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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

The board of directors (the “Directors”) (the “Board”) of Nan Nan Resources Enterprise Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2024 (the “Year”) together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	4	116,069	239,886
Cost of services and goods sold		(72,931)	(106,057)
Gross profit		43,138	133,829
Other revenue		3,563	4,147
Selling and distribution expenses		(1,181)	(1,394)
Administrative and other operating expenses		(61,588)	(48,896)
Exchange (loss)/gain, net		(3,464)	3,946
Finance costs	5	(3,762)	(7,214)
Gain on fair value change/(Loss on fair value change and loss arising from modification) of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”)		62,794	(116,835)
Impairment loss on property, plant and equipment		(1,016)	–
Profit/(Loss) before tax	5	38,484	(32,417)
Income tax expenses	6	(787)	(26,621)
Profit/(Loss) for the year		37,697	(59,038)

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other comprehensive income/(loss), net of nil tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company's financial statements to presentation currency		1,350	(5,318)
Gain on fair value change of convertible bond designated as financial liabilities at FVPL arising from change in its credit risk		28,429	–
 <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of functional currency to presentation currency		<u>(23,018)</u>	<u>(32,517)</u>
Other comprehensive income/(loss) for the year		<u>6,761</u>	<u>(37,835)</u>
Total comprehensive income/(loss) for the year		<u>44,458</u>	<u>(96,873)</u>
Profit/(Loss) for the year attributable to:			
– Owners of the Company		39,095	(58,328)
– Non-controlling interests		<u>(1,398)</u>	<u>(710)</u>
		<u>37,697</u>	<u>(59,038)</u>
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		45,952	(96,090)
– Non-controlling interests		<u>(1,494)</u>	<u>(783)</u>
		<u>44,458</u>	<u>(96,873)</u>
Earnings/(Loss) per share (expressed in Hong Kong cents)			
– Basic	8	<u>5.11</u>	<u>(7.62)</u>
– Diluted	8	<u>(0.56)</u>	<u>(7.62)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024**

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		138,848	133,149
Intangible assets		182,121	188,899
Goodwill		4,229	4,229
Prepayments for acquisition of property, plant and equipment	9	<u>227</u>	<u>6,425</u>
		<u>325,425</u>	<u>332,702</u>
Current assets			
Inventories		2,031	6,810
Trade and other receivables	9	8,229	9,989
Cash and cash equivalents		<u>189,307</u>	<u>234,113</u>
		<u>199,567</u>	<u>250,912</u>
Current liabilities			
Trade and other payables	10	68,352	63,027
Mining right payables, current portion		4,541	4,379
Interest-bearing borrowings	11	–	3,477
Lease liabilities		1,029	1,660
Tax payables		<u>2,599</u>	<u>9,857</u>
		<u>76,521</u>	<u>82,400</u>
Net current assets		<u>123,046</u>	<u>168,512</u>
Total assets less current liabilities		<u>448,471</u>	<u>501,214</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Capital and reserves		
Share capital	76,537	76,537
Reserves	94,863	48,911
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Equity attributable to owners of the Company	171,400	125,448
Non-controlling interests	374	1,868
	<hr/>	<hr/>
Total equity	171,774	127,316
	<hr/>	<hr/>
Non-current liabilities		
Convertible bond designated as financial liabilities at FVPL	208,149	299,372
Provision for close down, restoration and environmental costs	2,678	2,814
Mining right payables, non-current portion	62,559	70,520
Lease liabilities	267	368
Deferred tax liabilities	3,044	824
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	276,697	373,898
	<hr/>	<hr/>
	448,471	501,214
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1. BASIS OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

2. ADOPTION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
	Deferred Tax related to Assets and Liabilities arising from
Amendments to HKAS 12	a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed and updated the disclosure of accounting policies to disclose the material accounting policy information.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity’s exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

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) Information technology (“IT”) outsourcing, consultancy and technical services (together referred to “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 changes in fair value and loss from modification of convertible bond designated as financial liabilities at FVPL and exchange gain or loss.

