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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

INTERIM RESULTS

The Board of Directors (the “**Board**”) of New Provenance Everlasting Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

| | | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | Notes | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Continuing operations | | | |
| Revenue | 3 | 336,262 | 277,601 |
| Cost of sales | | (333,565) | (272,092) |
| Gross profit | | 2,697 | 5,509 |
| Other net (loss)/income | 4 | (7,789) | 18,260 |
| Selling and distribution costs | | (236) | (2,457) |
| Administrative expenses | | (10,880) | (14,677) |
| Other operating expenses | 5(c) | (336) | (624) |
| (Loss)/profit from operations | | (16,544) | 6,011 |
| Finance costs | 5(a) | (206) | (2,136) |
| (Loss)/profit before taxation | 5 | (16,750) | 3,875 |
| Income tax | 6 | (682) | (4,160) |
| Loss for the period from continuing operations | | (17,432) | (285) |

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) |
| Discontinued operation | | | |
| Loss for the period from discontinued operation | 8 | <u>(23,009)</u> | <u>(21,638)</u> |
| Loss for the period | | <u>(40,441)</u> | <u>(21,923)</u> |
| Attributable to: | | | |
| Owners of the Company | | (40,423) | (21,375) |
| Non-controlling interests | | <u>(18)</u> | <u>(548)</u> |
| Loss for the period | | <u>(40,441)</u> | <u>(21,923)</u> |
| (Loss)/profit for the period attributable to owners of the Company: | | | |
| – from continuing operations | | (17,414) | 263 |
| – from discontinued operation | | <u>(23,009)</u> | <u>(21,638)</u> |
| | | <u>(40,423)</u> | <u>(21,375)</u> |

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2020 | 2019 |
| | <i>Notes</i> | HK Cent | HK Cent |
| | | (unaudited) | (unaudited) |
| (Loss)/profit per share | 10 | | |
| From continuing operations | | | |
| Basic and diluted | | (0.083) | 0.001 |
| From discontinued operation | | | |
| Basic and diluted | | (0.109) | (0.103) |
| From continuing and discontinued operations | | | |
| Basic and diluted | | <u>(0.192)</u> | <u>(0.102)</u> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

| | Six months ended | |
|--|-----------------------|------------------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Loss for the period | (40,441) | (21,923) |
| Other comprehensive income/(expenses) for the period | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translation of financial statements of subsidiaries | 19,982 | (43,994) |
| Reclassification adjustments for a foreign operation disposed of during the period | 17,422 | – |
| Other comprehensive income/(expenses) for the period (net of nil tax (2019: nil)) | 37,404 | (43,994) |
| Total comprehensive expenses for the period | <u>(3,037)</u> | <u>(65,917)</u> |
| Attributable to: | | |
| Owners of the Company | (2,846) | (65,689) |
| Non-controlling interests | (191) | (228) |
| | <u>(3,037)</u> | <u>(65,917)</u> |
| Total comprehensive income/(expenses) | | |
| attributable to owners of the Company arises from: | | |
| Continuing operations | 2,525 | (30,987) |
| Discontinued operation | (5,371) | (34,702) |
| | <u>(2,846)</u> | <u>(65,689)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

| | | At 30 September 2020 <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|--|----|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 33,410 | 36,779 |
| Right-of-use assets | | 27,038 | 8,634 |
| Goodwill | | – | – |
| Other intangible asset | | – | – |
| Prepaid land lease payments | | – | – |
| Deferred tax assets | | 42 | 44 |
| | | <u>60,490</u> | <u>45,457</u> |
| Current assets | | | |
| Inventories | | 32,212 | 35,479 |
| Trade receivables | 11 | 410,665 | 327,523 |
| Prepayments, deposits and other receivables | | 337,140 | 170,268 |
| Prepaid land lease payments | | – | – |
| Cash and cash equivalents | | 6,388 | 6,093 |
| | | <u>786,405</u> | <u>539,363</u> |
| Assets held for sale | 9 | – | 222,060 |
| | | <u>786,405</u> | <u>761,423</u> |
| Current liabilities | | | |
| Trade payables | 12 | 306,107 | 258,783 |
| Accruals, deposits and other payables | | 31,603 | 22,597 |
| Lease liabilities | | 3,228 | 752 |
| Tax payable | | 2,707 | 3,982 |
| | | <u>343,645</u> | <u>286,114</u> |
| Liabilities directly associated with the assets held for sale | 9 | – | 34,948 |
| | | <u>343,645</u> | <u>321,062</u> |

| | At 30 September 2020 <i>Notes</i> <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|--|---|--|
| Non-current liabilities | | |
| Lease liabilities | 20,469 | – |
| Deferred tax liabilities | <u>66</u> | <u>66</u> |
| | <u>20,535</u> | <u>66</u> |
| Net assets | <u><u>482,715</u></u> | <u><u>485,752</u></u> |
| Equity | | |
| Equity attributable to owners of the Company | | |
| Share capital | 4,217 | 4,217 |
| Reserves | <u>487,008</u> | <u>489,854</u> |
| | 491,225 | 494,071 |
| Non-controlling interests | <u>(8,510)</u> | <u>(8,319)</u> |
| Total equity | <u><u>482,715</u></u> | <u><u>485,752</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

1. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with the applicable disclosure provision of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 25 November 2020.

The condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements which are set out in note 2.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKFRS 3 Definition of a business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8 Definition of Material

The application of the above amendments in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Save as disclosed in the annual report for the year ended 31 March 2020, the Directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

(i) *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major products is as follows:

| | Six months ended | |
|---|-------------------------|--------------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Continuing operations | | |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Sourcing and sale of metal minerals and related industrial materials | 286,335 | 234,018 |
| Production and sale of industrial products | 49,927 | 43,583 |
| | 336,262 | 277,601 |

Revenue from the above categories are recognised at point in time.

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

All sales contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these contracts for the remaining unsatisfied performance obligations is not disclosed.

b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief executive officer (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments.

- (i) Sourcing and sale of metal minerals and related industrial materials;
- (ii) Production and sale of industrial products; and
- (iii) Others

Others segment represents business activities and operating segments not separately reported, including provision of logistics services.

The operation of production and sale of utilities was disposed in the current period. The following segment information does not include any amounts for the discontinued operation, which is described in more detail in note 8.

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purposes of resources allocation and assessment of segment performance for the six months ended 30 September 2020 and 2019 are set out below:

Continuing operations

| | Six months ended 30 September 2020 (unaudited) | | | |
|--|---|---|-----------------------------------|----------------------------------|
| | Sourcing and sale of metal minerals and related industrial materials <i>HK\$'000</i> | Production and sale of industrial products <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Reportable segment revenue from external customers | 286,335 | 49,927 | – | 336,262 |
| Reportable segment profit | 1,221 | 1,240 | – | 2,461 |

Six months ended 30 September 2019 (unaudited)

| | Sourcing and sale of metal minerals and related industrial materials <i>HK\$'000</i> | Production and sale of industrial products <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---------------------------|--------------------------|
| Reportable segment revenue from external customers | <u>234,018</u> | <u>43,583</u> | <u>–</u> | <u>277,601</u> |
| Reportable segment (loss)/profit | <u>(158)</u> | <u>3,210</u> | <u>–</u> | <u>3,052</u> |

There are no inter-segment sales for the six months ended 30 September 2020 and 2019.

The measure used for reporting segment profit is gross profit less selling and distribution costs of each segment.

The following tables present segment assets and segment liabilities of the Group's reportable segments as at 30 September 2020 and 31 March 2020:

Continuing operations

At 30 September 2020 (unaudited)

| | Sourcing and sale of metal minerals and related industrial materials <i>HK\$'000</i> | Production and sale of industrial products <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------|---|---|---------------------------|--------------------------|
| Reportable segment assets | <u>480,671</u> | <u>221,591</u> | <u>1,563</u> | <u>703,825</u> |
| Reportable segment liabilities | <u>(295,367)</u> | <u>(60,810)</u> | <u>(3,675)</u> | <u>(359,852)</u> |

At 31 March 2020 (audited)

| | Sourcing and sale of metal minerals and related industrial materials <i>HK\$'000</i> | Production and sale of industrial products <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------|---|---|---------------------------|--------------------------|
| Reportable segment assets | <u>393,107</u> | <u>179,902</u> | <u>1,689</u> | <u>574,698</u> |
| Reportable segment liabilities | <u>(253,679)</u> | <u>(25,084)</u> | <u>(3,592)</u> | <u>(282,355)</u> |

Reconciliation of reportable segment profit:

| Six months ended 30 September | |
|----------------------------------|-----------------|
| 2020 | 2019 |
| <i>HK\$'000</i> | <i>HK\$'000</i> |
| (unaudited) | (unaudited) |

Continuing operations

Profit

| | | |
|---|-----------------|----------------|
| Total reportable segment profit derived from the | | |
| Group's external customers | 2,461 | 3,052 |
| Other net (loss)/income | (7,789) | 18,260 |
| Depreciation of reportable segment not included in measurement of segment profit | (34) | (35) |
| Impairment allowance for other receivables | (336) | (624) |
| Finance costs | (206) | (2,136) |
| Unallocated head office and corporate expenses | | |
| – Depreciation for property, plant and equipment | (552) | (639) |
| – Depreciation for right of use assets | (1,105) | (2,355) |
| – Staff costs (including directors' emoluments) | (5,028) | (7,620) |
| – Others | <u>(4,161)</u> | <u>(4,028)</u> |
| Consolidated (loss)/profit before taxation (continuing operations) | <u>(16,750)</u> | <u>3,875</u> |

