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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)

PROGRESS OF THE UPDATED OPTIMIZATION AND UPGRADING PLAN

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of Nan Nan Resources Enterprise Limited (the “**Company**”) dated 11 November 2011, 12 March 2012, 21 March 2012, 15 June 2012, 23 May 2013 and 21 March 2014 (the “**Announcements**”) respectively. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcements.

As stated in the Company’s announcement dated 15 June 2012, the following Updated Restructuring Proposals (which is now re-defined as the “**Updated Optimization and Upgrading Plan**”) in relation to the Company’s Kaiyuan Mine and Zexu Mine have been submitted to the working group head office for coal industry structural upgrade work of Xinjiang Uygur Autonomous Region for consideration and approval:

1. The Company’s Kaiyuan Mine would be restructured and upgraded, and the exploration right in the Zexu Mine granted to the Company would be terminated; and
2. The mining area of the Kaiyuan Mine, where the Company is now conducting mining activities, was proposed to be increased from 1.1596 km² to 4.12 km² (“**Kaiyuan Extended Area**”), with the estimated coal resources of approximately 131.18 million tonnes.

As requested by the Department of Land and Resources of Changji Hui Autonomous Prefecture (昌吉回族自治州國土資源局) (the “**Changji Land Department**”), with the aim of expediting the resources restructuring work and accelerating and completing the process to fix the mining area for each mining right owner inside Zhundong Meitian Xiheishan Coal Mining Area* (准東煤田西黑山煤炭礦區), where the Zexu Mine and Kaiyuan Mine of the Company are located, Zexu Company and Kaiyuan Company respectively entered into the following four undisputed agreements (the “**Four Undisputed Agreements**”) with the relevant parties to dispose of Zexu Mine and acquire Kaiyuan Extended Area:

1. First Undisputed Agreement

On 15 August 2017, Zexu Company entered into an undisputed agreement (the “**First Undisputed Agreement**”) with Xinjiang Jinneng Mining Company Limited (“**Jinneng Company**”), pursuant to which Jinneng Company should occupy an area of 0.297 km² within the Zexu Mine and could apply to the Xinjiang Land Department to fix such mining area. Jinneng Company should, within 10 working days upon signing the agreement, compensate Zexu Company with an amount of RMB505,197, which was calculated by multiplying the area of 0.297 km² with the agreed compensation amount of RMB486,000 per km² and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

2. Second Undisputed Agreement

On 15 August 2017, Zexu Company entered into an undisputed agreement (the “**Second Undisputed Agreement**”) with Xinjiang Beishan Mining Company Limited (“**Beishan Company**”), pursuant to which Beishan Company should occupy an area of 2.582 km² within the Zexu Mine and could apply to the Xinjiang Land Department to fix such mining area. Beishan Company should, within 10 working days upon signing the agreement, compensate Zexu Company with an amount of RMB4,391,982, which was calculated by multiplying the area of 2.582 km² with the agreed compensation amount of RMB486,000 per km² and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

3. Third Undisputed Agreement

On 15 August 2017, Kaiyuan Company entered into an undisputed agreement (the “**Third Undisputed Agreement**”) with Jinneng Company, pursuant to which Kaiyuan Company should occupy an area of 1.292 km² within the exploration area of the mine of Jinneng Company (the “**First Extended Area**”) and could apply to the Xinjiang Land Department to fix such mining area. Kaiyuan Company should, within 10 working days upon signing the agreement, compensate Jinneng Company with an amount of RMB2,197,692, which was calculated by multiplying the area of 1.292 km² with the agreed compensation amount of RMB486,000 per km² and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

The First Extended Area to be occupied by Kaiyuan Company from Jinneng Company is located next to the Kaiyuan Mine currently operated by Kaiyuan Company.

