HONBRIDGE HOLDINGS LIMITED
洪 橋 集 團 有 限 公 司
(Stock Code: 8137)

NEW ENERGY AND DIVERSIFIED BUSINESS

ANNUAL REPORT 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-Executive Directors

Mr. Yan Weimin
Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony
Mr. Ma Gang
Mr. Ha Chun

COMPLIANCE OFFICER

Mr. Liu Wei, William

COMPANY SECRETARY

Mr. Yeung Ho Ming, CPA (HK)

AUTHORISED REPRESENTATIVES

Mr. Liu Wei, William
Mr. Yeung Ho Ming

AUDIT COMMITTEE

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Ma Gang
Mr. Ha Chun

REMUNERATION COMMITTEE

Mr. Ha Chun *(Committee Chairman)*
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

NOMINATION COMMITTEE

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Liu Wei, William
Mr. Ang Siu Lun, Lawrence
Mr. Ma Gang
Mr. Ha Chun

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
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KY1-1205 Cayman Islands

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SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
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338 King's Road
North Point
Hong Kong

STOCK CODE

8137

COMPANY WEBSITE

www.8137.hk

CORPORATE STRUCTURE

Hong Bridge Capital Limited — 41.3%

Li Shufu and Geely International (Hong Kong) Limited — 19.8%

Other Shareholders — 38.9%

Honbridge Holdings Limited (HKEx Stock Code: 8137)
Issued Share Capital 9,854,533,606 Shares

- 100% — Sul Americana de Metais S.A.
  - SAM Iron Ore Project in Brazil
- 49% — Zhejiang Forever New Energy Co., Ltd.
  - Lithium-ion battery research, production and sales in Zhejiang, the PRC
- 44.4% — Shandong Forever New Energy Co., Ltd.
  - Lithium-ion battery research, production and sales in Shandong, the PRC

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the 2017 annual report of Honbridge Holdings Limited to all shareholders.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group recorded a HK$17.5 million turnover which decreased by approximately 48.5% when compared to HK$34.0 million revenue recognised in the last year. Nevertheless, the profit for the year ended 31 December 2017 attributable to owners of the Company was approximately HK$676 million (2016: HK$700 million).

The turnover of the Group decreased mainly because of the change in government policies such as general decreased in central government subsidies in 2017 on new energy vehicles by 20% and the re-examination of the Catalogue of Recommended Models for the Popularization and Application of New Energy Automobiles《新能源汽車推廣應用推薦車型目錄》in December 2016 and the ever increasing competition in the new energy vehicle industry, some our major customers adjusted their strategy while some did not perform very well. As a results, purchase order received from our major customers decreased. For those leading new energy vehicle enterprises, they have already formed an complementary business relationship with their lithium-ion batteries suppliers. The design, matching and testing process between lithium-ion batteries and new energy vehicle also require a significant of time so it is not easy to obtain large orders from leading new energy vehicle enterprises in a short time. Besides, the industry still not fully recovered from the impact of misappropriation of the government subsidies and government's delay in distribution of subsidies to automobile enterprises. The Company has taken a more cautious approach before taking new orders in order to mitigate the credit risk. The above factors severely affected the performance of the lithium-ion battery business. For Shandong Forever New Energy, 2017 was a year focusing on production line and products improvement. Despite the unsatisfactory performance of Shandong Forever New Energy in 2017, on 23 October 2017 Zhejiang Forever New Energy entered into a three years sales agreement with Volvo Car Corporation ("Volvo Car") in relation to the sales of ternary lithium-ion powered battery packs for the hybrid models of Volvo Car planning to be manufactured in the PRC. Another three years sales agreement with Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. 浙江吉利汽車零部件採購有限公司 was secured on 25 October 2017, in relation to the sales of ternary lithium-ion powered battery packs for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely"). The total annual caps (excluding VAT) in respect of the above two sales agreements for the financial years ending 31 December 2018 and 2019 are RMB880 million and RMB900 million respectively. The two sales agreements mark a very positive start for our brand new factory plant in Zhejiang.

In November 2017, the Company allotted and issued 2,000,000,000 Conversion Shares in relation to the convertible bonds issued in June 2013 and upon the conversion of the convertible bonds, Geely International (Hong Kong) Limited became one of the substantial shareholders of the Company. The early conversion of convertible bonds not only greatly improved the financial position of the Group, it is also a vote of confidence for the future development of the Group. Geely International (Hong Kong) Limited is a subsidiary of Zhejiang Geely. Zhejiang Geely owns and controls the automobile brand "Geely", "Lynk & Co", "Yuan Cheng Commercial Vehicle" as well as renowned European automobile brand "Volvo", "Lotus" and "London Electric Vehicle Company", and Zhejiang Geely is also one of the Fortune Global 500 companies as well as the largest shareholder of Volvo AB and Daimler AG. As at 31 December 2017, the cash and cash equivalent balance of the Group was approximately HK$583 million with a net current assets of HK$939 million. The working capital will be mainly used for the development of new energy vehicles related business of the Group.

PROSPECTS

Despite the unsatisfactory performance in the current year and the central government of China has announced that subsidies for new energy vehicles will be gradually decreased in the coming years, the Group and new energy vehicle industry both believe that the government of China will continue to introduce other measures to promote the development of new energy vehicle industry which is one of the national development strategies.

In April 2017 the government of china released a Medium and Long Term Development plan of the Automobile Industry《汽車產業中長期發展規劃》, one of the key plans mentioned is the promotion and development of new energy vehicles and its related industries. In September 2017, the Ministry of Industry and Information Technology officially released the dual-credit system "Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credits"《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》and the system will be effective starting from 1 April 2018. The combination of credits and dis-incentives in this system are designed to improve the fuel efficiency of vehicles on the road, as well as to promote the usage of NEVs in China. For vehicle enterprises, their required NEV output ratio in 2019 is equivalent to 10% of the vehicles they produce in China while the ratio increased to 12% in 2020. Under the dual-credit system, traditional vehicle enterprises will be more motivated to develop and produce NEVs. In December 2017, the government of China announced that it will continue to waive purchase taxes on NEVs for the next three years. Last but not least, government of several European countries have announced that laws will be enacted to establish a schedule to ban the sales of petrol-only vehicles. Ministry of Industry and Information Technology of the PRC has also stated that it has been exploring a schedule to ban the sales of petrol-only vehicles in China. Therefore the market size of NEVs and related industries is expected to expand substantially in the coming years. Lithium-ion battery is deemed as the most critical component in NEVs so this sector will continue to be the focal point in this industry. Although there are a lot of lithium-ion battery supply in the market, there is a lack of high quality lithium-ion battery available. In order to secure the supply of high quality batteries in the future, many major automobile enterprises have set up joint investment companies or signed long term supply agreement with leading lithium-ion battery enterprises. On the other hand, only lithium-ion battery enterprises which secured large orders are able to expand its production capacity, reduce costs and invest in research and development to strengthen its position in the lithium-ion battery industry.

As an important milestone of the Group, the new lithium-ion battery plant in Zhejiang was completed with the first 500,000kWh capacity production line installed. First batch battery packs samples produced in the new plant were provided to Volvo Car and Zhejiang Geely Components. Subsequently, XC60 PHEV and LYNK 01 PHEV, which are equipped with Zhejiang forever New Energy battery packs, have been listed in the Catalogue of Recommended Models for the Popularization and Application of New Energy Automobiles《新能源汽車推廣應用推薦車型目錄》released by the Ministry of Industry and Information Technology. Zhejiang Forever New Energy has secured Volvo car and Zhejiang Geely Components as the anchor customers and pending to install a second 500,000kWh production line in late 2018. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world-famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other world's mainstream automobile manufacturers. To achieve the aim, the Group also has been investigating the possibility of massive expansion in other cities in China.

CHAIRMAN'S STATEMENT

Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while proactively exploring the lithium-ion battery business in a prudent manner, the Group will also consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as electric motor, electric controlling, Internet of Vehicle, autonomous driving, shared mobility and light-weighting of vehicles.

For the resource sector, the latest progress of SAM's Vale do Rio Pardo Project was covered in the Progress of SAM section in this report and the Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. However, we are currently not taking any actions regarding the introduction of strategic investors or collective sale. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

The overall business strategy of the Group is the dual development of new energy and resources, creating value for our shareholders. Meanwhile, ensure the idle cash is properly utilised to provide return to the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their continued support during 2017 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong
23 March 2018

LITHIUM-ION BATTERY BUSINESS

In 2017, the Group has been developing the lithium-ion battery project actively and cautiously by improving its technology, upgrading its products and expanding its production capacity, as well as conducting product matching with automobile enterprises, and has developed a product portfolio which consists of lithium iron phosphate batteries, prismatic type ternary batteries and pouch type ternary batteries, their energy density, power density, life cycle, consistency, safety, etc. have reached an advanced level. Following the procurement arrangement with Volvo Car, a famous brand in the world and also with the CMA platform vehicle models including Lynk & Co under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely"), the Group is also promoting the product matching with Geely Emgrand EC7, Geely Yuan Cheng Commercial Vehicle and London Electric Vehicle Company and also exploring new customers including major automobile enterprises and new energy vehicle enterprises. The Group is constantly negotiating and conducting products matching with major and new automobile manufacturers and potential new customers in the energy storage field. The Group is going to seize the historic opportunity of the development of new energy vehicle industries and is committed to develop in the powered battery industry.

As at the date of this report, the car models installed with battery packs of the Group listed in the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products《道路機動車輛生產企業及產品公告》and the Catalogue of Recommended Models for the Popularization and Application of New Energy Automobiles《新能源汽車推廣應用推薦車型目錄》of Ministry of Industry and Information Technology of the PRC include the Plug-in Hybrid Electric Vehicle (PHEV) model "XC60" of Volvo and "Lynk 01" PHEV model of Geely, Geely K12, Geely Vision X1, Kandi K10, Kandi K11, Guangtong Bus EV and Tongjiafu Van. Moreover, the application for three of the PHEV models in the "S90" series of Volvo to be listed in the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products is in progress.

Subject to various factors such as technology, crafts, investment and sales of products, the Company is re-valuating the expansion plan in Zou Cheng, Shandong and exploring the possibilities of massive expansion in areas other than Jinhua in Zhejiang.

Update on Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy")

Zhejiang Forever New Energy is an indirect non-wholly owned subsidiary of the Company and is owned as 49%, 48% and 3% by the Group, Shanghai Maple Automobile Company Limited ("Shanghai Maple"), a subsidiary of Zhejiang Geely and Jiaxing Jiale Investment Partnership Corporation (limited partnership) ("Jiaxing Jiale") respectively. Zhejiang Geely owns and controls the automobile brand "Geely", "Lynk & Co", "Yuan Cheng Commercial Vehicle" as well as renowned European automobile brand "Volvo", "Lotus" and "London Electric Vehicle Company", and Zhejiang Geely is also one of the Fortune Global 500 companies as well as the largest shareholder of Volvo AB and Daimler AG.


All of the major construction works have been completed


Interior of Main Building


Highly-automated production line

MANAGEMENT DISCUSSION AND ANALYSIS

Opening ceremony of Zhejiang Forever New Energy

The new administrative building of Zhejiang Forever New Energy

The new canteen of Zhejiang Forever New Energy

LITHIUM-ION BATTERY BUSINESS — (CONTINUED)

Update on Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy") — (Continued)

Zhejiang Forever New Energy is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion battery and battery system. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 1,500,000 kWh ternary lithium-ion battery annually. All of the major construction works have been completed and the first 500,000 kWh production line was installed. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells and the trial production has begun. The second 500,000 kWh production line which will be used to produce pouch type cell is scheduled to be installed by the end of 2018. The time for installation of the third 500,000 kWh production line will be decided based on the market demand.

Volvo Car Sales Agreement

On 23 October 2017, Zhejiang Forever New Energy entered into a three years sales agreement with Volvo Car Corporation ("Volvo Car") in relation to the sales of lithium-ion battery packs for PHEV models of Volvo Car planning to be manufactured in the PRC (the "Volvo Car Sales Agreement"). The total proposed annual caps (excluding VAT) in respect of the Volvo Car Sales Agreement for the financial year ending 31 December 2018 are RMB280 million.

Zhejiang Geely Components Sales Agreement

On 25 October 2017, Zhejiang Forever New Energy entered into a three years sales agreement with Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. 浙江吉利汽車零部件採購有限公司 ("Zhejiang Geely Components") in relation to the sales of lithium-ion battery packs for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely (the "Zhejiang Geely Components Sales Agreement"). The total proposed annual caps (excluding VAT) in respect of the Zhejiang Geely Components Sales Agreement for the financial years ending 31 December 2018 and 31 December 2019 are RMB600 million and RMB900 million respectively.

Reasons for and Benefits of the Volvo Car Sales Agreement and Zhejiang Geely Components Sales Agreement

Securing world-renowned customer such as Volvo Car and Zhejiang Geely Components is an affirmation for the quality of the lithium-ion batteries produced by Zhejiang Forever New Energy and can effectively improve the Group's financial performance and deliver stable income to the Group.

The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New Energy after mass production. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other mainstream automobile enterprises to reduce the sales concentration risk. Other details of the above two sales agreement have been disclosed in the announcements of the Company dated 23 October 2017 and 25 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS — (CONTINUED)

Shandong Forever New Energy Company Limited ("Shandong Forever New Energy")

Currently, the production plant of Shandong Forever New Energy, an indirect non-wholly owned subsidiary of the Company, covers a total area of approximately 130,000 square meters and its current factory and office facilities cover a floor area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually.

During the year ended 31 December 2017, the lithium-ion battery segment recorded a revenue of approximately HK$17.5 million(equivalent to approximately RMB15.2 million), which decreased by 48.5% when compared to HK$34.0 million (equivalent to approximately RMB29.1 million) revenue recognised in last year. The reasons were discussed in the Business Review section in the Management Discussion and Analysis of this annual report.

The lithium-ion battery segment losses before non-cash items including impairment, depreciation, amortisation expenses and release of deferred income were approximately HK$75.1 million (2016: HK$4.5 million). The loss increased during the year because more operating costs were incurred by the new Zhejiang factory and the increase in the research and development expenses and staff costs and the provision on inventories and decreased in gross profits by Shandong Forever New Energy.

The appearance of ternary lithium battery cell

Batteries stored systematically pending the next production process

Sophisticated integration and combination of battery pack battery cells into a battery pack

Qualifications of Shandong Forever New Energy

LITHIUM-ION BATTERY BUSINESS — CONTINUED

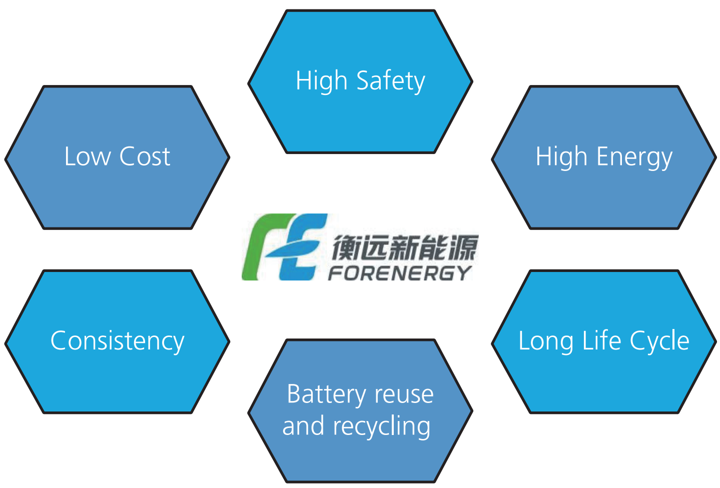
Shandong Forever New Energy Company Limited ("Shandong Forever New Energy") — (Continued)

For the HK$110.4 million (equivalent to approximately RMB96 million) impairment loss on other intangible assets and property, plant and equipment recognised in the current year. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount after a disappointing performance of Shandong Forever New Energy for the year ended 31 December 2017. In view of the impairment of assets of Shandong Forever New Energy was recognised, the relevant amount of deferred income (represented government grant received by Shandong Forever New Energy in relation to the construction of factory building and purchase of production facilities) of HK$103.8 million was released to profit or loss during the year. Details of impairment assessment have been set out in note 18 of the financial statements.

Research And Development

The main products of the Company include ternary lithium-ion powered batteries, lithium-iron phosphate powered batteries, powered battery modules, battery management systems and storage batteries, mainly targeted at new energy commercial vehicles and passenger vehicles, purely electric and hybrid vehicles, as well as energy storage market.

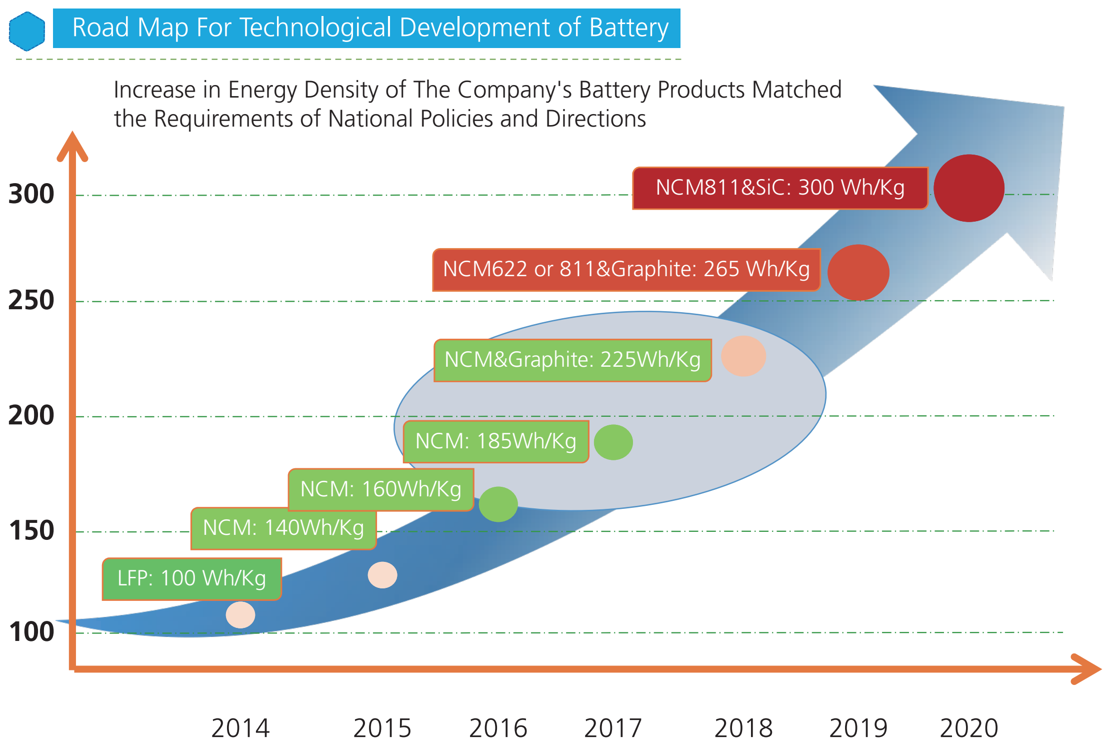
Technological Development Directions for Powered Battery



Our research and development team consists of both national and overseas (such as China and Korea) experts from top-tier powered battery manufacturers. For the year ended 31 December 2017, the Group was granted 55 patents, among which 51 are utility model patents, 2 appearance design patents and 2 innovation patents. At present, 81 patents are under application. Our patent portfolio covers the whole process from the preparation to the application of batteries, including the preparation technique of battery materials, the preparation technique of batteries, the assemble technique of batteries, the screening technique of batteries, the packing technique of battery pack as well as battery management systems, coupled with various fields of cutting-edge technology, including reuse and recycling of battery modules and systems, solid-state battery electrolyte, lithium-sulphur batteries and fuel cells. Moreover, the Group has introduced various kinds of advanced battery technology through its technological collaboration with renowned battery suppliers from overseas. The Company has established a product design and development process and technology management system compatible with the research and development of vehicles. With relevant research and development capabilities, we have also established a data archive to which information about the research and development of our products can be accessed. For the year ended 31 December 2017, the research and development expenses of our Group were approximately HK$36 million (2016: approximately HK$18 million).

LITHIUM-ION BATTERY BUSINESS — CONTINUED

Research And Development — continued



In the future, Zhejiang Forever New Energy will further improve the software and hardware of the research institute and ultimately build a highly capable international scientific research team.

PROGRESS OF SAM

As of the date of this report, the Group has provided funding with principal amount of approximately US$ 69million to the iron ore project in Brazil, through shareholders' loans and increase of registered capital in Sul Americana de Metais S.A. ("SAM"), an indirect wholly owned subsidiary of the Company in Brazil.

SAM is devoted to develop Block 8 as phase I operation with an annual production capacity of 27.5 million tons with an average grading of 66.4% Fe in the first 18 years' operation and average grading of 63.9% Fe after 18 years' operation. The project will have an integrated system comprised an open–pit mine, a beneficiation plant, a 480km underground slurry pipeline, filtering plant, and its product will be exported through Porto Sul (the "Port") in Bahia State which has been granted all environmental licenses for construction. On 1 September 2017, a Chinese Consortium signed a MOU with Bahia State government and intends to lead and participate in an investment group to finance the development of Porto Sul, including equity investment and procurement of debt financing. SAM will be a pure user of the Port.

According to local topographic features, Block 8 was named as Vale do Rio Pardo Project ("Previous Project"). As SAM started licensing process for the mine and its facilities in Minas Gerais since November 2017, the mine complex project is renamed as "Vale do Rio Pardo Iron Project" (the "Project") in order to differentiate the new environmental licensing process in the Secretariat of Environment and Sustainable Development ("SEMAD") from the previous one in Institution of Environment and Renewable Natural Resources ("IBAMA").

PROGRESS OF SAM — CONTINUED

Environmental Licensing Progress of the Project

Since March 2016 when the IBAMA issued a negative conclusive technical opinion — "based on the current engineering design mode, IBAMA technical staff are not able to certify environmental viability", in which the main concerns are related to tailing dam, SAM had been working on engineering optimisation to reduce the potential environmental impacts of the Project and keeping close contact with IBAMA.

In November 2016, as IBAMA suggested, SAM decided to reopen a new environmental licensing administrative process and hired Brandt Meio Ambiente ("Brandt") to prepare the Terms of Reference ("TR"), which outlines the terms for the new Environmental Impact Study ("EIA") and Environmental Impact Report ("RIMA"). IBAMA agreed that SAM could use most of the studies finished in the previous EIA/RIMA. On 12 January 2017, SAM submitted the proposed TR to IBAMA.

