



NAN NAN RESOURCES ENTERPRISE LIMITED

南南資源實業有限公司

(formerly known as International Resources Enterprise Limited 國際資源實業有限公司)
(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

2011
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Fong Hung
(Chairperson & Managing Director)
Wang Xiangfei
Kwan Man Fai

Independent Non-executive Directors

Lam Ka Wai, Graham
Wong Man Hin, Raymond
Chan Yiu Fai, Youdey

AUDIT COMMITTEE

Lam Ka Wai, Graham (Chairman)
Wong Man Hin, Raymond
Chan Yiu Fai, Youdey

REMUNERATION COMMITTEE

Kwan Man Fai (Chairman)
Lam Ka Wai, Graham
Wong Man Hin, Raymond
Chan Yiu Fai, Youdey

COMPANY SECRETARY

Hung Che Wan

LEGAL ADVISER

Conyers Dill and Pearman
2901, One Exchange Square
8 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1003-1006, 10th Floor
Two Pacific Place
88 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

1229

WEBSITE

<http://www.nannanres.com.hk>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		Six months ended 30 September	
	<i>Notes</i>	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	3	90,174	29,511
Cost of sales and services provided		(81,131)	(24,846)
Gross profit		9,043	4,665
Other operating income		813	48
Selling and distribution expenses		(492)	(748)
Administrative expenses		(7,866)	(3,580)
Change in fair value of convertible loan notes		(2,981)	–
Finance costs	4	–	(10,296)
Loss before taxation		(1,483)	(9,911)
Income tax expense	5	(1,642)	(97)
Loss for the period	6	(3,125)	(10,008)
Other comprehensive income			
Exchange difference arising on translation of overseas operation and net income directly recognised in equity		6,179	594
Other comprehensive income for the period (net of tax)		6,179	594
Total comprehensive income (expense) for the period		3,054	(9,414)
Loss for the period attributable to:			
Owners of the Company		(3,125)	(9,147)
Non-controlling interests		–	(861)
		(3,125)	(10,008)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		3,054	(8,553)
Non-controlling interests		–	(861)
		3,054	(9,414)
Loss per share – Basic and diluted (Expressed in HK cents)	8	(0.41)	(1.20)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	<i>Notes</i>	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	25,308	26,345
Intangible assets		94,282	95,480
Goodwill		–	–
Security deposit		2,035	1,930
		121,625	123,755
Current assets			
Inventories		53,936	36,701
Trade and other receivables	10	9,462	4,684
Bank balances and cash		223,961	225,857
		287,359	267,242
Current liabilities			
Trade and other payables	11	42,739	31,615
Amount due to ultimate holding company		13	573
Income tax liabilities		1,892	–
		44,644	32,188
Net current assets		242,715	235,054
Total assets less current liabilities		364,340	358,809
Capital and reserves			
Share capital	13	76,537	76,537
Reserves		58,198	55,144
Total equity		134,735	131,681
Non-current liabilities			
Deferred tax liabilities		23,506	24,069
Convertible loan notes designated as financial liabilities at fair value through profit or loss	12	204,167	201,186
Provision for close down, restoration and environmental costs		1,932	1,873
		229,605	227,128
		364,340	358,809

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Reserve and enterprise expansion funds HK\$'000 <i>(Note a)</i>	Exchange translation reserve HK\$'000	Special reserve HK\$'000 <i>(Note b)</i>	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2011 (audited)	76,537	191,534	14,882	5,354	2,963	27,143	(186,732)	131,681
Loss for the period	–	–	–	–	–	–	(3,125)	(3,125)
Other comprehensive income for the period	–	–	–	–	6,179	–	–	6,179
Total comprehensive income (expense) for the period	–	–	–	–	6,179	–	(3,125)	3,054
At 30 September 2011 (unaudited)	76,537	191,534	14,882	5,354	9,142	27,143	(189,857)	134,735

Note:

- (a) In accordance with the Peoples' Republic of China (the "PRC") regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profit after tax to the reserve and enterprise expansion funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the board of directors of these companies in accordance with their articles of association.
- (b) The amount in special reserve represents the difference between the consideration paid for a further 49% equity interest in Star Fortune International Investment Co. Limited ("Star Fortune") and the decrease in the carrying amount of the non-controlling interests of Star Fortune.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2011

