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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 2021

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 2021 together with comparative figures of the corresponding period last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Six months ended 30 September	
	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	88,604	336,262
Cost of sales		(84,310)	(333,565)
Gross profit		4,294	2,697
Other net income/(loss)	4	2,713	(7,789)
Selling and distribution costs		(304)	(236)
Administrative expenses		(6,711)	(10,880)
Other operating expenses		(1,608)	(336)
Loss from operations		(1,616)	(16,544)
Finance costs	5(a)	(467)	(206)
Loss before taxation	5	(2,083)	(16,750)
Income tax	6	(1,061)	(682)
Loss for the period from continuing operations		(3,144)	(17,432)

		Six months ended 30 September	
		2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Discontinued operation			
	Loss for the period from discontinued operation	8	–
		<u>–</u>	<u>(23,009)</u>
	Loss for the period	<u>(3,144)</u>	<u>(40,441)</u>
Attributable to:			
	Owners of the Company	(3,140)	(40,423)
	Non-controlling interests	<u>(4)</u>	<u>(18)</u>
	Loss for the period	<u>(3,144)</u>	<u>(40,441)</u>
Loss for the period attributable to owners of the Company:			
	– from continuing operations	(3,140)	(17,414)
	– from discontinued operation	<u>–</u>	<u>(23,009)</u>
		<u>(3,140)</u>	<u>(40,423)</u>

		Six months ended 30 September	
		2021	2020
<i>Notes</i>		<i>HK cent</i>	<i>HK cent</i>
		(unaudited)	(unaudited)
	Loss per share	9	
From continuing operations			
	Basic and diluted	(0.015)	(0.083)
From discontinued operation			
	Basic and diluted	–	(0.109)
From continuing and discontinued operations			
	Basic and diluted	<u>(0.015)</u>	<u>(0.192)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(3,144)	(40,441)
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	9,408	19,982
Reclassification adjustments for a foreign operation disposed of during the period	—	17,422
Other comprehensive income for the period (net of nil tax (2020: nil))	9,408	37,404
Total comprehensive income/(expenses) for the period	6,264	(3,037)
Attributable to:		
Owners of the Company	6,361	(2,846)
Non-controlling interests	(97)	(191)
	6,264	(3,037)
Total comprehensive income/(expenses) attributable to owners of the Company arises from:		
Continuing operations	6,361	2,525
Discontinued operation	—	(5,371)
	6,361	(2,846)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		29,913	31,802
Right-of-use assets		26,236	28,767
Goodwill		–	–
Other intangible asset		–	–
Deferred tax assets		41	41
		<u>56,190</u>	<u>60,610</u>
Current assets			
Inventories		51,685	31,275
Trade receivables	10	136,998	519,263
Prepayments, deposits and other receivables		369,330	359,100
Cash and cash equivalents		4,646	7,518
		<u>562,659</u>	<u>917,156</u>
Current liabilities			
Trade payables	11	40,095	409,568
Accruals, deposits and other payables		39,142	35,773
Lease liabilities		1,882	1,393
Tax payable		5,275	5,187
		<u>86,394</u>	<u>451,921</u>
Net current assets		<u>476,265</u>	<u>465,235</u>
Total assets less current liabilities		<u>532,455</u>	<u>525,845</u>

	At 30 September 2021 <i>Notes</i> <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	20,789	20,443
Deferred tax liabilities	<u>66</u>	<u>66</u>
	<u>20,855</u>	<u>20,509</u>
Net assets	<u>511,600</u>	<u>505,336</u>
Equity		
Equity attributable to owners of the Company		
Share capital	4,217	4,217
Reserves	<u>516,315</u>	<u>509,954</u>
	520,532	514,171
Non-controlling interests	<u>(8,932)</u>	<u>(8,835)</u>
Total equity	<u>511,600</u>	<u>505,336</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2021

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 26 November 2021.

The condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

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 2021, 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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	34,294	286,335
Production and sale of industrial products	<u>54,310</u>	<u>49,927</u>
	<u>88,604</u>	<u>336,262</u>

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 during the year ended 31 March 2021. The following segment information does not include any amounts for the discontinued operation, which is described in more detail in note 8.

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

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 2021 and 2020 are set out below:

Continuing operations

	Six months ended 30 September 2021 (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>34,294</u>	<u>54,310</u>	<u>–</u>	<u>88,604</u>
Reportable segment profit	<u>64</u>	<u>3,926</u>	<u>–</u>	<u>3,990</u>

	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	<u>286,335</u>	<u>49,927</u>	<u>–</u>	<u>336,262</u>
Reportable segment profit	<u>1,221</u>	<u>1,240</u>	<u>–</u>	<u>2,461</u>

There are no inter-segment sales for the six months ended 30 September 2021 and 2020.

The following tables present segment assets and segment liabilities of the Group's reportable segments as at 30 September 2021 and 31 March 2021:

	At 30 September 2021 (unaudited)			
	Sourcing and sale of metal minerals and related industrial materials HK\$'000	Production and sale of industrial products HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	<u>329,751</u>	<u>237,315</u>	<u>10</u>	<u>567,076</u>
Reportable segment liabilities	<u>(33,776)</u>	<u>(66,080)</u>	<u>(3,870)</u>	<u>(103,726)</u>
	At 31 March 2021 (audited)			
	Sourcing and sale of metal minerals and related industrial materials HK\$'000	Production and sale of industrial products HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	<u>663,445</u>	<u>260,629</u>	<u>9</u>	<u>924,083</u>
Reportable segment liabilities	<u>(370,721)</u>	<u>(93,764)</u>	<u>(3,832)</u>	<u>(468,317)</u>

Reconciliation of reportable segment profit:

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Profit		
Total reportable segment profit derived from the Group's external customers	3,990	2,461
Other net income/(loss)	2,713	(7,789)
Depreciation of reportable segment not included in measurement of segment profit	–	(34)
Loss allowance on trade and other receivables	(302)	–
Loss on deregistration of a subsidiary	(110)	–
Impairment loss on non-controlling interests	(182)	(336)
Written down of inventories	(1,014)	–
Finance costs	(467)	(206)
Unallocated head office and corporate expenses		
– Depreciation for property, plant and equipment	(88)	(552)
– Depreciation for right-of-use assets	–	(1,105)
– Staff costs (including directors' emoluments)	(3,817)	(5,028)
– Others	(2,806)	(4,161)
	<u>(2,083)</u>	<u>(16,750)</u>
Consolidated loss before taxation	<u>(2,083)</u>	<u>(16,750)</u>

4. OTHER NET INCOME/(LOSS)

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest income on bank deposits	–	–
Interest income on loan receivable	182	145
	<u>182</u>	<u>145</u>
Total interest income on financial assets measured at amortised cost	182	145
Sundry income	2,621	634
Net foreign exchange loss	(90)	(8,568)
	<u>2,713</u>	<u>(7,789)</u>
	<u>2,713</u>	<u>(7,789)</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the followings:

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
(a) Finance costs		
Interest on lease liabilities	<u>467</u>	<u>206</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><u>467</u></u>	<u><u>206</u></u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,062	9,755
Contributions to defined contribution retirement plans	<u>1,395</u>	<u>1,342</u>
	<u><u>12,457</u></u>	<u><u>11,097</u></u>
(c) Other items		
Cost of inventories [#]	84,310	333,565
Loss allowance on trade and other receivables	302	–
Loss on deregistration of a subsidiary	110	–
Impairment loss on non-controlling interests	182	336
Written down of inventories	1,014	–
Depreciation for property, plant and equipment	3,213	4,830
Depreciation for right-of-use assets	3,023	5,284
Operating lease charges: minimum lease payments (<i>Note</i>)	403	351
Written off of property, plant and equipment	<u>–</u>	<u>168</u>

