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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 2024

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 2024 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

		Six months ended 30 September	
	<i>Notes</i>	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	4	178,204	54,100
Cost of services and goods sold		(82,033)	(46,348)
Gross profit		96,171	7,752
Other revenue		1,408	1,699
Selling and distribution expenses		(634)	(511)
Administrative and other operating expenses		(32,372)	(30,160)
Exchange gain/(loss), net		14,538	(3,170)
Finance costs	5	(2,842)	(3,097)
(Loss)/Gain on fair value change of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”)		(10,128)	42,293
Profit before tax	5	66,141	14,806
Income tax (expenses)/credit	6	(18,998)	2,565
Profit for the period		47,143	17,371

		Six months ended 30 September	
		2024	2023
<i>Notes</i>		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive loss:			
<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	(11,167)	1,235
	Loss on fair value change of convertible bond designated as financial liabilities at FVPL arising from change in its credit risk	(14,522)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
	Exchange difference on translation of functional currency to presentation currency	1,787	(20,366)
	Other comprehensive loss for the period	(23,902)	(19,131)
	Total comprehensive income/(loss) for the period	23,241	(1,760)
Profit/(Loss) for the period attributable to:			
	– Owners of the Company	47,334	18,176
	– Non-controlling interests	(191)	(805)
		47,143	17,371
	Total comprehensive income/(loss) for the period attributable to:		
	– Owners of the Company	23,353	(1,046)
	– Non-controlling interests	(112)	(714)
		23,241	(1,760)
Earnings/(Loss) per share (expressed in Hong Kong cents)			
	– Basic	6.18	2.38
	– Diluted	2.88	(0.36)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024	31 March 2024
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		142,851	138,848
Intangible assets		219,659	182,121
Goodwill		4,229	4,229
Prepayments for acquisition of property, plant and equipment	9	117	227
		366,856	325,425
Current assets			
Inventories		939	2,031
Trade and other receivables	9	6,586	8,229
Cash and cash equivalents		250,149	189,307
		257,674	199,567
Current liabilities			
Trade and other payables	10	105,390	68,352
Mining right payables, current portion		4,956	4,541
Lease liabilities		146	1,029
Tax payables		8,458	2,599
		118,950	76,521
Net current assets		138,724	123,046
Total assets less current liabilities		505,580	448,471

		30 September	31 March
		2024	2024
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Capital and reserves			
Share capital	<i>11</i>	76,537	76,537
Reserves		118,216	94,863
		<hr/>	<hr/>
Equity attributable to owners of the Company		194,753	171,400
Non-controlling interests		262	374
		<hr/>	<hr/>
		195,015	171,774
		<hr/>	<hr/>
Non-current liabilities			
Convertible bond designed as financial liabilities of FVPL		232,799	208,149
Provision for close down, restoration and environmental costs		2,757	2,678
Mining right payables, non-current portion		67,000	62,559
Lease liabilities		–	267
Deferred tax liabilities		8,009	3,044
		<hr/>	<hr/>
		310,565	276,697
		<hr/>	<hr/>
		505,580	448,471
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2024

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 11/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 2024 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 2024 (the “2023/2024 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 2023/2024 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 designated as financial liabilities at fair value through profit or loss ("FVPL"), 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 2024 are consistent with those followed in the preparation of the 2023/2024 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.

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 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 gain or loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayment for acquisition of property, plant and equipment, 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, 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.

