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

NEW ENERGY AND DIVERSIFIED BUSINESS

ANNUAL REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Xuechu *(Chairman)*
Mr. Liu Jian *(Vice Chairman and Co-Chief Executive Officer) (Appointed on 4 June 2018)*
Mr. Liu Wei, William *(Co-Chief Executive Officer)*
Mr. Shi Lixin *(Resigned on 17 April 2018)*

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

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North Point
Hong Kong

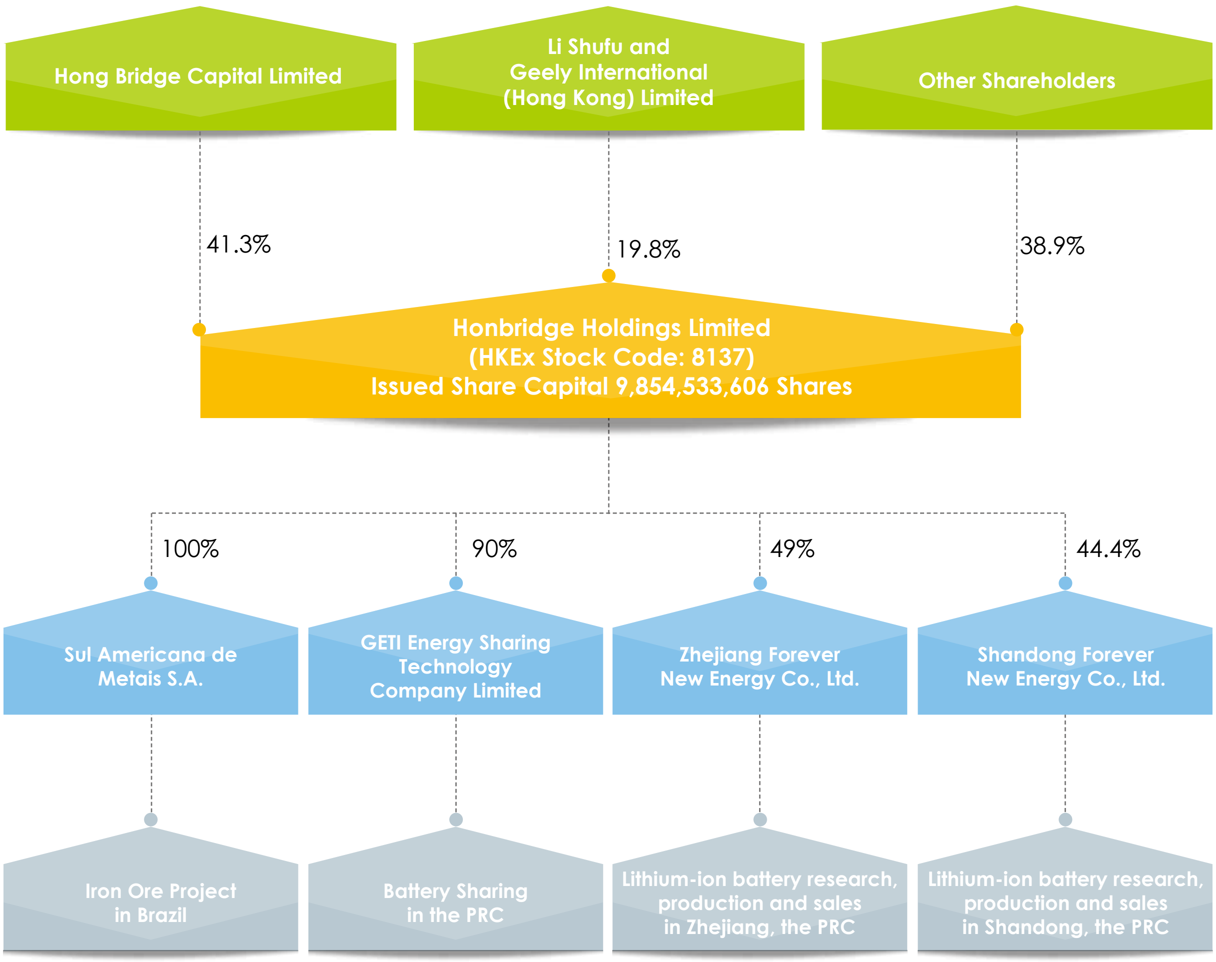
STOCK CODE

8137

COMPANY WEBSITE

www.8137.hk

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the 2018 annual report of Honbridge Holdings Limited to all shareholders.

BUSINESS REVIEW

For the year ended 31 December 2018, the Group recorded a HK$238.6 million revenue, representing a significant 1,260% increase when compared to HK$17.5 million revenue recognised in the last year. The profit for the year ended 31 December 2018 attributable to owners of the Company was approximately HK$974.5 million (2017: HK$676.1 million).

The revenue of the Group increased explosively because of the commencement of mass production of our new factory plant in Zhejiang in the second quarter of 2018. The customers of our Zhejiang factory are Volvo Car and the Lynk & Co brand under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely Group"). 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 under Zhejiang Geely Group. The total annual caps (excluding VAT) in respect of the above two sales agreements for year 2019 and 2020 are RMB1,017 million and RMB1,202 million respectively. The two sales agreements offer a strong foundation for our factory plant in Zhejiang. The total revenue recognised under the two agreements was approximately HK$220.4 million during the year.

The Group recorded a gross loss of approximately HK$47.6 million (gross profit ratio: -19.9%) for the year ended 31 December 2018 as compared with the gross loss of approximately HK$0.28 million (gross profit ratio: -1.6%) in the last corresponding year. Gross loss was recorded because of the high average raw material costs and the low capacity utilisation rate of the new battery plant in Zhejiang. Zhejiang Forever New Energy is designed to have a maximum annual production capacity of 2,000,000 kWh but currently only the first 500,000 kWh production line was installed and in production. In addition, the factory plant only commenced mass production in the second quarter and require time for initial ramp up. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

For the year ended 31 December 2018, the profit attributable to the owners of the Company was HK$974.5 million (31 December 2017: HK$676.1 million, increased by 44% compared with the year ended 31 December 2018). The increase in profit was mainly due to the HK$1,429.5 million non-cash reverse of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project (2017: HK$746.6 million), Beside, only HK$1.0 million impairment of non-current assets were made (2017: HK$110.4 million) on the current year. Their impact was mainly set-off by the impairment loss on prepayment, deposits and other receivables in relation to the Loan to Cloudrider Limited and trade receivables of HK$357.4 million and HK$38.7 million respectively.

PROSPECTS

In 2019, the Group is determined to launch the lithium-ion battery sharing business in China.

The Ministry of Industry and Information Technology of China released the compulsory "Technical Specifications for Safety of Electric Bicycles" 《電動自行車安全技術規範》 national standard in May 2018 (the "New National Standard") which will be effective from 15 April 2019, after that local governments in China have released corresponding supporting policies to regulate electric bicycles' safety performance, speed and weight limit, production quality and pedal riding performance, etc., these policies will accelerate the transition of lead-acid battery in electric bicycles to lithium battery. The number of electric bicycles in mainland China is about 250 million at present and the production and sales number in 2017 was 31.13 million, which approximately 30% were for express delivery and food delivery. According to the New National Standard, one single set of electric bicycle battery is not enough to support the daily commercial range requirement, this has created a huge market demand for battery swapping.

Besides that, because of the technical advancement of batteries, the useful life of batteries are much longer than the useful life of electric bicycles. In addition, some electric car manufacturers are developing models which can swap battery directly for long-distance driving, this kind of car battery separation model will lead to a huge market for battery swapping service and battery sharing in the future.

The Group has established a holding company to lead the battery sharing business under the brand GETI which represent "Guide Energy Transferring Intelligence". The initial investment is expected to be approximately RMB60 million, further investment will be injected or the business will be self-sustainable depends on the business development, other investors may also be introduced. More details will be disclosed when the battery sharing business launch in the first half of 2019.

Despite 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 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 became 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 and certain cities in the PRC have also stated that it has been exploring a schedule to ban the sales of petrol-only vehicles. For example, Hainan Province has recently announced a plan to ban the sales of petrol-only vehicles in 2030. 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.

CHAIRMAN'S STATEMENT

In 2018, the battery packs produced in the new plant were provided to Volvo Car and Zhejiang Geely Components and assembled in premium car models such as Volvo XC60 PHEV, S90 PHEV and LYNK & Co LYNK 01, 02, 03 PHEV. 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. For those leading new energy vehicle enterprises, some of them 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. To achieve the aim and considering various factors including technology transform, government subsidy reduction and the usage of funds, the Group has been prudently investigating the possibility and appropriate time of massive expansion in other cities in China.

On 16 January 2019, the Company entered into an security purchase agreement with Luokung Technology Corp. (Nasdaq: LKCO) and agreed to subscribe 2 million ordinary shares of LKCO shares with a total consideration of USD12 million. On 21 January 2019, the Company has settled USD6 million and Luokung Technology Corp. has issued 1 million ordinary shares to the Company. Luokung Technology Corp. is one of the world's leading companies in spatial-temporal big data technology, a leading interactive location-based data services ("LBS") company in China, and a pioneer of the railway Wi-Fi market in China.

Luokung Technology Corp. 100% owns the SuperEngine brand, its processing and transmitting capability of spatial-temporal data is a thousand times more efficient than other companies in the industry, relying on its spatial-temporal big data internet of things ("IoT") neural network, which was established by SuperEngine through its world first spatial-temporal cloud indexing technology, and also relying on its world leading vector data processing and algorithm technology in querying, retrieving, transmitting and rendering graphical information from massive date of high definition map ("HD map") and three-dimensional map ("3D Map"), allowing TB sized data to be released in seconds. Those technologies are important foundation and basic facility for smart cars, smart transportation, intelligent city, IoTs, AI, edge computing and other related fields. The global market potential is estimated to be over US$40 billion for LBS only. SuperEngine is also providing services on satellite remote sensing graphics processing, Bei Dou navigation system (北斗導航系統) application, real-time monitoring of land and resources, etc.

All of SuperEngine's products and technologies are based on self-owned intellectual property rights, and it has several patents registered in countries and regions in China, America, Japan and Europe. Luokung Technology Corp. is also one of the leading mobile service and technology providers of long distance travel data and a pioneer of the railway Wi-Fi market in China. It owns a mobile app named LuoKung, an app for location-based interaction services, and also, it provides software development kit ("SDK") embedded services to third party mobile application providers based on its full-vector and non-slicing mobile internet map. The exclusive High-speed train Wi-Fi operator in China, China Railway Gencent Technology Co., Ltd, has embedded Luokung Technology Corp.'s SDK in its mobile app named Handheld High-speed Train (掌上高鐵), to provide LBS for its users, Handheld High-speed Train app is estimated to cover more than 1.5 billion passenger times each year in the coming two to three years.

The Company may co-operate with Luokung Technology Corp. in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

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 battery charging and swapping, shared mobility, high-definition map, vehicle use radar, electric motor, electric controlling, Internet of Vehicle, autonomous driving and light-weighting of vehicles.

For the resource sector, the latest progress of the SAM 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. 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 vehicles related business and resources, creating value for 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 in 2018 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong
25 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

NEW ENERGY VEHICLES-RELATED BUSINESS

Following the procurement arrangement with Volvo Car, a famous brand in the world and also with the vehicle models including Lynk & Co under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely"), the Group is also promoting the product matching with Volvo XC40 Plug-in Hybrid Electric Vehicle (PHEV), Volvo Polestar PHEV, Geely Yuan Cheng Commercial Vehicle, London Electric Vehicle Company, 山東豐沃, 西安中力科技 and 珠海億華 and also exploring new customers including major automobile enterprises and new energy vehicle enterprises. The Group has been constantly negotiating and conducting products matching with major and new automobile manufacturers and potential new customers in the energy storage field.

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 PHEV model "XC60" and "S90" of Volvo and "Lynk 01 PHEV", "Lynk 02 PHEV" and "Lynk 03 PHEV" model of Lynk & Co, Geely K12, Geely Vision X1, Kandi K10, Kandi K11, Guangtong Bus EV and Tongjiafu Van. Other than the customers mentioned above, the Group also has customers such as Shangong Telangsi (山東特朗斯) and Suzhou Pulaier (蘇州普萊爾).

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

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 2,000,000 kWh ternary lithium-ion battery annually. The first 500,000 kWh production line has commenced mass production since the second quarter of 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells. The time for installation of the new production line will be decided based on the market demand and development strategy.