On 12 April 2017, SAM received a TR draft from IBAMA, which was a general TR for any new mine project, without considerations of SAM's project specifics and licensing history.

On 12 May 2017, after deep analysis of the TR draft from IBAMA by SAM's environmental consultants, lawyers and other professional parties, SAM replied IBAMA officially and make it clear item by item how SAM would use the information from the previous EIA/RIMA, and what supplementary studies would be undertaken.

Since then, SAM had been keeping close contact and communicating with IBAMA, consultants and other professional parties, pursing that IBAMA could confirm the specific details and the proposed supplementary studies in the TR so that SAM could start the required work for the new EIA/RIMA as soon as possible.

In order to speed up the licensing process, SAM had meetings with the governments of Minas Gerais State and Bahia State of Brazil to get more support in the Project. As the Project could generate thousands of jobs and significant economic benefits to the two States, both governments are committed to assign representatives to attend the meetings with IBAMA together with SAM when the new EIA/RIMA is ready.

On 18 April 2017, the Strategic Affairs Committee of Minas Gerais State made a decision to list SAM's Vale do Rio Pardo project as a priority project for the Minas Gerais State. The State of Minas Gerais established Superintendency of Priority Projects ("SUPPRI") under SEMAD in September 2016, to be responsible for the environmental analysis of priority projects. Thus, the priority projects in Minas States could enjoy a faster environmental licensing process than other projects.

On 11 September 2017, together with SAM, Minas Gerais State Government had sent two representatives to have meeting with IBAMA to show their support on SAM`s project aiming to speed up the TR confirmation.

To reduce environmental impact and risk, SAM has been making great efforts to optimise the engineering design of the project. In 2017, SAM has finished revising the mining plan which shows a significant reduction of tailings volume and favor of environment. Beside that, SAM also reviewed the project model and decided to include Vacarias water dam into the iron ore mining project as an alternative of water supply and also as a water solution for the region since the region suffers drought in recent years. Most of the environmental studies of Vacarias water dam project was done by SAM as a social compensation which was established in a MOU with Minas Government in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

Environmental Licensing Progress of the Project — continued

After the inclusion of Vacarias water dam, SAM`s mine and its facilities project, which is a project completely located in the state of Minas Gerais Sate, is renamed as Vale do Rio Pardo Iron Project and consists of the following areas:

- Open pit mine
- Beneficiation plant (process plant)
- Tailings and water dams
- Vacarias dam
- Power transmission line
- Water supply pipeline from Irapé
- Water supply pipeline from Vacarias dam

According to the opinion of SAM`s environmental consultants and lawyers, based on the best practices of similar projects in Brazil, it is suggested SAM to license the mine and its facilities at State level environmental institution. Therefore, on 14 November 2017, SAM sent a letter to IBAMA and requested to cancel and file SAM`s environmental licensing administrative process in IBAMA.

On 16 November 2017, SAM immediately submitted the FCE (Integrated Enterprise Characterization Forms) to SEMAD to initiate the environmental licensing process at the state level. Since Vale do Rio Pardo Iron Project is a priority project of Minas Gerais State, the licensing process is directed to the SUPPRI.

On 21 November 2017, IBAMA answered SAM through an official letter saying that the licensing administrative process in IBAMA was filed as SAM requested.

On 21 November 2017, SUPPRI issued the FOBI (Basic Guidance Form–Integrated) to give SAM guidance on formalizing the licensing process. Soon later on 28 November 2017 and 18 December 2017, SAM had meetings with SUPPRI's technical team to understand their requirements for the LP application.

In the end of December 2017, SAM hired consultancy firm Brandt to undertake the environmental studies required by SUPPRI and prepare a new EIA–RIMA for SAM to apply LP at SUPPRI.

In the beginning of January 2018, SAM hired engineering firm WALM to optimise the engineering parameters of tailings and waste disposal, and update the hidro–geologic model.

In order to undertake complementary fauna surveys required by SUPPRI, SAM submitted related necessary authorizations applications in time. In January 2018, SUPPRI issued the authorization for management (capture, collect and transport) of wildlife. In February 2018, State Forestry Institute (IEF) issued the authorization for management of aquatic and limnology biota. In March 2018, SUPPRI issued the authorization for management of cave animals.

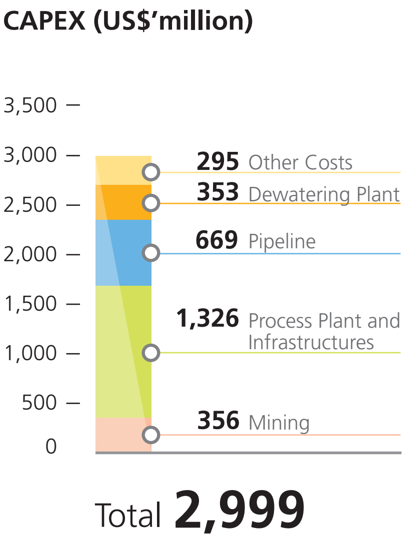
By the date of this report, all the necessary studies for the LP at state level are well proceeding. An application for environmental license for pipeline and filtration plant is to be lodged with IBAMA.

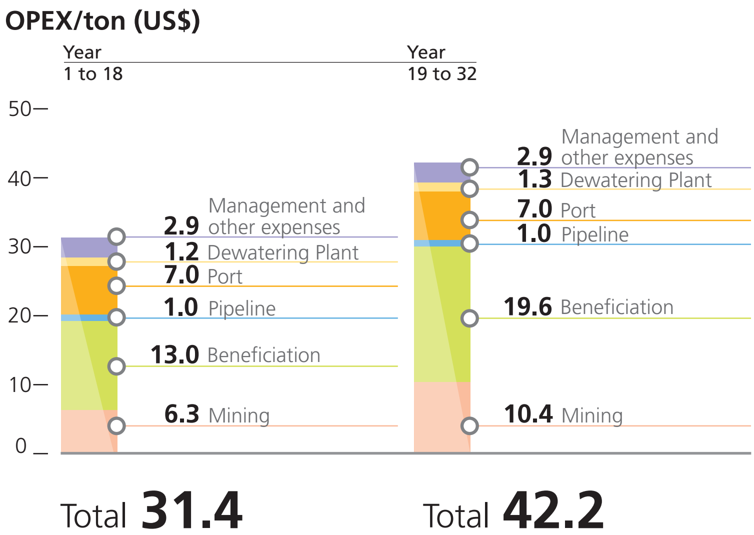
Other details of the Vale do Rio Pardo project including the history of license application and the major licenses, permits, approvals obtained have been set out in the 2016 annual report of the Company.

PROGRESS OF SAM — CONTINUED

CAPEX and OPEX

For the year ended 31 December 2017, the estimated capital expenditure ("CAPEX") for the Vale do Rio Pardo Iron Project was approximately US$3.00 billion (2016: US$3.03 billion) while average F.O.B. operating cost ("OPEX") (per ton of iron concentrate) was approximately US$31.4 for year 1 to 18 and US$42.2 for year 19 to 32 based on the detailed, optimised mining plan. The latest mining plan can significantly reduce the tailing volume and make the project more environmental friendly. Under the plan, iron ores with higher Fe grading will be processed in the first 18 years while those with lower Fe grading will be processed starting from year 19. Lower Fe grading iron ore requires more mining and beneficiation process so the OPEX for mining and beneficiation increase significantly starting from year 19. Compared to last year, the key reason for the increase in estimated OPEX is because SAM will become a pure user of the port rather than one of the shareholders of the port, so the estimated OPEX of the port increased to US$7.0/ton (2016: US$1.4/ton). There was no material difference in CAPEX when compared to the year ended 31 December 2016 although there is no capital investment in the port. It was mainly because of the increase in steel price, making the estimated infrastructure costs increased.





The professional team engaged by the Group has analysed the CAPEX of a number of comparable mines and OPEX (per ton of iron concentrate) of over 300 operating iron ore mines. Relatively, construction phase I of Block 8 is competitive in terms of both estimated CAPEX and OPEX.

REVALUATION OF EXPLORATION AND EVALUATION ASSETS

A revaluation on SAM's exploration and evaluation assets has been performed as at year end date 31 December 2017 with the latest mining plan, US$3.00 billion CAPEX (2016: US$3.03 billion) and US$31.4 (year 1 to 18) and US$42.2 (year 19 to 32) per ton of OPEX (2016: US$29.4 per ton) applied. Regarding the project timeline, the new operation commencement date is expected to be 2024 (2016: year 2023) as it requires more time for relevant government authorities in reviewing applications. Other major assumptions used have been set out in the note 15 of the financial statements.

REVALUATION OF EXPLORATION AND EVALUATION ASSETS — CONTINUED

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$529 million (equivalent to approximately HK$4,104 million) (2016: US$380 million, equivalent to approximately HK$2.948 million). A reverse of impairment of US$146 million (equivalent to approximately HK$1,131 million) on exploration and evaluation assets has been recognised in current year accordingly. The corresponding deferred tax liabilities also increased by US$50 million (equivalent to approximately HK$385 million). The increase in fair value of the exploration and evaluation assets was mainly due to the increase in iron ore price, especially for higher grade iron ore that the Vale do Rio Pardo Iron Project planned to produce (iron ore price ranged between US$76 to US$102 per ton during the forecast period in 2017 valuation (2016 : US$61 to US$79 per ton)).

CONTINGENT CONSIDERATION AND LIABILITIES

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SPA"), the total consideration of US$390 million for the acquisition of SAM was to be satisfied in cash in five instalment payments. The first and the second instalment payment amount to US$75 million were settled at the date of Settlement Agreement. The third, fourth and fifth instalment payment amount to US$115 million, US$100 million and US$100 million were required to be settled according to certain milestones.

After execution of the Settlement Agreement in June 2016 (details set out in the announcement of the Company dated 13 May 2016), the Group shall no longer be liable to pay third, fourth and fifth instalment payment with the total amount of US$315 million under the SPA.

Conditional additional payment

If, however:

(i) the Company disposes of any or all of its interests in Infinite Sky to a party other than New Trinity or SAM;

(ii) Infinite Sky disposes of any or all of its interests in New Trinity to a party other than the Company or SAM;

(iii) New Trinity disposes of any or all of its interests in SAM to a party other than the Company or Infinite Sky; or

(iv) SAM disposes of all or a significant portion of its assets other than the sale of inventory (i.e., pellet feed or other minerals) in the ordinary course of business after the production or extraction of minerals has begun, to a party other than the Company, Infinite Sky or New Trinity;

(each a "Disposal Event") after the execution of the Settlement Agreement but before (a) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the exploration permits issued to SAM has been shipped commercially (the "New Mining Production Commencement Date"); or (b) any final and non-appealable order, by any Brazilian regulatory authority, permanently restraining, enjoining or otherwise preventing the consummation of the New Mining Production Commencement Date, whichever is earlier, and the net proceeds from such a Disposal Event exceeds 120% of the Company's investment in SAM and the Project, which comprises:

(1) the amount of US$75,000,000, being part of the Consideration and US$420,000, an incentive payment previously paid to VNN;

(2) the Settlement Payment of US$3,000,000 under the Settlement Agreement;

(3) an amount of US$1,500,000, paid to a third party as fees for preparation of SAM's feasibility study report;

CONTINGENT CONSIDERATION AND LIABILITIES — CONTINUED

Conditional additional payment — Continued

(4) the amount of US$64,175,000, representing the funds loaned to SAM and capital invested by the Company, Infinite Sky and/or New Trinity in SAM as of the date of the Settlement Agreement; and

(5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), with the aggregate of items (1) to (5) above in no event exceeding US$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US$60,000,000 (the "Additional Payment"). As at the date of this report, the additional loans and capital invested was approximately US$4,800,000.

Conditional mining production payment to Votorantim

If, prior to the expiry of 10 years after the date of the Settlement Agreement, the New Mining Production Commencement Date occurs and all Additional Payments made by the Group to Votorantim in the aggregate prior to that date are less than US$30,000,000, then the Group shall pay US$30,000,000 to Votorantim ("New Mining Production Payment") within 10 Business Days after the New Mining Production Commencement Date.

As at 31 December 2017, the contingent consideration payable was approximately HK$159.1 million (equivalent to approximately US$20.5 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the reporting period are set out below:

Volvo Car Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Volvo Car (as the purchaser)
Date	:	23 October 2017
Term	:	From 23 October 2017 to 22 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
Pricing basis	:	The price of goods under the Volvo Car Sales Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.
Payment term	:	All transactions contemplated in the under the Volvo Car Sales Agreement are satisfied in cash. A credit period of 75 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.
2017 annual cap	:	RMB30 million
2018 annual cap	:	RMB280 million

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Zhejiang Geely Components Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Zhejiang Geely Components (as the purchaser)
Date	:	25 October 2017
Term	:	From 25 October 2017 to 24 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
Pricing basis	:	The price of goods under the Zhejiang Geely Components Sales Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.
Payment term	:	All transactions contemplated in the under the Zhejiang Geely Components Sales Agreement are satisfied in cash. A credit period of 75 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.
2018 annual cap	:	RMB600 million
2019 annual cap	:	RMB900 million

Before 6 November 2017, Shanghai Maple was a substantial shareholder of Zhejiang Forever New Energy as it held 48% equity interest in Zhejiang Forever New Energy, and therefore as at the date of entering the Volvo Car Sales Agreement and Zhejiang Geely Components Sales Agreement, it was a connected person of the Company at the subsidiary level. Shanghai Maple was held as to 90% by Zhejiang Geely. Volvo Car was a non-wholly owned subsidiary of Zhejiang Geely. As such, both Zhejiang Geely and Volvo Car were associates of Shanghai Maple in accordance with Rule 20.11 of the GEM Listing Rules, and each of them was therefore connected persons of the Company at the subsidiary level.

On 6 November 2017, the Company received a conversion notice from Geely International (Hong Kong) Limited ("Geely International"), in respect of the conversion of the Convertible Bonds issued by the Company on 4 June 2013 in an aggregate principal amount of HK$592,000,000 at the conversion price of HK$0.37 per Share (the "Conversion"). In accordance with the notice, the Company allotted and issued 1,600,000,000 Conversion Shares to Geely International on 6 November 2017. After the Conversion, Geely International controlled more than 10% of the issued shares of the Company and became a substantial shareholder (as defined under the GEM Listing Rule) of the Company. Geely International is a wholly-owned subsidiary of Zhejiang Geely, as such, Volvo Car and Zhejiang Geely Components, both are subsidiaries of Zhejiang Geely, became connected persons of the Company at the issuer level.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Zhejiang Geely Components Sales Agreement — Continued

The continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as whole.

Further details of the Conversion are disclosed in the announcement of the Company dated 6 November 2017. No sales were recognised under the above two Sales Agreement for the year ended 31 December 2017.

The Company will comply in full with applicable reporting, disclosure and if applicable, independent shareholders' approval requirements under Chapter 20 of GEM Listing Rules if the Company entered into any transactions with the connected persons or its associates.

Ninghai Zhidou Sales Agreement

Shandong Forever New Energy entered into a sales agreement with Ninghai Zhidou Electric Vehicles Company Limited ("Ninghai Zhidou", 寧海知豆電動汽車有限公司) in relation to the sales of lithium-ion battery modules (the "Ninghai Zhidou Sale Agreement") on 2 September 2016.

At the time of entering the Ninghai Zhidou Sales Agreement, Zhejiang Geely Auto was a substantial shareholder of Shandong Forever New Energy as it held 48% equity interest in Shandong Forever New Energy, and therefore it was a connected person of the Company at the subsidiary level. Zhejiang Geely Auto was held as to 90% by Zhejiang Geely, and Zhejiang Geely owned 45% interest in Ninghai Zhidou. So at the time Shandong Forever New Energy signed the Ninghai Zhidou Sales Agreement, both Zhejiang Geely and Ninghai Zhidou were associates of Zhejiang Geely Auto in accordance with Rule 20.11 of the GEM Listing Rules, and each of them was a connected person of the Company at the subsidiary level. Sales of lithium-ion battery modules from Shandong Forever New Energy to Ninghai Zhidou under the Ninghai Zhidou Sales Agreement then constituted continuing connected transactions of the Company pursuant to Chapter 20 of the GEM Listing Rules. According to the latest information available, the several or joint equity interests of the connected persons of the Company in Ninghai Zhidou have fallen below 30%. As such, Ninghai Zhidou is no longer a connected person of the Company in accordance with the GEM Listing Rules. In addition, no sales were recognised under the Sales Agreement for the year ended 31 December 2017.

LOAN AGREEMENT ENTERED INTO WITH CLOUDRIDER LIMITED

On 11 April 2016, the Company entered into a loan agreement with Cloudrider Limited (the "Borrower"), pursuant to which the Company granted to the Borrower the loan with principal amount of HK$540 million (the "Loan") with an interest rate of 3% per annum (the "Loan Agreement") for funding Borrower's merger and acquisitions. HK$251,100,000 and HK$288,900,000 were lent to the Borrower on 22 April 2016 and 12 May 2016 respectively. Since the Borrower has exercised its option to extend the repayment date by 12 months' the repayment period has extended from 12 months to 24 months. The Loan is secured by the share charges provided by two of the shareholders of the Borrower over all of their shareholdings in the Borrower and a debenture consisting of a fixed and floating charge over all of the assets of the Borrower in favour of the Company. During the year ended 31 December 2017, a loan interest income of approximately HK$16.2 million was recognised by the Company. Other details of the Loan Agreement have been disclosed in the circular of the Company dated 24 May 2016.

Business Review

For the year ended 31 December 2017, the total turnover of the Group recognised was HK$17.5 million, representing a 48.5% decrease when compared to the HK$34.0 million turnover recognised for the year ended 31 December 2016.

Because of the change in government policies such as general decreased in central government subsidies in 2017 on new energy vehicles by 20% and the re-examination of the "Recommended Models Directory of New Energy Vehicles"《新能源汽車推廣應用推薦車型目錄》in December 2016 and the ever increasing competition in the new energy vehicle industry, some our major customers adjusted their strategy while some did not perform very well. As a results, purchase order received from our major customers decreased. For those leading new energy vehicle enterprises, they have already formed a complementary business relationship with their lithium-ion batteries suppliers. The design, matching and testing process between lithium-ion batteries and new energy vehicles also require a significant of time so it is not easy to obtain large orders from leading new energy vehicle enterprises. Besides, the industry still not fully recovered from the impact of misappropriation of the government subsidies and delay in distribution of subsidies to automobile enterprises. The Company has taken a more cautious approach before taking new orders in order to mitigate the credit risk. The above factors severely affected the performance of the lithium-ion battery business. For Shandong Forever New Energy, 2017 was a year focusing on production line and products improvement. Despite the unsatisfactory performance of Shandong Forever New Energy in 2017, on 23 October 2017 Zhejiang Forever New Energy entered into a three years sales agreement with Volvo Car Corporation ("Volvo Car") in relation to the sales of high performance ternary lithium-ion powered battery packs for the hybrid models of Volvo Car planning to be manufactured in the PRC. Another three years sales agreement with Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. 浙江吉利汽車零部件採購有限公司 was secured on 25 October 2017, in relation to the sales of high performance ternary lithium-ion powered battery packs for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely. The total annual caps (excluding VAT) in respect of the above two sales agreements for the financial years ending 31 December 2018 and 2019 are RMB880 million and RMB900 million respectively. The two sales agreements mark a very positive start for our brand new factory plant in Zhejiang.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review — Continued

The Group recorded a gross loss of approximately HK$0.28 million (gross profit ratio: -1.6%) in current year as compared with the gross profit of approximately HK$0.89 million (gross profit ratio: 2.6%) in the last year. Gross loss was recorded and the major reason was the difficulty to decrease the unit cost of battery cells under the current low production level. In addition, the lithium-ion battery industry has been affected by the increase in average cost of raw materials and the decrease in average selling price of battery cells for the year ended 31 December 2017, this led to the gross loss in the current year. The Group will continue to control and improve the costs structure of lithium-ion battery products by increasing the energy density and decreasing the failure rate of our products, strengthening the management skill, promoting effective use of materials, etc.

Although operating loss was recorded by the Group, the profit attributable to the owners of the Company was HK$676.1 million for the year ended 31 December 2017, which was mainly due to the HK$1,131 million reversal of impairment of exploration and evaluation assets. This extraordinary income was partially set-off by the corresponding HK$385 million deferred tax expense recognised due to the change in fair value.

The other operating income was approximately HK$144.4 million, increased by approximately HK$110.4 million in the current year mainly due to the increase in HK$92.6 million government grant recognised during the year and the increase in loan interest income from Cloudrider Limited by HK$5.3 million and the increase in imputed interest income of amounts due from non-controlling interests of a subsidiary by HK$7.6 million. The bank interest income also increased by approximately HK$2.7 million in the current period as the Group has been placing short term fixed deposits in banks to generate more income from idle cash.

The administrative expenses were increased by HK$12.5 million mainly because of the increase in research and development costs and wages and salaries of approximately HK$18.3 million and HK$10.3 million respectively in the current year. The increase in administrative expenses were mainly net-off by the decrease in amortisation of other intangible assets by HK$15.6 million. As the arbitration process in relation to the SAM project was closed in 2016, the legal and professional expenses were decreased by HK$7.3 million.

Along with the more cautious approach before taking new orders to mitigate credit risk, the Group also monitored the outstanding trade and bill receivables closely. The amount of trade and bill receivables were HK$30.2 million as at 31 December 2017, decreased by HK$70.9 million or 70.1% when compared to HK$101.1 million as at 31 December 2016.

On 20 November 2017, for the short term working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely, a substantial shareholder of the Company, provided a loan with the principal amount of RMB100 million (approximately HK$120 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company, repayable 12 months after the drawdown date and has a fixed interest rate of 4.35% per annum.

