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 2018

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 2018 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Six months ended 30 September	
	Notes	**2018** ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited) (restated)
Revenue	*3*	**988,247**	1,017,601
Cost of sales		**(938,727)**	(897,514)
Gross profit		**49,520**	120,087
Other net (loss)/income	*4*	**(51,739)**	15,237
Selling and distribution costs		**(6,965)**	(4,252)
Administrative expenses		**(20,826)**	(24,482)
(Loss)/profit from operations		**(30,010)**	106,590
Finance costs	*5(a)*	**(23,782)**	(10,380)
(Loss)/profit before taxation	*5*	**(53,792)**	96,210
Income tax	*6*	**(2,738)**	(18,529)
(Loss)/profit for the period		**(56,530)**	77,681

	Notes	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Attributable to:			
Owners of the Company		**(56,142)**	77,547
Non-controlling interests		**(388)**	134
(Loss)/profit for the period		**(56,530)**	77,681
		HK cent	*HK cent*
(Loss)/earnings per share	*8*		
Basic and diluted		**(0.266)**	0.368

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit for the period	**(56,530)**	77,681
Other comprehensive (expenses)/income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of subsidiaries	**(71,030)**	23,571
Other comprehensive (expenses)/income for the period (net of nil tax (2017: nil))	**(71,030)**	23,571
Total comprehensive (expenses)/income for the period	**(127,560)**	101,252
Attributable to:		
Owners of the Company	**(127,669)**	101,330
Non-controlling interests	**109**	(78)
	(127,560)	101,252

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**211,714**	258,402
Prepaid land lease payments		**3,341**	3,693
Goodwill		**–**	–
Other intangible asset		**–**	–
Deferred tax assets		**49**	49
Rental deposit		**1,321**	2,013
		216,425	264,157
Current assets			
Inventories		**46,085**	49,495
Trade and bills receivables	*9*	**1,554,997**	2,373,981
Prepayments, deposits and other receivables		**114,497**	548,846
Prepaid land lease payments		**70**	77
Tax recoverable		**442**	462
Cash and cash equivalents		**149,100**	212,545
		1,865,191	3,185,406
Current liabilities			
Trade and bills payables	*10*	**262,534**	1,245,453
Accruals, deposits and other payables		**70,450**	636,382
Bank advances for discounted bills		**1,168,415**	851,210
Tax payable		**33,532**	42,273
		1,534,931	2,775,318
Non-current liabilities			
Deferred tax liabilities		**66**	66
Net assets		**546,619**	674,179
Equity			
Equity attributable to owners of the Company			
Share capital		**4,217**	4,217
Reserves		**550,557**	678,226
		554,774	682,443
Non-controlling interests		**(8,155)**	(8,264)
Total equity		**546,619**	674,179

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2018

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 27 November 2018.

The condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements which are set out in note 2.

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

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group. Of these, the following amendments may be relevant to the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new HKFRSs that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in this condensed consolidated financial information.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

Revenue represents the sales value of goods and utilities supplied to customers. The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sourcing and sale of metal minerals and related industrial materials	**902,406**	908,003
Production and sale of industrial products	**41,152**	59,617
Production and sale of utilities	**44,689**	49,981
	988,247	1,017,601

Revenue from the above categories are recognised at point in time and presented in the segment reporting below:

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 four reportable segments.

i) Sourcing and sale of metal minerals and related industrial materials;

ii) Production and sale of industrial products;

iii) Production and sale of utilities; and

iv) Others

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

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 2018 and 2017 are set out below:

	Six months ended 30 September 2018 (unaudited)				
	Sourcing and sale of metal minerals and related industrial materials	**Production and sale of industrial products**	**Production and sale of utilities**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment revenue	**902,406**	**41,152**	**44,689**	**–**	**988,247**
Reportable segment profit/(loss)	**49,720**	**11,565**	**(18,730)**	**–**	**42,555**

	Six months ended 30 September 2017 (unaudited)				
	Sourcing and sale of metal minerals and related industrial materials	Production and sale of industrial products	Production and sale of utilities	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue	908,003	59,617	49,981	–	1,017,601
Reportable segment profit/(loss)	110,626	9,359	(3,230)	(920)	115,835

There are no inter-segment sales for the six months ended 30 September 2018 and 2017.

