.32% and 93.35% based on the historical price volatility of the Company for the six months ended 30 September 2022 and for the year ended 31 March 2022, respectively.

## **SEGMENT INFORMATION**

### **Business segment**

Information reported to the executive Directors, being identified as the chief operating decision makers (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Coal mining business segment: mining and sales of coal mine in the Xinjiang of the Mainland China;
- (2) Renewable energy business segment: provision of service for renewable energy solutions in Malaysia; and
- (3) IT Services business segment: provision of IT Services in Hong Kong, Singapore, Malaysia and the UK.

## Segment revenue and results

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

### (i) Coal Mining Business

Coal mining is the major business of the Group at present. It contributed a revenue of approximately HK\$94,376,000 for the Reporting Period (2021: approximately HK\$105,030,000), representing a decrease of approximately 10.1% as compared with the previous corresponding period.

#### Sales and Production of Coals

During the Reporting Period, the Group sold approximately 585,876 tonnes of coals (2021: approximately 1,150,887 tonnes) with total sales income of approximately HK\$94,376,000 (2021: approximately HK\$105,030,000). Details of sales of coals in tonnes are listed in the below table:

	Six months ended 30 September	
	2022	2021
Sales of coals	<u>585,876 tonnes</u>	<u>1,150,887 tonnes</u>

#### Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Mixed Coal	501,658	85.6%
Slack Coal	34,597	5.9%
Weathered Coal	<u>49,621</u>	<u>8.5%</u>
Total	<u>585,876</u>	<u>100%</u>

(ii) *Renewable Energy Business*

Service income from renewable energy business contributed a revenue of approximately HK\$1,804,000 for the Reporting Period (2021: approximately HK\$1,893,000).

(iii) *IT Services Business*

Service income from IT Services business contributed a revenue of approximately HK\$14,532,000 for the Reporting Period (2021: approximately HK\$11,072,000).

## **Reserves and Resources**

The Group owns a mining right located in Xinjiang. The estimated remaining reserve in Kaiyuan Open Pit Coal Mine (the “Kaiyuan Mine”) (excluding the Enlarged Kaiyuan Mine (as defined in “Major Events”)) was approximately 5.11 million tonnes as at 31 March 2020.

On 2 December 2019, the Transfer agreement was officially passed by Department of Natural Resources of Xinjiang Uygur Autonomous Region\* (新疆維吾爾自治區自然資源廳) of the Mainland China (the “Xinjiang Natural Resources Department”) to Mulei County Kai Yuan Coal Company Limited\* (木壘縣凱源煤炭有限責任公司) (“Kaiyuan Company”), an indirect wholly-owned subsidiary of the Company. According to the competent person’s report and valuation report of the Enlarged Kaiyuan Mine dated 19 August 2020, the probable reserve in the Enlarged Kaiyuan Mine was approximately 63.48 million tonnes as at the date of acquisition of the Enlarged Kaiyuan Mine.

During the Reporting Period, approximately 0.87 million tonnes of coal was extracted (2021: approximately 0.62 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 30 September 2022 is equivalent to 64.35 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (31 March 2022: approximately 65.22 million tonnes).

Coal Reserve as at 30 September 2022 = Coal Reserve as at 31 March 2022 – Amount of coal extracted by the Group during the period from 1 April 2022 to 30 September 2022.

\* *English translation for identification purposes only.*

## **Geographical segment**

The geographical location of customers is determined based on the location where the goods are delivered, or services are rendered. The Group's revenue and results from operations are mainly derived from activities in the Mainland China, Hong Kong, Singapore, the UK and Malaysia. Activities outside these five locations are insignificant. The principal assets of the Group are located in the Mainland China, Hong Kong and Malaysia.

## **MAJOR EVENTS**

### **Acquisition of the New Mining Right of the Enlarged Kaiyuan Mine**

As disclosed in the announcements of the Company dated 11 November 2011, 21 March 2012, 15 June 2012, 21 March 2014, 15 August 2017, 28 March 2018, 14 December 2018, 31 December 2018, 15 May 2019, 31 May 2019, 4 November 2019 and 15 November 2019, the Group negotiated with the Xinjiang Natural Resources Department regarding the Optimization and Upgrading Plan<sup>#</sup> relating to the Kaiyuan Mine (i.e. the operating coal mine of the Group in Xinjiang), in particular, to increase the mining area of the Kaiyuan Mine and obtain the corresponding new mining right.