[#] Cost of inventories, being the carrying amount of inventories sold, included HK\$14,556,000 (2020: HK\$14,261,000) relating to staff costs, depreciation for property, plant and equipment and depreciation for right-of-use assets for the six months ended 30 September 2021 and 2020 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 HKFRS 16 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 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax		
– Hong Kong Profits Tax (<i>note (i)</i>)	–	–
– PRC Enterprise Income Tax (“EIT”) (<i>note (ii)</i>)	<u>1,061</u>	<u>680</u>
	1,061	680
Deferred tax		
– Origination and reversal of temporary differences	<u>–</u>	<u>2</u>
Total	<u><u>1,061</u></u>	<u><u>682</u></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 2021 and 2020.
- (ii) PRC subsidiaries are subject to PRC EIT at 25% (2020: 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 2021 and 2020.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: 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. Up to 30 September 2021, the Group has received the first to third part of the consideration of approximately RMB132,476,000 (equivalent to approximately HK\$156,693,000) after deducting income tax as stated in the sale agreement.

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) <i>HK\$’000</i> (unaudited)
Revenue	13,112
Cost of sales	<u>(15,875)</u>
Gross loss	(2,763)
Administrative expenses	<u>(593)</u>
Loss from operation	(3,356)
Finance costs	<u>(48)</u>
Loss before taxation	(3,404)
Income tax credit	<u>–</u>
Loss after taxation	(3,404)
Loss on disposal of the subsidiary after income tax	<u>(19,605)</u>
Loss for the period from discontinued operation and attributable to owners of the Company	<u><u>(23,009)</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) <i>HK\$'000</i> (unaudited)
Interest on lease liabilities	48
Salaries, wages and other benefits	1,862
Contributions to defined contribution retirement plans	628
Staff costs	2,490
Cost of inventories [#]	15,875
Depreciation for property, plant and equipment	2,811
Depreciation for right-of-use assets	773
	3,584
Written off of property, plant and equipment	421

[#] Cost of inventories, being the carrying amount of inventories sold, included HK\$6,039,000 relating to staff costs, depreciation for property, plant and equipment and depreciation for right-of-use assets for the period from 1 April 2020 to 16 June 2020 (date of disposal) 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) <i>HK\$'000</i> (unaudited)
Cash flows from discontinued operation	
Net cash generated from operating activities	878
Net cash generated from investing activities (for the period from 1 April 2020 to 16 June 2020 (date of disposal) includes an inflow of HK\$52,438,000 from the disposal of the subsidiary)	52,438
Net cash used in financing activities	(825)
Net increase in cash generated by a subsidiary	52,491

For the period from
1 April 2020 to
16 June 2020
(date of disposal)
(unaudited)

Loss per share

Basic and diluted, from the discontinued operation (*HK cent per share*) (0.109)

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)

Loss attributable to owners of the Company from
the discontinued operation (*HK\$'000*) (23,009)

Weighted average number of ordinary shares in issue during the period used in
the basic and diluted loss per share calculation (*note 9*) 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)
Consideration received or receivable:	
Cash	<u>184,717</u>
Total disposal consideration	184,717
Carrying amount of net assets sold	<u>(183,923)</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>
Loss on disposal after income tax	<u><u>(19,605)</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><u>220,613</u></u>
Trade payables	(9,514)
Accruals, deposits and other payables	(23,169)
Lease liabilities	<u>(4,007)</u>
Total liabilities	<u><u>(36,690)</u></u>
Net assets	<u><u>183,923</u></u>

9. LOSS PER SHARE

a) Basic loss per share

Basic loss per share is calculated by dividing the loss 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	
	2021	2020
	(unaudited)	(unaudited)
Continuing operations		
Loss		
Loss for the period attributable to owners of the Company <i>(HK\$'000)</i>	<u><u>(3,140)</u></u>	<u><u>(17,414)</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>(0.015)</u></u>	<u><u>(0.083)</u></u>
Discontinued operation		
Loss		
Loss for the period attributable to owners of the Company <i>(HK\$'000)</i>	<u><u>–</u></u>	<u><u>(23,009)</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>–</u></u>	<u><u>(0.109)</u></u>

	Six months ended	
	30 September	
	2021	2020
	(unaudited)	(unaudited)
Continuing and discontinued operations		
Loss		
Loss for the period attributable to owners of the Company <i>(HK\$'000)</i>	<u><u>(3,140)</u></u>	<u><u>(40,423)</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>(0.015)</u></u>	<u><u>(0.192)</u></u>

b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2021 and 2020 is the same as the basic loss per share as there is no potential ordinary shares outstanding during the periods.