Segment revenue and results

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

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30 September 2024 (unaudited)					
Revenue from external customers and reportable segment revenue	<u>173,906</u>	<u>1,814</u>	<u>2,484</u>	<u>-</u>	<u>178,204</u>
Gross profit/(loss)	<u>95,311</u>	<u>890</u>	<u>(30)</u>	<u>-</u>	<u>96,171</u>
Selling and distribution expenses	<u>(600)</u>	<u>-</u>	<u>(34)</u>	<u>-</u>	<u>(634)</u>
Segment results	<u>94,711</u>	<u>890</u>	<u>(64)</u>	<u>-</u>	<u>95,537</u>
Other revenue	737	64	501	106	1,408
Administrative and other operating expenses	(13,221)	(539)	(3,284)	(15,328)	(32,372)
Finance costs	(2,793)	-	(39)	(10)	(2,842)
Loss on fair value change of convertible bond designated as financial liabilities at FVPL	-	-	-	(10,128)	(10,128)
Exchange gain, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,538</u>	<u>14,538</u>
Profit/(Loss) before tax	<u>79,434</u>	<u>415</u>	<u>(2,886)</u>	<u>(10,822)</u>	<u>66,141</u>
Income tax expenses	<u>(18,981)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(18,998)</u>
Profit/(Loss) for the period	<u>60,453</u>	<u>398</u>	<u>(2,886)</u>	<u>(10,822)</u>	<u>47,143</u>
<i>Additional segment information:</i>					
Amortisation	21,941	33	-	-	21,974
Depreciation	5,298	774	-	143	6,215
Additions to property, plant and equipment	3,825	-	-	-	3,825
Additions to intangible assets	53,368	-	-	-	53,368
Charge of loss allowance of trade receivables, net	<u>-</u>	<u>1</u>	<u>1,396</u>	<u>-</u>	<u>1,397</u>

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30 September 2023 (unaudited)					
Revenue from external customers and reportable segment revenue	42,744	1,759	9,597	–	54,100
Gross profit	6,252	820	680	–	7,752
Selling and distribution expenses	(470)	–	(41)	–	(511)
Segment results	5,782	820	639	–	7,241
Other revenue	1,003	66	43	587	1,699
Administrative and other operating expenses	(19,698)	(481)	(3,891)	(6,090)	(30,160)
Finance costs	(3,042)	–	(25)	(30)	(3,097)
Gain on fair value change of convertible bond designated as financial liabilities at FVPL	–	–	–	42,293	42,293
Exchange loss, net	–	–	–	(3,170)	(3,170)
(Loss)/Profit before tax	(15,955)	405	(3,234)	33,590	14,806
Income tax credit/(expenses)	2,567	(2)	–	–	2,565
(Loss)/Profit for the period	(13,388)	403	(3,234)	33,590	17,371
<i>Additional segment information:</i>					
Amortisation	3,826	33	–	–	3,859
Depreciation	5,046	762	380	497	6,685
Additions to property, plant and equipment	9,452	–	1,026	297	10,775
Additions to intangible assets	5,152	–	–	–	5,152
Charge of loss allowance of trade receivables, net	–	–	1,056	–	1,056
Supplemental environmental related fees	7,043	–	–	–	7,043

Segment assets and liabilities

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
As at 30 September 2024 (unaudited)					
Property, plant and equipment	114,281	28,398	–	172	142,851
Intangible assets	218,428	1,231	–	–	219,659
Goodwill	–	4,229	–	–	4,229
Other assets	214,513	6,111	2,397	34,770	257,791
Total assets	<u>547,222</u>	<u>39,969</u>	<u>2,397</u>	<u>34,942</u>	<u>624,530</u>
Convertible bond designated as financial liabilities at FVPL	–	–	–	(232,799)	(232,799)
Mining right payables	(71,956)	–	–	–	(71,956)
Other liabilities	(121,925)	(488)	(1,556)	(791)	(124,760)
Total liabilities	<u>(193,881)</u>	<u>(488)</u>	<u>(1,556)</u>	<u>(233,590)</u>	<u>(429,515)</u>
As at 31 March 2024 (audited)					
Property, plant and equipment	112,997	25,533	–	318	138,848
Intangible assets	180,857	1,264	–	–	182,121
Goodwill	–	4,229	–	–	4,229
Other assets	172,178	7,889	5,963	13,764	199,794
Total assets	<u>466,032</u>	<u>38,915</u>	<u>5,963</u>	<u>14,082</u>	<u>524,992</u>
Convertible bond designated as financial liabilities at FVPL	–	–	–	(208,149)	(208,149)
Mining right payables	(67,100)	–	–	–	(67,100)
Other liabilities	(72,283)	(824)	(2,526)	(2,336)	(77,969)
Total liabilities	<u>(139,383)</u>	<u>(824)</u>	<u>(2,526)</u>	<u>(210,485)</u>	<u>(353,218)</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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The Mainland China	173,906	42,744
Hong Kong	839	6,809
Malaysia	1,814	1,764
Singapore	1,645	2,556
The UK	–	227
	<u>178,204</u>	<u>54,100</u>