4. OTHER NET (LOSS)/INCOME

| | Six months ended | |
|---|-----------------------|----------------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Continuing operations | | |
| Interest income on bank deposits | – | 94 |
| Interest income on loan receivable | <u>145</u> | <u>166</u> |
| Total interest income on financial assets measured at amortised cost | 145 | 260 |
| Sundry income | 634 | 17 |
| Gain on disposal of property, plant and equipment | – | 76 |
| Fair value gain on derivative financial instruments | | |
| – forward foreign exchange contracts | – | 1,911 |
| Net foreign exchange (loss)/gain | <u>(8,568)</u> | <u>15,996</u> |
| | <u><u>(7,789)</u></u> | <u><u>18,260</u></u> |

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the followings:

| | Six months ended | |
|--|-------------------------|----------------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Continuing operations | | |
| (a) Finance costs | | |
| Bills discount charges | – | 1,835 |
| Interest on lease liabilities | <u>206</u> | <u>301</u> |
| Total interest expense on financial liabilities not at fair value through profit or loss | <u><u>206</u></u> | <u><u>2,136</u></u> |
| (b) Staff costs (including directors' emoluments) | | |
| Salaries, wages and other benefits | 9,755 | 15,123 |
| Contributions to defined contribution retirement plans | <u>1,342</u> | <u>1,324</u> |
| | <u><u>11,097</u></u> | <u><u>16,447</u></u> |
| (c) Other items | | |
| Cost of inventories [#] | 333,565 | 272,092 |
| Impairment allowance for other receivables | 336 | 624 |
| Depreciation charges | | |
| – owned property, plant and equipment | 4,830 | 4,969 |
| – right-of-use assets | 5,284 | 5,299 |
| Operating lease charges: minimum lease payments (<i>Note</i>) | 351 | – |
| Written off of property, plant and equipment | <u>168</u> | <u>–</u> |

[#] Cost of inventories, being the carrying amount of inventories sold, included HK\$14,261,000 (2019: HK\$13,695,000) relating to staff costs, depreciation and depreciation of right-of-use assets for the six months ended 30 September 2020 and 2019 which amounts were also included in the respective total amounts disclosed separately in notes 5(b) and 5(c) for each of these types of expenses.

Note:

According to HKFRS16 Leases, payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases within 12 months.

6. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the condensed consolidated statement of profit or loss represents:

| | Six months ended | |
|--|-------------------------|--------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Continuing operations | | |
| Current tax | | |
| – Hong Kong Profits Tax (<i>note (i)</i>) | – | 3,023 |
| – PRC Enterprise Income Tax (“EIT”) (<i>note (ii)</i>) | <u>680</u> | <u>1,134</u> |
| | 680 | 4,157 |
| Deferred tax | | |
| – Origination and reversal of temporary differences | <u>2</u> | <u>3</u> |
| Total | <u>682</u> | <u>4,160</u> |

Notes:

- (i) No Hong Kong Profits Tax had been provided as the Group had no assessable profits for the six months ended 30 September 2020.

The provision for Hong Kong Profits Tax for the six months ended 30 September 2019 was calculated at 16.5% of the estimated assessable profits for the period.

- (ii) PRC subsidiaries are subject to PRC EIT at 25% (2019: 25%).

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Dividend distributed out of the profits generated thereafter shall be subject to the EIT at 5% or 10% and withheld by PRC entities.

- (iii) The Group is not subject to any taxation under the jurisdiction of Bermuda, Samoa, Cayman Islands and the British Virgin Islands for the six months ended 30 September 2020 and 2019.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

8. DISCONTINUED OPERATION

Disposal of operation of production and sale of utilities

On 11 September 2019, the Group entered into a sale agreement to dispose of entire equity interests in Ningxia Tianyuan Power Generation Company Limited (“**Power Company**”), a wholly-owned subsidiary of the Company, which carried out all of the Group’s operation of production and sale of utilities, at a consideration of RMB169,000,000 (equivalent to approximately HK\$184,717,000). The disposal was completed on 16 June 2020 and the Group has received the first part of the consideration of approximately RMB47,976,000 (equivalent to approximately HK\$52,438,000) after deducting income tax as stated in the sale agreement on 16 June 2020.