Business Review — Continued

In November 2017, the Company allotted and issued 2,000,000,000 Conversion Shares in relation to the convertible bonds issued in June 2013. After that, Geely International (Hong Kong) Limited became one of the substantial shareholders of the Company. This not only greatly improved the financial position of the Group, the early conversion of convertible bonds is also a vote of confidence for the future development of the Group. Geely International (Hong Kong) Limited is a subsidiary of Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely") Zhejiang Geely owns and controls the automobile brand "Geely", "Lynk & Co", "Yuan Cheng Commercial Vehicle", as well as famous European automobile brand "Volvo", "Lotus" and "London Electric Vehicle Company", and Zhejiang Geely is also one of the Fortune Global 500 companies as well as the largest shareholder of Volvo AB and Daimler AG. As at 31 December 2017, the cash and cash equivalent balance of the Group was approximately HK$583 million with a net current assets of HK$939 million. The working capital will be mainly used for the development of new energy vehicles related business of the Group.

As at 31 December 2017, the gearing ratio of the Group which is measured by total loans and borrowings (including convertible bonds) to total equity was 0.08 (2016: 0.27). The gearing ratio of the Group has improved significantly after the full conversion of convertible bonds in November 2017.

During the year ended 31 December 2017, the operation of the Group was mainly financed by the proceeds received from the Placing and Share Subscription completed in June 2015 as well as by the loan interests received from Cloudrider Limited.

The use of proceeds from placing and share subscription

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") of the Company in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$410 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company has yet to identify suitable investment and acquisition targets in the new energy vehicle-related field and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, the Company has entered into a Loan Agreement with Cloudrider Limited (the "Borrower") and a loan with principal amount of HK$540 million has been granted.

As at 31 December 2017, out of the HK$1,336 million net proceeds that have been raised from the Placing and the Share Subscription, HK$540.0 million has been lent to the Borrower, HK$109.1 million has been utilised to repay the loans from the ultimate holding company, approximately HK$83.5 million has been used for new energy vehicle related business approximately HK$37.8 million has been used for general working capital and approximately HK$75.4 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK$490.2 million, HK$326.5 million will be invested into the new energy vehicle related business, HK$124.6 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK$39.1 million will be used as working capital or/and the supplementary funding to the two investments mentioned above. Once the Loan is repaid by the Borrower, the whole amount will continue to be invested into the new energy vehicle related business or other identified business at that time.

MANAGEMENT DISCUSSION AND ANALYSIS

THE PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory Environment and Policies in Relation to NEV Industry in the PRC

To promote the development of NEV industry, the PRC government has actively introduced requirements such as more stringent fuel efficiency, NEV output ratio requirement starting from 2019 as well as provision of different types of subsidies. However, the NEV industry is still in its infant stage and is highly affected by the regulatory environment and policies in the PRC, any material change in the regulatory environment and policies which is not positive for the NEV industry could negatively affect the industry and the financial results of the Group. The management of the Group will continue to pay attention to any proposed and new policies related to the NEV industry and take the appropriate actions to maximize the return of the Group.

Customer Concentration Risk

The total annual caps in respect of the two sales agreements entering into between Zhejiang Forever New Energy and Volvo Car and Zhejiang Geely Components are RMB880 million and RMB900 million for the financial years ending 31 December 2018 and 2019 respectively. Although the two sales agreements represent a very positive start for our brand new factory plant in Zhejiang and it is not unusual for customer concentration in the lithium-ion batteries industry, the management is aware of the business risk to rely on limited key customer. Should Volvo Car and Zhejiang Geely Components reduce substantially the size of their purchase orders placed with the Group or terminate their business relationship with the Group entirely, the results of operations and financial performance of the Group may be adversely affected.

The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New Energy after mass production. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other mainstream automobile manufacturers to reduce the sales concentration risk.

Except that our supply to Zhejiang Geely and Volvo is a connected transaction and may lead to concentration of customers, the Group also attaches great importance to the exploration of independent customers. Car models of independent customers which have been listed in the Announcement and Catalogue include, Kandi K10, Kandi K11, Guangtong Bus EV and Tongjiafu Van. The Group is constantly negotiating and conducting products matching with major automobile enterprises, new energy vehicles enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with the key customers.

Increasing Raw Materials and Purchase Costs

There is a general lack of supply of key raw materials of lithium-ion battery such as cobalt and lithium, if there is any significant increase in the price of raw materials, the Group profitability and financial results will be adversely affected. The Group will continue to control and improve the costs structure of lithium-ion battery products by increasing the energy density and production passing ratio of our products, strengthening the management skill, promoting effective use of materials and streamlining the supply chain, etc.

THE PRINCIPAL RISKS AND UNCERTAINTIES — (CONTINUED)

Others

Moreover, technological advancement, innovation and even revolution requires continuous improvement, or even obsolescence, of battery production lines. The delay in receiving government grants experienced by automobile enterprises will also influence the upstream industries. Factors such as excessively large trade receivables will also result in certain risks. The Group has been adopting a prudent strategy in its expansion over the past two years to reduce the possible harmful impacts from such risks.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$211 million.

Capital Contribution Agreement

On 9 May 2016, Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the capital contribution agreement with Zhejiang Geely Automobile Co., Ltd. ("Zhejiang Geely Auto") and Jiaxing Jiale, whereby Zhejiang Geely Auto and Jiaxing Jiale have agreed to contribute capital into Shandong Forever New Energy, which was a direct wholly-owned subsidiary of Triumphant Glory (the "Capital Contribution Agreement"). According to the terms of the Capital Contribution Agreement, Zhejiang Geely Auto and Jiaxing Jiale shall contribute approximately US$42.15 million and US$2.62 million into Shandong Forever New Energy respectively. Zhejiang Geely Auto has paid the 10% of its capital contribution amount (i.e. US$4.215 million) according to the Capital Contribution Agreement and up to the date of this report, no further capital contribution has been paid by Geely Auto and Jiaxing Jiale. After the Capital Contribution Agreement became effective, Triumphant Glory, Zhejiang Geely Auto and Jiaxing Jiale hold 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

EMPLOYEES

As at 31 December 2017, the total number of employees of the Group was 522 (2016: 352). Employee benefit expenses (including directors' emoluments) amounted to HK$58.7 million for the year (2016: HK$35.2 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus based on performance. Share options have also been granted to certain employees of the Group.

PROSPECTS

Despite the unsatisfactory performance in the current year and the central government of China has announced that subsidies for new energy vehicles will be gradually decreased in the coming years, the Group and new energy vehicle industry both believe that the government of China will continue to introduce other measures to promote the development of new energy vehicle industry which is one of the national development strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS — CONTINUED

In April 2017 the government of china released a Medium and Long Term Development plan of the Automobile Industry《汽車產業中長期發展規劃》, one of the key plans mentioned is the promotion and development of new energy vehicles and its related industries. In September 2017, the Ministry of Industry and Information Technology officially released the dual-credit system "Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credits"《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》and the system will be effective starting from 1 April 2018. The combination of credits and dis-incentives in this system are designed to improve the fuel efficiency of vehicles on the road, as well as to promote the usage of NEVs in China. For vehicle enterprises, their required NEV output ratio in 2019 is equivalent to 10% of the vehicles they produce in China while the ratio increased to 12% in 2020. Under the dual-credit system, traditional vehicle enterprises will be more motivated to develop and produce NEVs. In December 2017, the government of China announced that it will continue to waive purchase taxes on NEVs for the next three years. Last but not least, government of several European countries have announced that laws will be enacted to establish a schedule to ban the sales of petrol-only vehicles. Ministry of Industry and Information Technology of the PRC has also stated that it has been exploring a schedule to ban the sales of petrol-only vehicles in China. Therefore the market size of NEVs and related industries is expected to expand substantially in the coming years. Lithium-ion battery is deemed as the most critical component in NEVs so this sector will continue to be the focal point in this industry. Although there are a lot of lithium-ion battery supply in the market, there is a lack of high quality lithium-ion battery available. In order to secure the supply of high quality batteries in the future, many major automobile enterprises have set up joint investment companies or signed long term supply agreement with leading lithium-ion battery enterprises. On the other hand, only lithium-ion battery enterprises which secured large orders are able to expand its production capacity, reduce costs and invest in research and development to strengthen its position in the lithium-ion battery industry.

As an important milestone of the Group, the new lithium-ion battery plant in Zhejiang was completed with the first 500,000kWh capacity production line installed. First batch battery packs samples produced in the new plant were provided to Volvo Car and Zhejiang Geely Components. Subsequently, Volvo XC60 PHEV and LYNK 01 PHEV models equipped with Zhejiang forever New Energy battery packs were listed in the Catalogue of Recommended Models for the Popularization and Application of New Energy Automobiles《新能源汽車推廣應用推薦車型目錄》released by the Ministry of Industry and Information Technology. Zhejiang Forever New Energy has secured Volvo car and Zhejiang Geely Components as the anchor customers and pending to install a second 500,000kWh production line in late 2018. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world-famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other mainstream automobile manufacturers. To achieve the aim, the Group also has been investigating the possibility of massive expansion in other cities in China.

Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while proactively exploring the lithium-ion battery business in a prudent manner, the Group will also consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as electrical control, electric controlling, Internet of Vehicle, autonomous driving, shared mobility and light-weighting of vehicles.

PROSPECTS — CONTINUED

For the resource sector, the latest progress of SAM's Vale do Rio Pardo Project was covered in the Progress of SAM section in this report and the Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. However, we are currently not taking any actions regarding the introduction of strategic investors or collective sale. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

The overall business strategy of the Group is the dual development of new energy and resources, creating value for our shareholders. Meanwhile, ensure the idle cash is properly utilised to provide return to the Company.

SUBSEQUENT EVENT

On 16 March 2018, for the short term working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely, a substantial shareholder of the Company, provided a loan with the principal amount of RMB100 million (approximately HK$124 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company, repayable 12 months after the drawdown date and has a fixed interest rate of 4.75% per annum. The Board considers the loan arrangement is conducted on normal commercial terms or better.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 55, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he has worked in 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co. Ltd. During the period from 2001 to 2005, Mr. He was a director and shareholder of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175). Mr. He is also director of Infinite Sky Investments Limited, New Trinity Holdings Limited, Honbridge Technology Limited, Triumphant Glory Investments Limited and Shandong Forever New Energy Co., Ltd., all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 53, is the Chief Executive Officer of the Company. Mr. Liu has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Review), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco. Mr. Liu is also director of Infinite Sky Investments Limited, New Trinity Holdings Limited, Sul Americana de Metais S.A, Honbridge Power Limited, Honbridge Technology Limited, Triumphant Glory Investments Limited, Zhejiang Forever New Energy Co., Ltd. and Shandong Forever New Energy Co., Ltd., all being subsidiaries of the Company. Mr. Liu is also a director of New Potential Development Limited, a company principally engaged in the after sale services of automobiles.

Mr. Shi Lixin, aged 50, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has experience in mergers and acquisitions and project finance. Mr. Shi is the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) since 2003 and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiangtang Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park).

NON-EXECUTIVE DIRECTORS

Mr. Ang Siu Lun, Lawrence, aged 57, holds a Bachelor of Science degree in physics and computer science and a Master Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is an executive director of Geely Automobile Holdings Limited (Stock Code: 175). Mr. Ang assists the Group's capital market activities and investor relations.

Mr. Yan Weimin, aged 51, graduated from Central South University in 1989 majoring in automation. He also holds an EMBA degree of United Business Institutes (UBI) in Belgium. Mr. Yan has 20 years experience in the trading of mineral products. He has served in Shanghai Guohong Trading Co. Ltd. as the general manager and Shanghai Yingyue International Group Co. Ltd as the chairman. Mr. Yan is now a non-executive director of Xi'an Haitiantian Holdings Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Wai, Tony, aged 46, is a Certified Public Accountant and owns a CPA practice. He has extensive experience in audit assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited and Wai Chun Mining Industry Group Company Limited, the shares of which are listed on the Hong Kong Stock Exchange.

Mr. Ma Gang, aged 61, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Real Estate Development Co. Ltd. which is principally engaged in properties development business.

Mr. Ha Chun, aged 48, graduated from the University of Hong Kong in 1994 with a bachelor degree in law and was admitted as the solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of England and Wales. He has extensive experience in corporate finance, cross-border merger and acquisitions as well as general commercial transactions. Mr. Ha is one of the founding partners of Messrs. Ha and Ho Solicitors and also the China-Appointed Attesting Officer.

SENIOR MANAGEMENT

Mr. Yeung Ho Ming, aged 34, is a Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has extensive listed companies assurance and advisory experience in an international accounting firm. Before joining the Company in March 2013 as chief financial officer and company secretary, he also worked in a managerial position in an initial public offering project.

Mr. Yang Xuankun, aged 65, graduated from Harbin Shipbuilding Engineering Institute (the former Military Engineering Institute in Harbin). He once worked at the head office of China State Shipbuilding Corporation. He worked at Xianyang Pianzhuan Co., Ltd since 1988. Starting from 1999, became the deputy general manager and chief engineer of Xianyang Pianzhuan Group, which he began the research of lithium powered battery. From 2006 to 2009, he had worked with more than 20 companies such as GAC China, Zhengzhou Nissan, Great Wall, Chery, Geely and Haima together to develop power systems for electric vehicles. The battery, jointly developed by Mr. Yang Xuankun was awarded the Provincial Progress prize in scientific and collective technology in 2007. Mr. Yang also has a number of personal patents related to powered battery.

Joining Zhejiang Geely Holding Group Company Limited in September 2009, he was responsible for the setting up and manage Shandong Forever New Energy Co., Ltd.'s powered battery project, and worked as the general manager of Shandong Forever from the period 2010 to 2013. Mr. Yang Xuankun is currently a director and research and development department's chief engineer of Zhejiang Forever New Energy Co., Ltd..

Mr. Ji Jigang, aged 38, obtained a degree in I.C. engine engineering from Xi'an Jiaotong University in 2002 and a master degree in vehicle engineering from Tongji University in 2012. From 2006 to 2009, Mr. Jin Jigang served as the calibration section manager in Powertrain Department of Continental Automotive Electronics (Siemens VDO) Co., Ltd. Later, Mr. Jin Jigang has worked as the chef engineer in Powertrain System of Geely Automobile Research Institute respectively, and was responsible for the business of powertrain. He had years of experience in powertrain system, vehicle development and auto parts industry. He is currently the director and general manager of Shandong Forever New Energy Co., Ltd. and Zhejiang Forever New Energy Co., Ltd..

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT — CONTINUED

Dr. Eder de Silvio, aged 55, graduated from The Polytechnic School of the University of Sao Paulo with an Engineering degree in 1984 and awarded a Doctorate degree on Mineral Engineering in 2001, based on a process research and engineering for a heavy mineral project (tin, tantalum, niobium, and rare earth).

Dr. Eder de Silvio is experienced in process research, mineral project engineering design, equipment selection and acquisition, plant and infrastructure construction. He has worked several years in two mine in the Amazon region, involved on engineering, construction and operation. He also worked as process engineering leader in a major Brazilian engineering company, served some of the world largest companies in the mining industry such as Vale, BHP Billiton, RTZ Mining and Exploration Limited, Anglo American plc, Manabi and others, being involved in some of the large projects such as Brucutu, Mirabela, Anglo's Minas Rio, Ferro Amapá, Itabiritos de Conceição and Samarco P4P which some had commenced production recently while some will start production soon.

Dr. Eder de Silvio also worked in Ferrous Resources Limited as an chief operating officer focusing on engineering, construction and production increase.

Dr. Eder de Silvio has been SAM's Director of Engineering since 2012, worked on process research and engineering concepts design.

Mr. Jin Yongshi, aged 38, holds a Bachelor's degree in Mineral Processing Engineering and a Master's degree in Ferrous Metallurgy Engineering from the School of Mineral Processing and Bioengineering of Central South University in China. Mr. Jin has over ten years experience in participating varieties of mine projects in China and abroad. Prior to joining the Group, he worked in China ENFI Engineering Corporation (formerly China Nonferrous Engineering and Research Institute) as a design manager of mine projects and also a senior engineer in Mineral Processing, he once provided consulting and engineering design service for lots of large-scale mine projects. Moreover, Mr. Jin also has extensive experience in purchasing worldwide mine properties, he once worked as a technical adviser for a Chinese listed company which was involved in international mine business. He has been assistant to the Chief Executive Officer and project manager of SAM since joining the Company in March 2014. Since March 2015, Mr. Jin also became an executive director of SAM.

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 137 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

Executive Director:

Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-Executive Director:

Mr. Yan Weimin
Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Director:

Mr. Chan Chun Wai, Tony
Mr. Ma Gang
Mr. Ha Chun

In accordance with Article 116 of the Articles of Association of the Company, Mr. He Xuechu, Mr. Shi Lixin and Mr. Ang Siu Lun, Lawrence will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of shares in the Company					
Name of director	Beneficial owner	Interest of spouse	Interest of controlled corporation	Number of Share option[2]	Total	Approximate percentage of shareholding (%)
HE Xuechu	57,939,189	22,460,000	4,065,000,000[1]	–	4,145,399,189	42.07
LIU Wei, William	9,002,000	–	–	30,000,000	39,002,000	0.40
SHI Lixin	–	–	–	25,000,000	25,000,000	0.25
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.61
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.15
CHAN Chun Wai, Tony	1,000,000	–	–	2,000,000	3,000,000	0.03
MA Gang	–	–	–	3,000,000	3,000,000	0.03
HA Chun	–	–	–	–	–	–

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. This refers to the number of underlying shares of the Company covered by its share option scheme.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2017, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of the Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all of the Independent Non-Executive Directors to be independent.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 21 May 2012 and became effective on the same date. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

1. Purpose of the Scheme

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in subsection headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

2. Participants of the Scheme

The Board of Directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.001 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

3. Total number of Shares available for issue under the Scheme

Pursuant to the letter issued by the Stock Exchange on 21 May 2012, the total number of Shares available for issue under options which may be granted under the Scheme is 621,567,971 Shares, being 10% of the issued share capital immediately following adoption of the Scheme on 21 May 2012.

As at 31 December 2017, an aggregate of 118,750,000 Shares were issuable pursuant to share options granted.

As at 31 December 2017, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 591,567,971, representing approximately 6.0% of the issued share capital of the Company as at 31 December 2017.

SHARE OPTION SCHEME — CONTINUED

(i) Summary of the Scheme — continued

4. Maximum entitlement of each participant

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

5. Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

7. Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 5 business days from the date of offer of the option.

8. Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the higher of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(c) the nominal value of a Share.

9. Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 21 May 2012 and ending on 20 May 2022.

Details of the principal terms of the Scheme are summarised under the sub-section headed "SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME" in Appendix III to the Circular of the Company dated 16 April 2012.

SHARE OPTION SCHEME — CONTINUED

(ii) Details of options granted

Particulars and movements during the year of the outstanding share options granted under the Scheme were as follows:

Name or category of participant	Number of share options: Outstanding as at 01/01/2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31/12/2017	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK$	Price immediately preceding the grant date of share options (Note b) HK$	Price immediately preceding the exercise date of share options (Note c) HK$
Director											
LIU Wei, William	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
SHI Lixin	20,000,000	–	–	–	–	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	5,000,000	–	–	–	–	5,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
YAN Weimin	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	–	–	–	–	15,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	2,000,000	–	–	–	–	2,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
MA Gang	3,000,000	–	–	–	–	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
Sub-total	105,000,000	–	–	–	–	105,000,000					
Employee	5,000,000	–	–	–	–	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	8,750,000	–	–	–	–	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55	N/A
Total	118,750,000	–	–	–	–	118,750,000					

SHARE OPTION SCHEME — CONTINUED

(ii) Details of options granted — continued

Notes:

(a) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

Share options granted on 28 May 2012 and 14 May 2015 under the Share Option Scheme are 100% exercisable on the date of grant of the share options and on 15 May 2015 respectively.

(b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

(c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2017, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2017, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

	Number of Shares in the Company				
Name of Shareholder	Beneficial owner	Interest of spouse	Interests of controlled corporation	Total number of shares held	Approximate percentage of shareholding (%)
Hong Bridge	4,065,000,000 (Note 1)	–	–	4,065,000,000	41.25
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	42.07
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	42.07
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	41.25
Geely International (Hong Kong) Limited	1,850,675,675	–	–	1,850,675,675	18.78%
Zhejiang Geely Holding Group Co., Ltd. (Note 4)	–	–	1,850,675,675	1,850,675,675	18.78%
LI Shufu (Note 5)	103,064,000	–	1,850,675,675	1,953,739,675	19.83%
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	4.53%
Jiangsu Shagang Group Co., Ltd. (Note 6)	–	–	446,000,000	446,000,000	4.53%
Shen Wenrong (Note 7)	–	–	446,000,000	446,000,000	4.53%
Maxwealth Great China Fixed Income Fund II LP (Note 8)	662,186,000	–	–	662,186,000	6.72%
Pan Shangcong (Note 8)	–	–	662,186,000	662,186,000	6.72%
Jifu Financial Investment Company Limited (Note 8)	–	–	662,186,000	662,186,000	6.72%
Maxwealth Investment Management Limited (Note 8)	–	–	662,186,000	662,186,000	6.72%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES — CONTINUED

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.

3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.

4. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.

5. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

6. Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.

7. Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.

8. Maxwealth Investment Management Limited was wholly owned by Jifu Financial Investment Company Limited, which is in turn wholly owned by Mr. Pan Shangcong. Maxwealth Investment Management Limited has indirect interest of 694,000,000 shares through its interest in Maxwealth Great China Fixed Income Fund II LP.

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

There were two continuing connected transactions agreements entered into by the Company during the year ended 31 December 2017. Details of the two transactions have been set out in the Management Discussion and Analysis Section of this Report. No sales were recognised under the two continuing connected transactions agreement during the year ended 31 December 2017.

On 20 November 2017, for the short term working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely Holding Group Co., Ltd., a substantial shareholder of the Company, provided a loan with the principal amount of RMB100,000,000 (approximately HK$123,000,000) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company and will be matured 12 months after the drawdown date and has a fixed interest rate of 4.35% per annum. During the year ended 31 December 2017, a finance costs of HK$0.61 million was recognised by the Company. The Board considers the loan arrangement is conducted on normal commercial terms or better.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Year are set out in Note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

The share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend payment the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Memorandum and Articles of Association, dividends can be distributed out of the profits and share premium of the Company. The Company's reserve available for distribution to shareholders as at 31 December 2017 amounted to approximately HK$1,742,797,000 (2016: HK$884,123,000).

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the year ended 31 December 2017.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 3.20 to the consolidated financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the five largest customers of the Group accounted for 95% of the Group's total turnover and the five largest suppliers of the Group accounted for 54% of the Group's total purchases.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2017.