Location of the Specified Non-current Assets

	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
The Mainland China	332,827	294,081
Hong Kong	171	318
Malaysia	33,858	31,026
	<u>366,856</u>	<u>325,425</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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A from coal mining business segment	*	6,550
Customer B from coal mining business segment	*	5,975

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the six months ended 30 September 2024.

4. REVENUE

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	<u>173,906</u>	<u>42,744</u>
Renewable energy business		
– Service income from renewable energy solutions	<u>1,814</u>	<u>1,759</u>
IT Services business		
– Sales of IT hardware products	248	2,597
– IT outsourcing services	1,843	2,555
– IT consultancy and technical services	<u>393</u>	<u>4,445</u>
	<u>2,484</u>	<u>9,597</u>
	<u>178,204</u>	<u>54,100</u>

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

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<i>Timing of revenue recognition:</i>		
– at a point of time		
Sales of coals	173,906	42,744
Sales of IT hardware products	248	2,597
	<u>174,154</u>	<u>45,341</u>
– over time		
Service income from renewable energy solutions	1,814	1,759
IT outsourcing services	1,843	2,555
IT consultancy and technical services	393	4,445
	<u>4,050</u>	<u>8,759</u>
	<u>178,204</u>	<u>54,100</u>

5. PROFIT BEFORE TAX

This is stated at after charging/(crediting):

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance costs		
Interest on interest-bearing borrowings	–	37
Interest on mining right payables	2,793	2,989
Interest on lease liabilities	49	71
	<u>2,842</u>	<u>3,097</u>
Staff costs (charged to “Cost of services and goods sold”, “Selling and distribution expenses” and “Administrative and other operating expenses”)		
Staff costs (excluding directors’ remuneration)		
Salaries, bonus, allowance and other short-term employee benefits	14,810	14,608
Contributions to defined contribution retirement plan	2,523	1,771
	<u>17,333</u>	<u>16,379</u>
Other items		
Amortisation of intangible assets (charged to “Cost of services and goods sold”)	21,974	3,859
Cost of inventories sold	62,150	37,102
Bank interest income (included in “Other revenue”)	(754)	(1,559)
Depreciation of property, plant and equipment and right-of-use assets (charged to “Cost of services and goods sold” and “Administrative and other operating expenses”)	6,215	6,685
Charge of loss allowance of trade receivables, net	1,397	1,056
Supplemental environmental related fees (charged to “Administrative and other operating expenses”) (Note)	–	7,043
Gain on early termination of lease contracts	(481)	–

Note:

During the six months ended 30 September 2023, the relevant authorities in Xinjiang Uygur Autonomous Region of the Mainland China have interpreted the existing rules and regulations on the measurement requirements for the imposition of environmental related fees. The implementation of the new measurement requirements required 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited*, “Kaiyuan Company”) to pay a higher environmental related fees to the local government.

* English translation for identification purposes only.

Taking into consideration of the potential negative impact on the operation of coal mine from further negotiation with local government about the supplemental environment related fees, Kaiyuan Company decided not to further negotiate with the local government and to make an one-off voluntary settlement of approximately HK\$7,043,000 to the local government during the six months ended 30 September 2023.

6. INCOME TAX (EXPENSES)/CREDIT

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

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax		
The Mainland China Enterprise Income Tax (“Mainland China EIT”)		
– Current year	9,462	–
– Under/(Over)-provision in respect of prior year	1,654	(1,905)
– Withholding tax	2,127	–
Malaysia corporate income tax (“Malaysia CIT”)	26	10
	13,269	(1,895)
Deferred tax		
Reversal of temporary differences	5,729	(670)
Total income tax expenses/(credit)	18,998	(2,565)

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 2024 and 2023.