Segment assets include property, plant and equipment, intangible assets, goodwill, prepayments 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 convertible bond designated as financial liabilities at FVPL, trade and other payables, interest-bearing borrowings, lease liabilities, mining right payables, tax payables, 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
Year ended 31 March 2024					
Revenue from external customers and reportable segment revenue	<u>98,060</u>	<u>3,487</u>	<u>14,522</u>	<u>-</u>	<u>116,069</u>
Gross profit	39,975	1,633	1,530	-	43,138
Selling and distribution expenses	<u>(1,075)</u>	<u>-</u>	<u>(106)</u>	<u>-</u>	<u>(1,181)</u>
Segment results	<u>38,900</u>	<u>1,633</u>	<u>1,424</u>	<u>-</u>	<u>41,957</u>
Other revenue	2,361	176	78	948	3,563
Administrative and other operating expenses	(39,174)	(1,376)	(7,436)	(13,602)	(61,588)
Finance costs	(3,632)	-	-	(130)	(3,762)
Impairment loss on property, plant and equipment	-	-	(1,016)	-	(1,016)
Gain on fair value change of convertible bond designated as financial liabilities at FVPL	-	-	-	62,794	62,794
Exchange loss, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,464)</u>	<u>(3,464)</u>
(Loss)/Profit before tax	<u>(1,545)</u>	<u>433</u>	<u>(6,950)</u>	<u>46,546</u>	<u>38,484</u>
Income tax expenses	<u>(741)</u>	<u>(23)</u>	<u>(23)</u>	<u>-</u>	<u>(787)</u>
(Loss)/Profit for the year	<u>(2,286)</u>	<u>410</u>	<u>(6,973)</u>	<u>46,546</u>	<u>37,697</u>
<i>Additional segment information:</i>					
Amortisation	7,751	66	-	-	7,817
Depreciation	12,149	1,507	734	1,005	15,395
Additions to property, plant and equipment	27,668	14	1,026	310	29,018
Additions to intangible assets	10,154	-	-	-	10,154
Charge of loss allowance of trade receivables, net	-	1	424	-	425
Supplemental environmental related fees	<u>7,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,043</u>

	Coal mining business HK\$'000	Renewable energy business HK\$'000	IT Services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2023					
Revenue from external customers and reportable segment revenue	199,198	3,594	37,094	–	239,886
Gross profit	127,577	1,649	4,603	–	133,829
Selling and distribution expenses	(1,308)	–	(86)	–	(1,394)
Segment results	126,269	1,649	4,517	–	132,435
Other revenue	2,819	65	492	771	4,147
Administrative and other operating expenses	(23,638)	(1,055)	(7,915)	(16,288)	(48,896)
Finance costs	(7,085)	–	(41)	(88)	(7,214)
Loss on fair value change and loss arising from modification of convertible bond designated as financial liabilities at FVPL	–	–	–	(116,835)	(116,835)
Exchange gain, net	–	–	–	3,946	3,946
Profit/(Loss) before tax	98,365	659	(2,947)	(128,494)	(32,417)
Income tax expenses	(26,571)	–	(50)	–	(26,621)
Profit/(Loss) for the year	71,794	659	(2,997)	(128,494)	(59,038)
<i>Additional segment information:</i>					
Amortisation	17,582	66	–	–	17,648
Depreciation	9,094	1,572	763	948	12,377
Additions to property, plant and equipment	26,614	269	122	1,509	28,514
Additions to intangible assets	15,085	–	–	–	15,085
Charge of loss allowance of trade receivables, net	–	2	475	–	477

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 31 March 2024					
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	466,032	38,915	5,963	14,082	524,992
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	(139,383)	(824)	(2,526)	(210,485)	(353,218)
As at 31 March 2023					
Property, plant and equipment	102,580	28,830	727	1,012	133,149
Intangible assets	187,571	1,328	–	–	188,899
Goodwill	–	4,229	–	–	4,229
Other assets	208,244	6,236	6,968	35,889	257,337
Total assets	498,395	40,623	7,695	36,901	583,614
Convertible bond designated as financial liabilities at FVPL	–	–	–	(299,372)	(299,372)
Mining right payables	(74,899)	–	–	–	(74,899)
Other liabilities	(76,954)	(714)	(1,773)	(2,586)	(82,027)
Total liabilities	(151,853)	(714)	(1,773)	(301,958)	(456,298)