DIRECTORS' REPORT

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

During the year ended 31 December 2017, pursuant to the mandate to repurchase shares of the Company obtained from the Company's shareholders at the annual general meeting of the Company held on 11 May 2017, the Company repurchased an aggregate of 7,288,000 ordinary shares in December 2017 on the Stock Exchange for an aggregate consideration of approximately HK$11,700,000 and all these shares were subsequently cancelled by the Company and accounted for approximately 0.093% and 0.074% of the total issued share capital of the Company as at 11 May 2017 and 31 December 2017 respectively. The repurchase was decided by the directors for the enhancement of shareholders' value and the highest and lowest price paid were HK$1.65 and HK$1.54, respectively. Except as disclosed above, neither the Company, its ultimate holding company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules for the year ended 31 December 2017 and up to the date hereof.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
He Xuechu
Chairman

Hong Kong
23 March 2018

The Company is committed to maintaining high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasises accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company complied with the corporate governance code in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2017 with the exception of code Provision A.2.7 and C.2.5. Code Provisions A.2.7 requires that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Although the Chairman did not hold any formal meeting with the non-executive Directors without the presence of executive Directors during the year, he had frequent communications with the non-executive Directors. In addition, he delegated the Company Secretary to gather any opinions/questions that the non-executive Directors might have and report to him for follow up. As such, the non-executive Directors of the Company were given opportunities to voice their concerns to the Chairman directly. For deviation in relation to Code Provision C.2.5, the details have been set out in the "Risk Management and Internal Control" section in this Corporate Governance Report.

BOARD COMPOSITION

The Board of Directors (the "Board") of the Company composed of eight Directors, including the Chairman and the Chief Executive Officer who are Executive Directors, another Executive Director, two Non-Executive Directors and three Independent Non-Executive Directors. Over one third of the Board are Independent Non-Executive Directors who have appropriate professional qualifications in accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section of this annual report.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives.

There is in place a directors liabilities insurance cover in respect of legal action against directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All Independent Non-Executive Directors possess appropriate academic, professional qualifications or related financial management experience.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

BOARD MEETINGS AND ANNUAL GENERAL MEETING ("AGM")

Four Board meetings and an AGM were held during the financial year ended 31 December 2017 and the attendance records of the Directors are as follows:

	AGM	Board Meeting
Executive Director		
He Xuechu *(Chairman)*	1/1	4/4
Liu Wei, William *(Chief Executive Officer)*	1/1	4/4
Shi Lixin	0/1	4/4
Non-Executive Director		
Yan Weimin	0/1	4/4
Ang Siu Lun, Lawrence	0/1	4/4
Independent Non-Executive Director		
Chan Chun Wai, Tony	1/1	4/4
Ma Gang	0/1	4/4
Ha Chun	1/1	4/4

Formal notice of at least 14 days are given to the Directors for board meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Director shall have full access to information of the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

A formal written procedure and policy has been adopted by the Board for the appointment of new directors. According to the Articles of Association of the Company, one-third, and not exceeding one-third of Directors are subject to re-election. The corporate governance code states that all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

The Company may by ordinary resolution at any time remove a Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board, the Company has adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge.

The Board will review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness. The existing Board members are coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

TRAINING

During the year ended 31 December 2017, the Company provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and maintaining proper accounts to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

CORPORATE GOVERNANCE REPORT

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Company has in place an internal control system which is compatible with The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The COSO framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The five key components of the COSO framework are shown as follows:

- Control Environment: Serves as an umbrella for the other 4 components which is the set of standards, processes, and structures that provide the basis for carrying out internal control across the Company.

- Risk Assessment: Identify what the relevant risks are that could form potential barriers to the completion of the company's objectives. Using this information, the Board and management should form basic plans on how these obstacles can be managed or avoided.

- Control Activities: Help ensure that necessary actions are taken to address risks to the achievement of the Company's objectives.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ensure all component of internal control is present and implemented.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out in 2017 by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Company's audit committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2017 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the audit committee and the Board. In addition, the audit committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a Policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public,

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Hong Kong Exchanges and Clearing Limited's website and the Company's website.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising the Board on corporate governance matters. As an employee of the Company, the company secretary has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 63 to 67 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the Auditors of the Company received approximately HK$2,100,000 for audit services.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures and risk management system of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Ma Gang and Mr. Ha Chun, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2016 annual results, 2017 half-yearly results and quarterly results as well as the Company's internal control procedures and risk management system. Full attendance was recorded for the four meetings.

The Group's annual report for the year ended 31 December 2017 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REMUNERATION COMMITTEE

The Committee members comprise Mr. Ha Chun (Chairman of the Committee), Mr. Ma Gang, Mr. Chan Chun Wai, Tony, Mr. He Xuechu and Mr. Liu Wei, William. The Committee met once in 2017 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, grant of share options, if any, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Independent Non-Executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings. The details of remuneration payable to directors of the Company is set out in Note 13 to the financial statements.

NOMINATION COMMITTEE

Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun, Lawrence, Mr. MA Gang and Mr. HA Chun. The Committee meets at least once every year and additional meetings shall be held as the work of the Committee demands. The Committee met once in 2017 and was attended by all Committee members.

The primary duties of nomination committee is to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated or directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to the Board's corporate goals and objectives. The emoluments of the Directors are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

REMUNERATION OF THE SENIOR MANAGEMENT

The remuneration (including the value of the share options granted, if any) of the senior management of our Group for the year ended 31 December 2017 and 2016 falls within the following band:

	Number of individuals	
	2017 *(Note)*	2016
HK$1,500,001 to HK$2,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	–
Below HK$1,000,001	**3**	4

Note: The disclosure included Mr. Zhang Lei who passed away on 30 October 2017 due to health reason.

SHAREHOLDERS AND INVESTORS RELATIONS

The Group continues to promote and strengthen its relationship with shareholders of the Company and potential investors. The Group meets regularly with analysts and participates in investor conferences. As a channel to further enhance communications, the Company will disseminate announcements, corporate notice, and other financial and non-financial information through the Company's website in a timely manner. Since the year ended 31 December 2016, an environmental, social and governance report has been incorporated in the annual report of the Company which further facilitates the communications between shareholders and the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Annual report, interim report and quarterly reports offer comprehensive information to the Shareholders whereas annual general meetings provide a forum for the Shareholders to exchange views directly with the Board.

Pursuant to Articles 72 of the Company's Articles of Association, an extraordinary general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the shareholders, provided that such shareholders held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within twenty one days from the date of deposit of the requisition proceed duly to convene the meeting, the shareholders themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the shareholders as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may at any time send their enquiries to the Board by sending the same to the Company at the principal office of the Company in Hong Kong and for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year under review.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICIES

The Company has complied with the "comply or explain" provision set out in the ESG Reporting Guide in Appendix 20 of the GEM Listing Rules. Information about the Company's ESG policies in 2017 is set out in the ESG report section in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report (the "ESG Report") is primarily prepared in accordance with Appendix 20 of GEM Listing Rules and summarises the performance in sustainable development of the Group in aspects such as environment, employment and labour affairs practices, operation practices and community engagement for the year ended 31 December 2017.

EMPLOYMENT AND LABOUR PRACTICES

The Group believes that talent is one of the most important assets, as well as the basis of sustainable development of an enterprise. While employees contribute time and wisdom to the Company, we also endeavour to build a fair and proper workplace for employees to demonstrate their talent. The Group is committed to upholding the principle of fair and impartial competition to offer equal promotion opportunities to every employee in the Company.

Besides the efforts on creating a good and harmonious workplace for employees, the Group also offers competitive remuneration, training and development opportunities to employees and puts an emphasis on workplace and occupational safety.

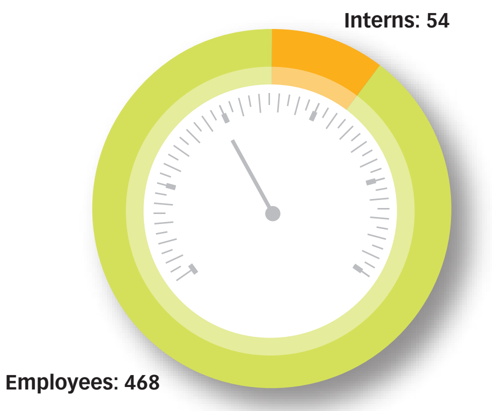
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LABOUR STRUCTURE

Business units of the Group are geographically located in Shandong and Zhejiang provinces of the PRC and in Sao Paulo and Belo Horizonte of Brazil, while its headquarters is in Hong Kong. As at 31 December 2016 and 2017, the total number of employees of the Group was 352 and 522 respectively with labour structures set out below:

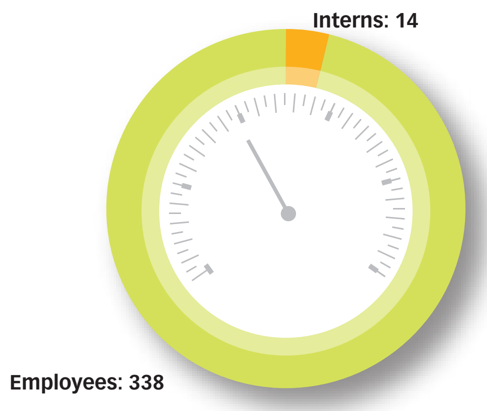
2017

EMPLOYMENT CATEGORY

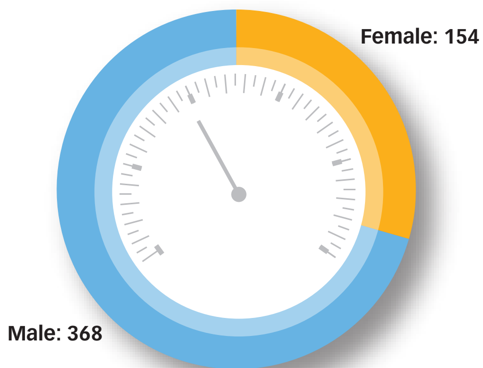


2016

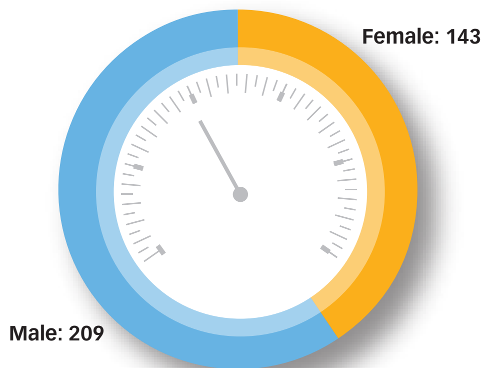
EMPLOYMENT CATEGORY



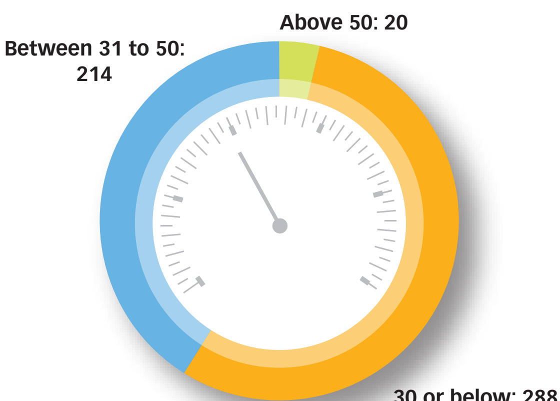
EMPLOYEES BY GENDER



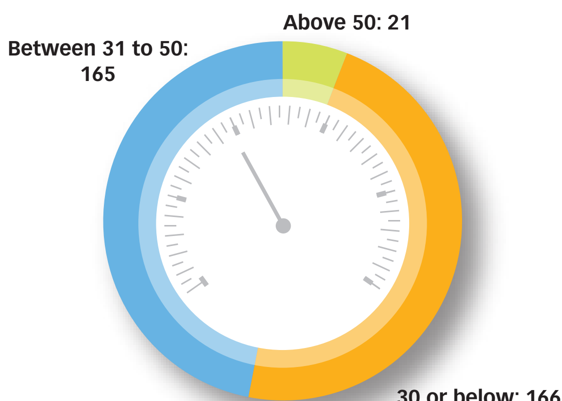
EMPLOYEES BY GENDER



EMPLOYEES AGE GROUP



EMPLOYEES AGE GROUP



The number of employees the Group increased significantly because Zhejiang Forever New Energy has been recruiting employees in different positions to ensure the plant can start mass production smoothly.

The Group strictly complies with relevant labour laws and regulations in the PRC, Hong Kong and Brazil. These rules and regulations specify the requirements relating to employment, labour relations, employees' remuneration and welfare to protect the rights of employees.

The Group also strictly complied with the laws, regulations and policies regarding the social security in the PRC and Brazil as well as Hong Kong's Mandatory Provident Fund Schemes Ordinance and paid social insurances, housing fund and mandatory provident fund in a timely manner for all the staff.

RECRUITMENT PROCESS

Fair and impartial recruitment policies are crucial to talent recruitment. In the recruitment process of the Group, there is no discrimination against interviewees or any form of bias on the grounds of race, nationality, religion, disability, age, gender, etc. The Group prohibits employment of child labour under 18 and forced labour. Based on the above principles, the Company and its subsidiaries work together on recruitment and induction in accordance with the recruitment policies or rules and review recruitment practices according to the latest regulations, if necessary. The Group is strictly in compliance with employment laws including Employment Ordinance (Hong Kong), Employment of Children Regulations (Hong Kong), the PRC Labour Law (「中華人民共和國勞動法」) and Provisions on the Prohibition of Using Child Labour (PRC), etc. During the reporting period, the Group has not identified any non-compliance cases involving child labour and forced labour.

Apart from recruitment advertisements targeting fresh graduates of 2017, the Group initiated "campus recruitment" in the PRC. We have participated in campus recruitment fairs in several tertiary institutions, including Shandong University, University of Jinan, Ocean University of China, Lanzhou University of Technology, etc.

REMUNERATION AND BENEFITS

Annual salary and benefit adjustments would be made in accordance with employees' performance to demonstrate employee care and boost employee loyalty and harmony for building up a highly motivated team. The Group also strictly complies with regional regulations such as minimum wage and compensation for over-time work.

The Group has put in place "Benefit Management System" for employees in the PRC, which sets out benefits such as statutory benefits stipulated in the laws and regulations of the PRC, traditional holiday benefits, labour insurance, ex gratia payment for important personal matters and subsidies for academic qualification enhancement. In order to boost employee loyalty and harmony, the Company purchases traffic accident insurance and employer liability insurance particularly for its employees.

Employees in other regions would also enjoy medical insurance, work-related injury insurance and retirement coverage (such as mandatory provident fund in Hong Kong) of statutory standards or higher.

During festivals such as Lunar New Year, Mid-Autumn Festival and Women's Day, the Group would distribute festive food or gifts to employees in specific regions.

WORKING HOURS

The working hours of all employees of the Group based in the PRC complies with relevant requirements of the PRC Labour Law (中華人民共和國勞動法). For over-time work, the Group gives over-time work compensation to employees in accordance with relevant requirements of the Labour Law such as 「最低工資規定」in the PRC. While employees enjoy day off and public holidays as stipulated in the Labour Law as well.

In respect to our Hong Kong company, it follows the Employment Ordinance in Hong Kong and its employees work five days a week and eight hours a day. Employees enjoy day off, statutory public holidays, paid annual leaves, maternity leaves and paternity leaves, etc. during the employment term.

Our Brazil company strictly follows the terms in the Collective Bargaining Agreements. For aspects not covered by the Agreements, they will be based on Consolidation of Labour Laws (C.L.T.) of Brazil. Employees of the company work five days a week and eight hours a day. Employees enjoy day off, statutory public holidays, paid annual leaves, maternal leaves, etc. during the employment term which they are entitled to as stipulated in the Labour Law of Brazil.

TERMINATION OF EMPLOYMENT

In the event of staff resignation or dismissal, the Group will ensure that the quitting employees receive the entitled rewards and compensation according to the employment contract and by reference to the applicable labour law. The Group has also established procedures for employment termination management, where leaving employees would receive required instruction for their understanding and acknowledgment of respective responsibility and authority between themselves and relevant departments, thereby provide a strong support for asset safety and work hand over of the Company.

EMPLOYEE DEVELOPMENT AND TRAINING

The Group attaches great importance to staff training on our belief that employees not only contribute knowledge and skills in performing their duties, but should be given opportunity for self-actualization during the process. Therefore, the Company has implemented means and opportunities of self-improvement into its mechanisms and practices.

In 2016 and 2017, our Shandong subsidiary organised "Zhixiang Lecture Hall" (智享大講堂) programme and invited experts and lecturers from different sectors to hold seminars and bring opportunities for growth and learning to employees in different posts with different needs.

Our PRC Company has designed a series of training programmes for the talents from campus recruitment, also known as "Rising Stars of Shandong Forever". This series of Rising Stars Programmes aims at developing a young, energetic and advocating reserved power with an ambitious, determined, amiable and complementary spirit.

Fresh Graduates

Training Camp

The Hong Kong headquarter and the subsidiary in Brazil both encourage and subsidise employees to enrol in work-related external programmes, including conferences, seminars and foreign language courses, enabling them to engage in continuous education and self-improvement and keep abreast with the latest development of the society and regulations.

HEALTH AND SAFETY

To protect our employees, the Group strictly adheres to the work approach of "safety first" and continues to improve health, safety and environment management system and constantly upgrades occupational health and safety management.

Apart from regular assessment of work environment of factories in the PRC, the Group has also put in place objectives of occupational health management; established safety and occupational health management system; set up occupational health management scheme (occupational health training scheme, occupational health inspection scheme, occupational health management scheme, occupational health labour protection equipment scheme, inspection and maintenance scheme of occupational health safety facility, etc.) to eliminate occupational hazards from construction facilities to achieve fundamental safety. The PRC subsidiary has assessed and designed safety measures based on the PRC Production Safety Law (中華人民共和國安全生產法), the PRC Fire Protection Law (中華人民共和國消防法) and Regulation on Work-Related Injury Insurances (工傷保險條例) to ensure its compliance with local relevant laws. In PRC, our subsidiaries organise fire safety lesson and training each year. Fire emergency evacuation drills and fire extinguishers operations drills make staff understand the importance of safety and improve their awareness of safety precautions.

Major safety measures implemented in plants in the PRC:

(1) Operational measures: a) install dust control for positions that generate dust; b) adopt a closed model in production operation to minimise the damage of dust to employees.

(2) Training measures: regular occupational health lesson and training for workers; regular training at workshops in the form of meetings before and after work.

(3) Management measures: establish an occupational health directing group responsible for effective management of occupational health and conducting examination for potential occupational health hazards.

Fire Safety Training

(4) Labour protection equipment measures: distribute labour protection equipment for workers, such as anti-virus and anti-dust masks, ear plugs, safety goggles, safety helmets, protection boots, insulating equipment, etc.

The Hong Kong office is primarily required to comply with the Occupational Safety and Health Ordinance to improve indoor environment of the Company to create a safe and healthy workplace for employees. It has also maintained labour insurance for employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Brazil company has strictly adhered to the local regulations of work safety and health standard and prepares an annual Environmental Risk Prevention Program ("PPRA") and an Occupational Health Examination Program ("PCMSO"). PPRA is a protective measure for employees' health and body integrity which anticipates, identifies, assesses and controls the environmental risks at a workplace and preserves the environment and natural resources. On induction of an employee, Brazil Company will provide personal protective equipment to the employee and thereafter will replace it regularly. The equipment provided is based on each position and function set out in PPRA. Meanwhile, PCMSO requires every employer to prepare and implement a solution aim at promoting and protecting the health of its employees. In accordance with the requirements of PCMSO, the Company has arranged physical examination when an employee joins, changes positions and quits, with a view to preventing, detecting and controlling potential damage and assuring the safety of the employee's body. In addition, it may also identify health risks in advance, especially work-related diseases.

INDUSTRIAL ACCIDENT

The Group did not experience major industrial incident or hazard in 2016 and 2017.

COMMUNITY INVESTMENT

The Group has concentrated on environmental protection in community welfare work, the principle of which was to achieve social harmony, encourage employees' participation and explore a sustainable welfare model. It maximised the contribution of the Group's worker volunteers in community building.

In June 2016, our subsidiary, Shandong Forever New Energy, sponsored the event "Run for Energy" (節能領跑 • 綠色發展), which was organised by various departments including Commission of Economy and Informatization and the Energy-saving Office of Zoucheng, Shandong province. With a theme of "promoting eco-culture, contribute to a wonderful Zoucheng" (推進生態文明 • 助力幸福鄒城), the event aimed to instil concepts of energy-saving and environmental protection among citizens through activities and live speech from enterprises. The event attracted more than 300 cyclists to take part in the voluntary energy-saving promotion.

In June 2017, Shandong Forever New Energy participated in the promotion event of energy-saving week titled "Energy Saving by Me for Green World Shared by All" (節能有我 • 綠色共用) in Zoucheng. This event was led and organized by 16 government authorities, such as the Commission of Economy and Informatization and the Energy-saving Office of Zoucheng. With its theme of "Energy Saving by Me for Green World Shared by All" (節能有我 • 綠色共用), this event aimed to instill the concepts of energy-saving and environmental protection among citizens through relevant activities and live tutorials conducted by enterprises.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Group photos for Run for Energy

Community welfare activities hosted by Shangdong Forever New Energy

In addition, Shandong Forever New Energy regularly organised family days for employees with the motto "lead a low-carbon lifestyle to build a green community" (踐行低碳生活，共建綠色家園). It promoted the concepts of ecology and environmental protection to raise the awareness among employees and their family towards environmental protection and ecological balance. It also conveyed knowledge of preservation and environmental protection to residents nearby and advocated a prudent, healthy and civilized lifestyle. In April 2017, Shandong Forever New Energy invited medical specialists to the company to provide free diagnosis and consultation services with family members of its employees and people living in the neighborhood.

Family activities in Shandong Forever New Energy Co., Ltd.

Shandong Forever focuses on its future development and nurtures creative talent to boost technical breakthroughs and renovation. At the same time, it facilitates talent and technology exchange in new energy vehicle industry in Shandong to extensively drive the development of talent pool in the local new energy vehicle industry. Shandong Forever initiated the "Zhixiang Lecture Hall" project and invited leading experts and scholars in the industry to offer guidance and training for an extended period. In 2016 and 2017, several sessions of programme were hosted at Zhixiang Lecture Hall and more than 300 local participants were trained to promote communication and cooperation among them.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to give back to the society and understand the needs of local residents actively, the public relation department of Brazil SAM gives away Christmas presents in the community every year.