Dividends payable by a foreign invested enterprise in the Mainland China to its foreign investors are subject to 5% withholding tax, unless any foreign investor’s jurisdiction of incorporation has a tax treaty with the Mainland China that provides for a different withholding arrangements.

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% for the six months ended 30 September 2024 and 2023. 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 2024 and 2023.

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 2024 and 2023. During the six months ended 30 September 2024 and 2023, Malaysia incorporated entities with paid-up capital of Malaysia Ringgit ("RM") 2.5 million or less and gross business income of not more than RM50 million enjoy tax rate of 15% on the first RM150,000 and 17% on the next RM450,000 and remaining balance of the estimated assessable profits at the standard rate of 24%.

Singapore corporate income tax ("Singapore CIT") is calculated at the rate of 17% of the estimated assessable profits of the Group's entity in Singapore arising from Singapore.

During the six months ended 30 September 2024 and 2023, 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 UK corporate income tax (the "UK CIT") is calculated at a statutory rate of 25% of the estimated assessable profits of the Group's entities in the UK arising from the UK during the six months ended 30 September 2024 (30 September 2023: 25%). During the six months ended 30 September 2024 and 2023, the Group's entity established in the UK is subject to a 19% small profits rate of corporation tax introduced for companies whose profits do not exceed Great British Pound 50,000.

For the six months ended 30 September 2024, Hong Kong Profits Tax, Singapore CIT and the UK CIT (30 September 2023: Hong Kong Profits Tax, Malaysia CIT, Singapore CIT and the UK 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 Hong Kong, Singapore and the UK (30 September 2023: Hong Kong, Malaysia, Singapore and the UK), respectively.

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2024 and 2023. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2024 and 2023.

8. 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit		
Profit for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>47,334</u>	<u>18,176</u>
	Six months ended	
	30 September	
	2024	2023
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
	(unaudited)	(unaudited)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>765,373,584</u>	<u>765,373,584</u>

(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

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	47,334	18,176
Loss/(Gain) on fair value change of convertible bond designated as financial liabilities at FVPL	10,128	(42,293)
Exchange (gain)/loss on convertible bond designated as financial liabilities at FVPL	(6,626)	17,759
	50,836	(6,358)

(ii) Weighted average number of ordinary shares

	Six months ended	
	30 September	
	2024	2023
	Number of	Number of
	shares	shares
	(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 designated as financial liabilities at FVPL	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

9. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2024	2024
<i>Note</i>	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables		
From third parties	3,928	5,115
Loss allowance	<u>(2,353)</u>	<u>(956)</u>
	9(a) 1,575	4,159
Other receivables		
Prepayments, deposits and other receivables	4,882	3,959
Other taxes receivables	129	111
Prepayments for acquisition of property, plant and equipment	<u>117</u>	<u>227</u>
	5,128	4,297
	6,703	8,456
Analysed by:		
Non-current	117	227
Current	<u>6,586</u>	<u>8,229</u>
	6,703	8,456

9(a) Trade receivables

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:

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Within 30 days	796	1,142
31-60 days	376	895
61-90 days	379	273
Over 90 days	2,377	2,805
Less: Loss allowance	<u>(2,353)</u>	<u>(956)</u>
	<u>1,575</u>	<u>4,159</u>

10. TRADE AND OTHER PAYABLES

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

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Within 90 days	41,195	11,494
91-180 days	4,575	1,213
181-365 days	2,061	3,569
Over 1 year	<u>1,365</u>	<u>3,571</u>
Trade payables	49,196	19,847
Contract liabilities	5,046	3,300
Government levies payable		
– Economic development fees in coal resources areas	26,228	25,471
Accrued expenses	2,507	4,269
Other taxes payable	8,610	5,863
Other payables	<u>13,803</u>	<u>9,602</u>
Total trade and other payables	<u>105,390</u>	<u>68,352</u>

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. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Ordinary shares		
Authorised:		
Balance as at 1 April 2023 (audited), 31 March 2024 (audited), 1 April 2024 (audited) and 30 September 2024 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
Balance as at 1 April 2023 (audited), 31 March 2024 (audited), 1 April 2024 (audited) and 30 September 2024 (unaudited)	765,373,584	76,537

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 the six months ended 30 September 2024 (the “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. We are committed to optimizing our service offerings and focusing on areas that best support our long-term business goals. The Board will use its best endeavors to manage the Group’s business portfolio with a view to improving the Group’s financial performance and enhance shareholders’ value.

