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**新源萬恒 控股有限公司**  
**New Provenance Everlasting Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2326)**

**MAJOR TRANSACTION**  
**DISPOSAL OF THE ENTIRE EQUITY INTERESTS OF**  
**THE POWER COMPANY**

**THE DISPOSAL**

On 11 September 2019, after trading hours, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interests of the Power Company (an indirect wholly-owned subsidiary of the Company) at a consideration of RMB169,000,000 (approximately HKD187,590,000).

Upon Completion, the Power Company will cease to be a subsidiary of the Group, and the profits and losses as well as assets and liabilities of the Power Company will no longer be consolidated into the consolidated financial statements of the Group.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no shareholder is required to abstain from voting in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. A circular containing, amongst other things, further details of the Disposal and the notice of the SGM is expected to be despatched to Shareholders on or before 30 September 2019 in compliance of the Listing Rules.

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## **SALE AND PURCHASE AGREEMENT**

### **Date**

11 September 2019 (after trading hours)

### **Parties involved**

- (1) BEP Power Generation Company Limited (百靈達發電有限公司) (an indirect wholly-owned subsidiary of the Company) as vendor; and
- (2) Ningxia Tianyuan Manganese Industry Group Co., Ltd\* (寧夏天元錳業集團有限公司) as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

### **Subject matter**

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interests of the Power Company (an indirect wholly-owned subsidiary of the Company), at a consideration of RMB169,000,000 (approximately HKD187,590,000).

Upon Completion, the Power Company will cease to be a subsidiary of the Group, and the profits and losses as well as assets and liabilities of the Power Company will no longer be consolidated into the consolidated financial statements of the Group.

## **Consideration**

The consideration for the sale and purchase of the entire equity interests in the Power Company shall be RMB169,000,000 being payable in the following manner:

- (1) RMB50,700,000 shall be payable on the Completion Date;
- (2) RMB50,700,000 shall be payable within 90 days after the Completion Date;
- (3) RMB33,800,000 shall be payable within 180 days after the Completion Date; and
- (4) the remaining balance of the consideration (being RMB33,800,000) shall be payable after the Completion Date and within 365 days from the date when the Purchaser is registered as the shareholder of the Power Company with the relevant local Administration of Commerce and Industry Office.

Should the Purchaser fail to pay any one of the above payments in accordance with the specified timeline, the Purchaser shall be liable for a penalty interest of 0.05% per day on such amount. If the Purchaser fails to pay any one of the above payments within 30 days in respect of the respective payment timelines, the Vendor shall have the right to terminate the Sale and Purchase Agreement. Upon termination of the Sale and Purchase Agreement by the Vendor, the Purchaser shall pay 10% of the consideration as liquidated damages to the Vendor.

The consideration of RMB169,000,000 was arrived after arm's length negotiations between the Vendor and the Purchaser after taking into account (i) the valuation report rendered by an independent valuer appointed by the Vendor in which the market value of the Power Company has been valued at RMB168,940,000 as at 30 June 2019; and (ii) the financial prospects of the Power Company.

## **Conditions precedent**

Pursuant to the Sale and Purchase Agreement, Completion shall be subject to, amongst others, the following conditions precedent:

- (i) the Purchaser being reasonably satisfied with the due diligence results of the Power Company;
- (ii) the passing by the Shareholders at the SGM of necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

- (iii) the representations and warranties of the Vendor being true, accurate and complete in all material respects and not misleading and no material adverse events having happened; and
- (iv) all necessary approvals, consents, clearance or waivers (if applicable) in respect of the transactions contemplated under the Sale and Purchase Agreement from any party (including government authorities and regulatory authorities) having been obtained and where any such approval, consent, clearance or waiver is subject to conditions, such conditions being acceptable to the Purchaser.