	Share capital HK\$'000	Share premium HK\$'000	Convertible loan notes reserve HK\$'000	Capital reserve HK\$'000	Reserve and enterprise expansion funds HK\$'000	Exchange translation reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2010 (audited)	76,537	191,534	55,495	14,882	5,354	(1,272)	-	(161,133)	181,397	78,004	259,401
Loss for the period	-	-	-	-	-	-	-	(9,147)	(9,147)	(861)	(10,008)
Other comprehensive income for the period	-	-	-	-	-	594	-	-	594	-	594
Total comprehensive income (expense) for the period	-	-	-	-	-	594	-	(9,147)	(8,553)	(861)	(9,414)
Acquisition of further interest in subsidiaries	-	-	-	-	-	-	27,143	-	27,143	(77,143)	(50,000)
At 30 September 2010 (unaudited)	76,537	191,534	55,495	14,882	5,354	(678)	27,143	(170,280)	199,987	-	199,987

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(5,699)	11,901
Net cash from (used in) investing activities	492	(79,073)
Net cash used in financing activities	–	(217)
Net decrease in cash and cash equivalents	(5,207)	(67,389)
Cash and cash equivalents at 1 April	225,857	286,711
Effect of foreign exchange rate changes	3,311	125
Cash and cash equivalents at 30 September	223,961	219,447

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

1. General Information and Basis of Preparation

Nan Nan Resources Enterprise Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, the Company’s parent company is Ascent Goal Investments Limited (“Ascent Goal”), a company incorporated in the British Virgin Islands with limited liability and the Company’s ultimate holding company is China Sonangol International Limited (“China Sonangol”), a company incorporated in Hong Kong with limited liability.

The principal activity of the Company and its subsidiaries (collectively referred to the “Group”) is the mining, sales and distribution of coal.

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business is Suites 1003-6, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong. The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”). As the turnover and results are contributed by the mining, sales and distribution of coal business during the year ended 31 March 2011 while the other segments remain inactive as a result of strategic shift in the business focus of the Group, the directors of the Company are of the view that the functional currency of the Company had been changed from HK\$ to Renmenbi (“RMB”) from 1 April 2010 onwards. The presentation currency of the Company and the Group would remain to be in HK\$ for consistent presentation and the use of investors.

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011, except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (herein collectively referred to as ("new or revised HKFRSs"), issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

2. Principal Accounting Policies (Continued)

The Group has not early applied the following new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 March 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

3. Turnover and Segment Information

The Group's operating segments based on information reported to the executive directors, being the chief operating decision maker for the purpose of resource allocation and performance assessment, is more specifically focused on the types of goods delivered and services provided by the Group's operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

- (i) the coal mine business segment engages in mining, sales and distribution of coal; and
- (ii) others

Note: During the year ended 31 March 2011, the executive directors concluded that the provision of management services and the clocks and other office related products segments are not significant as a reportable segment of the Group and accordingly prior period information was restated to conform to the current period's presentation.

Segment revenue and results

The following is an analysis of the Group's turnover, results and expenditure by reportable and operating segments for the period under review:

	Coal mine business		Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
For the six months ended 30 September						
TURNOVER						
Sales to external customers	<u>90,174</u>	<u>29,511</u>	<u>-</u>	<u>-</u>	<u>90,174</u>	<u>29,511</u>
RESULT						
Segment results	<u>3,513</u>	<u>2,195</u>	<u>(323)</u>	<u>-</u>	<u>3,190</u>	<u>2,195</u>
Interest income					<u>642</u>	<u>12</u>
Net unallocated expenses					<u>(5,315)</u>	<u>(1,822)</u>
Finance costs					<u>-</u>	<u>(10,296)</u>
Loss before taxation					<u>(1,483)</u>	<u>(9,911)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

3. Turnover and Segment Information (Continued)

Segment revenue and results (Continued)

Segment result represents the profit/(loss) of each segment without allocation of central administration costs, directors' emoluments, interest income, change in fair value of convertible loan notes and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets by reportable and operating segments:

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Coal mine business	182,121	162,717
Others	192	76
	<hr/>	<hr/>
Total segment assets	182,313	162,793
Unallocated	226,671	228,204
	<hr/>	<hr/>
Consolidated assets	408,984	390,997

All assets, other than bank balances and cash and security deposit, are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