10. TRADE RECEIVABLES

	At	At
	30 September	31 March
	2021	2021
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	138,298	520,927
<i>Less: Loss allowance</i>	<u><u>(1,300)</u></u>	<u><u>(1,664)</u></u>
	<u><u>136,998</u></u>	<u><u>519,263</u></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 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
0 – 60 days	15,966	26,277
61 – 120 days	19,088	23,909
121 – 180 days	26,184	91,256
181 – 360 days	65,457	351,096
Over 360 days	<u>10,303</u>	<u>26,725</u>
	<u>136,998</u>	<u>519,263</u>

Trade receivables are usually due within 360 days (31 March 2021: 360 days) from the invoice date or shipment date.

11. TRADE PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	<u>40,095</u>	<u>409,568</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 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
0 – 60 days	371	15,490
61 – 120 days	59	19,061
121 – 180 days	32,445	74,212
181 – 360 days	1,787	295,168
Over 360 days	5,433	5,637
	<u>40,095</u>	<u>409,568</u>

12. 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 2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Salaries and other short-term employee benefits	2,512	2,739
Post-employment benefits	18	15
	<u>2,530</u>	<u>2,754</u>

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

13. EVENTS AFTER REPORTING PERIOD

The COVID-19 outbreak continued to bring about additional uncertainties in the Group’s operating environment and may impact the Group’s operations and financial position. The Group has been closely monitoring the impact from the epidemic on the Group’s businesses and will take all necessary and appropriate measures to reduce the impact of the epidemic on the Group. Based on the currently available information, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since the end of the reporting period and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Continuing operations

For the six months ended 30 September 2021 (“**period under review**”), the Group was principally engaged in the sourcing and sale of metal minerals and related industrial materials and the production and sale of industrial products.

Revenue and Gross Profit

During the period under review, the Group recorded a decrease in revenue, from HK\$336,262,000 for the six months ended 30 September 2020 to HK\$88,604,000 for the six months ended 30 September 2021, representing a decrease of approximately 73.7% as compared to the corresponding period last year. The Group’s gross profit increased by approximately 59.2% from HK\$2,697,000 for the six months ended 30 September 2020 to HK\$4,294,000 for the six months ended 30 September 2021.

The decrease in revenue of our Group mentioned above was mainly attributable to the decrease in the revenue arisen from the sourcing and sale of metal minerals and related industrial materials business segments for the six months ended 30 September 2021 when compared to the corresponding period last year. For the sourcing and sale of metal minerals and related industrial materials business, the Group recorded a segment revenue of HK\$34,294,000 for the six months ended 30 September 2021 (Six months ended 30 September 2020: HK\$286,335,000), representing a significant decrease of approximately 88.0% as compared to corresponding period last year.

Following the gradually launch of coronavirus disease 2019 (“**COVID-19**”) vaccination programs in various major cities around the world during the first half of year 2021, parts of the world rebounded from the pandemic and the recovered spending has led to the drastic increase in demand for different types of consumables. This resulted in the shortfall of containers and we have noted the massive disruption on the cross-border shipping arrangement that has created delays and driven up the logistic costs. As such, our sourcing and sale of metal minerals and related industrial materials business has been seriously affected during the period under review and we have been working closely with our suppliers and customers to figure out the way to deal with that unexpected situations. This segment reported a segment profit of HK\$64,000 for the six months ended 30 September 2021 (Six months ended 30 September 2020: segment profit of HK\$1,221,000), and the decrease of the segment profit was in line with the decrease of this segment revenue.