The Purchaser has the right to waive any or all of the conditions precedent (save for items (ii) and (iv) above) from time to time in writing. If any of the conditions precedent has not been fulfilled or waived (as the case may be) by 5 p.m. on the Long Stop Date, the Vendor or the Purchaser may either terminate the Sale and Purchase Agreement in writing within 5 Business Days thereafter. The Sale and Purchase Agreement shall cease to have any effect and neither party shall have any obligations and liabilities towards each other thereunder subject to the terms and conditions of the Sale and Purchase Agreement. If the failure to fulfil any conditions precedent is attributable to the Vendor, then upon the Vendor receiving a written notice from the Purchaser to terminate the Sale and Purchase Agreement, the Vendor shall pay 5% of the consideration as liquidated damages to the Purchaser within 10 Business Days. On the other hand, if the failure to fulfil any conditions precedent is attributable to the Purchaser, then upon the Purchaser receiving a written notice from the Vendor to terminate the Sale and Purchase Agreement, the Purchaser shall pay 5% of the consideration as liquidated damages to the Vendor within 10 Business Days.

The Vendor and Purchaser have further agreed that within one (1) month after the passing of the necessary resolution(s) by the Shareholders at the SGM, both parties shall prepare a set of documents required by the local Administration of Commerce and Industry Office for submission purposes in order to effect the Disposal.

## **Completion**

Completion shall take place on the Completion Date, which shall be the fifth (5th) Business Day after the fulfilment (or waiver, as the case may be) of all the conditions precedent.

## **INFORMATION OF THE PURCHASER**

The Purchaser is a company established under the laws of the PRC and is principally engaged in processing of manganese minerals and other metal minerals and sale of electrolytic manganese and other processed metal minerals. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

## INFORMATION OF THE POWER COMPANY

The Power Company is a company established under the laws of the PRC on 28 April 2014 with a registered capital of RMB142,610,000 whose entire equity interests is owned by the Vendor as at the date of this announcement. The Power Company operates a power plant in Ningxia Hui Autonomous Region of the PRC.

Set out below is the unaudited financial information of the Power Company for the three financial years ended 31 March 2019 respectively prepared in accordance with Hong Kong Financial Reporting Standards.

	<b>For the year ended 31 March 2017 HKD'000</b>	<b>For the year ended 31 March 2018 HKD'000</b>	<b>For the year ended 31 March 2019 HKD'000</b>
Revenue	119,343	166,932	182,567
Gross profit	42,749	13,219	16,795
<i>Gross profit margin</i>	<i>35.8%</i>	<i>7.9%</i>	<i>9.2%</i>
Profit before tax	34,049	12,188	16,039
Profit after tax	25,879	9,300	10,528
<i>Net profit margin</i>	<i>21.7%</i>	<i>5.6%</i>	<i>5.8%</i>

## REASONS FOR THE DISPOSAL

The Group has been principally engaged in the sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and production and sale of utilities.

The policy to reduce the capacity of coal-fired power generation for Thermal Power Industry in the 13th Five-Year Plan as introduced by the National Development and Reform Commission together with 16 ministries and commissions in July 2017 has unfavourable strategic impact to the Power Company.

As mentioned in the Company's annual report 2018/19, the management of the Group conducts regular reviews of the operational performance and efficiency of its investments located in Ningxia Hui Autonomous Region of the PRC, to ensure those investments' returns are maximized. Given the unfavourable policy against the Thermal Power Industry in recent years and the relatively high volatility in the costs of operation for the Power Company, the net profit margin of the Power Company has decreased significantly from approximately 21.7% for the year ended 31 March 2017 to approximately 5.6% and 5.8% for the two years ended 31 March 2018 and 2019 respectively. The significant increase in the cost of production for the power generation has significantly undermined the returns of the Power Company.

Reference is also made to the circular of the Company dated 11 March 2016 in relation to the acquisition of the Power Company. The acquisition was expected to have synergistic effect between the two plants situated in Ningxia Hui Autonomous Region of the PRC. Although the plants are in the proximity of each other enabling the co-sharing of workforce, the acquisition did not result in a synergistic effect as expected by the Group as the two plants are operated independently in which: (i) no significant numbers of electricity engineers were shared between the two plants; and (ii) the electricity supply requirements of the Acid Plant (as defined in the circular) is independent from the Power Company.