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 segments as at 30 September 2018 and 31 March 2018:

	At 30 September 2018 (unaudited)				
	Sourcing and sale of metal minerals and related industrial materials	**Production and sale of industrial products**	**Production and sale of utilities**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	**1,573,980**	**133,052**	**217,463**	**1,374**	**1,925,869**
Reportable segment liabilities	**(1,499,752)**	**(12,370)**	**(14,621)**	**(3,729)**	**(1,530,472)**

	At 31 March 2018 (audited)				
	Sourcing and sale of metal minerals and related industrial materials	Production and sale of industrial products	Production and sale of utilities	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	2,868,257	135,001	224,523	1,260	3,229,041
Reportable segment liabilities	(2,649,312)	(26,881)	(87,823)	(4,553)	(2,768,569)

Reconciliation of reportable segment profit:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit		
Total reportable segment profit derived from the Group's external customers	**42,555**	115,835
Other net (loss)/income	**(51,739)**	15,237
Depreciation of reportable segment not included in measurement of segment profit	**(1)**	(1)
Amortisation of prepaid land lease payments	**(36)**	(36)
Finance costs	**(23,782)**	(10,380)
Unallocated head office and corporate expenses		
– Depreciation for property, plant and equipment	**(729)**	(322)
– Staff costs (including directors' emoluments)	**(11,659)**	(17,388)
– Others	**(8,401)**	(6,735)
Consolidated (loss)/profit before taxation	**(53,792)**	96,210

c) Seasonality of operations

The Group's production and sale of utilities segment 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 segment typically has reported lower revenue and results for the first half of the year.

For the twelve months ended 30 September 2018, the production and sale of utilities segment reported revenue of HK$161,640,000 (twelve months ended 30 September 2017: HK$154,790,000) and segment loss of HK$2,281,000 (twelve months ended 30 September 2017: segment profit of HK$39,328,000).

4. OTHER NET (LOSS)/INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Interest income on bank deposits	**129**	17
Interest income on loan receivable	**158**	150
Total interest income on financial assets not at fair value through profit or loss	**287**	167
Sundry income	**2,540**	175
Fair value gain/(loss) on derivative financial instruments – forward foreign exchange contracts	**3,172**	(30,029)
Net foreign exchange (loss)/gain	**(57,738)**	44,924
	(51,739)	15,237

5. (LOSS)/PROFIT BEFORE TAXATION

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

		Six months ended 30 September	
		2018	2017
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
(a)	**Finance costs**		
	Bills discount charges	**23,782**	10,380
	Total interest expense on financial liabilities not at fair value through profit or loss	**23,782**	10,380
(b)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and other benefits	**23,509**	28,052
	Contributions to defined contribution retirement plans	**3,952**	1,322
		27,461	29,374
(c)	**Other items**		
	Cost of inventories#	**938,727**	896,594
	Amortisation of prepaid land lease payments	**36**	36
	Depreciation for property, plant and equipment	**15,483**	16,018
	Operating lease charges: minimum lease payments	**7,809**	8,213
	Written off of property, plant and equipment	**1,881**	23

Cost of inventories included HK$34,263,000 (2017: HK$31,452,000) relating to staff costs, depreciation and operating lease charges for the six months ended 30 September 2018 and 2017 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.

6. INCOME TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax *(note (i))*	**–**	15,722
– PRC Enterprise Income Tax ("EIT") *(note (ii))*	**2,738**	2,807
Total	**2,738**	18,529

Notes:

(i) No Hong Kong Profits Tax has been provided as the Group has no assessable profits for the six months ended 30 September 2018.