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 prepayment 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

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
The Mainland China	98,060	199,198
Hong Kong	10,118	30,400
Malaysia	3,492	3,761
Singapore	4,172	5,295
The UK	227	1,232
	<u>116,069</u>	<u>239,886</u>

Location of the Specified Non-current Assets

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
The Mainland China	294,081	296,576
Hong Kong	318	1,739
Malaysia	31,026	34,387
	<u>325,425</u>	<u>332,702</u>

Information about major customers

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

	2024	2023
	HK\$'000	HK\$'000
Customer A from Coal mining business segment	*	26,694
Customer B from Coal mining business segment	*	24,389

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the year ended 31 March 2024.

4. REVENUE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers within HKFRS 15		
Coal mining business		
– Sales of coals	<u>98,060</u>	<u>199,198</u>
Renewable energy business		
– Service income from renewable energy solutions	<u>3,487</u>	<u>3,594</u>
IT Services business		
– Sales of IT hardware products	2,597	21,562
– IT outsourcing services	5,081	9,139
– IT consultancy and technical services	<u>6,844</u>	<u>6,393</u>
	<u>14,522</u>	<u>37,094</u>
	<u>116,069</u>	<u>239,886</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<i>Timing of revenue recognition:</i>		
– at a point in time		
Sales of coals	98,060	199,198
Sales of IT hardware products	<u>2,597</u>	<u>21,562</u>
	<u>100,657</u>	<u>220,760</u>
– over time		
Service income from renewable energy solutions	3,487	3,594
IT outsourcing services	5,081	9,139
IT consultancy and technical services	<u>6,844</u>	<u>6,393</u>
	<u>15,412</u>	<u>19,126</u>
	<u>116,069</u>	<u>239,886</u>

5. PROFIT/(LOSS) BEFORE TAX

This is stated at after charging/(crediting):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance costs		
Interest on interest-bearing borrowings	37	698
Interest on mining right payables	5,822	6,382
Interest on lease liabilities	156	134
	<hr/>	<hr/>
Total finance costs	6,015	7,214
Less: Capitalised into construction in progress (<i>Note (i)</i>)	(2,253)	–
	<hr/>	<hr/>
	3,762	7,214
	<hr/>	<hr/>
Staff costs		
Staff cost (excluding directors' remuneration) (charged to "cost of services and goods sold", "selling and distribution expenses" and "administrative and other operating expenses")		
Salaries, bonus, allowance and other short-term employee benefits	30,366	37,009
Contributions to defined contribution retirement plan	3,349	3,549
	33,715	40,558
Other items		
Amortisation of intangible assets (charged to "cost of services and goods sold")	7,817	17,648
Auditor's remuneration		
– audit services	1,500	1,250
– other services	360	300
	1,860	1,550
Cost of inventories sold	55,080	81,554
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")	15,395	12,377
Charge of loss allowance of trade receivables, net	425	477
Exchange loss on financial liabilities at FVPL, net	13,878	13,483
Other exchange gain, net	(10,414)	(17,429)
Expenses recognised payments under short-term leases	788	622
Supplemental environmental related fees (charged to "Administrative and other operating expenses") (<i>Note (ii)</i>)	7,043	–
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Notes:

- (i) The borrowing costs have been capitalised at a rate of approximately 7.3% (2023: nil) per annum for the year ended 31 March 2024.
- (ii) During the year ended 31 March 2024, 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.

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.

* English translation for identification purposes only.

6. INCOME TAX EXPENSES

	2024 HK\$'000	2023 HK\$'000
Income tax expenses/(credit) comprise:		
The Mainland China Enterprise Income Tax		
– Current year	386	22,413
– (Over)/Under provision in prior year	(1,906)	1,724
Malaysia corporate income tax	38	14
Singapore corporate income tax (“Singapore CIT”)	23	50
	(1,459)	24,201
Deferred tax		
– Origination and reversal of temporary differences	2,246	2,420
	787	26,621

The Company is incorporated in Bermuda and is exempted from income tax. The Company’s subsidiaries established in the BVI 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 years.