Villager visit and gifts distribution

ANTI-CORRUPTION

To ensure and promote business integrity at each level of the Company, facilitate sustainable and healthy development, and build an honourable and upright culture, the Group has published integrity and self-discipline requirements. It enthusiastically spreads the corporate culture of "compliance" and continues to strengthen supervision and inspection to strive for healthy and rapid development. It prevents corruption at source and expressly sets out the regulations on "gifts and entertainment". Furthermore, it requires employees to comply with relevant regulatory requirements on anti-money laundering and ensures the Company or individual employees to strictly follow the reporting requirements in the event of participation in activities and transactions with potential receipt of illicit funds or involving illicit funds. In order to promote integrity and honesty in the Group, the Company had its directors and senior management participate in the conference "Hong Kong Corporate Governance: Compliance and Beyond" organized by Hong Kong Independent Commission Against Corruption (ICAC).

No legal case regarding corrupt practices was brought against the Group or its employees during the reporting period.

SUPPLY CHAIN MANAGEMENT

For the lithium-ion powered battery business, there are 60 suppliers on the list of qualified suppliers, primarily located in the coastal region. There are 23 suppliers in northern China, 36 in southern China and one in Taiwan.

Based on the specific product requirements from the quality department, research and development department and production department of the subsidiary, the procurement department has prepared supplier management and regulation documents to ensure the consistency, reliability and passing rate of the products.

Firstly, to enhance the supplier selection process by the procurement department and the reasonable allocation of monthly procurement volume, a Procurement Control Process has been established to further standardise and tighten the procurement processes. Meanwhile, we have entered into Agreements on Credibility, Integrity and Self-discipline with partnering supplier to maintain interaction and mutual trust with them.

Secondly, for reasonable selection, supervision of and incentivising suppliers, the procurement department has produced a series of relevant documents which regulate supplier admission and grading individual supplier.

It takes a comprehensive management system of supplier quality to achieve sound quality assurance. Shandong Forever passed the certification for ISO/TS-16949 in 2015 and clarified the process of supplier admission. Shandong Forever has been strengthening its efforts on the inspection of suppliers of major raw materials and visited leading material manufacturers and processing plants to develop all-round knowledge on the production techniques of its suppliers and the quality control of processing. At the same time, physical examination project was conducted at the processing plant of individual major suppliers to assess the quality control capability of suppliers on its production process. Thus, the quality of raw materials and major components procured was further enhanced.

PRODUCT LIABILITY

The Company embraces an enterprise culture of "integrity, practicality, meritocracy, creativity" and its after-sales services adhere to the principle of "quality comes first and commitment of outstanding service".

The battery products of Shandong Forever New Energy passed the national standards of GB/T31484-2015 "Cycle Life Requirements and Test Methods for Automobile powered Battery of Electric Vehicle", GB/T31485-2015 "Safety Requirements and Test Methods for Automobile powered Battery of Electric Vehicle" and GB/T31486-2015 "Electrical Performance Requirements and Test Methods for Automobile powered Battery of Electric Vehicle" in the PRC and Shandong Forever New Energy were admitted to the fourth enterprise list of the "Standardised Conditions for the Automobile powered Battery Industry" published by Ministry of Industry and Information Technology of the PRC in July 2016. By this time, only 57 powered battery enterprises have been granted such admission.

Shandong Forever New Energy has passed the ISO/TS16949 certification of quality system and applies the core tools of ISO/TS16949 in the quality control of production and manufacture process.

SELF-OWNED INTELLECTUAL PROPERTY RIGHT

Intellectual property right is the core competitiveness of enterprises, especially for the lithium-ion powered battery industry which relies on independent research and investment and brand building. Its "quality" and "quantity" are directly related to the innovation capacity and product safety of an enterprise. In recent years, Shandong Forever New Energy has been committed to independent innovations based on market demands and future industry trend.

Our research and development team consists of both national and overseas (such as China and Korea) experts from top-tier powered battery manufacturers. For the year ended 31 December 2017, the Group was granted 55 patents, among which 51 are utility model patents, 2 appearance design patents and 2 innovation patents. At present, 81 patents are under application.

AFTER-SALES SERVICE COMMITMENT

To constantly improve and optimise the after-sales system and ensure the timely and efficient resolution of battery set failure, the Company adopts various forms of after-sales services to maintain customer satisfaction, including technical support hotlines to provide 24-hour technical support services to the customers.

ENVIRONMENTAL PROTECTION

Compared with conventional batteries, lithium-ion batteries feature an array of advantages including high energy density, light weight, tiny size, long life cycle and quick charging. They are also known as "green and new energy products" since they are free of heavy metals such as lead, cadmium and do not contain toxic substances. Therefore, there are no significant environmental risks of pollution in the lithium-ion battery business of the Group. As for the iron ore project in Brazil, it is still in its stage of applying for the environmental and construction and operation has not commenced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has strictly observed all relevant laws and regulations regarding protection of environment during the course of its business. Our slogan on environmental regulation is "To protect the natural environment, to build green factories and to provide green energy". Controlling measures have been imposed on activities that are likely to have impact on the environment.

Our plants in China have strictly complied with the following major laws and regulations:

- Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)
- Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》)
- The Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)
- The Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪音污染防治法》)
- The Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)
- The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》)
- Emission Standard of Pollutants for Battery Industry (《電池工業企業污染物排放標準》) (GB30484–2013)

EMISSIONS

Major emissions from our plants in China included wastewater, solid wastes, gases and noise. We have engaged qualified entities to inspect onsite and handle the emission processes of our plants in China. Emission-related data are being closely monitored and under strict control to ensure that the emission readings are in line with the requirements of national and regional laws and regulations and are within the stipulated levels of industry. Since the new Zhejiang Forever New Energy plant had not started mass production in 2017 and headquarter in Hong Kong and office in Brazil are for administrative purpose, their emissions data are not material to the Group and only Shandong Forever New Energy's data were included in this "Emissions" section.

Control on wastewater discharge

During the year, Shandong Forever New Energy had engaged Zoucheng Municipal Environmental Monitoring Station (鄒城市環境保護監測站) to conduct an examination on its wastewater discharge and issue a report thereafter, which stated that effluents being discharged by the company was in compliance with the PRC Emission Standard of Pollutants for Battery Industry, and had been transferred through industrial wastewater pipeline to the municipal sewage treatment plant for treatment.

Solid wastes control

Packaging material for different raw materials and chemicals, scrap electrodes and general domestic waste are the major solid wastes. Most of the packaging materials scrap electrodes were returned to the suppliers or sold to recycling companies. Other wastes would be packed properly before disposing to the waste centre.

Gas emission control

The main exhaust gas for lithium-ion batteries production is the NMP generated during the positive electrode coating process and the dust generated during the charging process. In August 2017, Shandong Forever New Energy engaged Shandong Provincial Analysis and Measurement Centre (山東省分析測試中心) to conduct an examination on gas emission and issue a report thereafter, which stated that gas emission of the company was in compliance with the PRC Emission Standard of Pollutants for Battery Industry. Air pollutants undergone the adsorption process by the activated carbon purification system were emitted into the atmosphere. The activated carbon, when done and expired, would be returned to the manufacturer for recycle and reuse.

Noise emission control

Zoucheng Municipal Environmental Monitoring Station was commissioned by the plant to carry out a noise inspection of the plant in March 2017. The inspection results confirmed that the actual testing data met the requirement of the Emission Standard for Industrial Enterprises Noise at Boundary.

Measures to mitigate emissions

Some measures were implemented by Shandong Forever New Energy to mitigate emissions, examples including:

- Reduce water wastage, overflow, dropping, and leakage of different facilities;
- Make full use of wastewater (e.g. filtered drinking water) for greening purpose, reducing the discharge of waste water;
- Under our monthly maintenance of the equipment in 2017, the recycling rate of the NMP reached 95%, reducing the discharge of the NMP, which significantly mitigated air pollution from exhaust gas.

Handling of Hazardous and Non-hazardous Wastes and Reduction Initiatives:

The pollution in the natural environment and the acceleration of climate warming have become a worldwide problem affecting all the human beings. New energy resources applications and promotion can reduce energy consumption and carbon dioxide emissions. Shandong Forever New Energy plays an active role in energy conservation and environmental protection, taking energy conservation and emission reduction as its key responsibility. Shandong Forever New Energy focus on energy saving and emission reduction throughout the process of planning, design, R&D and manufacturing, initiatives include:

- Reduce energy consumption and emission of the equipment to the maximum extent through technological innovation.
- Carry out the renovation project of solar-powered lights to increase energy efficiency.
- Improve the quality and performance of the products, reduce the energy consumption ratio of the products to a maximum level, and optimise the utilisation of resources.
- Build an expert team for energy conservation and environmental protection to enhance energy efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas Emissions:

Key Performance Indicator	Unit	2017
Total Greenhouse gas emissions from indirect emission sources (Note 1)	tonne of CO_2e	3,502

Note:

1.) The calculation method of the greenhouse gas emissions was conducted according to "2011 and 2012 China's regional grid average carbon dioxide emission factor" published by National Development and Reform Commission.

Total Volume of Hazardous Wastes Generated:

Key Performance Indicator	Unit	2017
NMHC	kg	5.24
Suspended Particulate	kg	5.50

Total Volume of Non-Hazardous Wastes Generated:

Key Performance Indicator	Unit	2017
Wastewater Discharge Volume	m^3	1,566
Scrap Electrode	tonne	7.33
Packaging Material of Bonding Agent PVDF	tonne	0.21
Packaging Pails of NMP	tonne	0.25
Packaging Pails of Electrolyte	tonne	1.56
Waste Activated Carbon	tonne	0.15
Domestic Refuse	tonne	40

Water and Energy Consumptions:

Key Performance Indicator	Unit	2017
Electricity Consumption	KWH	3,961,300
Total Volume of Water Usage	m^3	6,783

USE OF RESOURCES

The Group actively promotes effective consumption of resources (include fuel, water and other raw materials) and encourages our workers and staff to give proposals on and participate in various energy saving and consumption reduction programmes so as to raise their awareness in environmental protection and reduce waste in resources.

EFFECTIVE ENERGY CONSUMPTION PLAN

The Group has built a photovoltaic solar energy power station at our Shandong facilities, where our electric vehicles in the plant will be charged with the green electric energy.

WATER EFFICIENCY PLAN

Pumps in the water pumping station adopt variable frequency automatic water supply to enhance water flow control and prevent leaking and dripping taps.

ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES CONSERVATION

The premises of our Shandong facilities and Zhejiang sites are located within the planned area of Zoucheng Industrial Zone in Shandong and Jinhua New Energy Automobile Industrial Park respectively, which are at significant distances from any nature reserve areas. Feasibility analysis and environmental impact assessment were conducted for both sites. The Group has established the environmental protection facility and conducted major construction work in compliance with requirements of laws and regulations. By adhering to the principle of "Focusing on proactive prevention and combining with controlling and correcting measures to form a comprehensive solution", we strive to reduce the facilities' impact on environment to a minimal level and ensure that it will not affect the important local water sources in whatever way.

METHODOLOGY OF ENVIRONMENTAL INSPECTION OR RESEARCH IN BRAZIL

Prior to the inspection or research in relation to the iron ore project in Brazil, Brazil SAM Company and professional firm or advisor involved shall participate in an intensive training before conducting outdoor works to minimise the impact on the environment and the surrounding residents or animals. During the training, staffs from different departments elaborate the requirements and standardised processes of SAM, which include:

- Activity is carried out in a confined area to avoid, minimise or mitigate potential impact;
- No interference in any unauthorized area (path or entrance of a drill area) is allowed;
- Do not bury any plant in the area;
- Do not destroy any plant in the area;
- Do not dispose of any excess chemical materials, cleansing waste and/or other waste in unauthorized area;
- Do not cause choked drainage system and/or permanent storage area due to environmental inspection or research;
- Dispose of and store at appropriate location, such as recycle material bins;
- Waste combustion is prohibited;
- Drive carefully and avoid internal or third-party vehicles running over wild animals;
- Wild animal hunting and catching are prohibited;

In order to enhance efficiency and minimise the time for outdoor work, information including maps of relevant areas, areas of work, terms of work and duties of participants is prepared prior to the inspection or research.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

When there is any negative environmental issue that would have material environmental impact or not comply with relevant legal requirements, or if no rectification measure is adopted for related environmental incident, the environmental supervisors shall immediately give environmental warning to the coordinator of environmental management project of SAM and advise the manager of SAM to evaluate and decide whether further measures shall be taken.

In 2016 and 2017, there was no occurrence of material negative environmental issues in the course of other environmental inspection or research.

FEEDBACKS

Thank you for reading this ESG report. The Group's continuous improvements rely on your valuable opinions. If you are in doubt or have any recommendations in regards to this report, you are welcome to email us at info@8137.hk and we would very much appreciate your comments and suggestions.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017

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To the shareholders of Honbridge Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 136, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Codes"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of exploration and evaluation assets

(Refer to notes 3, 4 and 15 to the consolidated financial statements)

As at 31 December 2017, before current year's impairment assessment, the Group had exploration and evaluation assets with carrying amount of HK$2,973 million operated by Sul Americana de Metais S.A. ("SAM"), a subsidiary of the Group, and for the year then ended.

Following a review of the business, the outlook of the industry in Brazil and SAM's operating plans, management reversed impairment loss of HK$1,131 million to increase the exploration and evaluation assets to their estimated recoverable values estimated by the independent external valuer as the management's expert.

These conclusions are dependent upon significant management judgement and significant to the financial statements. Significant assumptions and parameters were set out in note 15 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017

KEY AUDIT MATTERS — CONTINUED

Our response

Our key procedures in relation to management's impairment assessment included:

— Assessing the appropriateness of valuation methodologies;

— Assessing the reasonableness of underlying key assumptions;

— Involving auditor's expert to assist our assessment on the valuation assessed by management's expert; and

— Evaluating the auditor's expert and management's expert's competence, capabilities and objectivity.

Lithium battery production business impairment assessment

(Refer to notes 3, 4 and 18 to the consolidated financial statements)

As at 31 December 2017, before current year's impairment assessment, the Group had property, plant and equipment with an aggregate carrying value of HK$50.4 million, prepaid land lease payments of HK$48.8 million and other intangible assets of HK$60.0 million relating to the lithium battery production business operated by Shandong Forever New Energy Co., Ltd. ("Shandong Forever"), a subsidiary of the Group. This business incurred losses for the year and this has increased the risk that the carrying values of the relevant assets within that business may be impaired.

Following a review of the business and the Group's operating plans of the lithium battery production business, management assessed impairment losses of HK$50.4 million and HK$60.0 million on property, plant and equipment and other intangible assets respectively, recognised to reduce the carrying values of the relevant assets of the lithium battery business to their estimated recoverable values estimated by the independent external valuer as the management's expert.

Estimation of recoverable amount is dependent upon significant management judgement and significant to the financial statements.

Our response

Our key procedures in relation to management's impairment assessment included:

— Assessing the appropriateness of valuation methodologies;

— Assessing the reasonableness of underlying key assumptions;

— Involving auditor's expert to assist our assessment on the valuation assessed by management's expert; and

— Evaluating the auditor's expert and management's expert's competence, capabilities and objectivity.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2017

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Turnover	*5*	**17,476**	34,045
Cost of sales		**(17,756)**	(33,160)
Gross (loss)/profit		**(280)**	885
Other operating income	*7*	**144,403**	33,959
Selling and distribution costs		**(3,187)**	(1,457)
Administrative expenses		**(114,701)**	(102,175)
Other operating expenses	*9*	**(7,910)**	(2,884)
Reverse of impairment/(Impairment) of exploration and evaluation assets	*15*	**1,131,284**	(270,826)
Impairment of other intangible assets	*17*	**(60,003)**	(85,964)
Impairment of property, plant and equipment	*14*	**(50,368)**	(37,643)
Fair value gain on derivative financial liabilities	*30*	**58,164**	9,892
(Loss)/Gain on changes in fair value and terms of contingent consideration payables	*39*	**(5,993)**	1,039,423
Finance costs	*8*	**(68,535)**	(72,138)
Profit before income tax	*9*	**1,022,874**	511,072
Income tax (expense)/credit	*10*	**(366,900)**	122,135
Profit for the year		**655,974**	633,207
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		**30,324**	326,139
Other comprehensive income for the year, net of tax		**30,324**	326,139
Total comprehensive income for the year		**686,298**	959,346
Profit for the year attributable to:			
Owners of the Company		**676,063**	700,010
Non-controlling interests		**(20,089)**	(66,803)
		655,974	633,207
Total comprehensive income attributable to:			
Owners of the Company		**697,825**	1,036,103
Non-controlling interests		**(11,527)**	(76,757)
		686,298	959,346
Earnings per share	*11*		
— Basic		**8.41 cents**	HK9.04 cents
— Diluted		**7.04 cents**	HK7.81 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	411,493	104,743
Exploration and evaluation assets	15	4,103,876	2,947,964
Prepaid land lease payments	16	88,965	84,928
Other intangible assets	17	–	65,536
Goodwill	18	–	–
Other financial assets	19	285,632	812,545
		4,889,966	4,015,716
Current assets			
Inventories	20	28,549	36,653
Trade and bill receivables	21	30,224	101,137
Other financial assets	19	540,000	–
Prepayments, deposits and other receivables	22	85,145	21,670
Financial assets at fair value through profit or loss	23	1,985	1,936
Tax recoverable		110	1,956
Restricted bank deposits	24	15,978	3,367
Cash and cash equivalents	24	583,492	669,052
Total current assets		1,285,483	835,771
Current liabilities			
Trade and bill payables	25	28,592	35,910
Other payables, accrued expenses, deposits received and receipts in advance	26	77,715	40,884
Borrowings	27	240,143	11,206
Derivative financial liabilities	28	–	58,297
Convertible bonds	30	–	623,433
Total current liabilities		346,450	769,730
Net current assets		939,033	66,041
Total assets less current liabilities		5,828,999	4,081,757
Non-current liabilities			
Borrowings	27	120,072	112,061
Deferred income	29	1,542	95,708
Deferred tax liabilities	31	1,284,348	910,279
Contingent consideration payables	39	159,080	153,087
		1,565,042	1,271,135
Net assets		4,263,957	2,810,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	32	**9,855**	7,862
Reserves	36	**3,955,666**	2,580,297
		3,965,521	2,588,159
Non-controlling interests		**298,436**	222,463
Total equity		**4,263,957**	2,810,622

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		**1,022,874**	511,072
Adjustments for:			
Depreciation of property, plant and equipment	14	**8,453**	13,915
Amortisation of prepaid land lease payments	16	**1,833**	1,523
Amortisation of other intangible assets	17	**10,177**	25,737
(Reverse of impairment)/Impairment of exploration and evaluation assets	15	**(1,131,284)**	270,826
Impairment of other intangible assets	17	**60,003**	85,964
Impairment of property, plant and equipment	14	**50,368**	37,643
Write-down of inventories	9	**7,959**	2,319
Interest expense on bank and other borrowings	8	**860**	1,091
Imputed interest expense on convertible bonds	8	**67,675**	71,047
Fair value gain on derivative financial liabilities	30	**(58,164)**	(9,892)
Loss/(Gain) on changes in fair value and terms of contingent consideration payables	39	**5,993**	(1,039,423)
Bank interest income	7	**(6,287)**	(3,553)
Interest income from loan receivable	7	**(16,202)**	(10,904)
Imputed interest income of amounts due from non-controlling interests of a subsidiary	7	**(13,087)**	(5,453)
Loss on disposals of property, plant and equipment		**–**	159
Government grant	29	**(103,760)**	(10,631)
(Gain)/Loss on financial assets at fair value through profit or loss		**(49)**	565
Operating loss before working capital changes		**(92,638)**	(57,995)
Decrease/(Increase) in inventories		**12,131**	(1,015)
Decrease in trade and bill receivables		**46,484**	17,319
Increase in prepayments, deposits and other receivables		**(63,475)**	(10,179)
Increase in financial assets at fair value through profit or loss		**–**	(2,501)
Decrease in trade and bill payables		**(4,792)**	(20,193)
Increase in other payables, accrued expenses and receipts in advance		**36,832**	32,388
Cash used in from operations		**(65,458)**	(42,176)
Income tax refunded/(paid)		**1,032**	(1,328)
Net cash used in operating activities		**(64,426)**	(43,504)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Interest received	7	**6,287**	3,553
Loan interest received	7	**16,202**	10,904
Increase in loan receivable	19	**–**	(540,000)
Purchases of property, plant and equipment	14	**(341,851)**	(55,743)
Additions of exploration and evaluation assets	15	**(3,201)**	(5,502)
Proceeds from disposals of property, plant and equipment		**189**	–
Increase in restricted bank deposits		**(12,611)**	(3,367)
Additions of prepaid land lease payments	16	**–**	(18,963)
Net cash used in investing activities		**(334,985)**	(609,118)
Cash flows from financing activities			
Interest paid on bank and other borrowings		**(860)**	(1,091)
Drawdown of borrowings		**240,152**	123,267
Repayments of borrowings		**(11,206)**	(35,097)
Capital contribution from non-controlling interests		**87,500**	32,708
Shares repurchased and cancelled		**(11,705)**	–
Repayments of contingent consideration payables	39	**–**	(23,319)
Net cash generated from financing activities		**303,881**	96,468
Decrease in cash and cash equivalents		**(95,530)**	(556,154)
Cash and cash equivalents at 1 January		**669,052**	1,228,682
Effect of foreign exchange rate changes		**9,970**	(3,476)
Cash and cash equivalents at 31 December		**583,492**	669,052
Analysis of cash and cash equivalents			
Cash at banks and in hand		**583,492**	669,052

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Treasury shares reserve*	Share-based payment reserve*	Translation reserve*	Convertible bond equity reserve*	Retained earnings*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	7,862	2,627,306	(142,864)	136,741	(4,869,117)	258,836	3,488,507	1,507,271	44,205	1,551,476
Capital contribution from non-controlling interests	–	–	–	–	–	–	44,785	44,785	255,015	299,800
Transactions with owners	–	–	–	–	–	–	44,785	44,785	255,015	299,800
Profit for the year	–	–	–	–	–	–	700,010	700,010	(66,803)	633,207
Other comprehensive income										
Currency translation	–	–	–	–	336,093	–	–	336,093	(9,954)	326,139
Total comprehensive income	–	–	–	–	336,093	–	700,010	1,036,103	(76,757)	959,346
At 31 December 2016 and 1 January 2017	7,862	2,627,306	(142,864)	136,741	(4,533,024)	258,836	4,233,302	2,588,159	222,463	2,810,622
Issuance of new shares upon conversion of convertible bonds	2,000	948,078	–	–	–	(258,836)	–	691,242	–	691,242
Shares repurchased and cancelled	(7)	(11,698)	–	–	–	–	–	(11,705)	–	(11,705)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	87,500	87,500
Transactions with owners	1,993	936,380	–	–	–	(258,836)	–	679,537	87,500	767,037
Profit for the year	–	–	–	–	–	–	676,063	676,063	(20,089)	655,974
Other comprehensive income										
Currency translation	–	–	–	–	21,762	–	–	21,762	8,562	30,324
Total comprehensive income	–	–	–	–	21,762	–	676,063	697,825	(11,527)	686,298
At 31 December 2017	9,855	3,563,686	(142,864)	136,741	(4,511,262)	–	4,909,365	3,965,521	298,436	4,263,957

* The aggregate amount of these balances of approximately HK$3,955,666,000 (2016: HK$2,580,297,000) is included as reserves in the consolidated statement of financial position.