As announced by the Company on 6 December 2019 and 16 March 2020,

- (i) Kaiyuan Company as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the "Transfer Agreement") dated 2 December 2019, pursuant to which Kaiyuan Company acquired the new mining right (the "New Mining Right") of the Kaiyuan Mine with an enlarged mining area (including the original mining area of approximately 1.1596 km<sup>2</sup>) of 4.1123 km<sup>2</sup> in Xinjiang (the "Enlarged Kaiyuan Mine") for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration of Renminbi ("RMB") 160,978,000 (the "Acquisition");
- (ii) the estimated coal resources of the Enlarged Kaiyuan Mine are 41.6433 million tonnes for the mining life of 30 years under the Transfer Agreement;

<sup>#</sup> "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.

- (iii) the new mining permit (the “New Mining Permit”) in respect of the New Mining Right with mining term of 1 year from 21 December 2018 to 21 December 2019 regarding the New Mining Right was granted to Kaiyuan Company on 3 November 2018, which has been renewed for two years from 21 December 2019 to 21 December 2021. On 10 October 2021, the New Mining Right has been further renewed for ten years from 11 October 2021 to 11 October 2031;
- (iv) Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the New Mining Right under the Transfer Agreement;
- (v) the consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to the Xinjiang Natural Resources Department in fifteen instalments: (a) the first instalment in an amount of RMB32,200,000 was paid by Kaiyuan Company; (b) the second to fourteenth instalments in an amount of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and (c) the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033;
- (vi) the Acquisition constituted a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and
- (vii) as part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 (the “Resources Fee”) to the Xinjiang Natural Resources Department for 19.8 million tonnes of coal of Kaiyuan Mine, which represented the difference between the accumulated output of 23.65 million tonnes of the Kaiyuan Mine at the end of 2017 and the output of 3.8819 million tonnes (Resources Fee of such output had been paid by Kaiyuan Company to the Xinjiang Natural Resources Department) and recognised in the profit or loss for the year ended 31 March 2020. Based on the advice given by the legal adviser of the Company as to the laws of the Mainland China, other than the payment of the Resources Fee, Kaiyuan Company will not be subject to any fees relating to the original Kaiyuan Mine pursuant to the terms of the Transfer Agreement.

## **Acquisition of shares and subscription of new shares in Harbour Group Holdings**

References are made to announcements of the Company dated 11 March 2019 and 23 April 2019 and the circular of the Company dated 1 April 2019 in relation to the acquisition of shares and subscription of new shares in Harbour Group Holdings.

On 11 March 2019, (i) Ample Talent Ventures Limited (“Ample Talent”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with an independent third party (the “Vendor”), pursuant to which the Vendor has conditionally agreed to sell, and Ample Talent has conditionally agreed to purchase 80% shareholding interest in Harbour Group Holdings at a consideration of HK\$35,712,000 (the “Harbour Group Acquisition”); and (ii) Ample Talent and Harbour Group Holdings entered into a subscription agreement, pursuant to which Harbour Group Holdings has conditionally agreed to issue and allot to Ample Talent, and Ample Talent conditionally agreed to subscribe for 450 ordinary shares of Harbour Group Holdings, representing approximately 4.5% of the total number of shares of Harbour Group Holdings in issue as at the date of subscription agreement at an aggregate subscription price (the “Subscription Price”) of HK\$2,008,800 (the “Subscription”). The Company indirectly interests in 80.86% shares of Harbour Group Holdings in issue upon completion of the Harbour Group Acquisition and Subscription on 23 April 2019.

The consideration for the Harbour Group Acquisition has been settled in cash of HK\$28,512,000 by Ample Talent to the Vendor and the remaining amount of HK\$7,200,000 by means of the issue of the three promissory notes (the “Promissory Note(s)”), each in the principal amount of HK\$2,400,000 by the Company to the Vendor. The Subscription Price has been settled in cash.

Harbour Group consists of Harbour Group Holdings, Harbour Group (Singapore) Pte. Ltd., Harbour Group Consulting (UK) Limited, HGH Technology Sdn. Bhd., Mountain Managed Cloud Consulting Limited and Vanguard Business Services Limited. Harbour Group is principally engaged in the provision of IT outsourcing, consultancy and technical services mainly in Hong Kong with expanding business in the UK, Malaysia and Singapore. The Directors are of the view that the Harbour Group Acquisition and the Subscription can broaden the Group’s revenue base and benefit from the diversified return in future. The Harbour Group Acquisition and the Subscription constituted a business combination and had been accounted for using the acquisition method under HKFRS 3 Business Combinations.