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% (the “graduated tax rate”), and profits above HK\$2 million will be taxed at 16.5% for the years ended 31 March 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 years ended 31 March 2024 and 2023.

Malaysia corporate income tax is calculated at the rate of 24% of the estimated assessable profits of the Group’s entities in Malaysia arising from Malaysia during the years ended 31 March 2024 and 2023. During the years ended 31 March 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%.

During the year ended 31 March 2024, Singapore CIT is calculated at the rate of 17% (2023: 17%) of the estimated chargeable income of the Group’s entities in Singapore arising from Singapore.

During the years ended 31 March 2024 and 2023, Singapore incorporated companies can enjoy 75% tax exemption on the first Singapore Dollars (“S\$”) 10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income.

The Group’s entity established in the UK is subject to the corporate income tax at a statutory rate of 25% (2023: 19%) for the year ended 31 March 2024.

The income tax expenses for the year can be reconciled to the profit/(loss) before tax as follows:

	2024	2023
	HK\$’000	HK\$’000
Profit/(Loss) before tax	38,484	(32,417)
Notional tax on profit/loss before tax, calculated at the rates applicable to profit in the countries concerned	5,960	2,976
Tax effect of expenses not deductible for tax purposes	6,163	22,866
Tax effect of income not taxable for tax purposes	(10,404)	(322)
Tax effect of graduated tax rate and tax concession	(25)	(99)
Tax effect of tax losses not recognised	736	492
Utilisation of previously unrecognised tax losses	(89)	(288)
(Over)/Under provision for prior year	(1,906)	1,724
Others	352	(728)
Income tax expenses for the year	787	26,621

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2024, nor has any dividend been proposed since the end of the current reporting period (2023: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit/(Loss)		
Profit/(Loss) for the purpose of basic earnings/(loss) per share (Profit/(Loss) for the year attributable to owners of the Company)	<u>39,095</u>	<u>(58,328)</u>
	2024 Number of shares	2023 Number of shares
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>765,373,584</u>	<u>765,373,584</u>

(b) Diluted (loss)/earnings per share

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

(i) (Loss)/Profit for the year attributable to owners of the Company

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit/(Loss) for the year attributable to owners of the Company	39,095	(58,328)
(Gain on fair value change)/Loss on fair value change and loss from modification of convertible bond designated as financial liabilities at FVPL	(62,794)	116,835
Exchange loss on convertible bond designated as financial liabilities at FVPL	<u>13,878</u>	<u>13,483</u>
	<u>(9,821)</u>	<u>71,990</u>

(ii) *Weighted average number of ordinary shares*

	2024	2023
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	765,373,584	765,373,584
Effect of conversion of convertible bond	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,765,373,584</u>	<u>1,765,373,584</u>

For the year ended 31 March 2023, 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 year ended 31 March 2023 were the same.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2024	2023
		HK\$'000	HK\$'000
Trade receivables from third parties	9(a)	4,159	4,105
Prepayments, deposits and other receivables		3,959	5,749
Other taxes receivables		111	135
Prepayments for acquisition of property, plant and equipment		227	6,425
		<u>8,456</u>	<u>16,414</u>

Analysed by:

	2024	2023
	HK\$'000	HK\$'000
Non-current assets	227	6,425
Current assets	<u>8,229</u>	<u>9,989</u>
	<u>8,456</u>	<u>16,414</u>

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expense within one year.

9(a) Trade receivables from third parties

The Group's sales to customers from coal mine business segment 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.

Included in the balances are the trade receivables from contracts with customers within HKFRS 15:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At the beginning of the reporting period	<u>4,105</u>	<u>4,770</u>
At the end of the reporting period	<u>4,159</u>	<u>4,105</u>

For the year ended 31 March 2024, a charge of loss allowance of approximately HK\$425,000 (2023: approximately HK\$477,000) is recognised for the trade receivables from contracts with customers within HKFRS 15.