Interior of Main Building

Highly-automated production line

NEW ENERGY VEHICLES-RELATED BUSINESS — CONTINUED

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

The administrative building of Zhejiang Forever New Energy

The canteen of Zhejiang Forever New Energy

Lynk 01 PHEV powered by Zhejiang Forever New Energy battery pack

Gardeners greening the factory area

MANAGEMENT DISCUSSION AND ANALYSIS

NEW ENERGY VEHICLES-RELATED BUSINESS — CONTINUED

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 models of Volvo Car (the "Volvo Car Sales Agreement"). The total proposed annual caps (excluding VAT) for the financial year ending 31 December 2019 and for the period ending 22 October 2020 are RMB278 million and RMB251 million respectively.

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 Zhejiang Geely (the "Zhejiang Geely Components Sales Agreement"). The total proposed annual caps (excluding VAT) for the financial years ending 31 December 2019 and period ending 24 October 2020 are RMB739 million and RMB951 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.

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.

LITHIUM-ION BATTERY BUSINESS

During the year ended 31 December 2018, the lithium-ion battery segment recorded a revenue of approximately HK$238.6 million (equivalent to approximately RMB201.4 million), which increased by approximately 1,260% when compared to HK$17.5 million (equivalent to approximately RMB15.2 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.

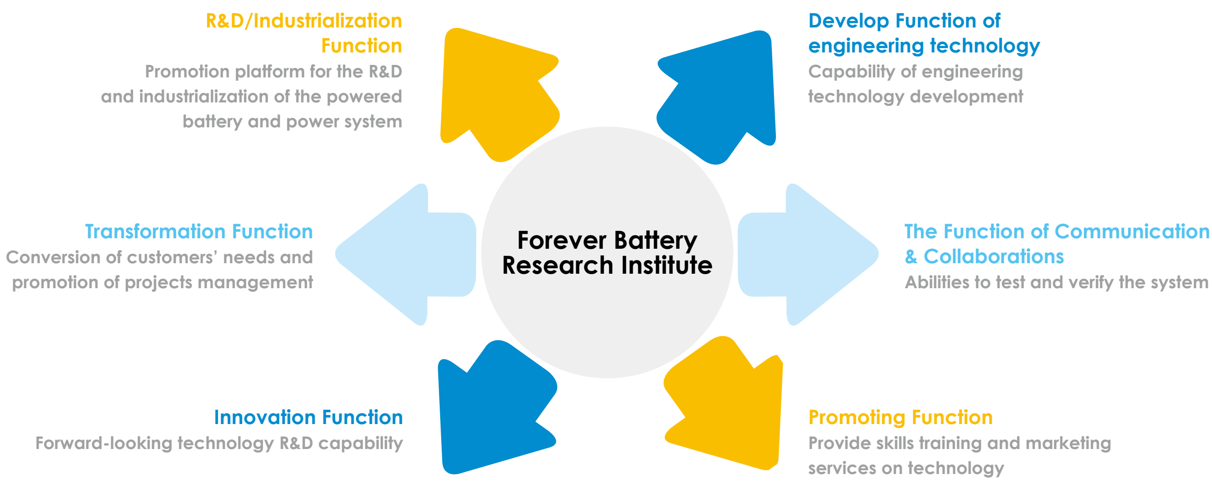
The lithium-ion battery segment losses before non-cash items including impairment, depreciation, amortisation expenses and release of deferred income were approximately HK$109.5 million (2017: HK$67.1 million). The loss increased during the year because both factory plants were in loss position and more operating costs including staff costs and research and development costs were incurred by the new Zhejiang factory.

LITHIUM-ION BATTERY BUSINESS — CONTINUED

Research And Development

The main products of the Company include NCM 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.

FE R&D INSTITUTE PROFILE



Our research and development team consists of both national and overseas experts from top-tier powered battery manufacturers. For the year ended 31 December 2018, the Group was granted 184 patents, among which 178 are utility model patents, 5 appearance design patents and 1 innovation patents. At present, 94 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 2018, the research and development expenses of our Group were approximately HK$59 million (2017: approximately HK$36 million).

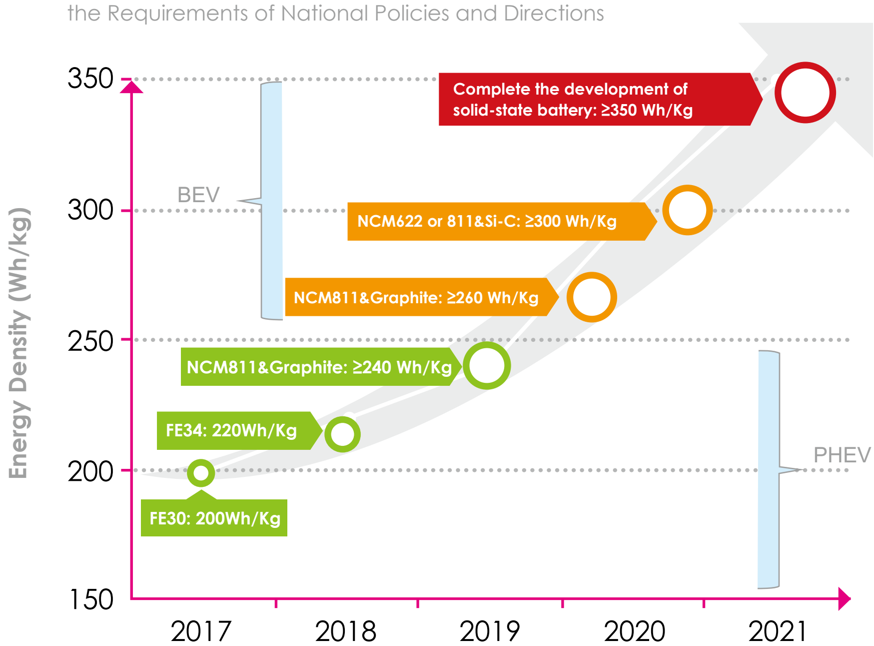
MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS — CONTINUED

Research And Development — Continued

Road Map For Technological Development of Battery

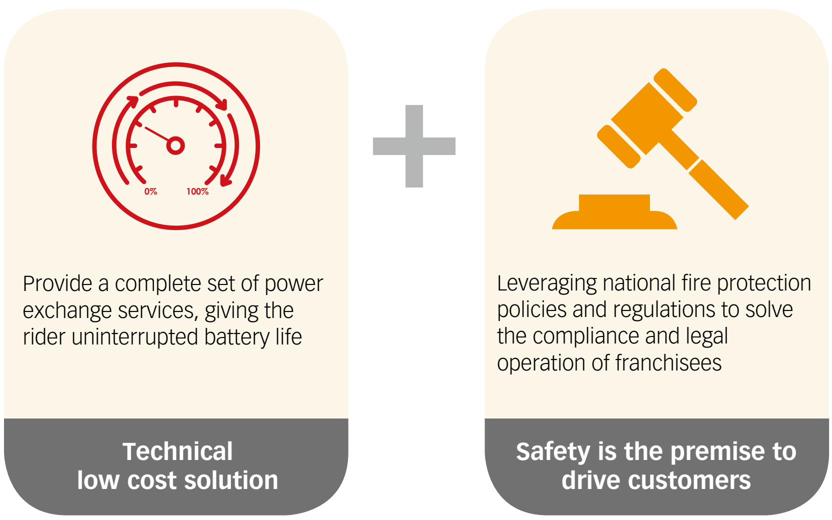
Increase in Energy Density of The Company's Battery Products Matched the Requirements of National Policies and Directions



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.

Battery Sharing Business

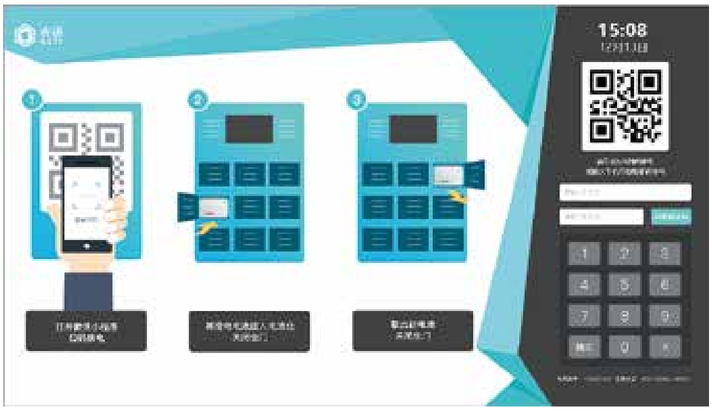
Under the brand "GETI", the Company is scheduled to launch a battery sharing business which target electric bicycles which include self-operation and franchising in the PRC in the first half of 2019 with major features below:



MANAGEMENT DISCUSSION AND ANALYSIS

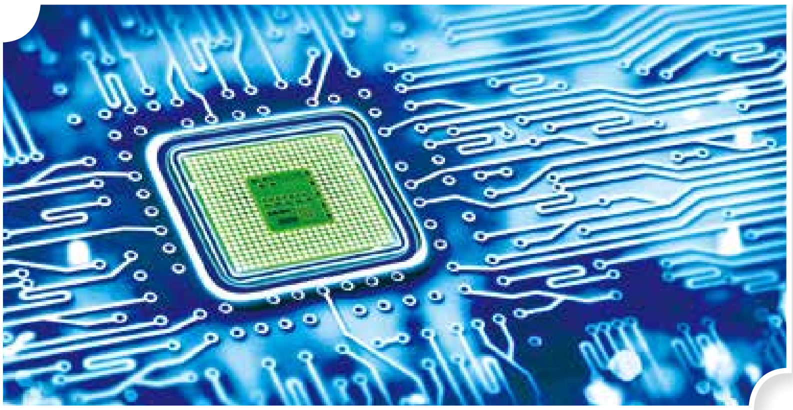
LITHIUM-ION BATTERY BUSINESS — CONTINUED

Battery Swapping Station



- Constant temperature control system
- Intelligent charging strategy
- Fireproof and explosionproof
- Intelligent fault management

Standardised Battery Modules



- Standardized unified connector
- 10000+ plug-in number guarantee
- Safer and more worry-free

- multiple charge and discharge protection functions
- Intelligent charge and discharge matrix management
- Battery status real-time monitoring
- Troubleshooting and remote maintenance
- Historical data recording and traceability system
- Battery positioning recovery (Beidou positioning)
- Multi-mode communication component network coverage
- Isolated communication, safety management power channel
- Online OTA upgrade, update hardware features

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM

As of the date of this report, the Group has provided funding with principal amount of approximately US$72.2million to the iron ore project in Brazil ("Block 8 Project" or "SAM Project"), 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 Project as phase I operation with an annual production capacity of 27.5 million tons with an average grading of 66.2% Fe in the first 18 years' operation. The project will have an integrated system comprised an open-pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam.

SAM has started licensing process for the mine and its facilities in the Secretariat of Environment and Sustainable Development ("SEMAD") in the state of Minas Gerais in Brazil since November 2017.

In November and December 2017, SAM had meetings with Superintendency of Priority Projects' ("SUPPRI") technical team to understand their requirements for the Preliminary License ("LP") application. SUPPRI is an environmental licensing organization for priority projects under SEMAD.

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.

Aiming to reduce tailings volume and environmental impact, SAM's mining consulting companies, Veturini Consultoria and NCL had jointly finished a new mining plan with significant reduction of tailings volume by the end of August 2018.

In the beginning of January 2018, SAM hired engineering firm WALM to optimize the engineering parameters of tailings and waste disposal, and update the hydro-geologic model and water availability studies considering extreme dry weather. SAM also hired a top professor specialized in tailings dam from Sao Paulo University (USP) as an independent consultant to cross check tailings disposal solutions designed by WALM, and another top professor specialized in hydrogeology from Federal University of Minas Gerais (UFMG) as an independent consultant to cross check WALM's water availability studies.

By the end of October 2018, WALM had finished the final reports. To be mentioned, the tailings dams have been totally redesigned with safer operational parameters, the new adopted construction method is center line, which is much safer than the upstream method. Upstream method is now forbidden by Brazilian authorities because of tailings dam collapse disasters happened in Brazil in recent years.

Even the possibility of dam-break of SAM's project is zero from technical point of view, WALM undertook hypothetical dam-break studies in order to analyze the risk and provide information for environmental programs (such as relocation of the communities downstream the tailings dams) and emergency action plan.

Another attempt to reduce the tailings volume disposed in the tailings dams is backfill technology, SAM expended a great amount of effort in this technology together with WALM and Veturini Consultoria. Considering the slope of the Block 8 ore body is very gentle, it is feasible to backfill some portion of tailings into the open pit while the pit is in operation.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

Moreover, in 2018, more tailings and waste tests had been undertaken by some labs to support WALM's engineering, induced seismic study (vibrations induced by blasting during mining operation) had been finished by the company VMA, the tailings reuse study had been concluded by the company Multiplus.