4. Finance Costs

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest expenses on:		
– amount due to a minority shareholder	–	217
– effective interest expenses on convertible loan notes	–	10,079
	<hr/>	<hr/>
	–	10,296
	<hr/>	<hr/>

5. Income Tax Expense

The major components of income tax (credit) expense in the condensed consolidated statement of comprehensive income are:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Tax in other jurisdictions		
– current	2,204	97
Deferred tax	(562)	–
	<hr/>	<hr/>
Income tax expense	1,642	97
	<hr/>	<hr/>

Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial information as there was no estimated assessable profit derived from Hong Kong for both periods ended 30 September 2011 and 30 September 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

5. Income Tax Expense (Continued)

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods ended 30 September 2011 and 30 September 2010.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the laws and regulations in the PRC, one of the Group's subsidiaries operating in the PRC is entitled to exemption from PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the following three years.

6. Loss for the Period

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Amortisation of intangible assets (included in cost of sales)	4,500	3,052
Cost of inventories sold	81,131	24,846
Depreciation of property, plant and equipment	1,969	1,355
Staff costs (excluding directors' emoluments)		
– Basic salaries and allowances	2,448	2,706
– Retirement benefit scheme contributions	257	289

7. Interim Dividend

No dividends were paid, declared or proposed during the six months ended 30 September 2011. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 September 2010: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

8. Loss Per Share

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

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share	(3,125)	(9,147)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	765,373,584	765,373,584

The calculations of diluted loss per share for the periods ended 30 September 2011 and 30 September 2010 do not assume the conversion of the convertible loan notes since its conversion would result in a decrease in loss per share. The basic and diluted loss per share are the same.

9. Property, Plant and Equipment

Acquisitions and disposals

During the six months ended 30 September 2011, the Group acquired property, plant and equipment with a cost of HK\$150,000 (six months ended 30 September 2010: HK\$940,000).

During the six months ended 30 September 2011, the Group had written off cost of property, plant and equipment of HK\$20,000 with no gain or loss was resulted during the period (six months ended 30 September 2010: disposed of HK\$351,000 and gain on disposal of HK\$4,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

10. Trade and Other Receivables

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

The Group's sales to other customers are on open account terms. Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 180 days.

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within 90 days	4,823	740
91 days to 180 days	–	–
181 days to 365 days	–	–
Over 1 year	79	83
	<hr/>	<hr/>
Trade and bills receivables	4,902	823
Prepayments, deposits and other receivables	4,560	3,861
	<hr/>	<hr/>
Total trade and other receivables	9,462	4,684

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

11. Trade and Other Payables

The following is an analysis of trade payables by age, presented based on invoice date.

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within 90 days	12,983	4,053
91-180 days	3,457	1,836
181-365 days	55	1,167
Over 1 year	678	678
	<hr/>	<hr/>
Trade payables	17,173	7,734
Receipt in advance	7,639	5,740
Other payables and accruals	17,927	18,141
	<hr/>	<hr/>
Total trade and other payables	42,739	31,615

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

12. Convertible Loan Notes

On 14 March 2008, the Company issued zero-coupon convertible loan notes with an aggregate principal amount of HK\$200,000,000 to Ascent Goal simultaneously upon completion of the issue and allotment of 400,000,000 ordinary shares of HK\$0.1 each. The notes are denominated in HK\$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 13 March 2011 in multiples of HK\$1,000,000 at a conversion price HK\$0.20 (subject to adjustments) per share. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the convertible loan notes has not been converted, the Company shall repay the principal amount of the outstanding convertible bond to Ascent Goal at 13 March 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

12. Convertible Loan Notes *(Continued)*

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading ("convertible loan notes reserve"). The effective interest rate of the liability component is 11.14%.

On 11 February 2011, the Company, entered into a deed of amendment with Ascent Goal, to extend the maturity date of the convertible loan notes for 36 months and the conversion period will accordingly be extended for 36 months from 14 March 2011 (date of extension) to 13 March 2014. Apart from the extension of the maturity date and the conversion period, all terms of the convertible loan notes remain unchanged from the original terms.

Following the change of functional currency from HK\$ to RMB, the board of directors is of the view that the convertible loan notes upon extension of maturity date was no longer convertible at a fixed for fixed relationship. Accordingly, the convertible loan notes was designated as a derivative financial instrument at fair value through profit or loss ("FVTPL") and was classified as a non-current liability in the consolidated statement of financial position.