Ageing analysis

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	1,142	1,722
31 – 60 days	895	1,878
61 – 90 days	273	344
91 – 365 days	2,194	672
Over 1 year	<u>611</u>	<u>20</u>
	5,115	4,636
Less: Loss allowance	<u>(956)</u>	<u>(531)</u>
	<u>4,159</u>	<u>4,105</u>

10. TRADE AND OTHER PAYABLES

At the end of reporting period, the ageing analysis of the trade payables (presented based on the invoice date) is as follows:

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Within 90 days		11,494	5,976
91 – 180 days		1,213	1,533
181 – 365 days		3,569	4,778
Over 1 year		3,571	3,045
Trade payables		19,847	15,332
Contract liabilities	<i>10(a)</i>	3,300	4,778
Government levies payable			
– Economic development fees in coal resources areas		25,471	26,769
– Others		–	459
Accrued expenses		4,269	3,635
Other taxes payable		5,863	3,511
Other payables		9,602	8,543
		68,352	63,027

All of the trade and other payables that are classified as current liabilities are expected to be settled on demand or within one year.

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.

10(a) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the years ended 31 March 2024 and 2023 are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At the beginning of the reporting period	4,778	6,414
Receipts in advance	3,300	4,778
Recognised as revenue	<u>(4,778)</u>	<u>(6,414)</u>
At the end of the reporting period	<u>3,300</u>	<u>4,778</u>

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The significant amount of contract liabilities was mainly due to the significant receipts from the customers in advance for purchase of coal resources, which is the normal practice of Coal mining business to make sales in advance basis.

11. INTEREST-BEARING BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current portion		
Interest-bearing borrowings, secured	<u>–</u>	<u>3,477</u>

The interest-bearing borrowings with a clause in their terms that give the banks an overriding right to demand for repayment without notice at their sole discretion are classified as current liabilities as at 31 March 2023 even though the directors of the Company do not expect that the bank would exercise their right to demand repayment.

As at 31 March 2023, the interest-bearing borrowings were secured by the mining right with carrying amount of approximately HK\$109,410,000.

As at 31 March 2023, the interest-bearing borrowings were repayable within one year since their inception. The average effective interest rates on the interest-bearing borrowings were 3.3% to 6.0% per annum. All the interest-bearing borrowings were denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the Year, 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. During the Year, we achieved a significant milestone by successfully completing the final tests, checking, verification and procedures of attaining the Work Safety Permit* (安全生產許可證), which represents an important breakthrough for the Company’s compliance and future development. In recent years, we have increased investment in Kaiyuan Company (as defined below) annually in accordance with government requirements, gaining recognition from the local government and providing an important basis for increasing our production capacity. Our Group will continue our focus on developing the existing business including coal mining capacity upgrades, while in the long run, we continue to maintain a diversified business.

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 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”) regarding the Optimization and Upgrading Plan[#] relating to the Kaiyuan Open Pit Coal Mine (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.

* *English translation for identification purposes only.*

[#] “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.

- (i) Mulei County Kai Yuan 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, 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;
- (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 of Hong Kong Limited (the “Listing Rules”) and further information on the Acquisition was disclosed in the circular dated 19 August 2020; and

* *English translation for identification purposes only.*

(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 (collectively, the “Announcements”). 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 the 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 permits (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.

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. In 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.

* *English translation for identification purpose only*

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 adverse economic climate in Hong Kong and worldwide, we are facing a difficult business environment, which has negatively impacted our IT Services business. In the future, we would continue to evaluate the model and strategy of our IT Services business to ensure they align with current market conditions and future trends.

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.

Financial review

Revenue

The Group recorded a revenue of approximately HK\$116,069,000 for the Year (2023: approximately HK\$239,886,000). It represents a decrease of approximately HK\$123,817,000 or approximately 51.61% as compared with the previous year.