On 7 November 2018, SAM organized a successful workshop with SUPPRI's technical team to discuss SAM's tailings solutions with the participation of WALM and the independent consultant from USP.

On 28 November 2018, SAM obtained all the declarations from 4 municipals involved in the Block 8 Project, in which the municipals declare that the type of activity developed and the location of Block 8 Project are in compliance with the laws and administrative regulations of the Municipals, especially with the legislation applicable to the use and occupation of the land. These declarations are one of the must documents for the formalization of the environmental licensing process.

On 21 December 2018, Brandt finished the EIA (Environmental Impact Study) and RIMA (Environmental Impact Report) of the Block 8 Project. This EIA/RIMA contains 13 volumes, 2953 pages, drafted by a multidisciplinary team of 39 professionals in 12 months. The core contents include characteristic of the project, study area definition, physical environment diagnosis, biotic environment diagnosis, socio-economic environment diagnosis, environmental quality, environmental impact assessment, mitigation measures propositions, following and monitoring programs of environmental impact, influence area, environmental prognosis etc.

On 7 January 2019, SAM submitted the EIA/RIMA of Block 8 Project to SUPPRI.

On 8 January 2019, SUPPRI issued a new FOB (Basic Guidance Form) for Block 8 Project. The new FOB updated the documents necessary for the formalization of the environmental licensing process.

On 9 January 2019, according to the legal requirement, SAM published the information about the request of LP on two newspapers of great circulation, in which SAM informs that the EIA/RIMA have been presented and the RIMA is available in SUPPRI to those interested, and also informs that those interested in the Public Hearing shall formalize their request within 45 days.

On 10 January 2019, SUPPRI issued a receipt of SAM's delivery of documents and formalized the licensing process.

On 11 January 2019, SUPPRI published in the Official Gazette of the State about SAM's request of LP and the legal deadline (within 45 days from the date of this publication) for requesting the public hearing.

Despite of the good progress of the SAM project in 2018, unfortunately, on 25 January 2019, one inactive upstream tailings dam belonging to mining company Vale in Brumadinho collapsed. As this dam-break happened again only 3 years after Samarco dam-break disaster in November 2015, it caused a strong reaction of Brazilian society and concerns about the safety of tailings dams, especially about those tailings dams with upstream construction method.

On 29 January 2019, the Presidency of the Republic/Civil House published a resolution (RESOLUÇÃO Nº 2, DE 28 DE JANEIRO DE 2019) to establish a legislative subcommittee to elaborate a draft of update and revision of the National Policy on Dams Security which was established by Law No. 12,334, of 20 September, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

On 30 January 2019, SAM suspended its licensing process of Block 8 Project for at least 3 months in order to wait for the aforementioned update and revision of the National Policy on Dams Security.

On 22 February 2019, the Legislative Assembly of Minas Gerais approved a Bill which deals with environmental licensing and supervision of dams in the State. On 25 February 2019, the Minas Gerais State Governor signed it and thus became a State law (law No.23.291, of 25 February 2019), which was published on 26 February 2019. One of the most important articles is that upstream method for dam construction is forbidden.

SAM studied the abovementioned new State law and concluded that it won't affect its environmental licensing process since SAM adopted center line method for tailings dams' construction and very strict technical and environmental criterions for the project, which make the project is in conformity with the new law. From technical point of view, SAM is quite confident in the safety of its tailings dams.

After Vale's dam-break disaster, SAM has been communicating and having meetings with government institutions, environmental organs, State and Federal deputies, municipals to present SAM`s new tailings disposal technology. SAM expects to resume the licensing process after the middle of 2019.

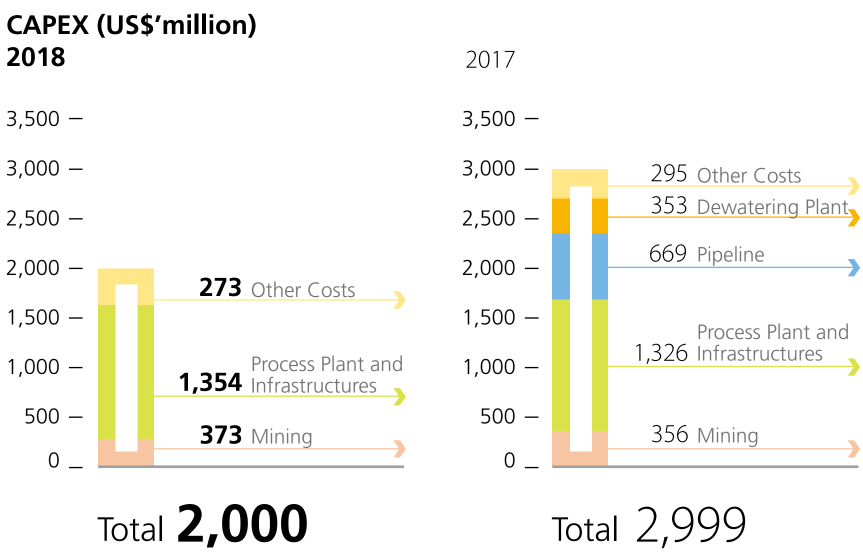
The Company has been considering the introduction of strategic investors to develop the SAM Project. On 16 October 2018, SAM and an independent third party, Lotus Fortune Holdings Limited ("Lotus Fortune"), established a company called Lotus Brasil comércio e Logistica Ltda ("Lotus Brasil") in Brazil which is 95% owned by Lotus Fortune and 5% by SAM. On 9 November 2018, SAM reach a preliminary contract with Lotus Brasil. Based on the preliminary contract, Lotus Brasil will license, construct and operate the logistic system of the SAM Project. The logistic system consists of an underground pipeline of approximately 480km (involves 9 municipalities in the state of Minas Gerais and 12 municipalities in Bahia), a dewatering station and an ore storage yard located in Porto Sul (the "Port") in Ilhéus of Bahia State.

Pursuant to the preliminary contract, Lotus Brasil is committed to start licensing the abovementioned logistic system in IBAMA within 30 days after the signing the preliminary contract. On 7 December 2018, Lotus Brasil submitted the FCA to IBAMA and thus initiated the process. In the future, Lotus Brasil will provide SAM with services of logistics, dewatering, trading and contracting for the use of Porto Sul. SAM will pay Lotus Brasil for such services. The Group believes that the cooperation with Lotus Brasil will promote the exploitation of Block 8 and will be mutually beneficial. In this way, SAM could focus more on the development of the mine, beneficiation plant and other facilities.

PROGRESS OF SAM — CONTINUED

As disclosed previously, SAM will export its mineral products through Porto Sul (the "Port") in Bahia State which has been granted all environmental licenses for construction. On 1 September 2017, a Chinese Consortium led by China Railway Group Limited (中國中鐵股份有限公司) and including China Communications Construction Company Ltd. (中國交通建設股份有限公司), Dalian Huarui Heavy Industry Group Co., Ltd (大連華鋭重工集團股份有限公司) 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 and will coordinate with Lotus Brasil to monitor the progress and development of the Port.

CAPEX AND OPEX

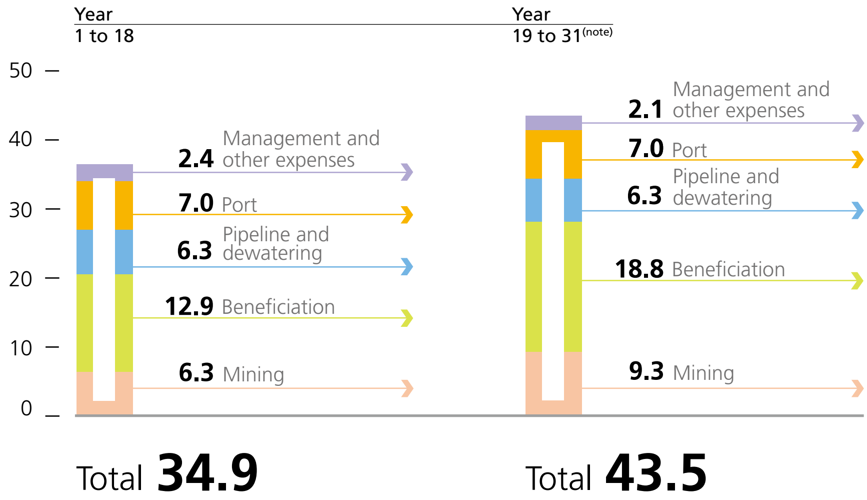


MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

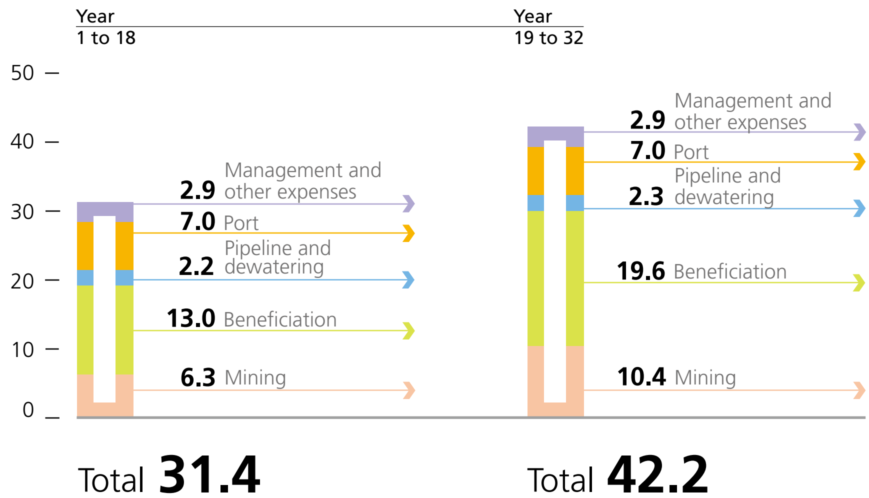
CAPEX and OPEX — Continued

OPEX/ton (US$)
2018



Note: Based on the latest mining plan, SAM Project will stop production in year 31.

OPEX/ton (US$)
2017



Estimated CAPEX for the SAM Project decreased by approximately USD1 billion because Lotus Brasil will be responsible for the construction of pipeline and dewatering plants while SAM will become a user, thus the estimated OPEX for pipeline and dewatering increased substantially.

The Group has analysed the CAPEX of a number of iron ore mines and their respective OPEX (per ton of iron concentrate). Relatively, SAM Project 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 2018 with the latest mining plan, US$2.00 billion CAPEX (2017: US$3.00 billion) and US$34.9 (2017: US$31.4) (year 1 to 18) and US$43.5 (year 19 to 31) (2017: US$42.2, year 19 to 32) per ton of OPEX applied.

Regarding the project timeline, the new operation commencement year is expected to be 2025 (2017: year 2024) because due to the Vale's dam-break disaster, SAM has suspended its licensing process for 3 months and 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.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$726 million (equivalent to approximately HK$5,685 million) (2017: US$529 million, equivalent to approximately HK$4,104 million). A reverse of impairment of US$277 million (equivalent to approximately HK$2,166 million) on exploration and evaluation assets has been recognised in current year accordingly. The corresponding deferred tax liabilities also increased by US$94 million (equivalent to approximately HK$736 million). The increase in fair value of the exploration and evaluation assets was mainly due to the substantially decrease in estimated CAPEX and the increase in forecast iron ore price, especially for higher grade iron ore that SAM Project planned to produce (iron ore price ranged between US$84 to US$113 per ton during the forecast period in 2018 valuation (2017: US$76 to US$102 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 before 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;

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT CONSIDERATION AND LIABILITIES — CONTINUED

Conditional additional payment — Continued

(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;

(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$8,000,000.

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 2018, the contingent consideration payable was approximately HK$156.5 million (equivalent to approximately US$20.0 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.
2018 annual cap	:	RMB178 million
2019 annual cap	:	RMB278 million
2020 cap for the period from 1 January 2020 to 22 October 2020	:	RMB251 million
Sales for the year ended 31 December 2018	:	approximately RMB74.81 million (HK$88.66 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	:	RMB207 million
2019 annual cap	:	RMB739 million
2020 cap for the period from 1 January 2020 to 24 October 2020	:	RMB951 million
Sales for the year ended 31 December 2018	:	approximately RMB111.18 million (HK$131.76 million)

The two continuing connected transactions mentioned above were 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.

On 29 June 2018, independent Shareholders of the Company approved the revision on annual caps of the Volvo Car Sales Agreement and the Zhejiang Geely Components Sales Agreement in an extraordinary general meeting (the "EGM"). Further details of the EGM are disclosed in the circular of the Company dated 13 June 2018.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Zhejiang Geely Components Sales Agreement — Continued

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.