The provision for Hong Kong Profits Tax for the six months ended 30 September 2017 was calculated at 16.5% of estimated assessable profits.

(ii) PRC subsidiaries are subject to PRC EIT at 25% (2017: 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 2018 and 2017.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

8. (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	
	2018	2017
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company (HK$'000)	**(56,142)**	77,547
Number of shares		
Weighted average number of ordinary shares in issue	**21,084,072,140**	21,084,072,140
Basic (loss)/earnings per share (HK cent per share)	**(0.266)**	0.368

b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 September 2018 and 2017 is the same as the basic (loss)/earnings per share as there is no potential ordinary shares outstanding during the periods.

9. TRADE AND BILLS RECEIVABLES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Trade receivables	**10,534**	97,035
Bills receivables	**1,544,536**	2,277,019
Less: Allowance for doubtful debts	**(73)**	(73)
	1,554,997	2,373,981

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 allowance for doubtful debts is as follows:

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
0 – 60 days	**9,664**	94,551
61 – 120 days	**–**	1,540
121 – 180 days	**–**	–
181 – 360 days	**–**	597
Over 360 days	**797**	274
	10,461	96,962

As of the end of the reporting period, the ageing analysis of bills receivables based on the shipment date is as follows:

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
0 – 60 days	**–**	234,552
61 – 120 days	**84,609**	477,388
121 – 180 days	**342,369**	434,396
181 – 360 days	**1,117,558**	973,632
Over 360 days	**–**	157,051
	1,544,536	2,277,019

Trade and bills receivables are usually due within 360 days (31 March 2018: 360 days) from the date of billing, shipment date or bills issue date.

10. TRADE AND BILLS PAYABLES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Trade payables	**11,661**	121,591
Bills payables	**250,873**	1,123,862
	262,534	1,245,453

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 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**4,922**	105,523
61 – 120 days	**171**	9,878
121 – 180 days	**579**	1,377
181 – 360 days	**1,633**	696
Over 360 days	**4,356**	4,117
	11,661	121,591

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

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**–**	129,897
61 – 120 days	**–**	–
121 – 180 days	**–**	335,211
181 – 360 days	**250,873**	658,754
	250,873	1,123,862

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	**6,792**	11,630
Post-employment benefits	**9**	175
	6,801	11,805

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

12. CAPITAL COMMITMENTS

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

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Property, plant and equipment	**14,569**	6,438

13. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Particularly, the Group consider the fair value changes on derivative financial instruments and net foreign exchange differences should be presented under "other net (loss)/income" whereas the income and expense of these items were presented under "other income" and "administrative expenses", respectively, in prior period. Accordingly, comparative figures have been reclassified to conform with the current period's presentation.

OPERATIONS REVIEW

For the six months ended 30 September 2018, the Group was principally engaged in sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and production and sale of utilities.

Revenue and Gross Profit

During the period under review, the Group recorded a similar level in revenue, from HK$1,017,601,000 for the six months ended 30 September 2017 to HK$988,247,000 for the six months ended 30 September 2018, representing a decrease of approximately 2.9% as compared to the corresponding period last year. The Group's gross profit also decreased by approximately 58.8% from HK$120,087,000 for the six months ended 30 September 2017 to HK$49,520,000 for the six months ended 30 September 2018.

The decrease in gross profit was mainly attributable to the slowdown of our sourcing and sale of metal minerals and related industrial materials business during the period under review. The effect of change in product mix in this segment and the volatility of the global economy this year in tandem with the depreciation of Renminbi ("RMB"), which had a certain impact on the Group's customers and in turn affected the Group's gross profit. During the period under review, this segment reported a segment revenue of HK$902,406,000 (six months ended 30 September 2017: HK$908,003,000) and a segment profit of HK$49,720,000 (six months ended 30 September 2017: HK$110,626,000), representing decrease of 0.6% and 55.1% when compared to the corresponding period last year.