The results of the discontinued operation included in the loss for the period are set out below.

| | For the period from 1 April 2020 to 16 June 2020 (date of disposal) HK\$’000 (unaudited) | For the six months ended 30 September 2019 HK\$’000 (unaudited) |
|--|---|---|
| Revenue | 13,112 | 54,648 |
| Cost of sales | <u>(15,875)</u> | <u>(80,004)</u> |
| Gross loss | (2,763) | (25,356) |
| Other net income | – | 209 |
| Administrative expenses | <u>(593)</u> | <u>(344)</u> |
| Loss from operation | (3,356) | (25,491) |
| Finance costs | <u>(48)</u> | <u>(271)</u> |
| Loss before taxation | (3,404) | (25,762) |
| Income tax credit | <u>–</u> | <u>4,124</u> |
| Loss after taxation | (3,404) | (21,638) |
| Loss on disposal of the subsidiary after income tax | <u>(19,605)</u> | <u>–</u> |
| Loss for the period from discontinued operation and attributable to owners of the Company | <u><u>(23,009)</u></u> | <u><u>(21,638)</u></u> |

Loss before taxation from discontinued operation includes the following:

| | For the period from 1 April 2020 to 16 June 2020 (date of disposal) HK\$'000 (unaudited) | For the six months ended 30 September 2019 HK\$'000 (unaudited) |
|--|---|--|
| Interest income on bank deposits | – | 1 |
| Sundry income | – | 208 |
| Interest on lease liabilities | 48 | 271 |
| Salaries, wages and other benefits | 1,862 | 6,409 |
| Contributions to defined contribution retirement plans | 628 | 1,782 |
| Staff costs | 2,490 | 8,191 |
| Cost of inventories [#] | 15,875 | 80,004 |
| Depreciation charges | | |
| – owned property, plant and equipment | 2,811 | 9,793 |
| – right-of-use assets | 773 | 2,371 |
| | 3,584 | 12,164 |
| Written off of property, plant and equipment | 421 | – |

[#] Cost of inventories, being the carrying amount of inventories sold, included HK\$6,039,000 (2019: HK\$21,286,000) relating to staff costs, depreciation and depreciation of right-of-use assets for the period from 1 April 2020 to 16 June 2020 (date of disposal) and the six months ended 30 September 2019 which amounts were also included in the respective total amounts disclosed separately above for each of these types of expenses.

| | For the period from 1 April 2020 to 16 June 2020 (date of disposal) (unaudited) | For the six months ended 30 September 2019 (unaudited) |
|---|--|---|
| Loss per share | | |
| Basic and diluted, from discontinued operation (HK cent per share) | (0.109) | (0.103) |

The calculations of basic and diluted loss per share from discontinued operation are based on:

| | For the period from 1 April 2020 to 16 June 2020 (date of disposal) (unaudited) | For the six months ended 30 September 2019 (unaudited) |
|---|--|---|
| Loss attributable to owners of the Company from discontinued operation (HK\$'000) | (23,009) | (21,638) |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation (note 10) | 21,084,072,140 | 21,084,072,140 |

Details of the disposal of the subsidiary

| | For the period from 1 April 2020 to 16 June 2020 (date of disposal) <i>HK\$'000</i> (unaudited) | For the six months ended 30 September 2019 <i>HK\$'000</i> (unaudited) |
|--|---|--|
| Consideration received or receivable: | | |
| Cash | <u>184,717</u> | <u>–</u> |
| Total disposal consideration | 184,717 | – |
| Carrying amount of net assets sold | <u>(183,923)</u> | <u>–</u> |
| Gain on disposal before income tax and reclassification of foreign exchange differences | 794 | – |
| Reclassification of foreign exchange differences | (17,422) | – |
| Income tax expense | <u>(2,977)</u> | <u>–</u> |
| Loss on disposal after income tax | <u>(19,605)</u> | <u>–</u> |

The carrying amounts of assets and liabilities as at the date of disposal (16 June 2020) were:

| | 16 June 2020 <i>HK'000</i> (unaudited) |
|---|--|
| Property, plant and equipment | 139,302 |
| Right-of-use assets | 3,864 |
| Inventories | 3,920 |
| Trade receivables | 55,911 |
| Prepayments, deposits and other receivables | 17,580 |
| Cash and cash equivalents | <u>36</u> |
| Total assets | <u>220,613</u> |
| Trade payables | (16,742) |
| Accruals, deposits and other payables | (15,941) |
| Lease liabilities | <u>(4,007)</u> |
| Total liabilities | <u>(36,690)</u> |
| Net assets | <u>183,923</u> |

9. DISPOSAL GROUP HELD FOR SALE

As at 30 September 2019, the Group's management was committed to a plan to sell Power Company. Accordingly, Power Company is presented as a disposal group held for sale. The disposal was completed on 16 June 2020 and the Group has received the first part of the consideration of approximately RMB47,976,000 (equivalent to approximately HK\$52,438,000) after deducting income tax as stated in the sale agreement on 16 June 2020.