The convertible loan notes was valued by the directors of the Company with reference to a valuation report issued by Asset Appraisal Limited, an independent qualified valuer not connected to the Group. The change in fair value of the convertible note of approximately HK\$2,981,000 have been recognised in the profit or loss for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

The assumptions adopted for the valuation of the convertible loan notes are as follows:

- (1) The estimation of risk free rate has made reference to the yield of Exchange Fund Bill with same duration as the convertible loan notes;
- (2) The estimation of volatility for the underlying share price has considered the historical price movements of those companies engaged in relatively to similar industry;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

12. Convertible Loan Notes *(Continued)*

- (3) The discount rate was arrived at based on the Company's credit rating and select comparable corporate bonds with similar maturity and credit risk to derive the range of comparable yield to maturity as of date of valuation and the median range has been adopted.

The fair value of the convertible loan notes was calculated using the binomial model. Major parameter adopted in the calculation of the fair value are summarised below into the model was as follows:

	30 September 2011	31 March 2011
Stock price	HK\$0.92	HK\$1.43
Exercise price	HK\$0.20	HK\$0.20
Risk free-rate	0.27%	1.110%
Discount rate	12.126%	10.071%
	HK\$'000	HK\$'000
The movement of the convertible loan notes for the period is set out below:		
Recognition of convertible loan notes on 14 March 2011 (date of extension)	–	200,000
Balance as at 1 April 2011	201,186	–
Fair value change charged to the profit or loss	2,981	1,186
Carrying amount at 30 September 2011/ 31 March 2011	204,167	201,186

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

13. Share Capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Ordinary Shares Authorised:		
At 1 April 2010, 31 March 2011 and 30 September 2011	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2010, 31 March 2011 and 30 September 2011	<u>765,373,584</u>	<u>76,537</u>

14. Acquisition of Further Interest in Subsidiaries

For the six months ended 30 September 2010

On 17 August 2010, the Group completed the acquisition of a further 49% equity interest in Star Fortune International Investment Co. Limited ("Star Fortune"), at an aggregate consideration of HK\$50,000,000 satisfied in cash. The difference of approximately HK\$27,143,000 between the consideration paid and the decrease in the carrying amount of the non-controlling interests has been recognised directly in equity.

As at the end of the reporting period, both the performance guarantee from 4 July 2009 to 3 July 2010 and the profit guarantee have been met. In addition, as stated in the conditional agreement on 20 May 2010 to acquire the further 49% equity interest in Star Fortune, the performance guarantee from 4 July 2010 to 3 July 2011 has been waived. Details of which are set out in the Company's announcement dated 2 June 2010. The transaction was approved by independent shareholders of the Company at a special general meeting held on 12 August 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

15. Related Party Transactions

- (i) Except as disclosed elsewhere in the condensed consolidated interim financial information, the significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Star Fortune International Development Company Limited ("SFID") (Note)		
– loan interest expenses	–	217
China Sonangol		
– rental expenses	240	240

Note: SFID was the former holder of the 49% equity interest of Star Fortune as disclosed in Note 14 above.

- (ii) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management for the six months ended 30 September 2011 and 2010 were as follows:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short-term benefits	600	600
Post-employment benefits	–	–
	600	600

The remuneration of directors and key executives of the Company is determined by the remuneration committee having regard to the performance of individuals and the market trends.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

16. Operating Lease Commitments

The Group leases certain of its offices and staff quarters under operating lease arrangements. Lease for properties are negotiated for a term ranging from one to four years and rental are fixed.

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within one year	583	758
In the second to fifth years inclusive	202	360
	785	1,118

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

17. Event After The Reporting Period

Qitai County Zexu Trading Company Limited (“Qitai”), a wholly own subsidiary of the Company, owns an exploration permit issued by the Department of Land and Resources of Xinjiang Uygur Autonomous Region (“Xinjiang Land Department”). The exploration permit allowed Qitai to conduct exploration activities in the Zexu Open Pit Coal Mine (“Zexu Mine”), a mine situated at Bei Ta Mountain, Qitai County, Xinjiang Uygur Autonomous Region, the People’s Republic of China (the “PRC”). Subsequent to this interim financial information date, the exploration permit having a carrying amount of approximately HK\$34,352,000 as at 30 September 2011, expired on 22 October 2011.