Revenue

The Group recorded a revenue of approximately HK\$178,204,000 for the Reporting Period (2023: approximately HK\$54,100,000). It represents an increase of approximately HK\$124,104,000 or approximately 229.4% as compared with the previous corresponding period.

Coal Mining Business

During the Reporting Period, revenue of approximately HK\$173,906,000 of the coal mining business increased by approximately HK\$131,162,000 or approximately 306.9% as compared to approximately HK\$42,744,000 in the previous corresponding period. The increase in revenue was mainly due to the increase in sales volume of coal during the Reporting Period. The Group sold approximately 1,391,693 tonnes (2023: approximately 300,971 tonnes) of coal during the Reporting Period, increased by 1,090,722 tonnes or approximately 362.4% compared to that in the previous corresponding period. The significant revenue increase was due to the net effect of the increase in sales volume, and the decrease in average selling prices per ton by approximately HK\$17.06 or approximately 12.0% to approximately HK\$124.96 per ton during the Reporting Period (2023: HK\$142.02 per ton).

Renewable Energy Business

During the Reporting Period, the renewable energy business recorded a revenue of approximately HK\$1,814,000 (2023: approximately HK\$1,759,000). The slight increase in revenue of approximately HK\$55,000 or approximately 3.1% of the renewable energy business was mainly due to the 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\$2,484,000 (2023: approximately HK\$9,597,000). Due to the sustained adverse economic climate in Hong Kong and worldwide, the business of IT services experienced challenges and therefore revenue decreased drastically by approximately HK\$7,113,000 or approximately 74.1% 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\$78,595,000 (2023: approximately HK\$36,492,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of services and materials, etc. The increase in cost of sales during the Reporting Period was mainly a result of the increase of production cost and staff cost during the Reporting Period.

Renewable Energy Business

During the Reporting Period, the cost of services of the renewable energy business is approximately HK\$924,000 (2023: approximately HK\$939,000). There is no material change in the cost of services 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\$2,514,000 (2023: approximately HK\$8,917,000). The decrease in cost of sales was in line with the decrease of revenue during the Reporting Period as compared with the previous corresponding period.

Gross profit/loss

The gross profit of the Group for the Reporting Period was approximately HK\$96,171,000 (2023: gross profit of approximately HK\$7,752,000). The gross profit increased by approximately HK\$88,419,000 or approximately 1,140.6% and the gross profit margin is approximately 54.0% for the Reporting Period (2023: approximately 14.3%). Coal mining business contributed gross profit of approximately HK\$95,311,000 (2023: approximately HK\$6,252,000), IT Services business contributed gross loss of approximately HK\$30,000 (2023: gross profit of approximately HK\$680,000) and renewable energy business contributed gross profit of approximately HK\$890,000 (2023: approximately HK\$820,000).

Other revenue

The Group's other revenue for the Reporting Period was approximately HK\$1,408,000 (2023: approximately HK\$1,699,000), representing an decrease of approximately HK\$291,000 or approximately 17.1% as compared with the previous corresponding period. This is mainly due to the lower bank interest income of approximately HK\$754,000 (2023: approximately HK\$1,559,000) during the Reporting Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the Reporting Period was approximately HK\$32,372,000 (2023: approximately HK\$30,160,000), representing an increase of approximately HK\$2,212,000 or approximately 7.3% as compared with the previous corresponding period. This was mainly due to the combined effect of the increase in salaries, bonus and allowances of approximately HK\$8,327,000 during the Reporting Period, and no supplemental environmental related fees incurred during the Reporting Period (2023: approximately HK\$7,043,000).