LOAN AGREEMENT ENTERED INTO WITH CLOUDRIDER LIMITED

Pursuant to the Loan Agreement entered into with Cloudrider Limited (the "Borrower") on 11 April 2016, an aggregate principal amount of HK$540,000,000 was drawn down in two tranches on two respective dates (Tranche A: HK$251,100,000 (the "Tranche A Loan") on 22 April 2016 and Tranche B: HK$288,900,000 (the "Tranche B Loan") on 12 May 2016). The initial maturity date for each of the Tranche A Loan and the Tranche B Loan was 21 April 2017 and 11 May 2017, respectively, which was further extended by the Borrower to 21 April 2018 and 11 May 2018, respectively.

On 20 April 2018, the Company received a notice from the Borrower that the Tranche A Loan, the Tranche B Loan and the outstanding accrued interests could not be repaid on time (the "Default") because of difficulties encountered in the transfer of fund across borders in a short time. Default interests at a rate of 6% per annum have been accrued on the unpaid sum in accordance with the Loan Agreement. On 20 April 2018, the Company sent a letter to the Borrower demanding for repayment of the Loan and asserted the rights of the Company under the Loan Agreement. During the period from 30 April 2018 to 20 June 2018, the Borrower repaid an aggregate amount of HK$15,278,000 to the Company (the "Repaid Amount").

Despite the Repaid Amount, having considered the latest financial position of the Borrower and the possibility of realizing the Loan Receivables and the Interest Receivables from the Borrower, the Company has taken a prudent approach to make impairment provisions for the Loan Receivables and the Interest Receivables for the six months ended 30 June 2018.

On 6 November 2018, the Borrower repaid HK$26,000,000 to the Company, covered all the outstanding interests at that time and part of the principal. Since then, no repayment was received from the Borrower.

As at 31 December 2018, the Borrower has defaulted in repaying the Tranche A Loan and the Tranche B Loan in the outstanding principal amounts in a sum of approximately HK$523.8 million (the "Loan Receivables") and the outstanding accrued interests in the sum of approximately HK$4.8 million (the "Interest Receivables").

The Tranche A Loan and the Tranche B Loan share the same security package (the "Security") comprising (i) a share charge granted by Bronze Pony Investments Limited relating to its shares in the Borrower; (ii) a share charge granted by Capital Melody Limited relating to its shares in the Borrower; and (iii) a debenture consisting of a fixed and floating charge over all of the assets of the Borrower, mainly comprising an equity interest in approximately 24.98% of Yuxing Infotech Investment Holdings Ltd ("Yuxing Infotech"), a company listed on the GEM (Stock code: 8005) with a net asset value of approximately HK$1,988 million as at 31 December 2018. If Tranche A Loan and the Tranche B Loan could not be recovered in full eventually, the Company intends to enforce the Security. Independent professional valuer has been appointed to evaluate the recoverable amount and impairment loss of HK$357.4 million on the Loan Receivables was recognised in profit or loss for the year ended 31 December 2018.

The Company will continue to demand repayment from the Borrower and update the Shareholders on any material development as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2018, the Group recorded a revenue of HK$238.6 million, representing a significant 1,260% increase when compared to revenue of HK$17.5 million recognised in the last year. The profit for the year ended 31 December 2018 attributable to owners of the Company was approximately HK$974.5 million (2017: HK$676.1 million).

The revenue of the Group increased explosively because of the commencement of mass production of our new factory plant in Zhejiang in the second quarter of 2018. The customers of our Zhejiang factory are Volvo Car and the Lynk & Co brand under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely Group"). 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 under Zhejiang Geely Group. The total annual caps (excluding VAT) in respect of the above two sales agreements for year 2019 and 2020 are RMB1,017 million and RMB1,202 million respectively. The two sales agreements offer a strong foundation for our factory plant in Zhejiang. The total revenue recognised under the two agreements was approximately HK$220.4 million during the year.

The Group recorded a gross loss of approximately HK$47.6 million (gross profit ratio: -19.9%) for the year ended 31 December 2018 as compared with the gross loss of approximately HK$0.28 million (gross profit ratio: -1.6%) in the last corresponding year. Gross loss was recorded because of the high average raw material costs and the low capacity utilisation rate of the new battery plant in Zhejiang. Zhejiang Forever New Energy is designed to have a maximum annual production capacity of 2,000,000 kWh but currently only the first 500,000 kWh production line was installed and in production. In addition, the factory plant only commenced mass production in the second quarter and require time for initial ramp up. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

Other operating income of approximately HK$38.3 million (2017: HK$144.4 million) was recognised during the current year. It consists of interest income from loan receivable of HK$14.2 million (2017: HK$16.2 million), imputed interest income of amounts due from non-controlling interests of HK$13.1 million (2017: 13.1 million) and bank interest income of HK$5.5 million (2017: $6.3 million). The decrease in other operating income was mainly due to the recognition of HK$103.8 million one-off deferred income in relation to a government grant for the year ended 31 December 2017.

The administrative expenses for the year ended 31 December 2018 mainly consists of research and development expenses of approximately HK$59.0 million (2017: HK$36.1 million) and staff costs of approximately HK$31.0 million (2017: HK$35.1 million).

Impairment loss on trade receivables of HK$38.7 million were provided in the current year ended 31 December 2018. It was because certain customers have encountered financial difficulties amid decrease in sales.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW — CONTINUED

Impairment loss of HK$357.4 million has been provided on prepayments, deposits and other receivables during the year ended 31 December 2018. Details have been set out in the Loan Agreement Entered into with Cloudrider Limited section in the Management Discussion and Analysis.

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. Because of this early conversion, no imputed interests on convertible bonds were recorded in the current year (31 December 2017: HK$67.7 million). The finance costs of HK$9.8 million recognised during the year ended 31 December 2018 were mainly related to the loans of RMB200 million from Zhejiang Geely, a substantial shareholder of the Company.

For the year ended 31 December 2018, the profit attributable to the owners of the Company was HK$974.5 million (31 December 2017: HK$676.1 million, increased by 44% compared with the year ended 31 December 2018). The increase in profit was mainly due to the HK$1,429.5 million non-cash reverse of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project (2017: HK$746.6 million), Beside, only HK$1.0 million impairment of non-current assets were made (2017: HK$110.4 million) on the current year. Their impact was mainly set-off by the impairment loss on prepayment, deposits and other receivables in relation to the Loan to Cloudrider Limited and trade receivables of HK$357.4 million and HK$38.7 million respectively.

As at 31 December 2018, the cash and cash equivalent balance of the Group was approximately HK577.3 million with a net current assets of HK$173.2 million. The current ratio of the Group which is measured by current assets to current liabilities was 1.19 (31 December 2017: 3.71). Despite the decrease in current ratio mainly due to the impairment on prepayment, deposits and other receivables and increase in borrowings, the Company will continue to invest in new energy vehicles related business.

During the year ended 31 December 2018, the operation of the Group was mainly financed by the proceeds received from the Placing and Share Subscription completed in June 2015.

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 had yet to identify suitable investment and acquisition targets in the new energy vehicle-related field in 2016 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.

MANAGEMENT DISCUSSION AND ANALYSIS

THE USE OF PROCEEDS FROM PLACING AND SHARE SUBSCRIPTION — CONTINUED

As at 31 December 2018, 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$113.1 million has been used for new energy vehicle related business, approximately HK$40 million has been used for general working capital and approximately HK$97.1 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK$436.7 million, HK$296.9 million will be invested into the new energy vehicle related business, HK$102.9 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK$36.9 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.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR LITHIUM-ION BATTERIES SEGMENT

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 RMB1,017 million and RMB1,202 million for the financial years ending 31 December 2019 and 2020 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.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR LITHIUM-ION BATTERIES SEGMENT — CONTINUED

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.

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.

THE PRINCIPAL RISKS AND UNCERTAINITIES FOR THE SAM PROJECT

Iron ore price risk

The fair value of the Group's evaluation and exploration assets in the Brazil are exposed to fluctuations in the expected future iron ore price. The management will review the market condition from time to time and determine the best strategy to deal with the fluctuation of iron ore price.

Risk of SAM project will not be materialized

The risk is largely driven by various factors such as commodity prices, government regulations, policies and approval of the relevant permits and licenses to conduct the mining activities in the Brazil. The management is closely monitoring the progress of the SAM project.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2018, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$64 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 2018, the total number of employees of the Group was 701 (2017: 522). Employee benefit expenses (including directors' emoluments) amounted to HK$78.7 million for the year (2017: HK$58.7 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

The Group is determined to invest into the battery sharing business in 2019.

The Ministry of Industry and Information Technology of China released the compulsory "Technical Specifications for Safety of Electric Bicycles" 《電動自行車安全技術規範》 national standard in May 2018 (the "New National Standard") which will be effective from 15 April 2019, after that local governments in China have released corresponding supporting policies to regulate electric bicycles' safety performance, speed limit, production quality and pedal riding performance, etc., these policies will accelerate the transition of lead-acid battery in electric bicycles to lithium battery. The number of electric bicycles in mainland China is about 250 million at present and the production and sales number in 2017 was 31.13 million, which approximately 30% were for express delivery and food delivery. According to the New National Standard, one single set of electric bicycle battery is not enough to support the daily commercial range requirement, this has created a huge market demand for battery swapping.

PROSPECTS — CONTINUED

Besides that, because of the technical advancement of batteries, the useful life of batteries are much longer than the useful life of electric bicycles. In addition, some electric car manufacturers are developing models which can swap battery directly for long-distance driving, this kind of car battery separation model will lead to a huge market for battery swapping service and battery sharing in the future.

The Group has established a holding company to lead the battery sharing business (the "New Business Activities"). The initial investment of the New Business Activities is expected to be RMB60 million, further investment will be injected or the business will be self-sustainable depends on the business development, other investors may also be introduced. More details will be disclosed when the battery sharing business launch in the first half of 2019.

Despite 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 became 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 and certain cities in the PRC have also stated that it has been exploring a schedule to ban the sales of petrol-only vehicles. For example, Hainan Province has recently announced a plan to ban the sales of petrol-only vehicles in 2030. 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 2018, the battery packs produced in the new plant were provided to Volvo Car and Zhejiang Geely Components and assembled in premium car models such as Volvo XC60 PHEV, S90 PHEV and Lynk & Co Lynk 01, 02, 03 PHEV. 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 has been prudently investigating the possibility and appropriate time of massive expansion in other cities in China.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS — CONTINUED

On 16 January 2019, the Company entered into an security purchase agreement with Luokung Technology Corp. (Nasdaq: LKCO) and agreed to subscribe 2 million ordinary shares of LKCO shares with a total consideration of USD12 million. On 21 January 2019, the Company has settled USD6 million and Luokung Technology Corp. has issued 1 million ordinary shares to the Company. Luokung Technology Corp. is one of the world's leading companies in spatial-temporal big data technology, a leading interactive location-based data services ("LBS") company in China, and a pioneer of the railway Wi-Fi market in China.

Luokung Technology Corp. 100% owns the SuperEngine brand, its processing and transmitting capability of spatial-temporal data is a thousand times more efficient than other companies in the industry, relying on its spatial-temporal big data internet of things ("IoT") neural network, which was established by SuperEngine through its world first spatial-temporal cloud indexing technology, and also relying on its world leading vector data processing and algorithm technology in querying, retrieving, transmitting and rendering graphical information from massive date of high definition map ("HD map") and three-dimensional map ("3D Map"), allowing TB sized data to be released in seconds. SuperEngine's world first non-slicing, full-vector and full-function mobile internet map, established a platform for location interactive services, and continuous self-optimisation through artificial intelligence ("AI") and machine learning.

Those technologies are important foundation and basic facility for smart cars, smart transportation, intelligent city, IoTs, AI, edge computing and other related fields. The global market potential is estimated to be over US$40 billion for LBS only. SuperEngine is also providing services on satellite remote sensing graphics processing, Bei Dou navigation system (北斗導航系統) application, real-time monitoring of land and resources, etc.

All of SuperEngine's products and technologies are based on self-owned intellectual property rights, and it has several patents registered in countries and regions in China, America, Japan and Europe. Luokung Technology Corp. is also one of the leading mobile service and technology providers of long distance travel data and a pioneer of the railway Wi-Fi market in China. It owns a mobile app named LuoKung, an app for location-based interaction services, and also, it provides software development kit ("SDK") embedded services to third party mobile application providers based on its full-vector and non-slicing mobile internet map. The exclusive High-speed train Wi-Fi operator in China, China Railway Gencent Technology Co., Ltd, has embedded Luokung Technology Corp.'s SDK in its mobile app named Handheld High-speed Train (掌上高鐵), to provide LBS for its users, Handheld High-speed Train app is estimated to cover more than 1.5 billion passenger times each year in the coming two to three years.