Qitai commenced application procedures for the renewal of the exploration permit in February 2011. The Departments of Land and Resources in Qitai County and Changji Hui Autonomous Prefecture have already reviewed and approved the renewal application. However, the final approval from the Xinjiang Land Department has not yet been granted.

Normally this kind of renewal application would be granted for 2 years (subject to the Company having satisfied with the required standards and other requirements under the relevant rules and regulations and by the relevant government authorities in the PRC) according to the PRC legal opinion obtained by the Company. However the Company was informed by the Xinjiang Land Department that there was a change in government policy regarding the management of coal mines in Zhundong Meitian Coal Mining Area (the “Xiheishan Mining Area”), where the Zexu Mine is located and therefore the renewal application has not yet been approved. The Xinjiang Land Department informed the Company that pursuant to the instructions from the National Development and Reform Commission of the PRC, the Xinjiang Land Department has to plan for a management restructuring of seven different coal mines (including Zexu Mine) in the Xiheishan Mining Area (the “Management Restructuring Plan”), by consolidating some smaller mines together so as to increase the size efficiency. After being informed of this Management Restructuring Plan, the board of directors (the “Board”) has requested management in Xinjiang to conduct frequent meetings and negotiations with the Xinjiang Land Department and other relevant government authorities to protect the Company’s interest in relation to the exploration permit.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2011

17. Event After The Reporting Period *(Continued)*

A number of formal meetings have been held between the Xinjiang Land Department, other relevant government authorities, the Company, and owners and management of the other affected mines, on how to carry out the Management Restructuring Plan properly so that the interests of the mines affected will be properly protected or compensated in any finalised restructuring plan. One of the possible restructuring proposals relating to the Zexu Mine discussed is the exchange of the exploration permit for the mining rights of a coal mine with similar reserve to the Zexu Mine adjacent to the Kaiyuan Open Pit Coal Mine ("Kaiyuan Mine"), where the Company is currently conducting mining work. This proposal, if approved, will be in the best interest of the Company as the Company will not have to spend further money for exploration and get a mine with similar reserve to the Zexu Mine that can go straight for mining. The restructuring proposals, however, are still under review and pending the approval of the relevant government authorities. At present, the main stream of income of the Group is from the Kaiyuan coal mine of Mulei County Kai Yuan Company Limited. Therefore the temporary non-renewal of the exploration permit will not adversely affect the current operation of the Company, as the Zexu Mine has not generated or contributed any income to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group recorded a turnover of approximately HK\$90,174,000 during the six months ended 30 September 2011, increased by HK\$60,663,000 or 205% when compared with last corresponding period. Reasons for the significant increase were the sales for the six months ended 30 September 2010 was low due to unstable economic environment in Xinjiang, and there was keen competition in the coal mine business in Xinjiang and the excess supply of coal. However, the situation had changed for the six months 30 September 2011 as the economic environment was recovered in Xinjiang and some small size coal mine businesses were closed down. As a result, the competition for the six months ended 30 September 2011 was moderate in coal mine business as compared with the same period in 2010. In addition, the average selling price for coal per tonne had been increased by 35% from RMB60 for the six months ended 30 September 2010 to RMB81 for the same period in 2011.

The Group recorded a significant improvement by HK\$6,883,000 or 69% from the loss of HK\$10,008,000 as at 30 September 2010 to the loss of HK\$3,125,000 as at 30 September 2011. It was mainly due to the decrease of non-cash deemed interest expense for the convertible loan note issued by the Group of approximately HK\$7,315,000, the Group adopted a different accounting treatment for the year ended 31 March 2011 when the convertible loan note was matured and renewal on 14 March 2011 following the change in functional currency of the Group from Hong Kong dollars to RMB.

During the period, the Group sold approximately 1,211,000 tonnes (2010: 794,000 tonnes) of coal with 53% increase in tonnes. However, the gross margin of coal mine business diminished to 10% (2010: 16%). The decrease in gross margin was mainly due to the increase in production cost outweigh the increase in selling price, which is mainly caused by the increase in machinery rental cost.

On the other hand, the operating profit for coal mine business was approximately HK\$3,513,000 (2010: HK\$2,195,000) which represents the increase by HK\$1,318,000 or 60% by comparing with six months period ended 30 September 2010. The increase in operating profit of coal mine business was mainly due to increase in gross profits and other income by HK\$4,400,000 and HK\$400,000 respectively which offset the increase in administrative expenses of approximately HK\$3,500,000.