Accordingly, the Directors are of the view that the Disposal represents a prosperous timing and opportunity for the Group to (i) realize its investments in the Power Company before the declining operation environment together with the expected continuous declining profitability of the power generation industry; (ii) focus its resources on the sourcing and sale of metal minerals and related industrial materials business by exploring opportunities to deal in high demand minerals and metal products from third parties; and (iii) strengthen its liquidity for future investment opportunities and potential development in improving the metal minerals trading efficiency and diversifying our source of revenue by investing in auxiliary services such as supply chain management and/or financing arrangement.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

As a result of the Disposal, the Group is expected to record an unaudited gain of RMB390,000 (approximately HKD433,000) comprising (i) the total consideration of RMB169,000,000 (approximately HKD187,590,000), less (ii) relevant expenses and taxes of RMB2,720,000 (approximately HKD3,019,000), less (iii) net assets of the Power Company as at 31 July 2019 of RMB165,890,000 (approximately HKD184,138,000). Upon Completion, the Power Company will cease to be a subsidiary of the Group, and the profits and losses as well as assets and liabilities of Power Company will no longer be consolidated into the consolidated financial statements of the Group.

## **USE OF PROCEEDS FROM THE DISPOSAL**

The Group intends to apply proceeds from the Disposal (1) as to approximately RMB67,600,000 (approximately HKD75,036,000) for expanding its sourcing and sale of current metal minerals and related industrial materials business portfolio; (2) as to approximately RMB67,600,000 (approximately HKD75,036,000) for the potential investment in auxiliary services in association with improving the metal mineral trading business; and (3) as to approximately RMB33,800,000 (approximately HKD37,518,000) for general working capital of the Group.

## **LISTING RULES IMPLICATIONS**

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no shareholder is required to abstain from voting in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. A circular containing, amongst other things, further details of the Disposal and the notice of the SGM is expected to be despatched to Shareholders on or before 30 September 2019 in compliance of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	board of Directors;
“Business Day(s)”	a day (other than a Saturday) on which banks both in the People’s Republic of China and Hong Kong are generally opened for business;
“Company”	New Provenance Everlasting Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2326);
“Completion”	completion of the Disposal;
“Completion Date”	the fifth (5th) Business Day after the fulfilment (or waiver, as the case may be) of the conditions precedent under the Sale and Purchase Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly;
“Director(s)”	the director(s) of the Company;
“Disposal”	the proposed disposal of the entire equity interests of the Power Company pursuant to the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;



“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	15 January 2020, or such other date as may be agreed in writing between the Vendor and the Purchaser;
“Power Company”	Ningxia Tianyuan Power Generation Company Limited* (寧夏天元發電有限公司), an indirect wholly-owned subsidiary of the Company as at the date of this announcement;
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	Ningxia Tianyuan Manganese Industry Group Co., Ltd* (寧夏天元錳業集團有限公司), a company established under the laws of the PRC and an Independent Third Party;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 11 September 2019 entered into between the Purchaser and Vendor in relation to the Disposal;
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HKD0.0002 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Vendor” BEP Power Generation Company Limited (百靈達發電有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company; and

“%” per cent.

*For illustration purpose only, conversion of RMB into HKD in this announcement is based on the exchange rate of RMB1.00 to HKD1.11.*

By order of the Board  
**Sin Lik Man**  
*Chairman and Chief Executive Officer*

Hong Kong, 11 September 2019

*As at the date of this announcement, the Board comprises Mr. Sin Lik Man (Chairman and Chief Executive Officer) as Executive Director, Mr. Zheng Gang and Ms. Sun Di as Non-executive Directors, and Mr. Chan Kwong Fat, George, Mr. Siu Hi Lam, Alick, Dr. Ng Tze Kin, David and Dr. Liu Yongping as Independent Non-executive Directors.*

\* *In this announcement, the English names of the PRC entities are translations of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*