Profit for the Reporting Period

Profit of the Group for the Reporting Period was approximately HK\$47,143,000, representing an increase of approximately HK\$29,772,000 during the Reporting Period. Such increase of profit was mainly due to the net effect of the following:

- (a) Loss on fair value change of convertible bond designated as financial liabilities at fair value through profit or loss ("FVPL") of approximately HK\$10,128,000 (2023: gain on fair value change of approximately HK\$42,293,000);
- (b) the net exchange gain of approximately HK\$14,538,000 (2023: net exchange loss of approximately HK\$3,170,000);

- (c) the decrease of other revenue by approximately HK\$291,000;
- (d) the increase of gross profit by approximately HK\$88,419,000;
- (e) the increase of administrative and other operating expenses by approximately HK\$2,212,000;
- (f) the decrease of finance costs by approximately HK\$255,000; and
- (g) the income tax expenses of approximately HK\$18,998,000 (2023: income tax credit of approximately HK\$2,565,000).

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, 13 March 2023 and further extended to 13 March 2026 (details of which were respectively set out in the circulars of the Company dated 21 February 2011, 13 February 2014, 17 February 2017, 24 February 2020 and 16 November 2022 and announcements of the Company dated 11 March 2011, 10 March 2014, 7 March 2017, 11 March 2020 and 9 December 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 as its independent professional valuer for the purpose of assessing the fair value of the Convertible Bond as at 30 September 2024. 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 B on 30 September 2024 (31 March 2024: CCC with reference to Standard & Poor’s Corporate Rating Criteria) with reference to Moody’s Rating Methodology – Mining, where Corporate Bond with issuer credit rating of B (31 March 2024: CCC) and similar time to maturity were selected, the discount rate is 10.1% (31 March 2024: 22.9%).

The fair values of the Convertible Bond were approximately HK\$232,799,000 and approximately HK\$208,149,000 as at 30 September 2024 and 31 March 2024, respectively. The amounts were assessed and reviewed by the directors of the Company (the “Directors”) and reviewed by the auditor of the Company. According to the relevant accounting policies, the decrease in fair value of the Convertible Bond represents a decrease in liabilities of the Company. The amount of the change in fair value of the Convertible Bond of approximately HK\$24,650,000 was derived by taking the difference between the fair value of the Convertible Bond as at 30 September 2024 and 31 March 2024. The change in fair value of the Convertible Bond was mainly due to the change in the stock price and credit rating of the Company during the Reporting Period. The closing stock prices of the Company were HK\$0.172 and HK\$0.139 as at 30 September 2024 and 31 March 2024, respectively, and the expected volatility of the stock price of the Company was 81.2% and 110.6% based on the historical price volatility of the Company for the six months ended 30 September 2024 and for the year ended 31 March 2024, respectively. The credit rating of our Company is changed to a rating of B on 30 September 2024, with reference to Moody’s Rating Methodology – Mining (31 March 2024: credit rating of CCC with reference to Standard & Poor’s Corporate Rating Criteria).

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\$173,906,000 for the Reporting Period (2023: approximately HK\$42,744,000), representing an increase of approximately HK\$131,162,000 or approximately 306.9% as compared with the previous corresponding period.

Sales and Production of Coals

During the Reporting Period, the Group sold approximately 1,391,693 tonnes of coals (2023: approximately 300,971 tonnes) with total sales income of approximately HK\$173,906,000 (2023: approximately HK\$42,744,000). Details of sales of coals in tonnes are listed in the below table:

	Six months ended 30 September	
	2024	2023
Sales of coals	<u>1,391,693 tonnes</u>	<u>300,971 tonnes</u>

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales in %
Mixed Coal	1,345,107	96.7
Slack Coal	<u>46,586</u>	<u>3.3</u>
Total	<u>1,391,693</u>	<u>100.0</u>

(ii) Renewable Energy Business

Service income from renewable energy business contributed a revenue of approximately HK\$1,814,000 for the Reporting Period (2023: approximately HK\$1,759,000).

