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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 2022

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 2022 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 2022

		Six months ended 30 September	
	Notes	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	608,935	88,604
Cost of sales		<u>(603,569)</u>	<u>(84,310)</u>
Gross profit		5,366	4,294
Other net income	4	2,631	2,713
Selling and distribution costs		(615)	(304)
Administrative expenses		(8,189)	(6,711)
Other operating income/(expenses)		<u>110</u>	<u>(1,608)</u>
Loss from operations		(697)	(1,616)
Finance costs	5(a)	<u>(347)</u>	<u>(467)</u>
Loss before taxation	5	(1,044)	(2,083)
Income tax	6	<u>(1,087)</u>	<u>(1,061)</u>
Loss for the period		<u>(2,131)</u>	<u>(3,144)</u>

	Six months ended	
	30 September	
	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Attributable to:		
Owners of the Company	(1,575)	(3,140)
Non-controlling interests	<u>(556)</u>	<u>(4)</u>
Loss for the period	<u><u>(2,131)</u></u>	<u><u>(3,144)</u></u>

	Six months ended	
	30 September	
	2022	2021
<i>Note</i>	<i>HK cent</i>	<i>HK cent</i>
	(unaudited)	(unaudited)
Loss per share		
	<i>8</i>	
Basic and diluted	<u><u>(0.007)</u></u>	<u><u>(0.015)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(2,131)	(3,144)
Other comprehensive (expenses)/ income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification adjustments for the deregistration of a subsidiary	26	1,532
Exchange differences arising on translation of financial statements of subsidiaries	<u>(56,181)</u>	<u>7,876</u>
Other comprehensive (expenses)/income for the period (net of nil tax (2021: nil))	<u>(56,155)</u>	<u>9,408</u>
Total comprehensive (expenses)/ income for the period	<u>(58,286)</u>	<u>6,264</u>
Attributable to:		
Owners of the Company	(58,342)	6,361
Non-controlling interests	<u>56</u>	<u>(97)</u>
	<u>(58,286)</u>	<u>6,264</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		28,063	31,610
Right-of-use assets		18,507	23,796
Goodwill		–	–
Other intangible asset		–	–
Deferred tax assets		40	40
		<u>46,610</u>	<u>55,446</u>
Current assets			
Inventories		37,413	57,553
Trade receivables	9	618,245	98,920
Prepayments, deposits and other receivables		331,840	404,082
Cash and cash equivalents		3,215	9,018
		<u>990,713</u>	<u>569,573</u>
Current liabilities			
Trade payables	10	512,853	45,840
Accruals, deposits and other payables		43,203	37,451
Lease liabilities		1,281	1,063
Tax payable		2,226	2,964
		<u>559,563</u>	<u>87,318</u>
Net current assets		<u>431,150</u>	<u>482,255</u>
Total assets less current liabilities		<u>477,760</u>	<u>537,701</u>

	At 30 September 2022 <i>Notes</i> <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	13,956	15,611
Deferred tax liabilities	<u>66</u>	<u>66</u>
	<u>14,022</u>	<u>15,677</u>
Net assets	<u>463,738</u>	<u>522,024</u>
Equity		
Equity attributable to owners of the Company		
Share capital	4,217	4,217
Reserves	<u>468,518</u>	<u>526,860</u>
	472,735	531,077
Non-controlling interests	<u>(8,997)</u>	<u>(9,053)</u>
Total equity	<u>463,738</u>	<u>522,024</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements 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 2022.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Provision, contingent liabilities and contingent assets: Onerous Contracts – Cost of Fulfilling a Contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the above amendments did not have any material impact on the condensed consolidated financial statements of the Group.

Save as disclosed in the annual report for the year ended 31 March 2022, 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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sourcing and sale of metal minerals and related industrial materials	537,824	34,294
Production and sale of industrial products	71,111	54,310
	608,935	88,604

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

The Group's revenue from operations are derived from activities in the PRC.

(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 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 2022 and 2021 are set out below:

	Six months ended 30 September 2022 (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>537,824</u>	<u>71,111</u>	<u>–</u>	<u>608,935</u>
Reportable segment profit	<u>1,707</u>	<u>3,044</u>	<u>–</u>	<u>4,751</u>
	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>

There are no inter-segment sales for the six months ended 30 September 2022 and 2021.