1. GENERAL INFORMATION

Honbridge Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the Company's principal place of business is Suite 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 35. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company as Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability. There were no significant changes in the Group's operations during the year.

The financial statements on pages 68 to 136 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as described in note 3. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing Rules").

The financial statements are presented in Hong Kong Dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 Adoption of new or amended HKFRSs

During the year, the Group has adopted all the new or amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new or amended HKFRSs did not result in material changes to the Group's accounting policies.

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 45.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.1 Adoption of new or amended HKFRSs — Continued

Annual improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

2.2 New or amended HKFRSs that have been issued but are not yet effective

At the date of this report, the following new or amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventrure[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.
4 Effective for annual periods beginning on or after 1 January 2021

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.2 New or amended HKFRSs that have been issued but are not yet effective — Continued

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The directors of the Company anticipate that this amendment does not result in any significant impact on the Group's financial position and results of operations.

HKFRS 9 — Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.2 New or amended HKFRSs that have been issued but are not yet effective — Continued

HKFRS 9 — Financial Instruments — Continued

The Group does not expect the new rules to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

During the year ended 31 December 2017 and 2016, there were no significant impairment for the Group's financial assets. The directors of the Company anticipate that the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 15 — Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported to the consolidated financial statements of the Group in the future based on the existing business model of the Group as at 31 December 2017.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.2 New or amended HKFRSs that have been issued but are not yet effective — Continued

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

This amendment is effective for accounting periods beginning on or after 1 January 2019. The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss. The directors of the Company anticipate that this amendment does not result in any significant impact on the Group's financial position and results of operations.

HKFRS 16 — Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As set out in note 37, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 December 2017 amounted to HK$3,476,000. Based on current leasing patterns, the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that the certain portion of the lease commitment will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.2 New or amended HKFRSs that have been issued but are not yet effective — Continued

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

This Interpretation is effective for accounting periods beginning on or after 1 January 2018. The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company anticipate that this interpretation does not result in any significant impact on the Group's financial position and results of operations.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The directors of the Company anticipate that this interpretation does not result in any significant impact on the Group's financial position and results of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interest having a deficit balance.

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the disposal gain or loss.

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value added tax ("VAT"), and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

— Sale of goods is recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

— Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

— Interest income is recognised on time-proportion basis using effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.6 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of goodwill allocated to the unit first, and then to other assets of the unit on the pro-rata basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

3.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Land is not subject to depreciation. Depreciation on other property, plant and equipment is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold buildings	3.33% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Plant and machinery	10% to 20%
Furniture and office equipment	10% to 20%
Computer software	20%
Motor vehicles	10% to 20%

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents leasehold buildings, plant and machinery under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.7 Property, plant and equipment — Continued

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.8 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on straight-line method as an expense.

3.9 Other intangible assets (other than goodwill) and research and development activities

Acquired intangible assets are recognised initially at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Patents	9 years
Customers relationship	4 years

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs, including technical know-how are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in direct operating expenses, if any.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.10 Exploration and evaluation assets

Exploration and evaluation assets acquired in business combination are initially recognised at fair value and subsequently stated at cost less any impairment losses.

Exploration and evaluation assets include topographical and geological surveys, exploratory drillings, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ores and to expand the capacity of a mine. Expenditure incurred prior to obtaining the legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible and intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets thereon will be written off to profit or loss.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKFRS 6 "Exploration for and Evaluation of Mineral Resources" and HKAS 36 "Impairment of Assets" whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

(i) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and

(iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs of disposal and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped into each area of interest for which exploration activities are undertaken.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.11 Impairment of non-financial assets (other than goodwill)

Property, plant and equipment, prepaid land lease payments, other intangible assets and investments in subsidiaries are subject to impairment testing. These are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Financial assets

The Group's financial assets are classified into fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the asset was acquired and where allowed and appropriate, re-evaluates this designation at each reporting date. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial assets — Continued

Impairment of financial assets

At each reporting date, financial assets other than financial assets at fair value through profit or loss are reviewed and financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— Significant financial difficulty of the debtor;

— A breach of contracts, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss for the period in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

De-recognition

The Group de-recognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for de-recognition in accordance with HKAS 39.

3.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in case of work-in-progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.14 Cash and cash equivalents

For the purpose of the statement of financial position and the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and at banks, which are not restricted as to use.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent these are incremental costs directly attributable to the equity transaction.

Where the Company purchases its own equity share capital, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

3.16 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Total rentals payable under the operating leases are recognised in profit or loss on straight-line method over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.17 Financial liabilities

The Group's financial liabilities include trade and bill payables, other payables, accrued expenses and deposits received, borrowings, convertible bonds, derivative financial liabilities and contingent consideration payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.17 Financial liabilities — Continued

Financial liabilities at fair value through profit or loss

These include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss/other reserve over the respective period of borrowings using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

Liability component is subsequently carried at amortised cost using effective interest method. Equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, repurchased or cancelled, the convertible bond equity reserve is released directly to retained earnings/accumulated losses.

Other financial liabilities

Other financial liabilities, including trade and bill payables, other payables, accrued expenses and deposits received are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in profit or loss on straight line method over the expected lives of the related assets.

3.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.19 Accounting for income taxes — Continued

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.20 Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through several defined contribution plans.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contribution recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group contributes to defined contribution retirement benefit schemes registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme"), which are available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. Retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to MPF Scheme. Assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the governments in the PRC and Brazil, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.21 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in share-based payment reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

All employee services received in exchange for the grant of any share-based compensation are measured at fair values. These are indirectly determined by reference to the equity instruments awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings/accumulated losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.22 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to executive directors are determined following the Group’s major product and service lines. Each of operating segments is managed separately as each of the product and service lines requires different resources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.24 Segment reporting — Continued

The Group has identified the following reportable segments:

(i) "Mineral resources exploration and trading" segment involves research and exploration of mineral resources and trading of copper and steel; and

(ii) "Lithium battery production" segment involves production and sale of lithium battery.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that corporate income and expenses which are not included in arriving at the operating results of the operating segment, which primarily applies to the Group's headquarter.

Segment assets and liabilities exclude corporate assets and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to deferred tax assets/liabilities and the Group's headquarter.

3.25 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.25 Related parties — Continued

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The directors consider all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Management reassesses the impairment of exploration and evaluation assets at the reporting dates (note 15).

(ii) Impairment of receivables

Management determines impairment of receivables on a regular basis. This estimate is based on the credit history of the customers/debtors and current market conditions. When management determines that there are indicators of significant financial difficulties of the trade customers/debtors such as default or delinquency in payments, impairment is estimated. When management determines the receivables are uncollectible, they are written off against impairment provision of receivables. Management reassesses the impairment of receivables at the reporting dates.

(iii) Impairment of non-financial assets (other than exploration and evaluation assets)

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(iv) Depreciation and amortisation

The Group depreciates/amortises its property, plant and equipment, prepaid land lease payments and other intangible assets in accordance with the accounting policies stated in notes 3.7, 3.8 and 3.9 respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets.

(v) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, volatility and probability of occurrence of certain events as stated in the agreements for contingent consideration. Changes in assumptions about these factors could affect the reported fair value of financial instruments (including contingent consideration payables).

5. TURNOVER

Turnover represents total invoiced value of goods supplied and income from provision of services. The revenue recognised in turnover during the year are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Sale of lithium batteries	**17,476**	34,045

6. SEGMENT REPORTING

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation and review of performance.

The Group's operating businesses are organised and managed separately according to the nature of product and service, with each segment representing a strategic business segment that offers different products and services in the PRC and Brazil.

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. SEGMENT REPORTING — CONTINUED

Information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

	Mineral resources exploration and trading *HK$'000*	Lithium battery production *HK$'000*	Total *HK$'000*
Year ended 31 December 2017			
Reportable segment turnover (external customers)	**–**	**17,476**	**17,476**
Reportable segment profit/(losses)	**1,134,740**	**(100,247)**	**1,034,493**
Reportable segment assets	**4,114,217**	**1,080,598**	**5,194,815**
Reportable segment liabilities	**145,160**	**478,548**	**623,708**
Capital expenditure	**2**	**341,849**	**341,851**
Reverse of impairment of exploration and evaluation assets	**(1,131,284)**	**–**	**(1,131,284)**
Impairment of other intangible assets	**–**	**60,003**	**60,003**
Impairment of property, plant and equipment	**–**	**50,368**	**50,368**
Interest income	**(217)**	**(3,579)**	**(3,796)**
Interest expense	**–**	**860**	**860**
Depreciation	**596**	**6,551**	**7,147**
Amortisation charge	**–**	**12,010**	**12,010**
Write-down of inventories	**–**	**7,959**	**7,959**
Year ended 31 December 2016			
Reportable segment turnover (external customers)	–	34,045	34,045
Reportable segment losses	(286,548)	(167,311)	(453,859)
Reportable segment assets	2,952,531	802,986	3,755,517
Reportable segment liabilities	156,795	288,612	445,407
Capital expenditure	48	55,695	55,743
Impairment of exploration and evaluation assets	270,826	–	270,826
Impairment of other intangible assets	–	85,964	85,964
Impairment of property, plant and equipment	–	37,643	37,643
Interest income	(159)	(2,303)	(2,462)
Interest expense	–	1,091	1,091
Depreciation	629	11,951	12,580
Amortisation charge	–	27,260	27,260
Write-down of inventories	–	2,319	2,319

6. SEGMENT REPORTING — CONTINUED

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2017 HK$'000	2016 HK$'000
Reportable segment turnover	17,476	34,045
Reportable segment profit/(loss)	1,034,493	(453,859)
Other operating income	20,983	12,625
Administrative expenses	(17,147)	(25,397)
Fair value gain on derivative financial liabilities	58,164	9,892
Fair value (loss)/gain on contingent consideration payables	(5,993)	1,039,423
Gain/(Loss) on financial assets at fair value through profit or loss	49	(565)
Finance costs	(67,675)	(71,047)
Profit before income tax	1,022,874	511,072
Reportable segment assets	5,194,815	3,755,517
Property, plant and equipment	627	861
Loan receivable	540,000	540,000
Prepayments and other receivables	3,664	3,751
Financial assets at fair value through profit or loss	1,985	1,936
Cash and cash equivalents	434,358	549,422
	6,175,449	4,851,487
Reportable segment liabilities	623,708	445,407
Other payables and accrued expenses	3,436	3,449
Derivative financial liabilities	–	58,297
Convertible bonds	–	623,433
Deferred tax liabilities	1,284,348	910,279
	1,911,492	2,040,865

The Group's turnover from external customers and its non-current assets are divided into the following geographical areas:

	2017 HK$'000	2016 HK$'000
Turnover from external customers		
PRC	17,476	34,045
Reportable segment turnover	17,476	34,045
Non-current assets (excluding other financial assets)		
Hong Kong	627	861
PRC	499,201	253,303
Brazil	4,104,506	2,949,007
Reportable segment non-current assets	4,604,334	3,203,171

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6. SEGMENT REPORTING — CONTINUED

Geographical location of customers is based on the location at which the goods are delivered whilst geographical location of non-current assets is determined based on (1) the physical location of the asset (for property, plant and equipment and prepaid land lease payments) and (2) location of operations (for exploration and evaluation assets and other intangible assets).

During the year ended 31 December 2017, over 91% (2016: 86%) of the Group's turnover was derived from 2 major customers (2016: 2) in lithium battery production segment and turnover generated from these customers are HK$13,710,000 and HK$2,209,000 respectively (2016: HK$24,882,000 and HK$4,507,000 respectively).

7. OTHER OPERATING INCOME

	2017 ***HK$'000***	2016 *HK$'000*
Bank Interest income	**6,287**	3,553
Government grant *(note 29)*	**103,760**	11,126
Rental income	**633**	600
Sundry income	**4,434**	2,323
Interest income from loan receivable	**16,202**	10,904
Imputed interest income of amounts due from non-controlling interests *(note 19(a))*	**13,087**	5,453
	144,403	33,959

8. FINANCE COSTS

	2017 ***HK$'000***	2016 *HK$'000*
Interest charges on bank and other borrowings wholly repayable within five years	**860**	1,091
Imputed interest on convertible bonds *(note 30)*	**67,675**	71,047
	68,535	72,138

9. PROFIT BEFORE INCOME TAX

Profit before income tax are arrived at after charging/(crediting):

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	2,100	2,537
Cost of inventories recognised as cost of sales	17,756	33,160
Depreciation	8,453	13,915
Amortisation of prepaid land lease payments	1,833	1,523
Amortisation of other intangible assets, included in administrative expense	10,177	25,737
Loss on disposals of property, plant and equipment	–	–
Minimum lease payments paid under operating leases in respect of rental premises	4,103	4,146
Net foreign exchange (gain)/loss	(146)	81
Research and development costs	36,059	17,800
Other operating expenses:		
— Write-down of inventories	7,959	2,319
— (Gain)/Loss on financial assets at fair value through profit or loss	(49)	565
	7,910	2,884

10. INCOME TAX EXPENSE/(CREDIT)

	2017 HK$'000	2016 HK$'000
Overseas tax		
Current year	–	–
Under/(Over) provision in respect of prior years	814	(2,128)
Deferred tax *(note 31)*	366,086	(120,007)
Income tax expense/(credit)	366,900	(122,135)

During the years ended 31 December 2017 and 31 December 2016, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profits arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The PRC corporate income tax rate of 25% is applicable to the Group's PRC subsidiaries except that Shandong Forever is granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2015. It is subject to income tax rate of 15%.

During the year, corporate income tax rates in Brazil of 34% (2016: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

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10. INCOME TAX EXPENSE/(CREDIT) — CONTINUED

Reconciliation between income tax expense/(credit) and accounting profit at applicable tax rates:

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**1,022,874**	511,072
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**363,303**	20,520
Tax effect of non-deductible expenses	**21,718**	28,836
Tax effect of non-taxable revenue	**(34,698)**	(179,031)
Tax effect of tax losses not recognised	**15,741**	9,581
Tax effect on temporary difference not recognised	**22**	87
Under/(Over) provision in respect of prior years	**814**	(2,128)
Income tax expense/(credit)	**366,900**	(122,135)

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$676,063,000 (2016: HK$700,010,000) and weighted average of 8,042,284,000 (2016: 7,744,722,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

For the year ended 31 December 2017, the calculation of diluted earnings per share attributable to the owners of the Company was based on the following data:

	2017 **HK$'000**	2016 HK$'000
Earnings for the purposes of basic earnings per share	**676,063**	700,010
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**67,675**	71,047
Fair value gain on derivative financial liabilities	**(58,164)**	(9,892)
Earnings for the purposes of diluted earnings per share	**685,574**	761,165

Number of shares	**2017** **'000**	2016 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,042,284**	7,744,722
Effect of dilutive potential ordinary shares:		
— share options	**543**	–
— convertible bonds	**1,701,918**	2,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,744,745**	9,744,722

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 ***HK$'000***	2016 *HK$'000*
Wages and salaries	**55,365**	29,253
Contribution to defined contribution plans	**3,370**	5,942
	58,735	35,195

Included in staff costs are key management personnel compensation and comprises the following categories:

	2017 ***HK$'000***	2016 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**7,573**	8,591
Contribution to defined contribution plans	**72**	72
	7,645	8,663

13. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

(a) Directors' emoluments

	Fees ***HK$'000***	**Salaries and allowances** ***HK$'000***	**Contribution to defined contribution plans** ***HK$'000***	**Total** ***HK$'000***
Year ended 31 December 2017				
Executive directors				
HE Xuechu	**1,780**	–	**18**	**1,798**
LIU Wei, William	**1,649**	–	**18**	**1,667**
SHI Lixin	–	**1,266**	–	**1,266**
Non-executive directors				
YAN Weimin	–	–	–	–
ANG Siu Lun, Lawrence	–	–	–	–
Independent non-executive directors				
CHAN Chun Wai, Tony	**271**	–	–	**271**
MA Gang	**271**	–	–	**271**
HA Chun	**271**	–	–	**271**
	4,242	**1,266**	**36**	**5,544**

13. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contribution to defined contribution plans *HK$'000*	Total *HK$'000*
Year ended 31 December 2016				
Executive directors				
HE Xuechu	1,638	–	18	1,656
LIU Wei, William	1,513	–	18	1,531
SHI Lixin	–	1,168	–	1,168
Non-executive directors				
YAN Weimin	–	–	–	–
ANG Siu Lun, Lawrence	–	–	–	–
Independent non-executive directors				
CHAN Chun Wai, Tony	277	–	–	277
MA Gang	277	–	–	277
HA Chun	267	–	–	267
	3,972	1,168	36	5,176

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

Fee, salaries and allowance paid to or for the executive directors are generally emoluments paid in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

13. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS — CONTINUED

(b) Five highest paid individuals

The five individuals whose total emoluments including share-based payment expenses were the highest in the Group for the year included three (2016: three) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining two (2016: two) individual during the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**2,767**	2,490
Contribution to defined contribution plans	**18**	18
	2,785	2,508

The emoluments fell within the following bands:

	Number of individual	
	2017	2016
Emolument bands		
HK$1,500,001 — HK$2,000,000	**1**	1
Nil — HK$1,500,000	**1**	1
	2	2

During the year, no emoluments were paid by the Group to the directors or the two (2016: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Land HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016									
Cost	105	45,554	2,475	94,866	3,639	2,403	907	–	149,949
Accumulated depreciation and impairment	–	(22,235)	(1,776)	(13,472)	(1,630)	(978)	(307)	–	(40,398)
Net book amount	105	23,319	699	81,394	2,009	1,425	600	–	109,551
Year ended 31 December 2016									
Opening net book amount	105	23,319	699	81,394	2,009	1,425	600	–	109,551
Additions	–	32	28	1,340	408	255	–	53,680	55,743
Disposals	–	–	–	(66)	(93)	–	–	–	(159)
Depreciation	–	(1,851)	(509)	(10,416)	(662)	(319)	(158)	–	(13,915)
Impairment	–	(8,575)	(8)	(28,443)	(376)	(117)	(124)	–	(37,643)
Exchange realignment	19	(870)	82	(5,931)	121	(10)	18	(2,263)	(8,834)
Closing net book amount	124	12,055	292	37,878	1,407	1,234	336	51,417	104,743
At 31 December 2016									
Cost	124	42,796	2,722	87,933	3,623	1,744	971	51,417	191,330
Accumulated depreciation and impairment	–	(30,741)	(2,430)	(50,055)	(2,216)	(510)	(635)	–	(86,587)
Net book amount	124	12,055	292	37,878	1,407	1,234	336	51,417	104,743
Year ended 31 December 2017									
Opening net book amount	**124**	**12,055**	**292**	**37,878**	**1,407**	**1,234**	**336**	**51,417**	**104,743**
Additions	**–**	**11**	**428**	**1,825**	**1,149**	**–**	**300**	**338,138**	**341,851**
Disposals	**–**	**–**	**–**	**(52)**	**(137)**	**–**	**–**	**–**	**(189)**
Depreciation	**–**	**(684)**	**(728)**	**(5,690)**	**(615)**	**(313)**	**(423)**	**–**	**(8,453)**
Impairment	**–**	**(12,738)**	**(10)**	**(36,735)**	**(580)**	**(165)**	**(140)**	**–**	**(50,368)**
Exchange realignment	**3**	**1,356**	**18**	**4,634**	**130**	**39**	**(4)**	**17,733**	**23,909**
Closing net book Amount	**127**	**–**	**–**	**1,860**	**1,354**	**795**	**69**	**407,288**	**411,493**
At 31 December 2017									
Cost	**127**	**47,483**	**3,168**	**100,740**	**4,892**	**1,800**	**1,351**	**407,288**	**566,849**
Accumulated depreciation and impairment	**–**	**(47,483)**	**(3,168)**	**(98,880)**	**(3,538)**	**(1,005)**	**(1,282)**	**–**	**(155,356)**
Net book amount	**127**	**–**	**–**	**1,860**	**1,354**	**795**	**69**	**407,288**	**411,493**

Note: The Group's land held as at 31 December 2017 and 2016, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2017 are situated in the PRC and held under medium term leases.

During the year, the Directors reviewed the carrying amount of property, plant and equipment, impairment loss of HK$50,368,000 (2016: HK$37,643,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The details of the impairment assessment are stated in note 18.

15. EXPLORATION AND EVALUATION ASSETS

	2017 HK$'000	2016 HK$'000
At 1 January		
Cost	**10,705,546**	9,044,536
Accumulated impairment	**(7,757,582)**	(6,328,536)
Net book amount	**2,947,964**	2,716,000
For the year ended 31 December		
Opening net book amount	**2,947,964**	2,716,000
Additions	**3,201**	5,502
Exchange realignments	**21,427**	497,288
Reverse of impairment/(Impairment)	**1,131,284**	(270,826)
Net book amount	**4,103,876**	2,947,964
At 31 December		
Cost	**10,918,374**	10,705,546
Accumulated impairment	**(6,814,498)**	(7,757,582)
Net book amount	**4,103,876**	2,947,964

As at 31 December 2017 and 2016, exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais and Bahia, Brazil and the expenditures incurred in the search for mineral resources.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is less than its recoverable amount.