Pursuant to the Sale and Purchase Agreement, the Vendor agreed to guarantee that the audited consolidated net profit generated from operating activities of the Harbour Group in its ordinary and usual course of business, prepared in accordance with HKFRSs (the “Net Profit”), for the years ended 31 December 2018 (“FY2018”), 31 December 2019 (“FY2019”) and 31 December 2020 (“FY2020”, and each such 12-month period, a “PG 12-Month Period”) shall be no less than HK\$7,200,000 per annum (the “Guaranteed Profit”). In the event that the Net Profit during the each PG 12-Month Period is less than the Guaranteed Profit, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay the shortfall multiplied by the ratio of 1.13 to the Group by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Note(s) issued to the Vendor.

The profit guarantee for FY2018 was met but the profit guarantee for FY2019 and FY2020 was not fulfilled.

As disclosed in the announcement dated 7 April 2020, the shortfall for FY2019 profit guarantee equals to HK\$2,187,091 (rounded to the nearest dollar). Such amount was deducted from the Promissory Note in the principal amount of HK\$2,400,000 and the outstanding amount of HK\$212,909 (i.e. after deduction of the shortfall amount) of the Promissory Note was paid to the Vendor by the Group.

As disclosed in the announcement dated 7 May 2021, the shortfall for FY2020 profit guarantee equals to HK\$2,538,041 (rounded to the nearest dollar). Such amount was deducted from the Promissory Note in the principal amount of HK\$2,400,000 and the outstanding amount of HK\$138,041 after deduction of the Promissory Note was paid by the Vendor to the Group.

## **PROSPECTS**

The Group actively proceeded with the Optimization and Upgrading Plan since 2011 in relation to the New Mining Right of the Enlarged Kaiyuan Mine. The Acquisition enlarged the Group’s coal resources and allowed the Group to enhance the development of its sales operations of Kaiyuan Mine in the future. The Directors consider that the transaction is in line with the Group’s strategy to expand the coal mining business of the Group. On 10 October 2021, Kaiyuan Company successfully renewed and received the renewed New Mining Permit issued by the Xinjiang Natural Resources Department, pursuant to which the term of the mining right of the Enlarged Kaiyuan Mine is renewed for a period of 10 years from 11 October 2021 to 11 October 2031.

In the coming periods, there will be (i) a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works and (ii) reasonable expenditure for works required by the Safety Bureau to improve safety standard of our coal mine. Sources of funding are expected to come primarily from the coal sales revenue and external banking facilities of the Group.

In addition to coal mining, the Group has been exploring new markets and seeking to develop its business coverage on technological and renewable energy sectors, in particular, the acquisition of Harbour Group in 2019 and NEFIN Group in 2018. It is one of the objectives of the Group to diversify its business portfolio into sectors offering higher growth momentum.

Due to the prolonged outbreak of COVID-19 in Hong Kong and worldwide since 2019, we are facing a difficult business environment, which has negatively impacted the growth of our IT Services business in Hong Kong. In 2022, the COVID-19 control measures in Hong Kong has been loosened and our IT Services business will resume its growth.

The board of Directors (the “Board”) will continue to keep track of the latest development of the COVID-19 and will use its best endeavors to manage the Group’s business portfolio with a view to improving the Group’s financial performance and enhancing shareholders’ value.

## **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 2022 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

Save as otherwise disclosed, the Group does not have any future plan for material investments. There will, however, be a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection remedial works. Sources of funding are expected to come primarily from the coal sales revenue and also external banking facilities of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group had:

- net current liabilities and net liabilities of approximately HK\$299,910,000 and approximately HK\$57,166,000, respectively (31 March 2022: net current liabilities and net assets of approximately HK\$32,068,000 and approximately HK\$224,189,000, respectively).
- cash and cash equivalents of approximately HK\$203,124,000 (31 March 2022: approximately HK\$260,753,000) and the bank balances were the major components of the Group's current assets of approximately HK\$222,272,000 (31 March 2022: approximately HK\$274,922,000). All the cash and cash equivalents are denominated in Hong Kong dollars ("HK\$"), Malaysian Ringgit ("MYR"), Singapore Dollars ("S\$"), Great Britain Pound ("GBP"), United States Dollars ("US\$") and RMB (31 March 2022: HK\$, MYR, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$522,182,000 (31 March 2022: approximately HK\$306,990,000) which comprised Convertible Bond of approximately HK\$446,076,000 (31 March 2022: approximately HK\$182,537,000), trade and other payables of approximately HK\$62,536,000 (31 March 2022: approximately HK\$70,444,000) and interest-bearing borrowings of approximately HK\$3,471,000 (31 March 2022: approximately HK\$37,254,000).