At 30 September 2020 and 31 March 2020, the disposal group comprised the following assets and liabilities.

| | At 30 September 2020 <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|--|--|--|
| Property, plant and equipment | – | 142,369 |
| Right-of-use assets | – | 4,632 |
| Inventories | – | 295 |
| Trade receivables | – | 50,675 |
| Prepayments, deposits and other receivables | – | 24,075 |
| Cash and cash equivalents | – | 14 |
| | <hr/> | <hr/> |
| Assets held for sale | – | 222,060 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Trade payables | – | (8,514) |
| Accruals, deposits and other payables | – | (21,656) |
| Lease liabilities | – | (4,778) |
| | <hr/> | <hr/> |
| Liabilities directly associated with the assets held for sale | – | (34,948) |
| | <hr/> <hr/> | <hr/> <hr/> |

Cumulative income or expenses included in other comprehensive income

Cumulative expense of HK\$Nil (at 31 March 2020: HK\$17,638,000), being exchange differences relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

10. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended | |
|--|------------------------------|------------------------------|
| | 30 September | |
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| Continuing operations | | |
| (Loss)/earnings | | |
| (Loss)/profit for the period attributable to owners of the Company (<i>HK\$'000</i>) | <u><u>(17,414)</u></u> | <u><u>263</u></u> |
| Number of shares | | |
| Weighted average number of ordinary shares in issue | <u><u>21,084,072,140</u></u> | <u><u>21,084,072,140</u></u> |
| Basic (loss)/earnings per share (<i>HK cent per share</i>) | <u><u>(0.083)</u></u> | <u><u>0.001</u></u> |
| Discontinued operation | | |
| Loss | | |
| Loss for the period attributable to owners of the Company (<i>HK\$'000</i>) | <u><u>(23,009)</u></u> | <u><u>(21,638)</u></u> |
| Number of shares | | |
| Weighted average number of ordinary shares in issue | <u><u>21,084,072,140</u></u> | <u><u>21,084,072,140</u></u> |
| Basic loss per share (<i>HK cent per share</i>) | <u><u>(0.109)</u></u> | <u><u>(0.103)</u></u> |
| Continuing and discontinued operations | | |
| Loss | | |
| Loss for the period attributable to owners of the Company (<i>HK\$'000</i>) | <u><u>(40,423)</u></u> | <u><u>(21,375)</u></u> |
| Number of shares | | |
| Weighted average number of ordinary shares in issue | <u><u>21,084,072,140</u></u> | <u><u>21,084,072,140</u></u> |
| Basic loss per share (<i>HK cent per share</i>) | <u><u>(0.192)</u></u> | <u><u>(0.102)</u></u> |

b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 September 2020 and 2019 is the same as the basic (loss)/earnings per share as there is no potential ordinary shares outstanding during the periods.

11. TRADE RECEIVABLES

| | At 30 September 2020 <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|----------------------|--|--|
| Trade receivables | 411,760 | 328,618 |
| Less: Loss allowance | <u>(1,095)</u> | <u>(1,095)</u> |
| | <u>410,665</u> | <u>327,523</u> |

Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date or shipment date and net of loss allowance is as follows:

| | At 30 September 2020 <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|----------------|--|--|
| 0 – 60 days | 319,610 | 26,819 |
| 61 – 120 days | 8,237 | 16,047 |
| 121 – 180 days | 25,755 | 87,588 |
| 181 – 360 days | 56,943 | 197,069 |
| Over 360 days | <u>120</u> | <u>–</u> |
| | <u>410,665</u> | <u>327,523</u> |

12. TRADE PAYABLES

| | At 30 September 2020 <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|----------------|--|--|
| Trade payables | <u>306,107</u> | <u>258,783</u> |

Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date or shipment date is as follows:

| | At 30 September 2020 <i>HK\$'000</i> (unaudited) | At 31 March 2020 <i>HK\$'000</i> (audited) |
|----------------|--|--|
| 0 – 60 days | 296,149 | 2,026 |
| 61 – 120 days | 1,183 | 419 |
| 121 – 180 days | 43 | 70,658 |
| 181 – 360 days | 1,149 | 181,631 |
| Over 360 days | <u>7,583</u> | <u>4,049</u> |
| | <u>306,107</u> | <u>258,783</u> |

13. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions:

Key management personnel compensation

All members of key management personnel are the directors of the Company, and the remuneration for them is as follows:

| | Six months ended | |
|---|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Salaries and other short-term employee benefits | 2,739 | 3,643 |
| Post-employment benefits | 15 | 18 |
| | <u>2,754</u> | <u>3,661</u> |

Total remuneration is included in “staff costs” (see note 5(b)).

14. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | At | At |
|-------------------------------|-----------------|-----------------|
| | 30 September | 31 March |
| | 2020 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (audited) |
| Property, plant and equipment | <u>-</u> | <u>2,009</u> |

15. SEASONALITY OF OPERATIONS

The Group's operation of production and sale of utilities is subject to seasonal fluctuations as a result of weather conditions. In particular, the demands in this geographic area are adversely affected by summer weather conditions, which occur primarily from April to September in each year. Therefore, this business typically has reported lower revenue and results for the first half of the year. The Group's disposal of operation of production and sale of utilities was completed in June 2020.