The Board was positive about the whole year business result with cautions thinking in mind.

MANAGEMENT DISCUSSION AND ANALYSIS

MINE SALES AND PRODUCTION

During the period, the Group sold 1,211,000 tonnes to have the total sales income HK\$90,174,000. Details of coal sales in tonnes are listed in the below tables.

	Coal Sales (tonnes)	Coal Sales in %
Large Coal	98,000	8.09
Middle Coal	283,000	23.37
Nucleus Coal	336,000	27.75
Slack Coal	463,000	38.23
Mixed Coal	31,000	2.56
	<hr/>	<hr/>
Total Sales	1,211,000	100

RESERVES AND RESOURCES

The Group owns two mining rights in the Xinjiang, PRC including Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine. The coal reserve remaining of Kaiyuan Mine was 17.5 millions tonnes as at 30 September 2011. The exploration permit of Zexu Mine was expired on 22 October 2011, the Group had applied the application procedures for the renewal of the exploration permit. The Departments of Land and Resources in Qitai County and Changji Hui Autonomous Prefecture have already reviewed and approved the renewal application. However, the final approval from the Xinjiang Land Department has not yet been granted. For detail please refer to the Company's announcement dated 11 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF SALES

The cost of sales for the period was HK\$81,131,000. The following table set forth the production costs in different categories.

	HK\$
Materials, fuel and power	26,582,000
Machinery rental	45,921,000
Environmental and exploration	1,581,000
Staff costs	1,047,000
Depreciation and amortization	5,348,000
Other expenses	652,000
	<hr/>
Total cost of sales	<u>81,131,000</u>

PROSPECTS

The Board believes that the demand for coal from various industries will continue to be robust and is confident our investments can add value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had working capital of approximately HK\$242,715,000 (31 March 2011: HK\$235,054,000) and its current ratio, being the proportion of total current assets against total current liabilities, was 6.44 times (31 March 2011: 8.30 times). The Group continued to maintain a strong financial position. At 30 September 2011, the Group had cash and bank balances of approximately HK\$223,961,000 (31 March 2011: approximately HK\$225,857,000).

As at 30 September 2011, there was no bank and other borrowing in the Group (31 March 2011: HK\$Nil).

The gearing ratio of the Group was 170.41% (31 March 2011: 172.48%), calculated on the basis of the Group's total borrowings over equity attributable to owners of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES (AND RELATED HEDGES)

The Group mainly earns revenue in RMB and incurs cost in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk based on fluctuations between the Hong Kong dollars and the RMB arising from its operation in the PRC. In order to limit this foreign currency risk exposure, the Group maintained cash balance that approximate three to four months' of operating cash flows.

CHARGES ON ASSETS

As at 30 September 2011, no trade receivable was pledged to secure the borrowing, and no assets or fund of the Group were pledged to secure general banking facilities granted to the Group (2010: HK\$Nil).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the six months ended 30 September 2011.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitments as at 30 September 2011.

HUMAN RESOURCES

The Group had approximately 116 employees as at 30 September 2011 (31 March 2011: 115)

Apart from the basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. In addition, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2011 (2010: Nil).

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at 30 September 2011, the interests and short positions of the directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in an associated corporation of the Company

Name of director	Notes	Name of associated corporation	Capacity	Number of shares interested	Approximate percentage of the issued share capital
Ms. Lo Fong Hung	1	New Bright International Development Limited	Interests of controlled corporation	3,000(L)	30%
Mr. Wang Xiangfei	2	New Bright International Development Limited	Interests of controlled corporation	3,000(L)	30%

(L) denotes as long position

Notes:

- Ms. Lo Fong Hung ("Ms. Lo") is interested in 3,000 shares in New Bright International Development Limited ("New Bright"), representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol International Limited ("China Sonangol"). China Sonangol is the holding company of Ascent Goal Investments Limited ("Ascent Goal"), the controlling shareholder of the Company. The shareholding interests of Ascent Goal in the Company is set out in the section headed "Substantial shareholders' interests" of this report.
- Mr. Wang Xiangfei is the husband of Ms. Lo and is deemed to be interested in 3,000 shares of New Bright under the SFO.