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**"), a wholly-owned subsidiary of the Company, we have recorded a segment revenue of HK$41,152,000 (six months ended 30 September 2017: HK$59,617,000), representing a decrease of approximately 31.0% as compared to the corresponding period last year. However, this segment reported an increase in its segment profit by approximately 23.6%, from HK$9,359,000 for the six months ended 30 September 2017 to HK$11,565,000 for the six months ended 30 September 2018. The decrease in segment revenue was mainly attributable to the decrease in the sales of one of the industrial products. The management will devote more marketing efforts on boosting the sales and also keep enhancing the efficiency of the operation.

For the 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**"), a wholly-owned subsidiary of the Company, we have recorded a segment revenue of HK$44,689,000 (six months ended 30 September 2017: HK$49,981,000), representing a decrease of approximately 10.6% as compared to the corresponding period last year. Compared with the segment loss of HK$3,230,000 made by the Power Company for the six months ended 30 September 2017, this segment reported a segment loss of HK$18,730,000 for the six months ended 30 September 2018, representing an increase in segment loss by approximately 479.9%. The increase in loss of this segment was mainly attributable to the substantial increase in the production raw material cost of the Power Company during the period under review.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. For the six months ended 30 September 2018, the Group recorded the administrative expenses of HK$20,826,000 (six months ended 30 September 2017 (restated): HK$24,482,000), representing decrease of approximately 14.9% as compared to the corresponding period last year. The decrease in administrative expenses was mainly due to a decrease in the staff costs.

Other Net (Loss)/Income

For the six months ended 30 September 2018, the Group recorded the other net loss of HK$51,739,000 (six months ended 30 September 2017 (restated): other net income of HK$15,237,000), and the substantial turnaround was mainly attributable to the fluctuation of exchange rate of various foreign currencies, mainly related to RMB and the United States dollars ("USD"), such turnaround mostly arose from purchase transactions conducted with overseas suppliers in foreign currencies and sales transactions with Mainland customers in RMB, and the deep depreciation in RMB against USD was the main challenge to the business of the Group.

Finance Costs

Finance costs increased significantly by HK$13,402,000, or approximately 129.1% from HK$10,380,000 for the six months ended 30 September 2017 to HK$23,782,000 for the six months ended 30 September 2018. The Group had made the discounting of bills receivables to maintain certain level of cash flows and the Group management is continuously and carefully monitoring the Group capital structure in order to utilize the financial resources to meet its ongoing operational requirements and business expansion.

(Loss)/profit for the period

During the period under review, we recorded a loss for the period of HK$56,530,000, which was an adverse result when compared to the profit of HK$77,681,000 in the corresponding period last year. The Group's turnaround result was mainly attributable to the depreciation in RMB against USD which had a direct negative effect to the results of the Group's sourcing and sale of metal minerals and related industrial materials business during the six months ended 30 September 2018.

The loss attributable to owners of the Company for the six months ended 30 September 2018 amounted to HK$56,142,000 whereas a comparable profit of HK$77,547,000 was recorded in the previous period. This represented the basic loss per share of HK0.266 cent for the six months ended 30 September 2018, whereas a comparable basic earnings per share of HK0.368 cent was recorded in the previous period.

The Group had no significant material acquisitions or disposals during the six months ended 30 September 2018.

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 2018, the Group had current assets of HK$1,865,191,000 (31 March 2018: HK$3,185,406,000), comprising cash and bank balances of HK$149,100,000 (31 March 2018: HK$212,545,000).

The Group's current ratio, calculated based on current assets of HK$1,865,191,000 (31 March 2018: HK$3,185,406,000) over current liabilities of HK$1,534,931,000 (31 March 2018: HK$2,775,318,000), was at a healthy level of 1.22 (31 March 2018: 1.15).