For the period from 1 October 2019 to 16 June 2020 (date of disposal), the operation of production and sale of utilities reported revenue of HK\$113,683,000 (twelve months ended 30 September 2019: HK\$192,526,000) and segment profit of HK\$4,880,000 (twelve months ended 30 September 2019: segment profit of HK\$10,169,000).

16. EVENTS AFTER REPORTING PERIOD

From late January 2020, the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") was rapidly evolving globally. Since then, the economic and financial markets have been significantly impacted. The Group's gross profit and its margin were therefore further tightened. Up to the date of these unaudited interim financial statements, the COVID-19 outbreak had no material impacts on the financial performance of the Group. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the consolidation financial statements and operation results.

OPERATIONS REVIEW

Continuing operations

For the six months ended 30 September 2020 (“**period under review**”), the Group was principally engaged in sourcing and sale of metal minerals and related industrial materials and the production and sale of industrial products. The disposal of production and sale of utilities business under 寧夏天元發電有限公司 (literally translated as Ningxia Tianyuan Power Generation Company Limited) (the “**Power Company**”) was completed in June 2020 and the details of such disposal are set out under the heading “Material Disposal” below.

Revenue and Gross Profit

During the period under review, the Group recorded an increase in revenue, from HK\$277,601,000 for the six months ended 30 September 2019 to HK\$336,262,000 for the six months ended 30 September 2020, representing an increase of approximately 21.1% as compared to the corresponding period last year. The Group’s gross profit decreased by approximately 51.0% from HK\$5,509,000 for the six months ended 30 September 2019 to HK\$2,697,000 for the six months ended 30 September 2020.

The increase in revenue was mainly attributable to the recovery in demand of the customers of our sourcing and sale of metal minerals and related industrial materials business during the period under review. Nonetheless, the uncertain environment for the global trading business players and manufactures arising from the outbreak of coronavirus disease 2019 (the “**COVID-19 outbreak**”) still persisted, which has been negatively impacting the global trading business and the local manufacturing sector in the PRC. The Group’s gross profit and its margin were therefore further tightened during the period under review.

For the sourcing and sale of metal minerals and related industrial materials business, the Group recorded a segment revenue of HK\$286,335,000 for the six months ended 30 September 2020 (Six months ended 30 September 2019: HK\$234,018,000), representing an increase of approximately 22.4% as compared to corresponding period last year. This segment reported the segment profit of HK\$1,221,000 for the six months ended 30 September 2020 (Six months ended 30 September 2019: segment loss of HK\$158,000), and the overall improvement of this segment profit was mainly attributable to the strict control on the direct cost of sales associated and also the cost advantage experienced by this segment due to the increase in its scale.

For the production and sale of industrial products business under 寧夏華夏環保資源綜合利用有限公司 (literally translated as Ningxia Huaxia Integrated Waste Recycling Company Limited) (the “**Waste Recycling Company**”), the Group recorded a segment revenue of HK\$49,927,000 for the six months ended 30 September 2020 (Six months ended 30 September 2019: HK\$43,583,000), representing an increase of approximately 14.6% as compared to corresponding period last year. However, this segment reported a decrease in its segment profit by approximately 61.4%, from HK\$3,210,000 for the six months ended 30 September 2019 to HK\$1,240,000 for the six months ended 30 September 2020. The decrease in segment profit was mainly attributable to the increase in the cost of production during the period under review.

Other Net (Loss)/Income

For the six months ended 30 September 2020, the Group recorded an other net loss of HK\$7,789,000 (Six months ended 30 September 2019: other net income of HK\$18,260,000), and the change was mainly attributable to the fluctuation of exchange rate of various foreign currencies, mainly related to RMB and USD. The net foreign exchange loss recorded for the six months ended 30 September 2020 mainly arose from the devaluation of our trade deposits paid to the overseas suppliers in USD due to the depreciation in USD against RMB during the period under review.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses and depreciation. For the six months ended 30 September 2020, the Group recorded administrative expenses of HK\$10,880,000 (Six months ended 30 September 2019: HK\$14,677,000), representing a decrease of approximately 25.9% as compared to corresponding period last year. The decrease in administrative expenses was mainly due to the cost control measures implemented by the management of the Group during the period under review.

Other Operating Expenses

Other operating expenses of HK\$336,000 (Six months ended 30 September 2019: HK\$624,000) are represented by impairment allowance for other receivables.

Finance Costs

Finance costs decreased by HK\$1,930,000, or approximately 90.4% from HK\$2,136,000 for the six months ended 30 September 2019 to HK\$206,000 for the six months ended 30 September 2020. The decrease was attributable to the decrease in bills discount charge as a result of the reduced use of bills receivables discounting arrangement by the Group in its sourcing and sale of metal minerals and related industrial materials business during the period under review. The Group will consider to make the discounting arrangement of bills receivables to maintain certain level of cash flows if appropriate and necessary. The Group's management is continuously and carefully monitoring the Group's capital structure in order to utilize the financial resources to meet its ongoing operational requirements and business expansion.