(iii) IT Services Business

Service income from IT Services business contributed a revenue of approximately HK\$2,484,000 for the Reporting Period (2023: approximately HK\$9,597,000).

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, a 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 1.39 million tonnes of coal was extracted (2023: approximately 0.30 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 30 September 2024 is equivalent to 61.89 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (31 March 2024: approximately 63.28 million tonnes).

Coal Reserve as at 30 September 2024 = Coal Reserve as at 31 March 2024 – Amount of coal extracted by the Group during the period from 1 April 2024 to 30 September 2024.

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.

* *English translation for identification purpose only.*

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[#] 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 km²) of 4.1123 km² in Xinjiang (the “Enlarged Kaiyuan Mine”) for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration of Renminbi (“RMB”) 160,978,000 (the “Acquisition”);
- (ii) the estimated coal resources of the Enlarged Kaiyuan Mine are 41.6433 million tonnes for the mining life of 30 years under the Transfer Agreement;
- (iii) the new mining permit (the “New Mining Permit”) in respect of the New Mining Right with mining term of 1 year from 21 December 2018 to 21 December 2019 regarding the New Mining Right was granted to Kaiyuan Company on 3 November 2018, which has been renewed for two years from 21 December 2019 to 21 December 2021. On 10 October 2021, the New Mining Right has been further renewed for ten years from 11 October 2021 to 11 October 2031;
- (iv) Kaiyuan Company has the right to apply for the renewal of New Mining Permit for the remaining period of the New Mining Right under the Transfer Agreement;

[#] “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.

- (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.

The Testing, Checking and Verification of the 900,000 Tonnes/Year Expansion Project

Since 2010, Kaiyuan Company had been applying for the expansion project to upgrade the coal mine capacity to 900,000 tonnes/year. Due to the time constraints of planning, policies, and other procedures, the Kaiyuan Mine’s expansion project experienced several years’ time to obtain approval from the local authorities. After the project approval, Kaiyuan Company still needed to undergo the process of obtaining the mining permit and other relevant licences and documentations in order to complete the project. In late 2019, the 900,000 tonnes/year New Mining Permit with mining term of 1 year from 21 December 2018 to 21 December 2019 was obtained.

References are made to the announcements of the Company dated 11 November 2011, 12 March 2012, 21 March 2012, 15 June 2012, 21 March 2014, 28 March 2018, 14 December 2018, 31 December 2018, 15 May 2019, 31 May 2019, 4 November 2019 and 15 November 2019 respectively.

In late 2019, Kaiyuan Company had been granted the New Mining Permit in respect of the Kaiyuan Extended Area Mining Right for the Kaiyuan Mine with an enlarged mining area (including the original mining area) from the original mining area of approximately 1.1596 km² (the “Original Kaiyuan Mine”) to 4.1123 km² (the “Enlarged Kaiyuan Mine”). The New Mining Permit covered a mining area of approximately 4.1123 km² with designed capacity of 900,000 tonnes/year, representing ten times of the designed annual capacity of 90,000 tonnes of the Original Kaiyuan Mine.

Kaiyuan Company then started to build the necessary facilities to cater for the increased mining capacities. All facilities built needed to be checked, tested and approved by the relevant government authorities and their experts. All building, checking and testing processes were slowed down during the Covid-19 period, but eventually the final checking and testing processes were done and completed in late 2023.

After completing the design, the construction of the 900,000 tonnes/year expansion project started in early 2021. From June to November 2022, the project officially entered the trial operation phase of the 900,000 tonnes/year expansion project. Since the construction period, testing, checking and verification were conducted by experts, which were filed to the local government authorities, and relevant opinion letters and certificates were issued, implying steps forward to the completion of expansion project. In September 2023, a specialized checking of the documents was conducted by a group of experts, and it successfully passed the expert group’s evaluation. At the same time, a comprehensive completion testing, checking and verification of the 900,000 tonnes/year expansion project was conducted by a group of experts, and a completion verification opinion letter for the project was issued. In October and November 2023, the Changji Emergency Bureau and Autonomous Region Emergency Department (“Changji EBARED”)* (昌吉州應急局及自治區應急廳) organized experts to perform the inspection of the application for the Work Safety Permit and it was successfully approved. The Changji EBARED agreed to issue the Work Safety Permit, the final permit required to complete 900,000 tonnes/year expansion plan.