The following tables present segment assets and segment liabilities of the Group's reportable segments as at 30 September 2022 and 31 March 2022:

	At 30 September 2022 (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>809,360</u>	<u>223,841</u>	<u>4</u>	<u>1,033,205</u>
Reportable segment liabilities	<u>(505,021)</u>	<u>(61,095)</u>	<u>(3,612)</u>	<u>(569,728)</u>
	At 31 March 2022 (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>374,621</u>	<u>239,949</u>	<u>9</u>	<u>614,579</u>
Reportable segment liabilities	<u>(36,404)</u>	<u>(59,276)</u>	<u>(3,972)</u>	<u>(99,652)</u>

Reconciliation of reportable segment profit:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit		
Total reportable segment profit derived from the Group's external customers	4,751	3,990
Other net income	2,631	2,713
Depreciation for right-of-use assets of reportable segment not included in measurement of segment profit	(513)	–
Reversal of allowance on trade receivables	234	399
Loss allowance on other receivable	(72)	–
Reversal of/(loss on) impairment of deposits and prepayments	196	(701)
Loss on deregistration of a subsidiary	(55)	(110)
Impairment loss on non-controlling interests	(193)	(182)
Written down of inventories	–	(1,014)
Written off of property, plant and equipment	(267)	–
Finance costs	(347)	(467)
Unallocated head office and corporate expenses		
– Depreciation for property, plant and equipment	(3)	(88)
– Staff costs (including directors' emoluments)	(4,355)	(3,817)
– Others	(3,051)	(2,806)
	<u>(1,044)</u>	<u>(2,083)</u>
Consolidated loss before taxation	<u>(1,044)</u>	<u>(2,083)</u>

4. OTHER NET INCOME

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposits	–	–
Interest income on loan receivable	193	182
	<u>193</u>	<u>182</u>
Total interest income on financial assets measured at amortised cost	193	182
Sundry income	138	2,621
Net foreign exchange gain/(loss)	2,300	(90)
	<u>2,631</u>	<u>2,713</u>

5. LOSS BEFORE TAXATION

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on lease liabilities	<u>347</u>	<u>467</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><u>347</u></u>	<u><u>467</u></u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	10,005	11,062
Contributions to defined contribution retirement plans	<u>1,226</u>	<u>1,395</u>
	<u><u>11,231</u></u>	<u><u>12,457</u></u>
(c) Other items		
Cost of inventories [#]	603,569	84,310
Reversal of allowance on trade receivables	(234)	(399)
Loss allowance on other receivables	72	–
(Reversal of)/loss on impairment of deposits and prepayments	(196)	701
Loss on deregistration of a subsidiary	55	110
Impairment loss on non-controlling interests	193	182
Written down of inventories	–	1,014
Depreciation for property, plant and equipment	1,389	3,213
Depreciation for right-of-use assets	2,902	3,023
Operating lease charges: minimum lease payments (<i>Note</i>)	315	403
Written off of property, plant and equipment	<u>267</u>	<u>–</u>

[#] Cost of inventories, being the carrying amount of inventories sold, included HK\$10,170,000 (2021: HK\$14,556,000) relating to staff costs, depreciation for property, plant and equipment and depreciation for right-of-use assets for the six months ended 30 September 2022 and 2021 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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax (<i>note (i)</i>)	–	–
– PRC Enterprise Income Tax (“EIT”) (<i>note (ii)</i>)	<u>1,087</u>	<u>1,061</u>
	1,087	1,061
Deferred tax		
– Origination and reversal of temporary differences	<u>–</u>	<u>–</u>
Total	<u>1,087</u>	<u>1,061</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 2022 and 2021.
- (ii) PRC subsidiaries are subject to PRC EIT at 25% (2021: 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 2022 and 2021.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

8. 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	
	2022	2021
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company <i>(HK\$'000)</i>	<u><u>(1,575)</u></u>	<u><u>(3,140)</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>(0.007)</u></u>	<u><u>(0.015)</u></u>

b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2022 and 2021 is the same as the basic loss per share as there is no potential ordinary shares outstanding during the periods.

9. TRADE RECEIVABLES

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade receivables	619,280	100,340
Less: Loss allowance	<u>(1,035)</u>	<u>(1,420)</u>
	<u>618,245</u>	<u>98,920</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 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 – 60 days	575,752	56,928
61 – 120 days	6,817	9,106
121 – 180 days	19,500	18,836
181 – 360 days	16,176	14,050
Over 360 days	<u>–</u>	<u>–</u>
	<u>618,245</u>	<u>98,920</u>

Trade receivables are usually due within 360 days (31 March 2022: 360 days) from the invoice date or shipment date.