Loss for the period

Continuing operations

In response to the unfavourable economic conditions and persistent uncertainty of the economy outlook, the Group has been implementing various measurements on controlling the operation cost and capital expenditure in order to reserve a sufficient level of resources and capital. During the period under review, there was a significant decrease in finance costs, administrative expenses and selling and distribution costs when compared to those costs and expenses for the corresponding period last year. However, the negative effect on the financial result of the Company due to the change from net foreign exchange gain of approximately HK\$15,996,000 recorded for the six months ended 30 September 2019 to net foreign exchange loss of approximately HK\$8,568,000 recorded for the six months ended 30 September 2020 has significantly cancelled out and outweighed the positive effects of those decrease in certain expenses factors stated above. The Group therefore recorded an increase in loss for the period from continuing operations, from HK\$285,000 for the six months ended 30 September 2019, to HK\$17,432,000 for the six months ended 30 September 2020.

The Group's management is paying vigilant attention the fluctuation of various foreign currencies and is constantly and closely monitor the foreign currency exposure. For details, please refer to the session under the heading "Foreign Currency Management" below.

Discontinued operation

During the period under review, the Group recorded a loss for the period from discontinued operation of HK\$23,009,000 (Six months ended 30 September 2019: loss of HK\$21,638,000). The loss from discontinued operation for the six months ended 30 September 2020 was mainly attributable to the reclassification of foreign exchange differences relating to the disposed subsidiary of approximately HK\$17,422,000, from equity to profit or loss which has led to the significant loss on disposal of the subsidiary recognised upon the completion of such disposal in June 2020.

The loss attributable to owners of the Company for the six months ended 30 September 2020 amounted to HK\$40,423,000 whereas a loss of HK\$21,375,000 was recorded in corresponding period last year. This represented a basic loss per share of HK0.192 cent for the six months ended 30 September 2020, whereas the basic loss per share of HK0.102 cent was recorded in corresponding period last year.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group financed its operations mainly by cash generated from its business activities and credit facilities provided by banks. As at 30 September 2020, the Group had current assets of HK\$786,405,000 (Year ended 31 March 2020: HK\$761,423,000), comprising cash and bank balances of HK\$6,388,000 (Year ended 31 March 2020: HK\$6,093,000).

The Group's current ratio, calculated based on current assets of HK\$786,405,000 (Year ended 31 March 2020: HK\$761,423,000) over current liabilities of HK\$343,645,000 (Year ended 31 March 2020: HK\$321,062,000), was at a healthy level of 2.29, which was maintained in a similar level to the corresponding ratio as at 31 March 2020 (Year ended 31 March 2020: 2.37).

As at 30 September 2020, the Group's trade payables amounted to HK\$306,107,000 (Year ended 31 March 2020: HK\$258,783,000); trade receivables amounted to HK\$410,665,000 (Year ended 31 March 2020: HK\$327,523,000).

As at 30 September 2020, the Group's equity attributable to owners of the Company decreased to HK\$491,225,000 (Year ended 31 March 2020: HK\$494,071,000). The decrease in equity attributable to owners of the Company was mainly due to the total comprehensive expenses recorded by the Group during the period under review.

During the period under review, the Group continued to implement a prudent financial management policy to protect the shareholders' interest of the Group. The management will keep on exploring the feasibility of carrying out certain financing activities, with the support from financial and securities institutions and professional advisors, to meet its ongoing operational requirements and business expansions requirements.

Material Disposal

On 11 September 2019, the Group entered into a disposal agreement with an independent third party for the disposal of 100% equity interests in the Power Company at a total consideration of RMB169,000,000. The Power Company is an indirect wholly-owned subsidiary of the Group which operates a waste heat power generation plant with an installed capacity of 36 megawatts in the Ningxia Hui Autonomous Region of the PRC. The transaction was categorized as a major transaction under the Listing Rules. On 31 October 2019, the transaction was duly passed as an ordinary resolution by the Shareholders.

For details, please refer to the announcement of the Company dated 11 September 2019 and the circular of the Company dated 16 October 2019 for the disposal of Power Company. For the poll results announcement, please refer to the announcement of the Company dated 31 October 2019. The disposal was completed in June 2020.

Save for the aforementioned, no other plans were authorised by the Board for any material investments, additions of capital assets or disposal as at the date of this announcement.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly carried out and conducted in HK\$, RMB and USD. The Group maintains a strategy in its foreign currency risk management, primarily by including the estimated exchange differences on currency exposure in our pricing of metal minerals trade to minimize the impact of foreign exchange risk on the Group's profit. The Group will enter into forward foreign exchange contracts to hedge against the Group's currency exposure if appropriate and necessary. The management thus believes the current level of bank balances, certain receivables and payables denominated in RMB and USD expose the Group to a manageable foreign currency risk. The management is paying vigilant attention to the fluctuation of RMB and is constantly and closely monitoring the foreign currency exposure. The Group will further consider using any appropriate financial derivatives to hedge against the Group's currency risk and manage its exposure.