Coal Mining Business

During the Year, revenue of approximately HK\$98,060,000 of the Coal mining business is decreased by approximately HK\$101,138,000 or approximately 50.77% as compared to approximately HK\$199,198,000 in the previous year. The decrease in revenue was mainly due to the decrease in sales volume and average selling price of coal during the Year. The Group sold approximately 630,302 tonnes (2023: approximately 1,059,859 tonnes) of coal during the Year, decreased by 429,557 tonnes or approximately 40.53% compared to that in the previous year. The revenue decreased significantly in proportion to the volume decrease, and the average selling prices per ton decreased from HK\$187.95 to HK\$155.58, that is by approximately HK\$32.37 per ton or 17.2% per ton during the Year.

Renewable Energy Business

During the Year, the Renewable energy business recorded a revenue of approximately HK\$3,487,000 (2023: approximately HK\$3,594,000). The decrease in revenue of the renewable energy business amounting to approximately HK\$107,000 or 2.98% was mainly due to the adverse effect of exchange rate during the Year.

IT Services Business

During the Year, the IT Services business contributed a revenue of approximately HK\$14,522,000 (2023: approximately HK\$37,094,000). The decrease in revenue of approximately HK\$22,572,000 or approximately 60.85% was mainly due to the adverse economic climate in Hong Kong and worldwide and keen competition in IT service sector, in which the business of IT Services experienced challenges.

Cost of services and goods sold

Coal Mining Business

The cost of sales of the Coal mining business for the Year was approximately HK\$58,085,000 (2023: approximately HK\$71,621,000). The cost mainly comprises direct labor cost, cost for explosive works, depreciation, amortisation and cost of materials, etc. The slighter decrease in cost of sales when compared to the greater drop in revenue during the Year was mainly a result of the increase of production cost during the Year.

Renewable Energy Business

During the Year, the cost of services of the Renewable energy business was approximately HK\$1,854,000 (2023: approximately HK\$1,945,000). The decrease in cost of services of the renewable energy business was mainly due to the adverse effect of exchange rate during the Year.

IT Services Business

During the Year, the cost of services and goods sold of the IT Services business is approximately HK\$12,992,000 (2023: approximately HK\$32,491,000). The decrease in cost of services and goods sold was largely in line with the decrease of revenue during the Year.

Gross profit

The gross profit of the Group for the Year decreased to approximately HK\$43,138,000 (2023: approximately HK\$133,829,000). It represents a decrease of approximately HK\$90,691,000 or approximately 67.77% and gross profit margin decreased by approximately 18.62 percentage points from approximately 55.79% for the previous year to approximately 37.17% for the Year. Coal mining business contributed significantly amounting to approximately HK\$39,975,000 (2023: approximately HK\$127,577,000); IT Services business contributed approximately HK\$1,530,000 (2023: approximately HK\$4,603,000); and renewable energy business contributed approximately HK\$1,633,000 (2023: approximately HK\$1,649,000).

Other revenue

The Group's other revenue for the Year was approximately HK\$3,563,000 (2023: approximately HK\$4,147,000), representing a decrease of approximately HK\$584,000 or approximately 14.08% as compared with the previous year. This is mainly due to the net effect of 1) net increase of interest income on bank deposits substantially from the Coal mining business and in Hong Kong of approximately HK\$1,452,000; 2) government grants from the Anti-epidemic Fund set up by the Hong Kong government under an Employment Support Scheme as time-limited financial support to employers to retain employees who may otherwise be made redundant for the Year to be Nil (2023: approximately HK\$567,000); and 3) government grants from the Mainland China Government for the restructuring of Enlarged Kaiyuan Mine during the Year to be Nil (2023: approximately HK\$1,744,000).

Administrative and other operating expenses

The Group's administrative and other operating expenses for the Year was approximately HK\$61,588,000 (2023: approximately HK\$48,896,000), representing an increase of approximately HK\$12,692,000 or approximately 25.96% as compared with the previous year. This was mainly due to the net effect of 1) the decrease in salaries and bonus of approximately HK\$4,250,000; 2) the increase in supplemental environmental related fees of approximately of HK\$7,043,000; 3) the increase in amortisation and depreciation charged by approximately HK\$4,345,000; and 4) the increase of other operating expenses of approximately HK\$4,428,000.