The Company may co-operate with Luokung Technology Corp. in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

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 charging and swapping, electric motor, electric controlling, Internet of Vehicle, autonomous driving, shared mobility, high-definition map and light-weighting of vehicles.

PROSPECTS — CONTINUED

For the resource sector, the latest progress of the SAM 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. 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 vehicles related business 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 January 2019, the Company entered into an security purchase agreement with Luokung Technology Corp. (Nasdaq: LKCO) and agreed to subscribe 2 million ordinary shares of LKCO shares with a total consideration of USD12 million. On 21 January 2019, the Company has settled USD6 million and Luokung Technology Corp. has issued 1 million ordinary shares to the Company. Luokung Technology Corp. is one of the world's leading companies in spatial-temporal big data technology, a leading interactive location-based data services ("LBS") company in China, and a pioneer of the railway Wi-Fi market in China.

The Company may co-operate with Luokung Technology Corp. in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 56, 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 Jian, aged 45, is the Vice-Chairman and Co-Chief Executive Officer of the Company. He was appointed a vice president of Geely Group Co. Ltd. in April 2018. Mr. Liu has also accumulated over 15 years of experience in the fields of high-end medical equipment manufacturing, comprehensive health industry, automotive battery systems and control technologies, and advanced driving assistance products. He was previously employed by Neusoft Group Co., Ltd. (東軟集團股份有限公司), and was also the senior management of Philips and Neusoft Medical Systems Co., Ltd. (東軟飛利浦醫療系統有限公司), Xikang (Cayman) (熙康開曼), and Neusoft Reach Automotive Technology Co., Ltd. (東軟睿馳汽車技術有限公司), as well as the director of Neusoft Medical Systems Co., Ltd. (東軟醫療系統有限公司), Beijing Fuzhao Technology Co. Ltd. (北京福兆科技有限公司), Israel's Aerotel Medical Systems Co. Ltd. and many other companies. Mr. Liu holds a Master of Business Administration degree from HEC Business School, University of Montreal, Canada.

Mr. Liu Wei, William, aged 54, is the Co-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.

NON-EXECUTIVE DIRECTORS

Mr. Ang Siu Lun, Lawrence, aged 58, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS — CONTINUED

Mr. Yan Weimin, aged 52, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Wai, Tony, aged 47, 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, Wai Chun Mining Industry Group Company Limited and the joint company secretary of Zhejiang Cangnan Instrument Group Company Limited, the shares of which are listed on the Hong Kong Stock Exchange.

Mr. Ma Gang, aged 62, 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 49, 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 35, 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 66, 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..

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT — CONTINUED

Mr. Jin Jigang, aged 39, 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..

Dr. Eder de Silvio, aged 56, 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 39, 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.

DIRECTORS' REPORT

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 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 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 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 157 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 31 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 Jian *(Vice Chairman and Co-Chief Executive Officer) (Appointed on 4 June 2018)*
Mr. Liu Wei, William *(Co-Chief Executive Officer)*
Mr. Shi Lixin *(Resigned on 17 April 2018)*

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. Liu Jian, Mr. Yan Weimin and Mr. Ha Chun 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 2018, 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	Total	Approximate percentage of shareholding (%)
HE Xuechu	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	42.07
LIU Wei, William	9,002,000	–	–	9,002,000	0.09
YAN Weimin	30,000,000	–	–	30,000,000	0.30
CHAN Chun Wai, Tony	1,000,000	–	–	1,000,000	0.01

Note:

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 51% equity interest of Hong Bridge.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2018, 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 2018, an aggregate of 13,750,000 Shares were issuable pursuant to share options granted.

As at 31 December 2018, 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 2018.

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 01/01/2018	Granted during the year	Exercised during the year	Expired during the year	Transferred during the year	Outstanding as at 31/12/2018	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 *(Resigned on 17 April 2018)*	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	–	–	(80,000,000)	(25,000,000)	–					
Employee	5,000,000	–	–	(25,000,000)	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
	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	–	–	(105,000,000)	–	13,750,000					

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.

SHARE OPTION SCHEME — CONTINUED

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2018, 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 2018, 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 51% equity interest of Hong Bridge.

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

3. Mr. LI Xing Xing holds 30.8% 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 662,186,000 shares through its interest in Maxwealth Great China Fixed Income Fund II LP.

Save as disclosed above, as at 31 December 2018, 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

On 20 November 2017, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely Holding Group Co., Ltd. ("Zhejiang Geely"), one of the substantial shareholders of the Company, provided a loan with the principal amount of RMB100 million (approximately HK$114 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company, repayable 6 months after the drawdown date and has a fixed interest rate of 4.35% per annum. The loan agreement was extended on 16 November 2018 with a repayment date on 20 May 2019.

On 16 March 2018, for the 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$114 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 loan agreement was extended on 20 February 2019 with a repayment date on 14 March 2020.

During the period ended 31 December 2018, a finance costs of HK$9.8 million was recognised by the Company in relation to the two short term loans. The Board considers the above two loan arrangements were conducted on normal commercial terms or better.

For the year ended 31 December 2018, the Group has sold approximately HK$88.66 million and HK$131.76 million lithium-ion batteries to Volvo Car and Zhejiang Geely Components respectively.

CONNECTED TRANSACTIONS — CONTINUED

As such, both Volvo Car and Zhejiang Geely Components are associates of Zhejiang Geely Holding Group Co., Ltd. in accordance with the GEM Listing Rules, and each of them is therefore a connected person of the Company.

Pursuant to GEM Listing Rule 20.54, the Board has engaged the auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed the continuing connected transactions in accordance with GEM Listing Rule 20.54 and issued an unqualified letter containing their findings and conclusions accordingly. The independent non-executive Directors have confirmed the continuing connected transactions in accordance with GEM Listing Rule 20.53.

Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, or on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

In the opinion of the independent non-executive Directors, these transactions entered into by the Group were:

(1) in the ordinary and usual course of its business;

(2) on normal commercial terms or better;

(3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole; and

(4) within the relevant cap amounts as disclosed in previous announcements.

Save as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the GEM Listing Rule.

There was no other connected transaction entered into by the Company during the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Year are set out in Note 35 to the consolidated financial statements and the consolidated statement of changes in equity in page 80 respectively.

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 2018 amounted to approximately HK$1,397,755,000 (2017: HK$1,742,797,000).

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 2018.

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 3.19 to the consolidated financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the five largest customers of the Group accounted for 100% of the Group's total revenue and the five largest suppliers of the Group accounted for 94.7% of the Group's total purchases.

Except as disclosed in the Connected Transactions section under the Directors' Report, 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 2018.

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

During the year ended 31 December 2018, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2018 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
25 March 2019

CORPORATE GOVERNANCE REPORT

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 2018 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, the Vice Chairman and Co-Chief Executive Officer and the Co-Chief Executive Officer who are Executive Directors, 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 Officers 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 2018 and the attendance records of the Directors are as follows:

	AGM	Board Meeting
Executive Director		
He Xuechu *(Chairman)*	1/1	4/4
Liu Jian *(Vice Chairman and Co-chief Executive Officer) (Appointed on 4 June 2018)*	–	1/2
Liu Wei, William *(Co-Chief Executive Officer)*	1/1	4/4
Shi Lixin *(Resigned on 17 April 2018)*	–	1/1
Non-Executive Director		
Yan Weimin	0/1	1/4
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 2018, 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 2018.

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 2018 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 2018 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 70 to 74 of this annual report.

DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia: (i) the general operational and financial condition of the Group; (ii) the latest capital and debt level of the Group; (iii) future cash requirements, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's creditors (if any); (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Dividend Policy will continue to be reviewed by the Board from time to time.

AUDITORS' REMUNERATION

For the year ended 31 December 2018, the Auditors of the Company received approximately HK$2,142,000 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 2017 annual results, 2018 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 2018 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 2018 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 2018 and was attended by all Committee members.

The primary duties of nomination committee is to (i) review the structure, size and composition (including the skills, knowledge, experience, age, gender and length of service) of the Board at least annually; and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy; (ii) consider the selection of Directors; (iii) identify and nominate candidates to the Board for it to recommend to Shareholders for election as Directors. Sufficient biographical details of nominated candidates shall be provided to the Board and Shareholders to enable them to make an informed decision; (iv) consider the skill mix needed in respect of the Directors, and make recommendations to the Board; (v) identify and nominate candidates to fill casual vacancies of Directors for the Board's approval; (vi) assess the independence of Independent Non-executive Directors and review the Independent Non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; (vii) to review annually the time commitment required of directors and to evaluate whether directors have committed adequate time to discharge their responsibilities; (viii) make recommendations to the Board on relevant matters relating to the succession planning for the Chairman, the Chief Executive as well as the senior management; (ix) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and (x) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation. (xi) to review the board diversity policy, as appropriate, to ensure its effectiveness; and review the measurable objectives that the board has set for implementing the board diversity policy and the progress on achieving these objectives.

CORPORATE GOVERNANCE REPORT

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 2018 and 2017 falls within the following band:

	Number of individuals	
	2018	2017 *(Note)*
HK$1,500,001 to HK$2,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
Below HK$1,000,001	**2**	3

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.

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 2018 is set out in the ESG report section in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE 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 2018.

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.

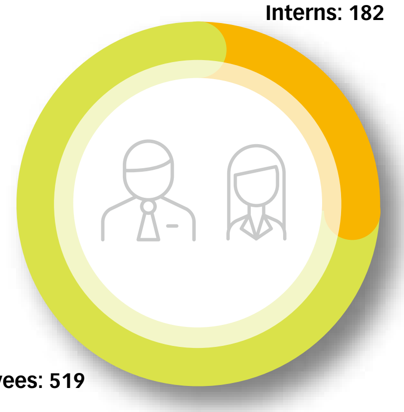
Besides the efforts on creating a good and harmonious workplace for employees, the Group also offers competitive remuneration, training and development opportunities to employees and puts an emphasis on workplace and occupational safety.

LABOUR STRUCTURE

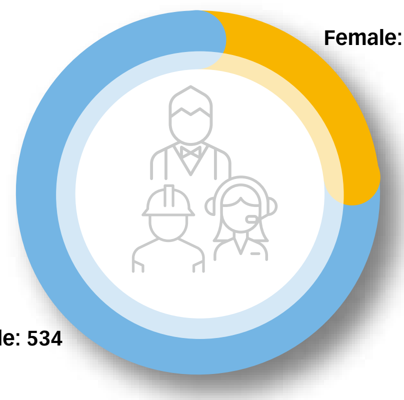
Business units of the Group are geographically located in Shandong and Zhejiang provinces of the PRC and in Sao Paulo and Belo Horizonte of Brazil, while its headquarters is in Hong Kong. As at 31 December 2017 and 2018, the total number of employees of the Group was 522 and 701 respectively with labour structures set out below:

2018

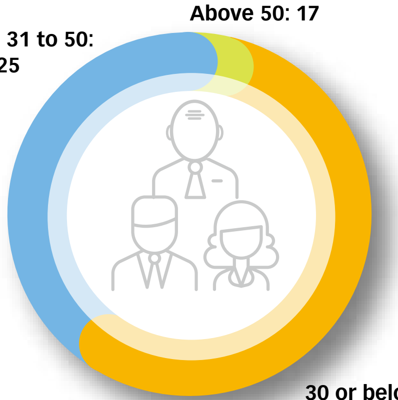
EMPLOYMENT CATEGORY



EMPLOYEES BY GENDER

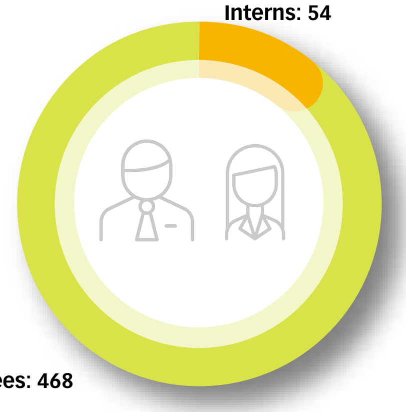


EMPLOYEES AGE GROUP

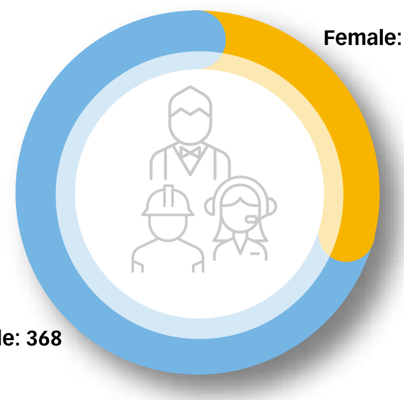


2017

EMPLOYMENT CATEGORY



EMPLOYEES BY GENDER



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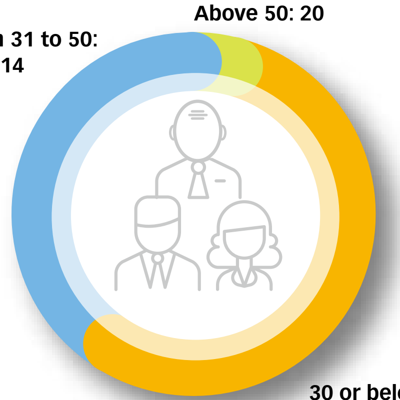

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The number of employees the Group increased significantly because Zhejiang Forever New Energy has been recruiting employees in different positions after the plant entered into mass production.