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\$54,310,000 for the six months ended 30 September 2021 (Six months ended 30 September 2020: HK\$49,927,000), representing an increase of approximately 8.8% as compared to corresponding period last year. Nonetheless, as there was a decrease in the cost of production of the industrial products manufactured by the Waste Recycling Company during the period under review, this segment reported a significant increase in its segment profit by approximately 216.6%, from HK\$1,240,000 for the six months ended 30 September 2020 to HK\$3,926,000 for the six months ended 30 September 2021.

Other Net Income/(Loss)

For the six months ended 30 September 2021, the Group recorded an other net income of HK\$2,713,000 (Six months ended 30 September 2020: other net loss of HK\$7,789,000), and the change from the other net loss recorded for the six months ended 30 September 2020 to the other net income recorded for the corresponding period this year was mainly due to the substantial decrease in the net foreign exchange loss recorded for the six months ended 30 September 2021 when compared to the corresponding period last year. The Group management has always emphasised the importance of monitoring the foreign currency exposure of the Group and the Group’s foreign currency exposure was successfully further minimised during the six months ended 30 September 2021. The net foreign exchange loss recorded for the six months ended 30 September 2021 arising from the exposure to foreign exchange risk mainly related to Renminbi and United States dollars was therefore much less than that recorded for the six months ended 30 September 2020.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses and depreciation. For the six months ended 30 September 2021, the Group’s management has kept implementing the austerity measures and therefore the Group recorded administrative expenses of HK\$6,711,000 (Six months ended 30 September 2020: HK\$10,880,000), representing a decrease of approximately 38.3% as compared to corresponding period last year.

Other Operating Expenses

Other operating expenses of HK\$1,608,000 (Six months ended 30 September 2020: HK\$336,000) are represented by the written down of inventories, loss allowance on trade and other receivables and impairment loss on non-controlling interests made during the period under review.

Finance Costs

Finance costs increased by HK\$261,000, or approximately 126.7% from HK\$206,000 for the six months ended 30 September 2020 to HK\$467,000 for the six months ended 30 September 2021. The Group has applied a revised accounting standard which provided certain amount of interest on lease liabilities during the period under review. 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. The Group may consider to make the discounting arrangement of bills receivables to maintain certain level of cash flows when appropriate and necessary.

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 austerity measures 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 administrative expenses when compared to the corresponding period last year due to the austerity measures implemented by the management, and the net foreign exchange loss decreased from approximately HK\$8,568,000 for the six months ended 30 September 2020 to approximately HK\$90,000 recorded for the six months ended 30 September 2021, the Group therefore recorded a decrease in loss for the period from continuing operations, from HK\$17,432,000 for the six months ended 30 September 2020, to HK\$3,144,000 for the six months ended 30 September 2021.

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

Discontinued operation

During the six months ended 30 September 2020, the Group recorded a loss for the period from discontinued operation of HK\$23,009,000, which 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.

Following the completion of disposal of above discontinued operation in June 2020, neither profit nor loss from that discontinued operation needed to be recorded for the six months ended 30 September 2021.

The loss attributable to owners of the Company for the six months ended 30 September 2021 amounted to HK\$3,140,000 whereas a loss of HK\$40,423,000 was recorded in the corresponding period last year. This represented a basic loss per share of HK0.015 cent for the six months ended 30 September 2021, whereas the basic loss per share of HK0.192 cent was recorded in the 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 2021, the Group had current assets of HK\$562,659,000 (Year ended 31 March 2021: HK\$917,156,000), comprising cash and bank balances of HK\$4,646,000 (Year ended 31 March 2021: HK\$7,518,000).

The Group's current ratio, calculated based on current assets of HK\$562,659,000 (Year ended 31 March 2021: HK\$917,156,000) over current liabilities of HK\$86,394,000 (Year ended 31 March 2021: HK\$451,921,000), was at a healthy level of 6.51, which was better than the corresponding ratio as at 31 March 2021 (Year ended 31 March 2021: 2.03).