Currently, Kaiyuan Mine is a coal mine operating in compliance with local rules and regulations, with complete documentation and permit (including business licence, 900,000 tonnes/year mining permit, and Work Safety Permit), which has laid a solid foundation for future capacity upgrades and sustainable development.

* *English translation for identification purpose only.*

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.

After Kaiyuan Company's achievement in obtaining complete documentation and permits including the New Mining Permit and the Work Safety Permit in 2019 and 2023 respectively, looking ahead, we will strive to further increase production capacity, maintain financial stability, and continue to ensure proper compliance and governance at the same time. In the coming years, there will be (i) a reasonable expected amount of expenditure in capital assets, in particular for the new plants, machines and facilities for the continuous environmental protection works and potential future capacity upgrades and sustainable development and (ii) reasonable expenditure for works required by the Safety Bureau to maintain 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 if necessary.

In addition to coal mining, the Group has been exploring new markets and developing its business coverage on technological and renewable energy sectors. It is one of the objectives of the Group to diversify its business portfolio into sectors offering higher growth momentum.

Due to the sustained adverse economic climate in Hong Kong and worldwide, we are facing a difficult business environment, which has negatively impacted our IT Services business. The board is currently evaluating strategic options that may include phasing out our IT Services business. This consideration aligns with our commitment to optimizing our service offerings and focusing on areas that best support our long-term business goals.

The Board will use its best endeavors to manage the Group's business portfolio with a view to improving the Group's financial performance and enhance shareholders' value.

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 2024 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 2024, the Group had:

- net current assets and net assets of approximately HK\$138,724,000 and approximately HK\$505,580,000, respectively (31 March 2024: net current assets and net assets of approximately HK\$123,046,000 and approximately HK\$448,471,000, respectively).
- cash and cash equivalents of approximately HK\$250,149,000 (31 March 2024: approximately HK\$189,307,000) and the bank balances and cash were the major components of the Group's current assets of approximately HK\$257,674,000 (31 March 2024: approximately HK\$199,567,000). 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 2024: HK\$, MYR, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$118,950,000 (31 March 2024: approximately HK\$76,521,000) which comprised trade and other payables of approximately HK\$105,390,000 (31 March 2024: approximately HK\$68,352,000) and tax payables of approximately HK\$8,458,000 (31 March 2024: approximately HK\$2,599,000).
- non-current liabilities of approximately HK\$310,565,000 (31 March 2024: approximately HK\$276,697,000) which comprised Convertible Bond of approximately HK\$232,799,000 (31 March 2024: approximately HK\$208,149,000), non-current portion payable related to mining right payables of approximately HK\$67,000,000 (31 March 2024: approximately HK\$62,559,000).

The Group's gearing ratio was approximately 1.56 (31 March 2024: approximately 1.61). The computation is based on total debt (Convertible Bond, mining right payables and lease liabilities) divided by total equity.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares.

As at 30 September 2024, there were 765,373,584 (31 March 2024: 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 2026 by the shareholders of the Company on 9 December 2022.

CHARGES ON GROUP'S ASSETS

As at 30 September 2024 and 31 March 2024, there were no assets pledged by the Group.

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 (31 March 2024: Convertible Bond at face value of HK\$200,000,000), the Group finances its operation mainly by internal generated resources.

CONTINGENT LIABILITIES

As at 30 September 2024, the Group did not have any material contingent liabilities (31 March 2024: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, the Group had 149 employees (30 September 2023: 142; 31 March 2024: 136) 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\$17,333,000 (30 September 2023: approximately HK\$16,379,000; 31 March 2024: approximately HK\$33,715,000). 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 (2023: 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 Part 2 of Appendix C1 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”) set out in Appendix C3 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 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.

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

Hong Kong, 20 November 2024

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