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, promotion, welfare and retirement 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 2018, the Group initiated "campus recruitment" in the PRC. Zhejiang Forever New Energy has received application from network and onsite universities recruitment, 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 as Lunar New Year and Mid-Autumn Festival, the Group would distribute festive food or gifts to employees in specific regions.

❯ Mid-Autumn Festival Event

❯ Mid-Autumn Festival Group Activities

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 including the Minimum Wage 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

Our company in PRC provides internal and external training and promotion opportunities for employees, providing a good development channel for all employees' career, motivates employees to voluntarily and willingly participate in trainings to improve their overall quality and practical ability and motivates them to actively participate in the Company's initiatives, so as to improve product quality.

Our PRC Company also designed a series of training programmes for the talents from campus recruitment, also known as "Rising Stars". 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.

(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.

To improve the fire safety awareness of the Company's all employees, comprehensively prepare for fire prevention and prevent the occurrence of various accidents, Zhejiang Forever New Energy has organized one fire safety special training event on 22 November 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Zhejiang Forever New Energy invited six governmental departments including Jiangnan Fire Brigade (江南消防大隊), Wucheng Administration of Work Safety (婺城區安監局), Public Security Bureau (公安局派出所), Power Supply Bureau (電力局), 120 Emergency Command Center (120急救中心) and Sanitation Department (環衛處) who dispatched 10 special vehicles and cooperated with them to conduct fire safety drill at South Gate Plaza of the Company where the internal departments played the role as security officers, firefighters and employee representatives with a total of about 200 persons.

Fire Safety Training

Governmental Departments Participating in Training

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.

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 2017 and 2018.

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.

On 10 June 2018, Shandong Forever New Energy participated in the publicity week activities of a theme of "Energy Saving and Consumption Reduction, Fighting for Blue Sky(節能降耗 保衛藍天)" in Zoucheng, which was hosted by several governmental departments and aims to release energy-saving publicity materials, effectively improve the public's awareness of energy conservation and low carbon and create a strong atmosphere of energy conservation and consumption reduction.

Community Activity Participated by Shandong Forever New Energy

Publicity Activity Participated by Zhejiang Forever New Energy

With the theme of "Innovation leading and wisdom lighting up life (創新引領時代，智慧點亮生活)", the Main Venue Activity of 2018 Zhejiang National Science Popularization Day (2018年浙江省全國科普日主會場活動) was held on 14 September. Zhejiang Forever New Energy is also honored to participate in this activity as an exhibitor.

On 24 November 2018, in order to further carry forward the volunteering spirit and jointly create the concept of environmental protection, the volunteers from the Company participated in the public welfare environmental protection activity with the theme of "Environmental Protection Starts from Myself to Create a Green City and Harmonious Homeland (保護環境從我做起，綠色城市和諧家園)" initiated by Jinhua Building Office (金華創建辦), helping to create the desirable green life and clearing the accumulated things in the corridor of the community.

Participating in Community Activity

Group Photo of Participating in Community Activity

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 SAM gives away Christmas presents in the community every year.

Villager visit and gifts distribution

Participating in community activity

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 sent materials and information regarding anti-corruption and anti-money laundering provided by the Hong Kong ICAC to its directors and senior management via E-mail.

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 75 suppliers on the list of qualified suppliers, primarily located in the coastal region. There are 12 suppliers in northern China, and 62 suppliers in southern China and supplier in overses.

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.

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 30 December 2018, the Group was granted 184 patents, among which 178 are utility model patents, 5 appearance design patents and 1 innovation patents. At present, 94 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

The Group understands the importance of environmental protection for promoting sustainable development. The Group's business premises are mainly offices and manufacturing factory plant, of which the main environmental impacts may potentially include greenhouse gases and air pollutant emissions from the electricity, discharge into water during the operations of manufacturing factory plant, solid waste generation as well as electricity and fuel consumption. The Group has formulated targeted environmental management policies for different businesses with reference to national and local environmental laws and regulations, and proactively implemented different environmental measures, endeavoring to reduce the environmental impacts during its operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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. The headquarter in Hong Kong and office in Brazil are for administrative purpose, their emissions data are not material to the Group and Zhejiang and Shandong Forever New Energy's data were included in this "Emissions" section.

Control on wastewater discharge

In April 2018, Shandong Forever New Energy had engaged an environmental monitoring company 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.

Zhejiang Forever New Energy has completed the construction of the sewage station with sewage monitoring equipment. The monitoring networking system started data collection in October 2018. It is currently under certification for emergency cases. In compliance with the Emission Standard of Pollutants for Battery Industry, effluents being discharged by the Company had been transferred through industrial wastewater pipeline to the Jinhua municipal Qiubin sewage treatment plant for centralized 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 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 September 2018, Shandong Forever New Energy engaged an environmental monitoring company 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.

For Zhejiang Forever New Energy, gases being generated will go through "water spraying + UV photolysis + activated carbon" treatment to meet the emission standards. Some of such gases were adsorbed by activated carbon while some were emitted into the atmosphere. The activated carbon would be returned to the manufacturer for recycle and reuse.

Noise emission control

An environmental monitoring company was engaged by the plant to carry out a noise inspection of the plant in April 2018. The inspection results confirmed that the actual testing data met the requirement of the Emission Standard for Industrial Enterprises Noise at Boundary.

At the initial construction stage of Zhejiang Forever New Energy, it has conducted protective treatment on all noise generating parts in the plants in accordance with the Acoustic Environmental Quality Standard (GB3096–2008).

Measures to mitigate emissions

Some measures were implemented by our lithium battery plants 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;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. Our lithium battery plants play an active role in energy conservation and environmental protection, taking energy conservation and emission reduction as its key responsibility. They 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.
- 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.

Greenhouse Gas Emissions:

Key Performance Indicator	Unit	2018	2017
Total Greenhouse gas emissions from indirect emission sources (Note 1)	tonne of CO_2e	**15,800**	3,502

Note:

1. The calculation method of the greenhouse gas emissions was conducted according to "2017 China regional power grid baseline emission factor(中國區域電網基準線排放因數) of emission reduction project" published by the Department of Climate Change of Ministry of Ecology and Environment of the People's Republic of China

Total Volume of Hazardous Wastes Generated:

(only data of Shandong Forever New Energy was shown below as data from the new Zhejiang Forever New Energy lithium battery plant was not yet available.)

Key Performance Indicator	Unit	2018	2017
NMHC	kg	**68.88**	5.24
Density of NMHC	kg/KWH	**0.0052**	0.00058
Suspended Particulate	kg	**97.25**	5.50
Density of suspended particulate	kg/KWH	**0.0073**	0.00061

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total Volume of Non-Hazardous Wastes Generated:

(Only date of Shandong Forever New Energy was shown below as data from the new Zhejiang Forever New Energy lithium battery plant was not yet available.)

Key Performance Indicator	Unit	2018	2017
Wastewater Discharge Volume	m^3	**26,710**	1,566
Scrap Electrode	tonne	**7.15**	7.33
Packaging Material of Bonding Agent PVDF	tonne	**0.32**	0.21
Packaging Pails of NMP	tonne	**1.84**	0.25
Packaging Pails of Electrolyte	tonne	**7.09**	1.56
Waste Activated Carbon	tonne	**0**	0.15
Domestic Refuse	tonne	**40.5**	40

Water and Energy Consumptions:

Key Performance Indicator	Unit	2018	2017
Electricity Consumption	KWH	**18,539,070**	3,961,300
Density of electricity consumption:	KWH/KWH (batteries produced)		
— Shandong Forever New Energy		**412.88**	439.33
— Zhejiang Forever New Energy		**139.02**	N/A
Total Volume of Water Usage	m^3	**131,463**	6,783
Density of total volume of water usage:	m^3/KWH		
— Shandong Forever New Energy		**2.58**	0.75
— Zhejiang Forever New Energy		**1.03**	N/A

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. In addition, our Shandong facilities carried out centralized and regionalized greening around the facilities and alongside the roads of facilities so as to solidify the water and soil, beautify environment, prevent dust and reduce the impact of waste gases and noise on the office areas and surrounding areas, with the greening areas of 5,328m^2. The Company obtained the ISO14001 System certification in 2015 and passed the review on the ISO14001 in 2018. The storage management and safety warning signs of hazardous chemicals in warehouses was also standardized; the fire sand was added and explosion-proof axial flow fan was installed; chemicals were stored separately and protective barriers were installed, therefore reducing the accumulation of chemical gases in the warehouses and the identification of environmental factors and hazard sources being elaborated.

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.

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 2017 and 2018, 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

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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 75 to 156, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 2018, before current year's impairment assessment, the Group had exploration and evaluation assets with carrying amount of HK$3,519 million operated by Sul Americana de Metais S.A. ("SAM"), a subsidiary of the Group, and for the year then ended.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS — CONTINUED

Following a review of the business, the outlook of the industry in Brazil and SAM's operating plans, management reversed impairment loss of HK$2,166 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.

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 2018, before current year's impairment assessment, the Group had property, plant and equipment with an aggregate carrying value of HK$547 million and prepaid land lease payments of HK$83 million relating to the lithium battery production business. This business incurred loss 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 that impairment loss of HK$1,047,000 on property, plant and equipment was recognised to reduce the carrying values of the relevant assets of the lithium battery business to their estimated recoverable values.

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.

INDEPENDENT AUDITOR'S REPORT

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.

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

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.

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

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, 25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	238,610	17,476
Cost of sales		(286,161)	(17,756)
Gross loss		(47,551)	(280)
Other operating income	7	38,267	144,403
Selling and distribution costs		(3,108)	(3,187)
Administrative expenses		(132,762)	(114,701)
Other operating expenses	9	(25,414)	(7,910)
Reverse of impairment of exploration and evaluation assets	15	2,165,938	1,131,284
Impairment of trade receivables	21	(38,656)	–
Impairment of prepayments, deposits and other receivables	22	(357,401)	–
Impairment of other intangible assets	17	–	(60,003)
Impairment of property, plant and equipment	14	(1,047)	(50,368)
Fair value gain on derivative financial liabilities	29	–	58,164
Gain/(Loss) on changes in fair value of contingent consideration payables	38	2,584	(5,993)
Finance costs	8	(9,778)	(68,535)
Profit before income tax	9	1,591,072	1,022,874
Income tax expense	10	(736,419)	(366,900)
Profit for the year		854,653	655,974
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(400,213)	30,324
Other comprehensive income for the year, net of tax		(400,213)	30,324
Total comprehensive income for the year		454,440	686,298
Profit for the year attributable to:			
Owners of the Company		974,477	676,063
Non–controlling interests		(119,824)	(20,089)
		854,653	655,974
Total comprehensive income attributable to:			
Owners of the Company		574,756	697,825
Non–controlling interests		(120,316)	(11,527)
		454,440	686,298
Earnings per share	11		
— Basic		10.01 cents	8.41 cents
— Diluted		10.01 cents	7.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	546,999	411,493
Exploration and evaluation assets	15	5,684,855	4,103,876
Prepaid land lease payments	16	82,630	88,965
Other intangible assets	17	–	–
Goodwill	18	–	–
Amount due from non-controlling interest of a subsidiary	19	298,720	285,632
		6,613,204	4,889,966
Current assets			
Inventories	20	154,136	28,549
Trade and bill receivables	21	116,586	30,224
Prepayments, deposits and other receivables	22	206,967	625,145
Financial assets at fair value through profit or loss	23	–	1,985
Tax recoverable		185	110
Restricted bank deposits	24	26,019	15,978
Cash and cash equivalents	24	577,259	583,492
Total current assets		1,081,152	1,285,483
Current liabilities			
Trade and bill payables	25	306,420	28,592
Other payables, accrued expenses, deposits received and receipts in advance	26	146,169	77,715
Borrowings	27	455,366	240,143
Convertible bonds	29	–	–
Total current liabilities		907,955	346,450
Net current assets		173,197	939,033
Total assets less current liabilities		6,786,401	5,828,999
Non-current liabilities			
Borrowings	27	113,842	120,072
Deferred income	28	1,253	1,542
Deferred tax liabilities	30	1,819,051	1,284,348
Contingent consideration payables	38	156,496	159,080
		2,090,642	1,565,042
Net assets		4,695,759	4,263,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	31	**9,855**	9,855
Reserves	35	**4,505,575**	3,955,666
		4,515,430	3,965,521
Non–controlling interests		**180,329**	298,436
Total equity		**4,695,759**	4,263,957