4. Fourth Undisputed Agreement

On 15 August 2017, Kaiyuan Company entered into an undisputed agreement (the “**Fourth Undisputed Agreement**”) with Beishan Company, pursuant to which Kaiyuan Company should occupy an area of 0.016 km² within the mining area of the mine of Beishan Company (the “**Second Extended Area**”) and could apply to the Xinjiang Land Department to fix such mining area. Kaiyuan Company should, within 10 working days upon signing the agreement, compensate Beishan Company with an amount of RMB27,216, which was calculated by multiplying the area of 0.016 km² with the agreed compensation amount of RMB486,000 per km² and the agreed compensation multiples of 3.5. The above compensation standard was determined by the Changji Land Department.

The Second Extended Area to be occupied by Kaiyuan Company from Beishan Company is located next to the Kaiyuan Mine currently operated by Kaiyuan Company.

The total area of 2.879 km² of Zexu Mine to be occupied by Jinneng Company and Beishan Company under the First Undisputed Agreement and the Second Undisputed Agreement respectively represent the whole area of the Zexu Mine. Upon completion of the said two agreements, the exploration right in the Zexu Mine shall become invalid. As at 31 March 2017, the book value of such exploration right was zero. Since the Zexu Mine has not commenced mining, it has not generated any revenues for the Group in the past years.

So far as the Company is aware, the First Extended Area and the Second Extended Area to be occupied by Kaiyuan Company under the Third Undisputed Agreement and Fourth Undisputed Agreement respectively have not yet commenced mining. Upon completion of such agreements, the Company is still required to go through official procedures with the relevant land and resources departments to obtain the exploration right and then the mining right in respect of these extended area. When the related exploration right or mining right is obtained, the Company will appoint professional parties to evaluate possible coal reserves and perform valuation on the First Extended Area and Second Extended Area. For accounting purposes, these extended area will be booked as “Non-refundable deposits for occupying the extended area” under Non-current Assets with value of RMB2,224,908 (equivalent to approximately HK\$2,602,809) in the Company’s accounts, which, if appropriate, would be transferred to the intangible assets under the Statement of Financial Position after conclusion is reached with the government departments. Upon obtaining the exploration right or mining right, the Company will discuss again with professional parties (including its valuer and auditor) regarding the possible coal reserves, valuation and accounting treatment of the First Extended Area and Second Extended Area, and will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

According to the Updated Optimization and Upgrading Plan, the mining area of the Kaiyuan Mine was proposed to be increased from 1.1596 km² to 4.12 km². For the First Extended Area and the Second Extended Area, since they were originally owned by Jinneng Company and Beishan Company respectively, the Third Undisputed Agreement and the Fourth Undisputed Agreement were required to be signed respectively for transfer of such area and as one of the important procedures for obtaining the exploration right and then the mining right. Upon completion of the Third Undisputed Agreement and Fourth Undisputed Agreement, the area of

the Kaiyuan Mine will only increase to approximately 2.4676 km². Concerning the outstanding proposed increased area of approximately 1.6524 km², so far as the Company is aware, such area is located next to the Kaiyuan Mine and is currently owned by the government. To obtain the exploration right and then the mining right of such area, the Company is still required to go through official procedures with the relevant land and resources departments. The Company shall make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jinneng Company and Beishan Company and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

As the applicable percentage ratios (as defined under the Listing Rules) are less than 5%, the transactions contemplated under the Four Undisputed Agreements do not constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) in relation to the progress of the Updated Optimization and Upgrading Plan as and when appropriate in accordance with the Listing Rules.

As the Company has not yet obtained the exploration right or mining right in respect of the First Extended Area and Second Extended Area, and the coal reserves and valuation of these two extended area are yet to be confirmed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Made by the order of the Board, save for Ms. LO Fong Hung who could not be contacted as at the date of this announcement.

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

Hong Kong, 15 August 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kwan Man Fai, Ms. Lo Fong Hung and Mr. Wang Xiangfei; three independent non-executive Directors, namely Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey; and one alternate Director, Mr. Wong Sze Wai (alternate to Mr. Wang Xiangfei).

* *For identification purposes only*