During the year, the Directors reviewed the carrying amount of exploration and evaluation assets, reverse of impairment loss of HK$1,131,284,000 (2016: Impairment loss of HK$270,826,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The reverse of impairment loss during the year is mainly due to increase in the iron ore price.

The recoverable amount of exploration and evaluation assets were valued by an independent valuer, Roma Appraisal Limited and based on the fair value less cost of disposal. The valuation was based on the income-based approach and the excess earning method is adopted. This method looks at the current values of the tangible assets and other intangible assets employed as the benchmark for an estimated rate of return. The fair values of exploration and evaluation assets are level 3 fair value measurement. There were no changes to the valuation techniques during the year.

15. EXPLORATION AND EVALUATION ASSETS — CONTINUED

The major assumptions and parameters of the valuation as at 31 December 2016 included (1) all required licenses would be obtained in the first half of 2020 and the mining production would be commenced on 2023 with annual production capacity of 27.5 million tonnes; (2) estimated 66.5% iron concentrates of 640 million tonnes, which was based on the resource estimates (measured resources of 1,135 million tonnes (20.57%) and indicated resources of 1,479 million tonnes (19.64%) from the technical report from Golder Associates, the mining technical adviser; (3) forecasted price of 66.5% iron concentrate ranged between US$61 to US$79 per ton during the forecast period; (4) operating costs of US$29.4 per tonnes over the whole mining period; (5) capital expenditure of US$3,025 million for the construction of infrastructure and annual capital expenditure for maintenance of US$50 million, totaling US$5,166 million for the whole mining period; and (6) discount rate of 16.80%.

During the year, the Group revised its mining plan with reference to the conceptual mining project developed by Venturini Consulting, the mining adviser, together with reports from other professional firms and the professional staff of SAM. As a whole, there are some changes in the major assumptions and parameters of the valuation.

The major assumptions and parameters of the valuation as at 31 December 2017 included (1) all required licenses would be obtained in the end of 2020 and the mining production would be commenced on 2024 with annual production capacity of 27.5 million tonnes; (2) estimated 63%-68% iron concentrates of 774 million tonnes, which was based on the resource estimates (measured resources of 3,583 million tonnes (16.63%) and indicated resources of 1,556 million tonnes (16.05%), from the testing results by professional staff of SAM; (3) forecasted price of 66.5% iron concentrate ranged between US$76 to US$102 per ton during the forecast period; (4) operating costs of US$31.4 per tonnes for the first 18 years of mining and US$42.2 per tonnes for the remaining period of mining; (5) capital expenditure of US$2,999 million for the construction of infrastructure and totaling US$4,069 million for the whole mining period (no port will be constructed by SAM under the revised plan) and (6) discount rate of 18.96%.

The Group had entered into various co-operation agreements, memorandum of understanding and framework agreement for funding and co-operation in the development of SAM.

16. PREPAID LAND LEASE PAYMENTS

	2017 ***HK$'000***	2016 *HK$'000*
At 1 January		
Cost	**87,685**	52,080
Accumulated amortisation	**(2,757)**	(1,445)
Net book amount	**84,928**	50,635
For the year ended 31 December		
Opening net book amount	**84,928**	50,635
Addition	**–**	40,450
Amortisation	**(1,833)**	(1,523)
Exchange realignment	**5,870**	(4,634)
Net book amount	**88,965**	84,928
At 31 December		
Cost	**93,555**	87,685
Accumulated amortisation	**(4,590)**	(2,757)
Net book amount	**88,965**	84,928

Prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC, which are held under medium term leases.

As at 31 December 2016, the Group's prepaid land lease payments with carrying amount of HK$46,635,000 were pledged to secured the bank borrowings granted to the Group (note 27). Such bank borrowings were fully repaid and the pledge of assets were released during the year.

17. OTHER INTANGIBLE ASSETS

	Patents *HK$'000*	Customers relationship *HK$'000*	Total *HK$'000*
At 1 January 2016			
Cost	325,647	10,395	336,042
Accumulated amortisation and impairment	(138,970)	(5,857)	(144,827)
Net book amount	186,677	4,538	191,215
Year ended 31 December 2016			
Opening net book amount	186,677	4,538	191,215
Amortisation	(24,087)	(1,650)	(25,737)
Exchange realignment	(13,645)	(333)	(13,978)
Impairment losses	(84,514)	(1,450)	(85,964)
Closing net book amount	64,431	1,105	65,536
At 31 December 2016			
Cost	325,647	10,395	336,042
Accumulated amortisation and impairment	(261,216)	(9,290)	(270,506)
Net book amount	64,431	1,105	65,536
Year ended 31 December 2017			
Opening net book amount	**64,431**	**1,105**	**65,536**
Amortisation	**(9,545)**	**(632)**	**(10,177)**
Exchange realignment	**4,565**	**79**	**4,644**
Impairment losses	**(59,451)**	**(552)**	**(60,003)**
Closing net book amount	**–**	**–**	**–**
At 31 December 2017			
Cost	**348,927**	**11,138**	**360,065**
Accumulated amortisation and impairment	**(348,927)**	**(11,138)**	**(360,065)**
Net book amount	**–**	**–**	**–**

Patent and customers relationship have finite useful life and are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using straight-line method over their expected lives.

During the year, the Directors reviewed the carrying amount of other intangible assets, impairment loss of HK$60,003,000 (2016: HK$85,964,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The details of the impairment assessment are stated in note 18.

18. GOODWILL

As at 31 December 2017 and 2016, the balance represented goodwill which arose from the acquisition of Triumphant Glory Investment Limited ("Triumphant Glory") and its subsidiary, namely Shandong Forever, which are engaged in the production and sales of lithium batteries during the year ended 31 December 2017. The net carrying amount of goodwill can be analysed as follows:

	2017 ***HK$'000***	2016 *HK$'000*
At 1 January		
Gross carrying amount	**165,569**	176,370
Accumulated impairment	**(165,569)**	(176,370)
Net carrying amount	**–**	–
Carrying amount at 1 January	**–**	–
Exchange realignment	**–**	–
Impairment losses	**–**	–
Net carrying amount at 31 December	**–**	–
At 31 December		
Gross carrying amount	**177,404**	165,569
Accumulated impairment	**(177,404)**	(165,569)
Net carrying amount	**–**	–

As at 31 December 2017 and 2016, goodwill allocated to the CGU of lithium battery production segment was fully impaired.

Impairment assessment of the relevant assets of CGU of lithium battery production segment

As at 31 December 2017, the relevant assets of CGU of lithium battery production segment, operated by Shandong Forever, included property, plant and equipment of HK$50,368,000 (2016: HK$88,452,000), prepaid land lease payments of HK$48,765,000 (2016: HK$46,635,000), other intangible assets of HK$60,003,000 (2016: HK$151,500,000) and no goodwill during 2017 and 2016 (before current year impairment).

The recoverable amount for this CGU is determined based on fair value less cost of disposal calculation using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows without growth rate. The post-tax discount rate used for fair value less cost of disposal calculation is 17.68% (2016: 17.36%) per annum, which reflects specific risks relating to the relevant CGU.

The key assumptions for the fair value less cost of disposal calculation are those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the market comparables and budgeted revenue, which had been determined based on the management's expectation for the market development and the production capacity of the CGU.

18. GOODWILL — CONTINUED

Impairment assessment of the relevant assets of CGU of lithium battery production segment — Continued

Apart from the considerations described above in determining the fair value less cost of disposal of the CGU, the Group's management is not currently aware of any other probable changes that would necessitate changes in their key assumptions. However, the estimate of recoverable amount of the Group's CGU is particularly sensitive to the discount rate applied.

The recoverable amount has been determined based on fair value less cost of disposal estimated by an independent professional valuer, Greater China Appraisal Limited with the discount cash flow approach. The fair value less cost of disposal of the CGU is classified as level 3 measurement.

As at 31 December 2017, based on the assessment, the recoverable amount of the CGU was below the total carrying amounts of the relevant assets of the CGU. Accordingly, impairment losses of HK$50,368,000 (2016: HK$37,643,000) and HK$60,003,000 (2016: HK$85,964,000) on property, plant and equipment and other intangible assets that relates to this CGU, respectively, have been recognised in the profit or loss for the year. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount after a disappointing performance of Shandong Forever for the year ended 31 December 2017.

19. OTHER FINANCIAL ASSETS

	2017 ***HK$'000***	2016 *HK$'000*
Loan and receivables		
— Amounts due from non-controlling interests of a subsidiary *(note (a))*	**285,632**	272,545
— Loan receivable *(note (b))*	**540,000**	540,000
	825,632	812,545
Represented by:		
Non-current assets	**285,632**	812,545
Current assets	**540,000**	–
	825,632	812,545

Note:

(a) According to the capital contribution agreement for Shandong Forever on 9 May 2016, the non-controlling interests of Shandong Forever agreed to contribute capital of US$44.77 million to Shandong Forever and US$4.215 million was paid immediately while the remaining balances will be paid on demand by the board of directors of Shandong Forever but not later than 31 October 2022.

As at 31 December 2017, in the opinion of directors, the unpaid capital contribution will be not be repaid within one year from the reporting date. Accordingly, such balance is classified as non-current assets. The non-controlling interests undertake that, pending full payment of their respective capital contribution, they shall use all dividend, distribution and payment received from Shandong Forever to satisfy their capital contribution obligation.

19. OTHER FINANCIAL ASSETS — CONTINUED

Note (a): — Continued

The movement of amounts due from non-controlling interests of a subsidiary during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Upon the date of capital contribution agreement	**272,545**	299,800
Repayment	**–**	(32,708)
Imputed interest income	**13,087**	5,453
	285,632	272,545

The fair value of the liability on 26 July 2016 of HK$299,800,000 was calculated using cash flows discounted at an estimate discount rate of 4.9%, which is reference to market interest rate.

Imputed interest income is calculated using effective interest method by applying the effective interest rate of 4.9% per annum to the liability.

(b) The balance represented loan receivable from an independent third party. This loan receivable is bearing interest at 3% per annum and repayable twelve months after the drawdown date, subject to an option to extend by the borrower for twelve months. The loan is secured by the share charges provided by two of the shareholders of the borrower over all of their shareholdings in the borrower and a debenture consisting of fixed and floating charge over all of the assets of the borrower in favour of the Company.

As at 31 December 2016, in the opinion of directors, such balance was not expected to be realised within twelve months after the reporting period. Accordingly, it was classified as non-current assets.

During the year, the borrower exercises its option to extend the loan receivable for further twelve months and as at 31 December 2017, this loan receivable is repayable within one year and accordingly, it is classified as current assets.

As at 31 December 2017 and 2016, the loan receivable is within the maturity date. The directors assessed the collectability of loan receivable at the end of the reporting period individually with reference to the borrower's past collection history and current creditworthiness. In the directors' opinion, there was no indication of deterioration in the collectability of the loan receivable and no impairment was considered necessary.

20. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**7,054**	4,222
Work-in-progress	**8,332**	3,530
Finished goods	**23,441**	31,220
	38,827	38,972
Less: Write-down of inventories	**(10,278)**	(2,319)
	28,549	36,653

The directors have assessed the net realisable values and condition of the Group's inventories as at 31 December 2017 and considered a write-down of inventories of HK$7,959,000 (2016: HK$2,319,000) be made in the consolidated statement of profit or loss and other comprehensive income.

21. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**29,383**	101,059
Bill receivables	**841**	78
Trade and bill receivables	**30,224**	101,137

All trade and bills receivables were denominated in RMB as at the reporting dates.

The Group allows a credit period from 0 day to 180 days (2016: 0 days to 180 days) to its trade customers. The following is ageing analysis of net trade and bill receivables at the reporting date:

	2017	2016
	HK$'000	*HK$'000*
0 — 30 days	**5,458**	20,125
31 — 90 days	**–**	13,077
91 to 180 days	**5,846**	–
Over 180 days	**18,920**	67,935
	30,224	101,137

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both individual and collective basis.

Ageing analysis of trade and bill receivables that were past due as at the reporting date but not impaired, based on the due date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**5,458**	31,212
31 — 60 days	**–**	1,990
91 — 180 days	**5,846**	–
Over 180 days but not more than 1 year	**12,482**	67,857
Over 1 year past due	**6,438**	78
	30,224	101,137

Trade and bill receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Deposits	**650**	650
Prepayments	**1,186**	717
VAT receivables	**73,237**	12,194
Other receivables	**4,560**	5,326
Advances to suppliers	**5,512**	2,783
	85,145	21,670

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **HK$'000**	2016 HK$'000
Listed equity investments, at market value, in Hong Kong — held for trading	**1,985**	1,936

The fair value of the Group's investment in listed securities has been determined by reference to their quoted bid prices on the reporting date.

24. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

All restricted bank deposits as at 31 December 2017 and 2016 represented guaranteed deposits placed in the banks in the PRC as securities for the Group's bill payables and bank facilities. As at 31 December 2017, the Group had restricted bank deposits amounting to approximately HK$15,978,000 (2016: HK$3,367,000)

Restricted bank deposits and cash at bank earn interest at floating rates based on the daily bank deposit rates.

As at 31 December 2017, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$148,950,000 (2016: HK$116,986,000), which were deposited with the banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. TRADE AND BILL PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	18,618	32,552
Bill payables	9,974	3,358
	28,592	35,910

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is ageing analysis of trade and bills payables at the reporting dates:

	2017 HK$'000	2016 HK$'000
0 — 30 days	788	5,211
31 — 60 days	292	5,122
61 — 90 days	3,244	5,949
91 — 180 days	9,790	5,151
Over 180 days	14,478	14,477
	28,592	35,910

26. OTHER PAYABLES, ACCRUED EXPENSES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

	2017 HK$'000	2016 HK$'000
Payables for construction in progress	32,770	31,276
Other payables	23,092	3,042
Accrued expenses	6,928	5,991
Receipts in advance	235	418
Deposits received	14,690	157
	77,715	40,884

27. BORROWINGS

	2017 **HK$'000**	2016 *HK$'000*
Bank borrowings		
— secured, due for repayment within one year *(Note (a))*	**–**	11,206
Government loans *(Note (b))*	**240,143**	112,061
Other loan *(Note (c))*	**120,072**	–
	360,215	123,267
Represented by:		
Current liabilities	**240,143**	11,206
Non-current liabilities	**120,072**	112,061
	360,215	123,267

Note:

(a) As at 31 December 2016, the bank borrowings were secured by the Group's prepaid land lease payments with the carrying amount of HK$46,635,000. The effective interest rate of the bank borrowings ranged from 3.84% to 5.60% per annum for the year ended 31 December 2016. During the year, the bank borrowings were fully paid.

(b) The balance represented the unsecured and interest free loans granted by the local government in the PRC in relation to the establishment of the manufacturing factory of new energy motor vehicle battery in Zhejiang, the PRC. The loans were repayable within two years after the drawdown.

Government loan of RMB100,000,000 was granted during the year ended 31 December 2016 and it was repayable within two years after the drawdown. Accordingly, it was classified as non-current liabilities as at 31 December 2016 as it was not repayable within twelve months from the reporting period while it was classified as current liabilities as at 31 December 2017 as it was repayable within twelve months from the reporting period.

During the year, an additional government loan of RMB100,000,000 was granted and it was repayable within two years after the drawdown. Accordingly, it was classified as non-current liabilities as at 31 December 2017 as it was not repayable within twelve months from the reporting period.

(c) The loan from Zhejiang Geely Holding Group Co., Ltd. is unsecured, interest bearing at 4.35% per annum and repayable within one year from the withdrawal date. Accordingly, it is classified as current liabilities as at 31 December 2017.

28. DERIVATIVE FINANCIAL LIABILITIES

As at 31 December 2016, the balance represented embedded derivatives in convertible bonds (note 30). It was stated at fair value and was determined by the directors with reference to the valuation performed by an independent firm of professional valuers on Trinomial option pricing model basis. The balance related to early redemption option for the convertible bonds issued on 4 June 2013.

During the year, the convertible bonds were fully converted into the shares of the Company.

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29. DEFERRED INCOME

	2017 *HK$'000*	2016 *HK$'000*
At 1 January	**95,708**	114,378
Exchange realignment	**9,594**	(8,039)
Government grant income recognised for the year	**(103,760)**	(10,631)
At 31 December	**1,542**	95,708

Deferred income represents government grants received by Shandong Forever in relation to its construction of the factory building and purchases of production facilities of lithium batteries in Shandong Province, the PRC. These production facilities could not be pledged or disposed without the consent from the government authority. Such government grants are treated as deferred income and are recognised in profit or loss in accordance with the Group's accounting policies shown in note 3.18.

In view of the impairment of assets (excluding land use rights) of Shandong Forever was recognised (note 18), the relevant amount of deferred income of HK$103,760,000 was released to profit or loss during the year.

30. CONVERTIBLE BONDS

On 5 March 2013, the Company and Zhejiang Geely Holdings Group Company Limited ("Zhejiang Geely") entered into the subscription agreement pursuant to which the Company has conditionally agreed to issue to Zhejiang Geely convertible bonds in the principal amount of HK$740,000,000. The convertible bonds are interest-free, convertible into 2,000,000,000 ordinary shares of the Company and not redeemable by the Company. Zhejiang Geely has the discretion on redemption/repayment after the second anniversary of the date of issue of the convertible bonds, which is 4 June 2013.

As at 31 December 2016, Zhejiang Geely had the discretion on redemption/repayment within one year from the reporting date, accordingly, the derivative and liability component of the convertible bonds were classified as current liabilities.

The conversion option embedded in the convertible bonds meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the convertible bonds liability components. Other embedded derivative (i.e. the convertible bonds holder's early redemption option) is separated from the host debt because its economic characteristics and risks are not closely related to those of the host debt and is accounted for as financial liabilities at fair value through profit or loss.

The convertible bonds liability component is initially recognised at its fair value and is subsequently measured at amortised cost.

During the year, the convertible bonds were fully converted into 2,000,000,000 ordinary shares of the Company.

30. CONVERTIBLE BONDS — CONTINUED

Movements of the convertible bonds liability component in the consolidated statement of financial position for the years ended of 31 December 2017 and 31 December 2016 are as follows:

	2017 **HK$'000**	2016 *HK$'000*
At 1 January	**623,433**	552,386
Imputed interest expenses *(note 8)*	**67,675**	71,047
Debt conversion rights exercised	**(691,108)**	–
At 31 December	**–**	623,433

For the years ended 31 December 2017 and 2016, interest expense on the convertible bonds is calculated using effective interest method at a rate of 12.86% per annum to the liability component.

Fair value movements in the derivative financial liabilities embedded in the convertible bonds, the holder's early redemption option, for the year ended of 31 December 2017 and 31 December 2016 are as follows:

	2017 **HK$'000**	2016 *HK$'000*
At 1 January	**58,297**	68,189
Fair value gain recognised in profit or loss	**(58,164)**	(9,892)
Conversion rights exercised	**(133)**	–
At 31 December	**–**	58,297

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31. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	Fair value adjustments arising from			Total
	Exploration and evaluation assets *HK$'000*	Prepaid land lease payments *HK$'000*	Other intangible assets *HK$'000*	*HK$'000*
At 1 January 2016	832,202	449	48,827	881,478
Credited to profit or loss	(92,081)	–	(27,926)	(120,007)
Exchange realignment	152,304	–	(3,496)	148,808
At 31 December 2016 and 1 January 2017	892,425	449	17,405	910,279
Charged/(Credited) to profit or loss	384,637	(449)	(18,102)	366,086
Exchange realignment	7,286	–	697	7,983
At 31 December 2017	1,284,348	–	–	1,284,348

As at 31 December 2017, the Group has unused tax losses of HK$184,235,000 (2016: HK$120,975,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams and there was no taxable temporary difference related to accelerated tax depreciation as at year ended 31 December 2017. All tax losses of the Group have no expiry dates under the current tax legislation except for the tax losses amounting to HK$49,758,000 (2016: HK$9,474,000) incurred by two (2016: two) subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

32. SHARE CAPITAL

	Number of shares *'000*	Total *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2016 and 2017	1,000,000,000	1,000,000

	Number of shares *'000*	Total *HK$'000*
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017	7,861,822	7,862
Debt conversion rights exercised *(Note (a))*	2,000,000	2,000
Shares repurchased and cancelled *(Note (b))*	(7,288)	(7)
At 31 December 2017	9,854,534	9,855

Pursuant to the strategic cooperation agreement in relation to the provision of technical support (the "Strategic Cooperation Agreement") by Xinwen Mining Group Co. Ltd ("Xinwen"), an aggregate of 30,000,000 ordinary shares of the Company were to be issued to Xinwen in three tranches since 2010. Each tranche represented 10,000,000 ordinary shares, being consideration for the services provided by Xinwen to the Company. The first and second tranches of 10,000,000 ordinary shares of the Company each were issued to Xinwen in 2010 and 2012. The remaining 10,000,000 ordinary shares will be unconditionally issued to Xinwen in accordance with terms of the Strategic Cooperation Agreement.

Notes:

(a) In November 2017, the Company received conversion notices from the holder of convertible bonds, in respect of the conversion of the convertible bonds with principal amount of HK$740 million at the conversion price of HK$0.37 per share. The Company allotted and issued 2,000 million ordinary shares to the holder of convertible bonds.

(b) In December 2017, the Company purchased and cancelled 7,288,000 of its ordinary shares with the total consideration of 11,704,000.

33. SHARE OPTIONS

The Company's share option scheme was adopted pursuant to a resolution passed on 20 December 2001 and became effective on 8 January 2002 for the primary purpose of providing incentives to directors and eligible employees. This share option scheme was expired on 7 January 2012. However, the outstanding share options granted under this share option scheme continues to be exercisable under the terms of issue.

The Company's new share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 21 May 2012. The Share Option Scheme shall be effective for a period of ten years commencing on 21 May 2012. The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and providing benefits to any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company, or any of its subsidiaries.

Total number of shares in respect of which options may be granted under the Share Option Scheme does not exceed 10% of the total number of shares in issue of the Company from 21 May 2012 onwards or at the renewal of such limit. Under the Share Option Scheme, the Company may obtain a fresh approval from its shareholders to refresh the above mentioned 10% limit.