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Cash flows from operating activities			
Profit before income tax		**1,591,072**	1,022,874
Adjustments for:			
Depreciation of property, plant and equipment	14	**24,892**	8,453
Amortisation of prepaid land lease payments	16	**1,884**	1,833
Amortisation of other intangible assets	17	**–**	10,177
Reverse of impairment of exploration and evaluation assets	15	**(2,165,938)**	(1,131,284)
Impairment of trade and bills receivable	21	**38,656**	–
Impairment of other intangible assets	17	**–**	60,003
Impairment of property, plant and equipment	14	**1,047**	50,368
Impairment of prepayments, deposits and other receivables	22	**357,401**	–
Write-down of inventories	9	**25,894**	7,959
Interest expense on bank and other borrowings	8	**9,778**	860
Imputed interest expense on convertible bonds	8	**–**	67,675
Fair value gain on derivative financial liabilities	29	**–**	(58,164)
(Gain)/Loss on changes in fair value and terms of contingent consideration payables	38	**(2,584)**	5,993
Bank interest income	7	**(5,454)**	(6,287)
Interest income from loan receivable	7	**(14,176)**	(16,202)
Imputed interest income of amounts due from non–controlling interests of a subsidiary	7	**(13,088)**	(13,087)
Gain on disposals of property, plant and equipment		**(20)**	–
Loss on written off of property, plant and equipment	14	**7**	–
Government grant	28	**(217)**	(103,760)
Gain on financial assets at fair value through profit or loss	9	**(480)**	(49)
Operating loss before working capital changes		**(151,326)**	(92,638)
(Increase)/decrease in inventories		**(158,096)**	12,131
(Increase)/decrease in trade and bill receivables		**(131,973)**	46,484
Decrease/(increase) in prepayments, deposits and other receivables		**5,452**	(63,475)
Increase/(decrease) in trade and bill payables		**290,781**	(4,792)
Increase in other payables, accrued expenses and receipts in advance		**75,849**	36,832
Change in financial assets through profit or loss		**2,465**	–
Cash used in operations		**(66,848)**	(65,458)
Income tax (paid)/refunded		**(96)**	1,032
Net cash used in operating activities		**(66,944)**	(64,426)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Interest received	7	5,454	6,287
Principal and interest of loan receivable received	22	41,278	16,202
Purchases of property, plant and equipment	14	(189,275)	(341,851)
Additions of exploration and evaluation assets	15	(8,323)	(3,201)
Proceeds from disposals of property, plant and equipment		20	189
Increase in restricted bank deposits		(11,316)	(12,611)
Net cash used in investing activities		(162,162)	(334,985)
Cash flows from financing activities			
Interest paid on other borrowings		(9,778)	(860)
Drawdown of borrowings		237,026	240,152
Repayments of borrowings		–	(11,206)
Capital contribution from non–controlling interests		3,161	87,500
Shares repurchased and cancelled		–	(11,705)
Net cash generated from financing activities		230,409	303,881
Increase/(decrease) in cash and cash equivalents		1,303	(95,530)
Cash and cash equivalents at 1 January		583,492	669,052
Effect of foreign exchange rate changes		(7,536)	9,970
Cash and cash equivalents at 31 December		577,259	583,492
Analysis of cash and cash equivalents			
Cash at banks and in hand		577,259	583,492

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to the owners of the Company								Non-controlling interests	Total equity
	Notes	Share capital HK$'000	Share premium* HK$'000	Treasury shares reserve* HK$'000	Share-based payment reserve* HK$'000	Translation reserve* HK$'000	Convertible bond equity reserve* HK$'000	Retained earnings* HK$'000	Total HK$'000	HK$'000	HK$'000
At 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	31	2,000	948,078	–	–	–	(258,836)	–	691,242	–	691,242
Shares repurchased and cancelled	31	(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
At 1 January 2018 as originally presented		9,855	3,563,686	(142,864)	136,741	(4,511,262)	–	4,909,365	3,965,521	298,436	4,263,957
Initial application of HKFRS 9	2	–	–	–	–	–	–	(24,847)	(24,847)	(952)	(25,799)
At 1 January 2018 as restated		9,855	3,563,686	(142,864)	136,741	(4,511,262)	–	4,884,518	3,940,674	297,484	4,238,158
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	3,161	3,161
Share options expired	32	–	–	–	(124,571)	–	–	124,571	–	–	–
Transactions with owners		–	–	–	(124,571)	–	–	124,571	–	3,161	3,161
Profit for the year		–	–	–	–	–	–	974,477	974,477	(119,824)	854,653
Other comprehensive income											
Currency translation		–	–	–	–	(399,721)	–	–	(399,721)	(492)	(400,213)
Total comprehensive income		–	–	–	–	(399,721)	–	974,477	574,756	(120,316)	454,440
At 31 December 2018		9,855	3,563,686	(142,864)	12,170	(4,910,983)	–	5,983,566	4,515,430	180,329	4,695,759

* The aggregate amount of these balances of approximately HK$4,505,575,000 (2017: HK$3,955,666,000) 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 Growth Enterprise Market 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 34. 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 75 to 156 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 as follows.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.1 Adoption of new or amended HKFRSs — Continued

Except as explained below, the adoption of these new or amended HKFRSs did not result in material changes to the Group's accounting policies.

HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings and non-controlling interests ("NCI") as of 1 January 2018 as follows (increase/(decrease)):

	Retained earnings *HK$'000*	NCI *HK$'000*
As at 31 December 2017	4,909,365	298,436
Increase in expected credit losses ("ECLs") in trade and other receivables (note (ii) below)	(24,847)	(952)
Restated as at 1 January 2018	4,884,518	297,484

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, 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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.1 Adoption of new or amended HKFRSs — Continued

HKFRS 9 — Financial Instruments — Continued

(i) Classification and measurement of financial instruments — Continued

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.1 Adoption of new or amended HKFRSs — Continued

HKFRS 9 — Financial Instruments — Continued

(i) Classification and measurement of financial instruments — Continued

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The ECLs are based on the 12–months ECLs. The 12–months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.1 Adoption of new or amended HKFRSs — Continued

HKFRS 9 — Financial Instruments — Continued

(ii) Impairment of financial assets — Continued

Measurement of ECLs — Continued

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	Current	1–90 days past due	91–180 days past due	181–365 days past due	Over 1 year past due	Total
Expected credit loss rate (%)	0.5	1.19	2.09	4.21	16.16	
Gross carrying amount (HK$'000)	5,458	–	5,846	12,482	6,438	30,224
Loss allowance (HK$'000)	27	–	122	525	1,040	1,714

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$1,714,000. The loss allowances further increased for HK$38,656,000 for trade receivables, recognised in profit or loss during the year ended 31 December 2018.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group includes other receivables. Applying the ECL model result in the recognition of ECL of HK$24,085,000 on 1 January 2018 and a further ECL of HK$357,401,000, recognised in profit or loss for the year ended 31 December 2018.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

2.1 Adoption of new or amended HKFRSs — Continued

HKFRS 9 — Financial Instruments — Continued

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held; and

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The adoption of HKFRS 15 does not have a material impact on the amounts reported to the consolidated financial statements of the Group based on the existing business model of the Group.

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

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 adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

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.

HKFRS 16	Leases[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1 and HKAS 8	Definition of a Material[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The directors of the Company 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.

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 16 — Leases

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 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.

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating lease of HK$10,815,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

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.

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 3 — Definition of a Business

The amendments revise the definition of a business and provide a simplified assessment of whether an acquired set of activities and assets qualifies as a business. Application of the amendments are expected to result in fewer acquisitions qualifying as business combinations. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8

The amendments update the definition of material. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

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.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

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

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.2 Business combination and basis of consolidation — Continued

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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

Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.5 Revenue recognition — Continued

Accounting policies applied from 1 January 2018 — Continued

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Sale of goods is recognised at a point in time when the goods are transferred and the customer has received the goods, since only by the time the Group has a present right to payment for the goods delivered. There is generally only one performance obligation. Invoices are usually payable within 180 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer. In determining the transaction price, the Group measured at the fair value of the consideration received or receivable, net of value added tax ("VAT"), rebates and discounts.

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

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities:

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date then the Group recognises a contract liability for the difference.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.5 Revenue recognition — Continued

Accounting policies applied until 31 December 2017

Revenue comprises the fair value for the sale of goods, net of value added tax ("VAT"), 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.

3.6 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.7 Property, plant and equipment — Continued

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.

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. Patents and customers relationship are fully impaired during the year ended 31 December 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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

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.

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.10 Exploration and evaluation assets — Continued

(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.

3.11 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 instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments (accounting policies applied from 1 January 2018) — Continued

(i) Financial assets — Continued

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments (accounting policies applied from 1 January 2018) — Continued

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12–months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments (accounting policies applied from 1 January 2018) — Continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings and finance lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises 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 derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.13 Financial instruments (accounting policies applied until 31 December 2017)

(i) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.13 Financial instruments (accounting policies applied until 31 December 2017) — Continued

(i) Financial assets — Continued

Impairment of financial assets — Continued

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.

(ii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.13 Financial instruments (accounting policies applied until 31 December 2017) — Continued

(ii) Financial liabilities — Continued

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.13 Financial instruments (accounting policies applied until 31 December 2017) — Continued

(ii) Financial liabilities — Continued

Convertible bonds that contain an equity component — Continued

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.

(iii) Equity instruments

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.

3.14 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

3.15 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.

3.16 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 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.

3.18 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.18 Accounting for income taxes — Continued

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.

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.

3.19 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.19 Retirement benefit costs and short-term employee benefits — Continued

Defined contribution plan — Continued

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.

3.20 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.20 Share-based payments — Continued

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.

3.21 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.

3.22 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.22 Provisions and contingent liabilities — Continued

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.

3.23 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.24 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.

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

The impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting period.

(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.

(iv) Depreciation and amortisation

The Group depreciates/amortises its property, plant and equipment and prepaid land lease payments in accordance with the accounting policies stated in notes 3.7 and 3.8 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(v) Fair value of contingent consideration payables

Where the fair value of contingent consideration payables recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques. 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 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 contingent consideration payables.

5. REVENUE

Revenue represents total invoiced value of goods supplied. The amounts of each significant category of revenue recognised in revenue during the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Sale of lithium batteries	**238,610**	17,476

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.

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 2018			
Reportable segment revenue (external customers)	–	238,610	238,610
Reportable segment profit/(losses)	2,148,171	(201,415)	1,946,756
Reportable segment assets	5,693,687	1,479,125	7,172,812
Reportable segment liabilities	165,536	1,010,514	1,176,050
Capital expenditure	8,353	189,233	197,586
Reverse of impairment of exploration and evaluation assets	(2,165,938)	–	(2,165,938)
Impairment of property, plant and equipment	–	1,047	1,047
Impairment of trade receivables	–	38,656	38,656
Interest income	(758)	(1,781)	(2,539)
Interest expense	–	9,778	9,778
Depreciation	170	24,472	24,642
Amortisation charge	–	1,884	1,884
Write-down of inventories	–	25,894	25,894
Year ended 31 December 2017			
Reportable segment revenue (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	3,203	341,849	345,052
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

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:

	2018 HK$'000	2017 HK$'000
Reportable segment revenue	238,610	17,476
Reportable segment profit	1,946,756	1,034,493
Other operating income	17,839	20,983
Administrative expenses	(19,186)	(17,147)
Impairment on prepayments, deposits and other receivables	(357,401)	–
Fair value gain on derivative financial liabilities	–	58,164
Fair value gain/(loss) on contingent consideration payables	2,584	(5,993)
Gain on financial assets at fair value through profit or loss	480	49
Finance costs	–	(67,675)
Profit before income tax	1,591,072	1,022,874
Reportable segment assets	7,172,812	5,194,815
Property, plant and equipment	389	627
Prepayments, deposits and other receivables	135,232	543,664
Financial assets at fair value through profit or loss	–	1,985
Cash and cash equivalents	385,923	434,358
	7,694,356	6,175,449
Reportable segment liabilities	1,176,050	623,708
Other payables and accrued expenses	3,496	3,436
Deferred tax liabilities	1,819,051	1,284,348
	2,998,597	1,911,492

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

	2018 HK$'000	2017 HK$'000
Revenue from external customers		
PRC	233,752	17,476
Belgium	3,920	–
Sweden	938	–
Reportable segment revenue	238,610	17,476
Non-current assets (excluding amount due from non-controlling interest of a subsidiary)		
Hong Kong	389	627
PRC	628,816	499,201
Brazil	5,685,279	4,104,506
Reportable segment non-current assets	6,314,484	4,604,334

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 2018, over 92% (2017: 91%) of the Group's revenue was derived from 2 major customers (2017: 2) in lithium battery production segment and revenue generated from these customers are HK$131,761,000 and HK$88,661,000 respectively (2017: HK$13,710,000 and HK$2,209,000 respectively).