As at 30 September 2021, the Group's trade payables amounted to HK\$40,095,000 (Year ended 31 March 2021: HK\$409,568,000); trade receivables amounted to HK\$136,998,000 (Year ended 31 March 2021: HK\$519,263,000).

As at 30 September 2021, the Group's equity attributable to owners of the Company increased to HK\$520,532,000 (Year ended 31 March 2021: HK\$514,171,000). No material change is recorded in equity attributable to owners of the Company from 31 March 2021 up till 30 September 2021.

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 Acquisitions and Disposals

The Group has no material acquisitions and disposals for the six months ended 30 September 2021.

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 2021, the Group had no capital commitments (Year ended 31 March 2021: nil).

Contingent Liabilities

As at 30 September 2021, the Group had no material contingent liabilities (Year ended 31 March 2021: nil).

Events After The Reporting Period

The COVID-19 outbreak continued to bring about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact of the epidemic on the Group's businesses and will take all necessary and appropriate measures to reduce the impact of the epidemic on the Group. Based on the currently available information, the Board confirms that there has been no material adverse change in the financial or trading position of the Group since the end of the reporting period and up to the date of this announcement.

Employees and Remuneration Policy

As at 30 September 2021, the Group had a total of approximately 131 employees and directors (2020: 130) from continuing operations. The Group's staff costs, including directors' remuneration, amounted to HK\$12,457,000 (2020: HK\$11,097,000). 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

Over the past few years, the Group has been encountering different kinds of challenges and we were used to deal with the uncertain and unfavourable economic conditions. We might have experienced some turbulence in the road of our business development, but we are still on the right track. Through the implemented asset restructuring and austerity measures, the Group has successfully reduced its cost burden and enhanced its balance sheet liquidity. We aim to reserve sufficient capital and resources to capture the forthcoming business opportunities, and we believe we are now in the right mode for stepping forward.

During the period under review, the Group was principally engaged in the sourcing and sale of metals minerals and related industrial materials, and also the production and sale of industrial products in the PRC. Since the global outbreak of COVID-19 in the first quarter of year 2020, the worldwide economy and business model have experienced the unprecedented shock. Dealing with the changing epidemic control measurements like “lockdown” and “travel restrictions” was becoming the “new usual business” for most of the companies in the world, in particular the logistic and manufacturing business sector. Same as most of our peers, the Group has also suffered from the shortage of raw materials and the increase in logistic costs due to the supply chain disruptions, which have negatively affected our business performance during the period under review.

Following the gradually launch of COVID-19 vaccination programs in various major cities around the world during the first half of year 2021, parts of the world rebounded from the pandemic and the recovered spending has led to the drastic increase in demand for different types of consumables. This resulted in the shortfall of containers and we have noted the massive disruption on the cross border shipping arrangement that has created delays and driven up the logistic costs. As such, our sourcing and sale of metal minerals and related industry materials business has been seriously affected during the period under review and we have been working closely with our suppliers and customers to figure out the way to deal with that unexpected situations.

The Group has been engaged in the sourcing and sale of metal minerals for years and we have established solid business relationships with the leading mine owners in the world. The metal minerals traded by the Group were mainly utilised in the steel and Electrical Vehicle’s (EV’s) battery materials production sector. Having suffered the severe economic downturn due to the outbreak of COVID –19, it was expected there will be a big bounce back of the global construction activities, particularly driven by few countries like China, India and United States. In addition, consumption of certain minerals like Nickel, Manganese, Cobalt in batteries is expected to grow exponentially over the next decade due to the increasingly demand of EVs and that would be another significant driver for the demand of minerals we are currently trading. In short, the prospect of the metal minerals the Group are currently trading is positive and we will keep exploring and capturing the business opportunities that can further enhance the return to our shareholders continuously.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2021, 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 2021, 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 2021, 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 provide, and have provided, 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 2021.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Group for the six months ended 30 September 2021 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 2021, 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, 26 November 2021

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. Tang Kin Nam as Independent Non-executive Directors.