OTHER INFORMATION

- Ms. Lo, an executive director of the Company, owns 30% of the issued share capital of New Bright which in turn is interested in 70% of China Sonangol. China Sonangol is the holding company of Ascent Goal. Thus, Ms. Lo has an attributable interest in 569,616,589 shares of the Company and a HK\$200,000,000 convertible bond at the conversion price of HK\$0.20 (the "Convertible Bond") giving rise to an interest in 1,000,000,000 underlying shares of the Company.*

Save for those disclosed above, as at 30 September 2011, none of the directors or chief executives of the Company or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Save for those disclosed under the headings "Directors' and chief executives' interests and short positions" above and "Share option scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 28 August 2003 (the "Share Option Scheme"), the Board may, at its discretion, offer any directors of the Company and eligible participants options to subscribe for shares in the Company subject to the terms and conditions of the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentives to directors of the Company and eligible participants, and it will expire on 27 August 2013.

The Company did not grant any share option under the Share Option Scheme during the six months ended 30 September 2011 and there was no outstanding share option under the Share Option Scheme as at 30 September 2011.

OTHER INFORMATION

Substantial shareholders' interests

As at 30 September 2011, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares or underlying shares of the Company

Name of shareholder	Notes	Nature of interest	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company <i>(Note 6)</i>
Ascent Goal	1,4	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
China Sonangol	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
New Bright	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Ms. Fung Yuen Kwan, Veronica	3,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Africa Israel Investments Ltd	5	Beneficial owner	45,000,000	-	45,000,000	5.88%
Mr. Lev Levia	5	Beneficial owner	1,000,000	-	1,000,000	0.13%
	5	Interests of controlled corporation	74,000,000	-	74,000,000	9.67%

Notes:

- Ascent Goal was directly interested in 569,616,589 shares and a further 1,000,000,000 underlying shares which may be fully allotted and issued if the Convertible Bond are converted at the conversion price of HK\$0.20. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. It includes (i) interests in 569,616,589 shares and (ii) the Convertible Bond giving rise to an interest in 1,000,000,000 underlying shares.

OTHER INFORMATION

2. *Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.*
3. *Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.*
4. *The 569,616,589 shares and 1,000,000,000 underlying shares under the Convertible Bond represent 74.42% and 130.66% of the existing issued share capital of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represent 205.08% of the existing issued share capital of the Company. The conversion rights attaching to the Convertible Bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.*
5. *For the shares held by Mr. Lev Leviev, of these shares, 45,000,000 shares were held by Africa Israel Investments Ltd, a company controlled by Mr. Lev Leviev through his 74.89% interests in Africa Israel Investments Ltd; 29,000,000 shares were held by Memorand Management (1998) Ltd, a company controlled by Mr. Lev Leviev through his 99% interests in Memorand Ltd; and 1,000,000 shares were held by Mr. Lev Leviev directly.*
6. *The approximate percentage of shareholdings is based on 765,373,584 shares as at 30 September 2011, not the enlarged issued share capital of the Company upon full conversion of the Convertible Bond.*

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 30 September 2011, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

OTHER INFORMATION

CHANGE OF COMPANY NAME

At the special general meeting of the Company held on 19 September 2011, the shareholders of the Company passed a special resolution in respect of the change of English name of the Company from “International Resources Enterprise Limited” to “Nan Nan Resources Enterprise Limited” and the adoption of “南南資源實業有限公司” as Chinese secondary name of the Company. The Certificate of Incorporation on Change of Name and the Certificate of Secondary Name have been issued by the Registrar of Companies in Bermuda and the name changes took effect on 19 September 2011.

The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was also issued by the Registrar of Companies in Hong Kong on 30 September 2011 confirming the registration of the new name of the Company “Nan Nan Resources Enterprise Limited also known as 南南資源實業有限公司” in Hong Kong under Part XI of the Companies Ordinance (Chapter 32, Laws of Hong Kong).

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 six months ended 30 September 2011.

CORPORATE GOVERNANCE

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2011 except for the following deviation:

Under the Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The Company did not have any officer with CEO title. Ms. Lo Fong Hung is currently the Chairperson and Managing Director of the Company. The duties of CEO were carried out by Ms. Lo Fong Hung. In view of the size of operation of the Company, 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.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Audit Committee together with the management 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 Company for the six months ended 30 September 2011.

By Order of the Board

Wang Xiangfei

Executive Director

Hong Kong, 22 November 2011