Profit for the Year

Profit for the Year of the Group was approximately HK\$37,697,000 (2023: loss of approximately HK\$59,038,000), representing a turnaround from loss to profit of approximately HK\$96,735,000 as compared with the previous year. The upturn was mainly due to the net effect of the following:

- a) the exchange loss of approximately HK\$3,464,000 (2023: exchange gain of approximately HK\$3,946,000);
- b) the decrease in gross profit by approximately HK\$90,691,000;
- c) the decrease in other revenue by approximately HK\$584,000;
- d) the increase in administrative and other operating expenses by approximately HK\$12,692,000;
- e) gain on fair value change of convertible bond designated as financial liabilities at fair value through profit or loss (“FVPL”) of approximately HK\$62,794,000 (2023: loss on fair value change and loss arising from modification of convertible bond designated as financial liabilities at FVPL of approximately HK\$116,835,000);
- f) the decrease in the finance costs by approximately HK\$3,452,000;
- g) impairment loss on property, plant and equipment of approximately HK\$1,016,000 during the Year (2023: Nil); and
- h) the decrease in income tax expenses by approximately HK\$25,834,000.

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: service income from 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\$98,060,000 for the Year (2023: approximately HK\$199,198,000), representing a decrease of approximately 50.77% as compared with the previous year.

Sale and Production of Coals

During the Year, the Group sold approximately 630,302 tonnes of coals (2023: approximately 1,059,859 tonnes) with total sales income of approximately HK\$98,060,000 (2023: approximately HK\$199,198,000). Details of sales of coals in tonnes are listed in the below table:

	2024	2023
Sales of coals	630,302 tonnes	1,059,859 tonnes

Coal Sales (tonnes) and Percentage of Coal Sales

	Coal Sales (tonnes)	Coal Sales <i>in %</i>
Mixed Coal	618,483	98.12
Slack Coal	11,819	1.88
Total	630,302	100

(ii) *Renewable Energy Business*

Service income from Renewable energy business contributed a revenue of approximately HK\$3,487,000 for the Year (2023: approximately HK\$3,594,000). The decrease in revenue of the renewable energy business was mainly due to the adverse effect of exchange rate during the Year.

(iii) *IT Services Business*

Service income from IT Services business contributed a revenue of approximately HK\$14,522,000 for the Year (2023: approximately HK\$37,094,000). The decrease in revenue was due to adverse economic climate in Hong Kong and worldwide and keen competition in IT Service sector.

Reserves and Resources

The Group owns a mining right located in Xinjiang. The estimated remaining reserve in 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 the Xinjiang Natural Resources Department to Kaiyuan 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 Year, approximately 0.63 million tonnes of coal was extracted (2023: approximately 1.31 million tonnes).

Total approximate reserve of the mine in Xinjiang as at 31 March 2024 is equivalent to 63.28 million tonnes (i.e. the sum of the estimated remaining coal reserve in Kaiyuan Mine including the Enlarged Kaiyuan Mine) (2023: approximately 63.91 million tonnes).

Coal Reserve as at 31 March 2024 = Coal Reserve as at 31 March 2023 – Amount of coal extracted by the Group during the Year.

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.

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 31 March 2024 nor material acquisitions and disposals of subsidiaries during the Year.

Save as otherwise disclosed, the Group does not have any future plans for material investments. There will, however, be a reasonable expected amount of expenditure in capital assets, in particular for the new plants and machines for the environmental protection works and 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 also external banking facilities of the Group if necessary.

Liquidity and Financial Resources

As at 31 March 2024, the Group had:

- net current assets of approximately HK\$123,046,000 (2023: approximately HK\$168,512,000).
- cash and cash equivalents of approximately HK\$189,307,000 (2023: approximately HK\$234,113,000), which comprised the bank balances and cash of approximately HK\$189,307,000 (2023: approximately HK\$234,113,000), were the major components of the Group's current assets of approximately HK\$199,567,000 (2023: approximately HK\$250,912,000). All the cash and cash equivalents are denominated in HK\$, Malaysian Ringgit ("RM"), Singapore Dollars ("S\$"), Great Britain Pound ("GBP"), United States Dollars ("US\$") and RMB (2023: HK\$, RM, S\$, GBP, US\$ and RMB).
- current liabilities of approximately HK\$76,521,000 (2023: approximately HK\$82,400,000) which comprised mainly trade and other payables of approximately HK\$68,352,000 (2023: approximately HK\$63,027,000), and interest-bearing borrowings of Nil (2023: approximately HK\$3,477,000).