10. TRADE PAYABLES

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Trade payables	<u>512,853</u>	<u>45,840</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 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
0 – 60 days	348,543	40,522
61 – 120 days	158,014	570
121 – 180 days	8	86
181 – 360 days	800	24
Over 360 days	<u>5,488</u>	<u>4,638</u>
	<u>512,853</u>	<u>45,840</u>

11. 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	2,948	2,512
Post-employment benefits	<u>20</u>	<u>18</u>
	<u>2,968</u>	<u>2,530</u>

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

12. EVENTS AFTER REPORTING PERIOD

The outbreak of coronavirus disease (COVID-19) 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’s business. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

For the six months ended 30 September 2022, 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 six months ended 30 September 2022, revenue of the Group increased by approximately 5.9 times, from approximately HK\$88,604,000 for the six months ended 30 September 2021 to approximately HK\$608,935,000 for the six months ended 30 September 2022. Gross profit of the Group increased by approximately 25% from approximately HK\$4,294,000 for the six months ended 30 September 2021 to approximately HK\$5,366,000 for the six months ended 30 September 2022. The increase in revenue mainly arose from the sourcing and sale of metal minerals and related industrial materials business.

Due to the spread of the Omicron variant outside of the Asia Pacific region during the last financial year, soaring demand for physical goods has increased congestion in various ports and pushed up shipping costs and disrupted maritime logistics at major ports, despite this, the sourcing and sale of metal minerals related industrial materials business had been able to gradually pick up the delayed sales from the last financial year. The segment revenue of sourcing and sale of metal minerals related industrial materials business was approximately HK\$537,824,000 for the six months ended 30 September 2022 (Six months ended 30 September 2021: approximately HK\$34,294,000), representing a significant increase by approximately 14.7 times as compared to the last corresponding period. The segment profit was approximately HK\$1,707,000 for the six months ended 30 September 2022 (Six months ended 30 September 2021: approximately HK\$64,000). Besides, as Russia was sanctioned by the West, the international market is worried about crude oil supply, prompting a rapid rise in oil and transportation prices. Therefore, the profit margin has been seriously affected and the Group has been working closely with its suppliers and customers to figure out the way to deal with those unexpected situations.

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 segment revenue increased by approximately 30.9% from approximately HK\$54,310,000 for the six months ended 30 September 2021 to approximately HK\$71,111,000 for the six months ended 30 September 2022. Nonetheless, as there was an increase in the cost of production of the industrial products manufactured by the Waste Recycling Company during the six months ended 30 September 2022, this segment reported a decrease in its segment profit by approximately 22.5%, from approximately HK\$3,926,000 for the six months ended 30 September 2021 to approximately HK\$3,044,000 for the six months ended 30 September 2022.

Other Net Income

For the six months ended 30 September 2022, other net income was approximately HK\$2,631,000 (Six months ended 30 September 2021: approximately HK\$2,713,000), which mainly comprised the net foreign exchange gain or loss together with the interest income and sundry income. The net foreign exchange gain or loss was attributable to the exposure to foreign exchange risk, which was mainly related to Renminbi and United States dollars.

Administrative Expenses

For the six months ended 30 September 2022, administrative expenses increased by approximately 22% from approximately HK\$6,711,000 for the six months ended 30 September 2021 to approximately HK\$8,189,000 for the six months ended 30 September 2022. Administrative expenses primarily include staff costs, general administrative expenses and depreciation.

Other Operating Income/Expenses

For the six months ended 30 September 2022, other operating income was approximately HK\$110,000 (Six months ended 30 September 2021: other operating expenses approximately HK\$1,608,000), including a write down of inventories, reversal of or loss allowance on trade and other receivables and impairment loss on non-controlling interests made.

Finance Costs

For the six months ended 30 September 2022, finance costs was approximately HK\$347,000 (Six months ended 30 September 2021: approximately HK\$467,000). The Group has applied a revised accounting standard which provided certain amount of interest on lease liabilities during the six months ended 30 September 2022. 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

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 six months ended 30 September 2022, the loss for the period was approximately HK\$2,131,000, representing a decrease of approximately 32.2% when comparing to the last corresponding period.

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.