The interest-bearing borrowings are repayable within one year as at 30 September 2022 (31 March 2022: one year). The average effective interest rates on the interest-bearing borrowings were ranging from 1.6% – 4.6% (31 March 2022: 3.9% – 9.7%) per annum. The interest-bearing borrowings are denominated in HK\$ and RMB (31 March 2022: HK\$ and RMB).

- non-current liabilities of approximately HK\$78,768,000 (31 March 2022: approximately HK\$85,091,000) which comprised non-current portion payable related to mining right payables of approximately HK\$74,856,000 (31 March 2022: approximately HK\$81,011,000).

The Group's gearing ratio was approximately (9.28) (31 March 2022: approximately 1.37). The computation is based on total debt (Convertible Bond, mining right payables, lease liabilities and interest-bearing borrowings) divided by total deficit/equity.

## **CAPITAL STRUCTURE**

The capital of the Group comprises only ordinary shares.

As at 30 September 2022, there were 765,373,584 (31 March 2022: 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 2023 by the shareholders of the Company on 11 March 2020.

On 11 August 2022, the Company entered into a fifth deed of amendment with Ascent Goal, to further extend the maturity date of the Convertible Bond for 36 months and the conversion period will accordingly be extended for 36 months from 13 March 2023 (date of extension) to 13 March 2026. Apart from the extension of maturity date and the conversion period, all terms of the convertible bond remain unchanged from the original terms. The fifth deed of amendment is subject to the approval from the independent shareholders of the Company at the special general meeting to be held on 9 December 2022. Details were set out in the announcement of the Company dated 11 August 2022 and the circular of the Company dated 16 November 2022.

## **CHARGES ON GROUP'S ASSETS**

As at 30 September 2022, the Group had pledged its mining right with carrying amount of approximately HK\$106,434,000 (31 March 2022: approximately HK\$128,446,000).

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly earns revenue in RMB, HK\$ and MYR and incurs costs in RMB, HK\$ and MYR. The Group is exposed to foreign exchange risk based on fluctuations of exchange rates of HK\$ and MYR against RMB. The currency exchange risk for the Reporting Period is mainly derived from the exchange difference on convertible bond designated as financial liabilities at FVPL, which is a result from the depreciation of RMB against HK\$. In order to minimise the foreign currency risk exposure between these two currencies, the Group maintained cash balances in both currencies that are sufficient to meet several months' operating cash flows requirements of the Group.

## **TREASURY POLICIES**

Apart from the issuance of Convertible Bond at their face value of HK\$200,000,000 and the interest-bearing borrowings amounting to approximately HK\$3,471,000 (31 March 2022: approximately HK\$37,254,000), the Group finances its operation mainly by internal generated resources.

## **CONTINGENT LIABILITIES**

As at 30 September 2022, the Group did not have any material contingent liabilities (31 March 2022: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2022, the Group had 145 employees (31 March 2022: 140) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding Directors' emoluments) for the Reporting Period amounted to approximately HK\$17,023,000 (31 March 2022: approximately HK\$38,954,000). Employment relationship has been well maintained by the Group with its employees. The Group has adopted an extensive training policy for its employees.

Remuneration policy of the Company is reviewed regularly, making reference to market condition and performance of the Company and individual staff (including the Directors).

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Reporting Period (2021: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules during the Reporting Period, save for the deviation from code provision C.2.1 as disclosed below:

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive (the “CE”) should be separate and should not be performed by the same individual. During the Reporting Period, the Company did not have any officer with CE title. Mr. Kwan Man Fai, the chairman and managing Director, 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”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry 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, Dr. 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 was conducted by the external auditor of the Company 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 announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.nannanlisted.com](http://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.

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

Hong Kong, 23 November 2022

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