Capital Commitment

As at 30 September 2020, the Group had no capital commitments (Year ended 31 March 2020: RMB1,840,000 (equivalent to approximately HK\$2,009,000) mainly for acquisition of machineries, equipment and related installation works for the Power Company.)

Contingent Liabilities

As at 30 September 2020, the Group had no material contingent liabilities (Year ended 31 March 2020: nil).

Events After The Reporting Period

From late January 2020, the COVID-19 outbreak was rapidly evolving globally. Since then, the economic and financial markets have been significantly impacted. The Group's gross profit and its margin were therefore further tightened. Up to the date of these unaudited interim financial statements, the COVID-19 outbreak had no material impacts on the financial performance of the Group. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the consolidation financial statements and operation results.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of approximately 130 employees and directors (2019: 161) from continuing operations. The Group's staff costs, including directors' remuneration, amounted to HK\$11,097,000 (2019: HK\$16,447,000). Remuneration packages for employees and directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include provident fund scheme, medical insurance and discretionary bonuses.

PROSPECTS

The trade disputes and economic conflict between the PRC and United States in the recent years has been negatively impacting the global trading business and also the local manufacturing sector in the PRC. Together with the COVID-19 outbreak starting from January this year, the global economy and trading environment became more severe and tougher. Though the uncertain environment for the global trading business players and manufacturers still persisted, it was expected that the China infrastructure investment would gradually pick up next year, which may offset the impact of the COVID-19 outbreak on certain business sectors, like the steel and construction materials manufacturers. Also, the COVID-19 outbreak has aroused more attention on the importance of technology development and environmental protection. China's latest commitment to environmental protection and CO₂ emissions cuts would lead to the massive transformation of the energy generation and utilization in China. Some of the metal minerals traded by the Group have been widely applied to the new energy development and we expect that there would be a strong growth of demand for those minerals in China in the future.

Following the completion of the disposal of its production and sale of utilities business under 寧夏天元發電有限公司 (literally translated as Ningxia Tianyuan Power Generation Company Limited) (the “**Power Company**”) in June 2020, the Group was able to devote more attention and resources on the sourcing and sale of metal minerals and related industry materials business. The Group has been engaging in the above business segments for years and it has established solid business relationships with the world's leading mining companies and various business partners. The Group aims at materialising the aforementioned relationship, seizing the business opportunity arisen from the bounce back of infrastructure investment and the expected growth of the new energy development sector in China, transforming them into various incomes and profits, and maximising the return for the Company's shareholders.

At the same time, in response to the persistent uncertainty of the economy outlook, the Group has been implementing various measurements on controlling the operation cost and capital expenditure in order to reserve the sufficient resources and capital to capture the business opportunities in the future. The Group management has devoted extra effort this year on controlling the operational risk and liquidity risk to ensure the Group can get through the tough and challenging year smoothly. The Group management will monitor the Group's asset and liability status carefully and will strive to expand in opportunities with growth potential and sustainable development.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2020, the Company has complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, except for the deviation from Code Provision A.2.1.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the six months ended 30 September 2020, Mr. Sin Lik Man has been serving as both the chairman and chief executive officer of the Company.

Although the positions of chairman and chief executive officer were not separated during the six months ended 30 September 2020, the responsibilities between the two positions were clearly separated. The Board believes that such structure helps to provide consistent leadership, facilitates effective business planning and implementation of long-term business strategies.

In addition, all major decisions of the Company are made only after discussion among Board members and appropriate members of the Board committees and the heads of departments. The power and authority are not concentrated in one individual. Moreover, the Board is composed of experienced members who are not involved in the day to day management of the Company. They are in a position to and do provide independent opinions effectively. The Board considers that in the circumstances having the roles of the chairman and chief executive officer played by the same individual would not impair the balance of power and authority between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2020.

AUDIT COMMITTEE

The condensed consolidated financial information of the Group for the six months ended 30 September 2020 have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”) before they are duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF INFORMATION ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the Stock Exchange’s website (www.hkex.com.hk) and the Company’s website (www.npegrou.com.hk) respectively. The relevant interim report of the Company will be despatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board

Sin Lik Man

Chairman and Chief Executive Officer

Hong Kong, 25 November 2020

As at the date of this announcement, the Board comprises Mr. Sin Lik Man (Chairman and Chief Executive Officer) and Ms. Sun Le as Executive Directors, Ms. Sun Di as Non-Executive Director, and Mr. Cheung Ngai Lam, Mr. Wang Ye and Mr. Wan Johnson as Independent Non-executive Directors.