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 2022, the Group's current assets were approximately HK\$990,713,000 (31 March 2022: approximately HK\$569,573,000), comprising cash and bank balances of approximately HK\$3,215,000 (31 March 2022: approximately HK\$9,018,000).

The Group's current ratio, calculated based on current assets of approximately HK\$990,713,000 (31 March 2022: approximately HK\$569,573,000) over current liabilities of approximately HK\$559,563,000 (31 March 2022: approximately HK\$87,318,000) was 1.77, which was less than the corresponding ratio as at 31 March 2022 (31 March 2022: 6.52).

As at 30 September 2022, the Group's trade payables were approximately HK\$512,853,000 (31 March 2022: approximately HK\$45,840,000); trade receivables were approximately HK\$618,245,000 (31 March 2022: approximately HK\$98,920,000).

As at 30 September 2022, the Group's equity attributable to owners of the Company decreased to approximately HK\$472,735,000 (31 March 2022: approximately HK\$531,077,000). No material change is recorded in equity attributable to owners of the Company from 31 March 2022 up till 30 September 2022.

During the six months ended 30 September 2022, 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 2022.

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 2022, the Group had no capital commitment (31 March 2022: nil).

Contingent Liabilities

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: nil).

Events After The Reporting Period

The outbreak of coronavirus disease (COVID-19) 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's business. 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 2022, the Group had a total of 131 employees and directors (30 September 2021: 131). The Group's staff costs, including directors' remuneration, amounted to approximately HK\$11,231,000 (Six months ended 30 September 2021: approximately HK\$12,457,000). 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

In the past few years, the Group faced different kinds of challenges and the management has continued to adjust its pace in the ever-changing environment. Since the beginning of the epidemic, the Group has been affected by blockades and lockdown, which has led to great changes in the supply chain system. The Group was adversely affected by the increase in freight time and transportation costs which were caused by the halting production progress in various places and the congestion in various ports. In later stages of the epidemic in 2022, with inflation wrecking havoc on the world and the USD remaining strong, while the global economy is facing the risk of a rapid downturn, the Group is also looking for a balance amid the slow economic recovery in light of the expectation of the epidemic ending soon and the recession caused by high-inflation.

At the beginning of 2022, the outbreak of the Russia-Ukraine war led to a surge in global energy prices, and hence the cost of the Group's commodity trades also increased. Although the trade volume has increased gradually with the lifting of lockdown, the Group has also been affected by the increase in freight charges, which resulted in decreasing gross profit margins thus adversely affecting the business performance during the current period. Recently, as the lack of labor and congestion in various ports have been relieved, freight charges also decreased as a result, accordingly the Group expects the sales of metal minerals will become more stable.

The Group has been engaged in the sourcing and sale of metal minerals for years, and has established solid business relationships with the leading mine owners in the world. As the global governments strive to recover the economy by strengthening infrastructure construction after the epidemic, the demand for the steel industry will also gradually increase. As surges in energy prices and environmental protection issues continue to receive attention, the demand for new energy will also increase and the demand for nickel, manganese, cobalt, etc., which are indispensable in batteries, is expected to grow exponentially. Manganese is an indispensable raw material in the manufacture of various types of steel and new energy batteries, with the gradual increase in the demand for manganese in various industries, it is expected to have a positive impact on the metal minerals business of the Group. In the past, through implementing asset restructuring and austerity measures, the Group has successfully reduced the level of costs, and increased its liquidity to retain sufficient capital and resources in order to seize the upcoming business opportunities to further enhance shareholder returns.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2022 (Six months ended 30 September 2021: Nil).

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2022, 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 2022, Mr. Sin Lik Man has been serving as both the chairman and chief executive officer of the Company. On 30 September 2022, Mr. Sin Lik Man resigned as chairman of the Board, chief executive officer and executive director of the Company with effective from 1 October 2022. Thereafter, Mr. Ho Yu-shun has been appointed as chairman of the Board and has been re-designed as chief executive officer to fill the vacancy arising from the resignation of Mr. Sin Lik Man with effective from 1 October 2022.

Although the positions of chairman and chief executive officer were not separated during the six months ended 30 September 2022, 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 2022.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Group for the six months ended 30 September 2022 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.

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.npeggroup.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

Ho Yu-shun

Chairman and Chief Executive Officer

Hong Kong, 25 November 2022

As at the date of this announcement, the Board comprises Mr. Ho Yu-shun (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. Kwong Wing Ho and Mr. Tang Kin Nam as Independent Non-executive Directors.