Exercise price of the share options shall be determined by the Directors at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the offer date; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares of the Company on the offer date.

At 31 December 2017, an aggregate of 118,750,000 (2016: 118,750,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing 1.2% (2016: 1.5%) of the shares of the Company in issue at that date.

33. SHARE OPTIONS — CONTINUED

As at 31 December 2017, total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 591,567,971 (2016: 591,567,971), representing 6% (2016: 7.5%) of the issued share capital of the Company as at 31 December 2017.

The consideration payable on the grant of an option is HK$1 for each grant transaction. Options may be exercised at any time within the exercisable period.

The following tables set out the movement in share options:

Name or category of participant	Share option type	Outstanding at 1 January 2016 and 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2017
Share Option Schemes						
Share option for directors and employees						
Directors						
Executive directors						
LIU Wei, William	2010	30,000,000	–	–	–	30,000,000
SHI Lixin	2010	20,000,000	–	–	–	20,000,000
	2012	5,000,000	–	–	–	5,000,000
Non-executive directors						
Mr. Yan Wei Min	2010	30,000,000	–	–	–	30,000,000
Mr. Ang Siu Lun, Lawrence	2010	15,000,000	–	–	–	15,000,000
Independent non-executive directors						
Mr. Chan Chun Wai, Tony	2010	2,000,000	–	–	–	2,000,000
Mr. Ma Gang	2010	3,000,000	–	–	–	3,000,000
Sub-total		105,000,000	–	–	–	105,000,000
Employees						
In aggregate	2010	5,000,000	–	–	–	5,000,000
In aggregate	2015	8,750,000	–	–	–	8,750,000
Sub-total		13,750,000	–	–	–	13,750,000
Total — Share Option Scheme		118,750,000	–	–	–	118,750,000

33. SHARE OPTIONS — CONTINUED

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2010 (a) *(note i & ii)*	6 May 2010	6 May 2011 to 5 May 2018	HK$2.60
2010 (b) *(note i & ii)*	6 May 2010	6 May 2012 to 5 May 2018	HK$2.60
2012 *(note iii)*	28 May 2012	28 May 2012 to 27 May 2020	HK$0.95
2015 *(note iv)*	14 May 2015	15 May 2015 to 14 May 2023	HK$2.61

Notes:

(i) On 6 May 2010, the Directors granted 127,700,000 share options to the Company's directors and employees at exercise price of HK$2.60 per share upon approvals from the independent non-executive directors on that date. Consideration of HK$13 in respect of these granted share options was received.

(ii) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

(iii) On 28 May 2012, the Directors granted 21,000,000 share options to the Company's directors and employees at exercise price of HK$0.95 per share upon approvals of the independent non-executive directors on that date. These share options are vested at the date of grant. The share options shall be valid and exercisable for 8 years with effective from the date of grant of share option on 28 May 2012. Consideration of HK$4 in respect of these granted share options was received.

(iv) On 14 May 2015, the Directors granted 9,500,000 share options to the Company's employees at exercise price of HK$2.61 per share upon approvals of the independent non-executive directors on that date. These share options are vested at the date of grant. The share options shall be valid and exercisable for 8 years with effective from the date of grant of share option on 15 May 2015. Consideration of HK$3 in respect of these granted share options was received. The closing price of the shares of the Company quoted on the SEHK on 13 May 2015, being the business date immediately before the date on which the share options were granted, was HK$2.55.

(v) No share options were exercised for the year ended 31 December 2017 and 2016.

(vi) The fair values of options granted under the Share Option Scheme on Lots A and B on 6 May 2010, 28 May 2012, and 14 May 2015, measured at the date of grant, were approximately HK$23,124,000, HK$93,637,000, HK$9,290,000 and HK$10,812,000 respectively. The following key assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	6 May 2010 Lot A	6 May 2010 Lot B	28 May 2012	14 May 2015
Expected volatility	69%	74%	61%	76%
Expected life (in years)	2.0	3.0	8.0	8.0
Risk-free interest rate	1%	1%	1%	1.6%
Expected dividend yield	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

33. SHARE OPTIONS — CONTINUED

Notes: — Continued

(vii) For the year ended 31 December 2017, no share-based payment expenses (2016: Nil) have been included in the consolidated statement of profit or loss and other comprehensive income, with a corresponding credit in share-based payment reserve. The amount recorded in share-based payment reserve represented the fair value of share options expense vested during the year. No liabilities were recognised due to share-based payment transactions.

(viii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2017		2016	
	Number of share options	**Weighted average exercise price *HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding at 1 January	**118,750,000**	**2.53**	118,750,000	2.53
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Outstanding at 31 December	**118,750,000**	**2.53**	118,750,000	2.53

For the year ended 31 December 2017, no share options have been exercised (2016:Nil). The weighted average is remaining contractual life of 1.1 years (2016: 2.1 years). There are 118,750,000 (2016: 118,750,000) share options exercisable as at 31 December 2017.

(ix) For the year ended 31 December 2017 and 2016, no share options have been lapsed.

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34. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		627	861
Investments in subsidiaries	35	18,461	90,542
Loan receivable	19(b)	–	540,000
		19,088	631,403
Current assets			
Loan receivable	19(b)	540,000	–
Financial assets at fair value through profit or loss	23	1,985	1,936
Deposits and other receivables		3,664	3,751
Amounts due from subsidiaries	35	750,870	643,365
Cash and cash equivalents		434,358	549,422
		1,730,877	1,198,474
Current liabilities			
Other payables and accrued expenses		3,436	3,449
Derivative financial liabilities	28	–	58,297
Convertible bonds	30	–	623,433
		3,436	685,179
Net current assets		1,727,441	513,295
Total assets less current liabilities		1,746,529	1,144,698
Net assets		1,746,529	1,144,698
EQUITY			
Share capital	32	9,855	7,862
Reserves	36	1,736,674	1,136,836
Total equity		1,746,529	1,144,698

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

35. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities and place of operation
			Directly	Indirectly	
New Trinity Holdings Limited	BVI, limited liability company	10,000 ordinary shares of US$1 each	–	100%	Investment holding, Hong Kong
SAM	Brazil, limited liability company	10,000 ordinary shares in Reais ("R$") 5,266,604	–	100%	Research and exploration of iron ores, Brazil
Shandong Forever	PRC, limited liability company	Registered capital of US$20,408,100	–	44.43%*	Research , production and sales of lithium battery, PRC
Zhejiang Forever	PRC, limited liability company	Registered capital of US$80,000,000		49%*	Research and development, production, sales of lithium-ion battery and battery system, PRC

* The adoption of HKFRS 10 has resulted in the consolidation of Shandong Forever and Zhejiang Forever despite the Group owning less than 50% of the equity interests. This is because the Group has the practical ability to unilaterally direct the operating and financial activities and also the decision making in the board of Shandong Forever and Zhejiang Forever.

35. INTERESTS IN SUBSIDIARIES — CONTINUED

Details of non-wholly owned subsidiary that has non-controlling interests

As at 31 December 2017 and 2016, non-controlling interests ("NCI") of the Group is represented by (1) 9.32% equity interests in Triumphant Glory, which owns 49% equity interest of Shandong Forever (collectively known as TG Group) and (2) 51% equity interests in Zhejiang Forever held by non-controlling shareholders.

Summarised financial information in relation to the NCI of TG Group and Zhejiang Forever is presented below:

	TG Group		Zhejiang Forever New Energy	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December				
Revenue	**17,476**	34,045	**–**	–
Loss for the year	**(11,552)**	(132,570)	**(28,624)**	(4,731)
Total comprehensive income	**(9,504)**	(148,112)	**(18,413)**	(8,539)
Loss allocated to NCI	**(5,491)**	(64,390)	**(14,598)**	(2,413)
Cash flows used in operating activities	**(100,612)**	(23,559)	**(63,759)**	(6,215)
Cash flows (used in)/generated from investing activities	**35,494**	(1,327)	**(169,003)**	(39,910)
Cash flows generated from financing activities	**75,588**	7,726	**248,154**	112,061
Net cash (outflows)/inflows	**10,470**	(17,160)	**15,392**	65,939
As at 31 December				
Current assets	**103,162**	162,853	**194,086**	114,209
Non-current assets	**349,721**	435,525	**451,839**	90,164
Current liabilities	**(21,360)**	(50,246)	**(318,964)**	(38,775)
Non-current liabilities	**(155,325)**	(262,430)	**(120,072)**	(112,061)
Net assets	**276,198**	285,702	**206,889**	53,537
Accumulated non-controlling interests	**192,948**	195,160	**105,488**	27,303

36. RESERVES

Share-based payment reserve of the Company and the Group arose from the recognition of the share-based payment expenses in statement of comprehensive income with a corresponding credit to share-based payment reserve.

Treasury shares reserve represented the fair value at the date of disposal of Hill Talent Limited and its subsidiaries (the "Hill Talent Group") in 2013 of 226,500,000 ordinary shares of the Company held by the purchaser which were receivable as part of the consideration of the disposals of the Hill Talent Group. As at 31 December 2017, the Company held 117,100,000 (2016: 117,100,000) ordinary shares as treasury shares.

Exchange fluctuation reserve represented gains/losses arising on retranslating the net assets of overseas operations into HK$.

COMPANY

	Share premium *HK$'000*	Treasury shares reserve *HK$'000*	Share-based payment reserve *HK$'000*	Convertible bond equity reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	2,627,306	(142,864)	136,741	258,836	(1,449,164)	1,430,855
Loss for the year and total comprehensive income for the year	–	–	–	–	(294,019)	(294,019)
At 31 December 2016 and 1 January 2017	2,627,306	(142,864)	136,741	258,836	(1,743,183)	1,136,836
Issuance of new shares upon conversion of convertible bonds	**946,078**	**–**	**–**	**(258,836)**	**–**	**689,242**
Shares repurchased and cancelled	**(11,698)**	**–**	**–**	**–**	**–**	**(11,698)**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(77,706)**	**(77,706)**
At 31 December 2017	**3,563,686**	**(142,864)**	**136,741**	**–**	**(1,820,889)**	**1,736,674**

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37. OPERATING LEASE COMMITMENTS

Operating leases — lessee

At 31 December 2017, total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**2,907**	2,934
In the second to fifth year inclusive	**569**	2,846
	3,476	5,780

The Group leases a number of rented premises under operating leases. The leases run for an initial period of one to three years (2016: one to three years). None of the leases include contingent rentals.

Operating leases — lessor

At 31 December 2017, total future minimum lease receivables under non-cancellable operating leases are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**306**	50

38. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for Property, plant and equipment	**211,214**	90,530

As at 31 December 2017, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 15.

39. CONTINGENT CONSIDERATION PAYABLES

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**153,087**	1,215,829
Payment during the year	**–**	(23,319)
Loss/(Gain) on changes in fair value and terms of contingent consideration	**5,993**	(1,039,423)
At 31 December	**159,080**	153,087

As at 31 December 2015, since the completion of the acquisition of SAM on 28 March 2013, the Group is committed to pay the consideration outstandings of third instalment of US$115 million, fourth instalment of US$100 million and fifth instalment of US$100 million upon completion of approvals of required licenses and permits, commencement of port operation and commencement of mining production respectively. The sellers kept 1 share of SAM, which is a preferred share with no voting rights for protective purpose.

In May 2016, the Group entered into the new settlement agreement with the sellers of SAM. Pursuant to the new settlement agreement, the Company paid the sellers a settlement payment of US$3,000,000 (equivalent to HK$23,319,000) and the sellers transferred the preferred share to the Group. After the transfer of the preferred share, SAM become a wholly owned subsidiary of the Company.

Under the new settlement agreement, the Company is no longer liable to pay the third, fourth and fifth instalment payment with the total amount of US$315 million under the SAM share purchase agreement but the Company is committed to pay a maximum aggregate amount of US$60,000,000 contingent additional payment and conditional mining production payment to the sellers upon occurrence of certain events. Details of the new settlement agreement are set out in the Company's announcement dated 13 May 2016.

The contingent consideration payables represent the fair value of the obligation for the contingent payable in accordance with the new settlement and are estimated by independent professional valuers. As at 31 December 2017, the fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 17.34% (2016: 12.80%) and the probability of occurrence of certain events as stated in the new settlement agreement such as occurrence of disposal event or the commencement of mining (2016: the probability of occurrence of certain events as stated in the new settlement agreement such as occurrence of disposal event or the commencement of mining). The higher the discount rate, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities.

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at fair value through profit or loss:		
Current assets		
Listed securities held for trading	1,985	1,936
Loans and receivables:		
Non-current assets		
Other financial assets	285,632	812,545
Current assets		
Other financial assets	540,000	–
Trade and bill receivables	30,224	101,137
Other receivables	4,560	5,326
Restricted bank deposits	15,978	3,367
Cash and bank balances	583,492	669,052
	1,461,871	1,593,363
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Current liabilities		
Derivative financial liabilities	–	58,297
Non-current liabilities		
Contingent consideration payables	159,080	153,087
Financial liabilities at amortised cost:		
Current liabilities		
Trade and bill payables	28,592	35,910
Other payables and accrued expenses and deposits received	62,790	40,309
Borrowings	240,143	11,206
Convertible bonds	–	623,433
Non-current liabilities		
Borrowings	120,072	112,061
	610,677	1,034,303

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY — CONTINUED

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments that are measured at fair value in the statements of financial position:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets or liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Financial assets/liabilities measured at fair value through profit or loss

As at 31 December 2017	**Level 1** ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Assets				
Listed securities held for trading (note 23)	**1,985**	**–**	**–**	**1,985**
Liabilities				
Contingent consideration payables	**–**	**–**	**159,080**	**159,080**

As at 31 December 2016	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Listed securities held for trading *(note 23)*	1,936	–	–	1,936
Liabilities				
Derivative financial liabilities *(Note (i))*	–	–	58,297	58,297
Contingent consideration payables	–	–	153,087	153,087
	–	–	211,384	211,384

Note (i): Information about level 3 fair value measurements

The fair value of the derivative financial liabilities, which is early redemption option embedded in the convertible bond, is estimated using the Black-Scholes model with Trinomial Tree method. The only significant unobservable input is historical volatility of share price of the Company. As at 31 December 2016, the historical volatility is 59.36%. The higher the historical volatility, the higher the fair value.

The details of the valuation of the fair value of contingent consideration payables were disclosed in note 39.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. Management identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

42.1 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

42.2 Interest rate risk

The Group's exposure to cash flow interest rate risk is minimal as the Group has no financial assets or liabilities of material amounts with floating interest rates except for deposits held in banks as at 31 December 2017. The exposure to fluctuations in interest rates for the Group's bank deposits and other borrowing are considered immaterial.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Directors are of the opinion that sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the interest rates are assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

42.3 Credit risk

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group has certain concentration of credit risk as 92% (2016: 95%) of the Group's turnover for the year was derived from 3 major customers (2016: 3) and as at reporting date, 78% (2016: 75%) of the Group's trade and bill receivables was due from these customers. The Group continuously and actively evaluates the credit risk of these debtors.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

42.3 Credit risk — Continued

The Group's management considers that the Group's financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Approximately 50% (2016: 67%) of the bank balances as at 31 December 2017 were deposited at a major bank, the credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

42.4 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2017 and 2016, the Group's financial liabilities have contractual maturities which are summarised below:

	Within 1 year or on demand *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted amount *HK$'000*	Total carrying amount *HK$'000*
At 31 December 2017					
Non-derivatives:					
Trade and bill payables	28,592	–	–	28,592	28,592
Other payables and accrued expenses	62,790	–	–	62,790	62,790
Borrowings	240,143	120,072	–	360,215	360,215
Contingent consideration payables	–	157,527	118,035	275,562	159,080
	331,525	277,599	118,035	727,159	610,677

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

42.4 Liquidity risk — Continued

	Within 1 year or on demand *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted amount *HK$'000*	Total carrying amount *HK$'000*
At 31 December 2016					
Non-derivatives:					
Trade and bill payables	35,910	–	–	35,910	35,910
Other payables and accrued expenses	40,309	–	–	40,309	40,309
Borrowings	11,459	112,061	–	123,520	123,267
Contingent consideration payables	–	122,648	117,622	240,270	153,087
Convertible bonds	740,000	–	–	740,000	623,433
	827,678	234,709	117,622	1,180,009	976,006

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

43. CAPITAL MANAGEMENT — CONTINUED

The capital-to-overall financing ratio at reporting date was as follows:

	2017 **HK$'000**	2016 HK$'000
Capital		
Total equity	**4,263,957**	2,810,622
Convertible bonds — equity components	**–**	(258,836)
	4,263,957	2,551,786
Overall financing		
Borrowings	**360,215**	123,267
Convertible bonds — equity and liability components	**–**	882,269
	360,215	1,005,536
Capital-to-overall financing ratio	**11.84 times**	2.54 times

44. RELATED AND CONNECTED PARTIES DISCLOSURES

(i) Related party transactions

Save as disclosed elsewhere in the consolidated financial statements, there are no other significant related party transactions during the year ended 31 December 2017 and 31 December 2016.

(ii) Connected party transactions

Name of connected party	Nature of transactions	**2017** **HK$'000**	2016 HK$'000
Ninghai Zhidou Electric Vehicles Company Limited *(note)*	Sales of lithium battery	**–**	24,881

Note:

Shandong Forever and Ninghai Zhidou Electric Vehicles Company Limited ("Ninghai Zhidou") entered into a sale of lithium-ion battery agreement (the "Sale Agreement") on 2 September 2016 regarding the supply of lithium-ion battery by Shandong Forever to Ninghai Zhidou commencing from 2 September 2016 to 30 June 2018.

Zhejiang Geely Auto is a substantial shareholder of Shandong Forever as it holds 48% equity interest in Shandong Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Zhejiang Geely Auto is held as at 90% by Zhejiang Geely, and Zhejiang Geely indirectly holds 45% interest in Ninghai Zhidou. As such, both Zhejiang Geely and Ninghai Zhidou are associates of Zhejiang Geely Auto in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

The Sale Agreement is for a term commencing from 2 September 2016 to 30 June 2018.

The annual cap amounts for the three financial years ended 31 December 2018 for the Sale Agreement are RMB35,000,000, RMB40,000,000 and RMB25,000,000 respectively as set out in the announcement of the Company dated 2 September 2016.

During the year ended 31 December 2017, there is no connected transaction.

45. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Convertible bonds *(Note 30)* *HK$'000*	Borrowings *(Note 27)* *HK$'000*
At 1 January 2017	623,433	123,267
Changes from cash flows:		
Proceeds from new borrowings	–	240,152
Repayment of borrowings	–	(11,206)
Interest paid	–	(860)
Total changes from financing cash flows	–	228,086
Other changes:		
Exchange difference	–	8,002
Conversion of convertible bonds	(691,108)	–
Interest expenses	67,675	860
At 31 December 2017	–	360,215

46. LITIGATION

On 22 June 2016, the Company received a writ of summons dated 18 June 2016 filed by Zhi Charles as the plaintiff against 16 defendants which include the Company with the Court of First Instance of the High Court of Hong Kong under action number HCA 1618 of 2016. Details of the writ are set out in the Company's announcement dated 30 June 2016.

On 7 October 2016, the plaintiff wholly withdrew his action against the Company and agreed that after the withdrawal of the said claims against the Company, there shall be no claims whatsoever arising out of or in connection with any matter or issue raised in this action against the Company, all or any of the Company's directors and/or servants or agents whatsoever.

47. SUBSEQUENT EVENT

On 16 March 2018, for the short term working capital requirement of Zhejiang Forever, Zhejiang Geely, a substantial shareholder of the Company, provided a loan with the principal amount of RMB100 million (approximately HK$124 million) to Zhejiang Forever. The loan is not secured by the assets of the Company, repayable 12 months after the drawdown date and has a fixed interest rate of 4.75% per annum.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were approved for issue by the Board of Directors on 23 March 2018.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONTINUING OPERATIONS					
Turnover	10,365	73,481	115,394	34,045	**17,476**
Direct operating expenses	(2,778)	(51,996)	(91,723)	(33,160)	**(17,756)**
Other operating revenue	6,971	4,086	15,028	33,959	**144,403**
Selling and distribution costs	(432)	(959)	(2,323)	(1,457)	**(3,187)**
Administrative expenses	(60,143)	(78,912)	(98,940)	(102,175)	**(114,701)**
Other operating expenses, net	(54,924)	(3,008)	–	(2,884)	**(7,910)**
Share–based payment expenses	–	–	(10,812)	–	**-**
Impairment of exploration and evaluation assets	–	(4,474,063)	(3,305,838)	(270,826)	**1,131,284**
Impairment of other intangible assets	–	–	(93,037)	(85,964)	**(60,003)**
Impairment of property, plant and equipment	–	–	(20,688)	(37,643)	**(50,368)**
Gain on disposal of subsidiaries	73,188	18,161	3,239	–	**-**
Gain on bargain purchase	9,277,141	–	–	–	**-**
Gain on full settlement of shareholder's loan	–	–	3,358	–	**-**
Fair value gain on derivative financial liabilities	–	8,812	15,510	9,892	**58,164**
Fair value gain/(loss) on contingent consideration payables	–	(190,295)	564,740	1,039,423	**(5,993)**
Impairment of goodwill	–	–	(176,370)	–	**-**
Finance costs	(69,539)	(67,327)	(66,556)	(72,138)	**(68,535)**
(Loss)/Profit before income tax	9,179,849	(4,762,020)	(3,149,018)	511,072	**1,022,874**
Income tax (expense)/credit	–	1,520,225	1,154,011	122,135	**(366,900)**
(Loss)/Profit for the year	9,179,849	(3,241,795)	(1,995,007)	633,207	**655,974**
Attributable to:					
Owners of the Company	9,182,596	(3,241,459)	(1,984,984)	700,010	**676,063**
Non–controlling interests	(2,747)	(336)	(10,023)	(66,803)	**(20,089)**
(Loss)/Profit for the year	9,179,849	(3,241,795)	(1,995,007)	633,207	**655,974**

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	15,513,979	10,146,738	4,485,474	4,851,487	**6,175,449**
Total liabilities	(7,711,818)	(6,074,233)	(2,933,998)	(2,040,865)	**(1,911,492)**
Non-controlling interests	9,305	(24,742)	(44,205)	(222,463)	**(298,436)**
Equity attributable to owners of the Company	7,811,466	4,047,763	1,507,271	2,588,159	**3,965,521**