The terms of trade payables of the Group's sourcing and sale of metal minerals and related industrial materials business was mainly by letter of credit. As at 30 September 2018, the Group's trade payables and bills payables amounted to HK$11,661,000 and HK$250,873,000 respectively (31 March 2018: HK$121,591,000 and HK$1,123,862,000); trade receivables and bills receivables amounted to HK$10,461,000 and HK$1,544,536,000 respectively (31 March 2018: HK$96,962,000 and HK$2,277,019,000). The credit risk on bills receivables is at a low level as such amounts are due by banks with good reputation.

As at 30 September 2018, the Group's equity attributable to owners of the Company decreased to HK$554,774,000 (31 March 2018: HK$682,443,000). 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.

The Group's gearing ratio, calculated based on total borrowings of HK$1,168,415,000 (31 March 2018: HK$851,210,000) divided by equity attributable to owners of the Company plus total borrowings of HK$1,723,189,000 (31 March 2018: HK$1,533,653,000), was at 67.8% (31 March 2018: 55.5%).

During the period under review, the Group continued to implement a prudent financial management policy to protect the shareholders' interest of the Group. With the amount of liquid assets on hand together with advances and credit facilities granted by banks, the management will keep 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 and business expansions requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly carried and conducted in Hong Kong dollars, 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 has entered into forward foreign exchange contracts to hedge against the Group's currency exposure. 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.

Borrowings and Pledge of Assets

As at 30 September 2018, the Group had bank advances for discounted bills of HK$1,168,415,000 (31 March 2018: HK$851,210,000) which were secured by the Group's certain bills receivables.

Capital Commitment

As at 30 September 2018, the Group had capital commitments of RMB12,786,000 (equivalent to approximately HK$14,569,000) (31 March 2018: RMB5,167,000, equivalent to approximately HK$6,438,000) mainly for acquisition of machineries, equipment and related installation works for the Waste Recycling Company.

Contingent Liabilities

As at 30 September 2018, the Group had no material contingent liabilities (31 March 2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total of about 299 employees and directors (2017: 311). The Group's staff costs, including directors' remuneration, amounted to HK$27,461,000 (2017: HK$29,374,000). 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

Looking ahead, the external market is still volatile. The respective major changes in the tariff policies of the United States and the People's Republic of China ("**PRC**") have brought uncertainties to the global business environment. Nevertheless, certain customers of the Group also suffered from the weakening of RMB, which have affected the profitability of our trading business to some extent.

In view of the above challenges, the Group will take a sound and prudent approach to manage its business. In order to reduce its business risks arising from trading of metal minerals and related industrial materials, the Group will enhance its risk management of exchange rates, interest rates and cash flows.

The Group will actively seek potential investment and expansion opportunities, strive to expand and diversify its business. Meanwhile, the Group commits to sustainable development, aiming to achieve green operations and fulfill its social corporate responsibilities. The 2017/18 Environmental, Social and Governance Report of the Company summarized the Group's efforts in protecting the environment, which lays a foundation for the Group to map out its sustainable development strategy, thereby creating greater value to its shareholders, customers, employees and the society.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2018, 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 during the period described below.

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 2018, Mr. Hu Haifeng ("**Mr. Hu**") has been serving as both the chairman and chief executive officer of the Company for the periods from 1 April 2018 to 31 July 2018. Mr. Sin Lik Man ("**Mr. Sin**") has been appointed as acting chairman and chief executive officer of the Company with effective from 31 July 2018 to fill the vacancy arising from the resignation of Mr. Hu on 31 July 2018. Mr. Sin was re-designated as chairman with effective from 14 September 2018 and continued to act as chief executive officer of the Company.

Although the positions of chairman and chief executive officer were not separated for the period, 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 2018.

AUDIT COMMITTEE

The condensed consolidated financial information of the Group for the six months ended 30 September 2018 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 2018, 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 (http://www.hkex.com.hk) and the Company's website (http://www.npegroup.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, 27 November 2018

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

* *For identification purposes only*