Interest-bearing borrowings for the year in 2023 were approximately HK\$3,477,000 (2024: Nil) which were repayable within one year since their inception. The average effective interest rates on the interest-bearing borrowings in the previous year were ranging from 3.3% to 6.0% (2024: Nil) per annum. The interest-bearing borrowings in the previous year were denominated in RMB.

- non-current liabilities of approximately HK\$276,697,000 (2023: approximately HK\$373,898,000) which comprised non-current portion of Convertible Bond of approximately HK\$208,149,000 (2023: approximately HK\$299,372,000) and non-current portion payable related to mining right payables of approximately HK\$62,559,000 (2023: approximately HK\$70,520,000).

The Group's gearing ratio was approximately 1.61 (2023: approximately 2.98). The computation is based on total debt (Convertible Bond, mining right payables, lease liabilities and interest-bearing borrowings) divided by total equity.

Capital Structure

The capital of the Group comprises only ordinary shares.

As at 31 March 2024, there were 765,373,584 ordinary shares of the Company in issue.

The Convertible Bond 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. Reference could be made to the announcement on 9 December 2022.

Charges on Group's Assets

As at 31 March 2023, the Group had pledged its mining right with carrying amount of approximately HK\$109,410,000 to the bank as a security for interest-bearing borrowings. During the Year, the interest-bearing borrowings were fully settled and the pledge of the mining right was released. As at 31 March 2024, there were no assets pledged by the Group.

Foreign Exchange Exposure

The Group mainly earns revenue in RMB, HK\$ and RM and incurs costs in RMB, HK\$ and RM. The Group is exposed to foreign exchange risk based on fluctuations between HK\$ and RMB arising from its core operation in the Mainland China as well as HK\$ and RM arising from its operation in Malaysia. The currency exchange risk for the Year is mainly derived from the net exchange difference on Convertible Bond, which is a result from the currency 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 Nil (2023: approximately HK\$3,477,000), the Group finances its operation mainly by internal generated resources.

Contingent Liabilities

As at 31 March 2024, the Group did not have any material contingent liabilities (2023: Nil).

Employees

As at 31 March 2024, the Group had 136 employees (2023: 145) spreading amongst Hong Kong, Malaysia, Singapore, the UK and the Mainland China. Total staff costs (excluding directors' emoluments) for the Year amounted to approximately HK\$33,715,000 (2023: approximately HK\$40,558,000), representing the decrease in salaries and bonus of the Group, and a decrease in number of staff in the IT Services Business. Employment relationship has been well maintained by the Group with its employees.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (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 Year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Listing Rules during the Year, 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 Year, the Company did not have any officer with CE title. Mr. Kwan Man Fai, the chairman and managing director of the Company also carried out the responsibility of CE during the Year. 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.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as 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 by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was set up in March 1999 with specific terms of reference. The terms of reference of the Audit Committee which are available on the websites of the Stock Exchange and the Company have included the duties which are set out in code provision D.3.3 of the Code, with appropriate modifications when necessary. The terms of reference of the Audit Committee were amended on 15 March 2016 in order to comply with the amendments to the Listing Rules.

The Audit Committee currently consists of three independent non-executive directors namely, Mr. Pak Wai Keung Martin, the chairman of the Audit Committee, Dr. Wong Man Hin Raymond and Mr. Chan Yiu Fai Youdey.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of this announcement of the Group for the Year have been reviewed and agreed by the Company’s auditor, Mazars CPA Limited (“Mazars”), to the amounts set out in the Group’s draft consolidated financial statements for the Year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and the Company at <https://www.nannanlisted.com>. The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available 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, 21 June 2024

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.