7. OTHER OPERATING INCOME

	2018 ***HK$'000***	2017 *HK$'000*
Bank Interest income	**5,454**	6,287
Government grant *(note 28)*	**217**	103,760
Rental income	**744**	633
Sundry income	**4,568**	4,434
Interest income from loan receivable	**14,176**	16,202
Gain on disposal of property, plant and equipment	**20**	–
Imputed interest income of amounts due from non-controlling interests *(note 19)*	**13,088**	13,087
	38,267	144,403

8. FINANCE COSTS

	2018 ***HK$'000***	2017 *HK$'000*
Interest charges on bank and other borrowings wholly repayable within five years	**9,778**	860
Imputed interest on convertible bonds *(note 29)*	**–**	67,675
	9,778	68,535

9. PROFIT BEFORE INCOME TAX

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

	2018 **HK$'000**	2017 HK$'000
Auditor's remuneration	**2,142**	2,100
Cost of inventories recognised as cost of sales	**286,161**	17,756
Depreciation	**24,892**	8,453
Amortisation of prepaid land lease payments	**1,884**	1,833
Amortisation of other intangible assets, included in administrative expense	**–**	10,177
Minimum lease payments paid under operating leases in respect of rental premises	**4,070**	4,103
Net foreign exchange loss/(gain)	**337**	(146)
Research and development costs	**59,000**	36,059
Gain on disposal of property, plant and equipment	**(20)**	–
Property, plant and equipment written off	**7**	–
Other operating expenses:		
— Write-down of inventories	**25,894**	7,959
— Gain on financial assets at fair value through profit or loss	**(480)**	(49)
	25,414	7,910

10. INCOME TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
Overseas tax		
Current year	**–**	–
Under provision in respect of prior years	**–**	814
Deferred tax *(note 30)*	**736,419**	366,086
Income tax expense	**736,419**	366,900

During the years ended 31 December 2018 and 31 December 2017, 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 (2017: except that Shandong Forever was granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2015. It was subject to income tax rate of 15%).

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For the year ended 31 December 2018

10. INCOME TAX EXPENSE — CONTINUED

During the year, corporate income tax rates in Brazil of 34% (2017: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2018 ***HK$'000***	2017 *HK$'000*
Profit before income tax	**1,591,072**	1,022,874
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**621,323**	363,303
Tax effect of non-deductible expenses	**76,698**	21,718
Tax effect of non-taxable revenue	**(6,539)**	(34,698)
Tax effect of tax losses not recognised	**44,911**	15,741
Tax effect on temporary difference not recognised	**26**	22
Under provision in respect of prior years	**–**	814
Income tax expense	**736,419**	366,900

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$974,477,000 (2017: HK$676,063,000) and weighted average of 9,737,434,000 (2017: 8,042,284,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

For the year ended 31 December 2018, the calculation of diluted earnings per share attributable to the owners of the Company was based on the following data:

	2018 ***HK$'000***	2017 *HK$'000*
Earnings for the purposes of basic earnings per share	**974,477**	676,063
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**–**	67,675
Fair value gain on derivative financial liabilities	**–**	(58,164)
Earnings for the purposes of diluted earnings per share	**974,477**	685,574

11. EARNINGS PER SHARE — CONTINUED

Number of shares	2018 '000	2017 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,737,434	8,042,284
Effect of dilutive potential ordinary shares:		
— share option	1,195	543
— convertible loan notes	–	1,701,918
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,738,629	9,744,745

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK$'000	2017 HK$'000
Wages and salaries	73,014	55,365
Contribution to defined contribution plans	5,651	3,370
	78,665	58,735

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

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	7,105	7,573
Contribution to defined contribution plans	72	72
	7,177	7,645

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 2018				
Executive directors				
HE Xuechu	1,902	–	18	1,920
LIU Wei, William	1,766	–	18	1,784
LIU Jian (appointed on 4 June 2018)	–	–	–	–
SHI Lixin (resigned on 17 April 2018)	–	456	–	456
Non-executive directors				
YAN Weimin	–	–	–	–
ANG Siu Lun, Lawrence	–	–	–	–
Independent non-executive directors				
CHAN Chun Wai, Tony	251	–	–	251
MA Gang	251	–	–	251
HA Chun	251	–	–	251
	4,421	456	36	4,913

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 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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: 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 two (2017: three) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2017: two) individual during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,733	2,767
Contribution to defined contribution plans	36	18
	3,769	2,785

The emoluments fell within the following bands:

	Number of individual	
	2018	2017
Emolument bands		
HK$1,500,001 — HK$2,000,000	1	1
Nil — HK$1,500,000	2	1
	3	2

During the year, no emoluments were paid by the Group to the directors or the three (2017: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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 2017									
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
Year ended 31 December 2018									
Opening net book amount	127	–	–	1,860	1,354	795	69	407,288	411,493
Additions	–	18,387	–	55,969	4,703	565	109	109,542	189,275
Transfers	–	97,009	–	306,621	–	–	–	(403,630)	–
Written off	–	–	–	–	(7)	–	–	–	(7)
Disposals	–	–	–	–	–	–	–	–	–
Depreciation	–	(1,843)	–	(22,003)	(706)	(299)	(41)	–	(24,892)
Impairment	–	(348)	–	(525)	(22)	(152)	–	–	(1,047)
Exchange realignment	(18)	(4,463)	–	(13,535)	(260)	(29)	23	(9,541)	(27,823)
Closing net book amount	109	108,742	–	328,387	5,062	880	160	103,659	546,999
At 31 December 2018									
Cost	109	154,334	2,896	439,374	8,962	2,172	1,292	103,659	712,798
Accumulated depreciation and impairment	–	(45,592)	(2,896)	(110,987)	(3,900)	(1,292)	(1,132)	–	(165,799)
Net book amount	109	108,742	–	328,387	5,062	880	160	103,659	546,999

Note: The Group's land held as at 31 December 2018 and 2017, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2018 and 2017 are situated in the PRC and held under medium term leases.

During the year, the directors of the Company reviewed the carrying amount of property, plant and equipment, impairment loss of HK$1,047,000 (2017: HK$50,368,000) 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

	2018 **HK$'000**	2017 HK$'000
At 1 January		
Cost	**10,918,374**	10,705,546
Accumulated impairment	**(6,814,498)**	(7,757,582)
Net book amount	**4,103,876**	2,947,964
For the year ended 31 December		
Opening net book amount	**4,103,876**	2,947,964
Additions	**8,323**	3,201
Exchange realignments	**(593,282)**	21,427
Reverse of impairment	**2,165,938**	1,131,284
Net book amount	**5,684,855**	4,103,876
At 31 December		
Cost	**9,348,922**	10,918,374
Accumulated impairment	**(3,664,067)**	(6,814,498)
Net book amount	**5,684,855**	4,103,876

As at 31 December 2018 and 2017, 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$2,165,938,000 (2017: HK$1,131,284,000) 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 (1) increase in the iron ore price during the year and (2) the Group changed its mining plan which revised the mining pattern, operating costs and capital expenditures of the mining plan.

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

Assumptions and parameters of the valuation as at 31 December 2018 are as follows:

Approval of all required licenses	The end of 2021 (2017: The end of 2020)
Commencement of production	2025 (2017: 2024)
Annual production capacity	27.5 million tonnes (2017: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2017: 3,583 million tonnes) (16.63%)
	Indicated resources of 1,556 million tonnes (2017: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US$84–US$113 per tonnes (2017: US$76–US$102 per tonnes)
Operating costs:	
— First 18 years of mining	US$34.9 per tonnes (2017: US$31.4 per tonnes)
— Remaining period of mining	US$43.5 per tonnes (2017: US$42.2 per tonnes)
Income tax rate	11–15% for the first ten years of operation 34% afterwards (2017: same term)
Capital expenditures:	
— Construction of infrastructure	US$2,000 million (2017: US$2,999 million)
Discount rate	20.46% (2017: 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.

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16. PREPAID LAND LEASE PAYMENTS

	2018 *HK$'000*	2017 *HK$'000*
At 1 January		
Cost	**93,555**	87,685
Accumulated amortisation	**(4,590)**	(2,757)
Net book amount	**88,965**	84,928
For the year ended 31 December		
Opening net book amount	**88,965**	84,928
Amortisation	**(1,884)**	(1,833)
Exchange realignment	**(4,451)**	5,870
Net book amount	**82,630**	88,965
At 31 December		
Cost	**92,248**	93,555
Accumulated amortisation	**(9,618)**	(4,590)
Net book amount	**82,630**	88,965

Prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC.

17. OTHER INTANGIBLE ASSETS

	Patents *HK$'000*	Customers relationship *HK$'000*	Total *HK$'000*
At 1 January 2017			
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	–	–	–
At 31 December 2018			
Cost	**330,823**	**10,560**	**341,383**
Accumulated amortisation and impairment	**(330,823)**	**(10,560)**	**(341,383)**
Net book amount	**–**	**–**	**–**

Patent and customers relationship were fully impaired during the year ended 31 December 2017. The details of the impairment assessment were stated in note 18.

18. GOODWILL

As at 31 December 2018 and 2017, 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. The net carrying amount of goodwill can be analysed as follows:

	2018 *HK$'000*	2017 *HK$'000*
At 1 January		
Gross carrying amount	**177,404**	165,569
Accumulated impairment	**(177,404)**	(165,569)
Net carrying amount	**–**	–
At 31 December		
Gross carrying amount	**168,202**	177,404
Accumulated impairment	**(168,202)**	(177,404)
Net carrying amount	**–**	–

As at 31 December 2018 and 2017, goodwill allocated to the CGU of lithium battery production segment by Shandong Forever 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, prepaid land lease payments of HK$48,765,000, other intangible assets of HK$60,003,000 (before impairment for the year ended 31 December 2017).

The recoverable amount for this CGU was 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 19.75% per annum, which reflects specific risks relating to the relevant CGU.

The key assumptions for the fair value less cost of disposal calculation were 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 and HK$60,003,000 on property, plant and equipment and other intangible assets that relates to this CGU, respectively, had been recognised in the profit or loss for the year ended 31 December 2017. 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.

As at 31 December 2018, impairment loss of HK$1,047,000 on property, plant and equipment, relates to CGU of lithium battery production segment by Shandong Forever, had been recognised in the profit or loss for the year.

19. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY

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 2018 and 2017, in the opinion of directors, the unpaid capital contribution will 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.

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

	2018 ***HK$'000***	2017 *HK$'000*
At 1 January	**285,632**	272,545
Imputed interest income	**13,088**	13,087
At 31 December	**298,720**	285,632

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

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	94,511	7,054
Work-in-progress	1,094	8,332
Finished goods	93,230	23,441
	188,835	38,827
Less: Write-down of inventories	(34,699)	(10,278)
	154,136	28,549

The Directors have assessed the net realisable values and condition of the Group's inventories as at 31 December 2018 and considered a write-down of inventories of HK$25,894,000 (2017: HK$7,959,000) be made in the consolidated statement of profit or loss and other comprehensive income.

21. TRADE AND BILL RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables — Gross	154,858	29,383
Less: Impairment losses	(38,841)	–
Trade receivables — Net	116,017	29,383
Bill receivables	569	841
Trade and bill receivables	116,586	30,224

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 (2017: 0 day to 180 days) to its trade customers.

The following is ageing analysis of gross trade and bill receivables at the reporting date:

	2018 HK$'000	2017 HK$'000
0 — 30 days	88,557	5,458
31 — 90 days	19,379	–
91 to 180 days	3,802	5,846
Over 180 days	43,689	18,920
	155,427	30,224

21. TRADE AND BILL RECEIVABLES — CONTINUED

Movement in the loss allowance account in respect of trade and bill receivables during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January (upon initial adoption of HKFRS9 *(note 2)*)	**1,714**	–
Impairment losses recognised during the year	**38,656**	–
Exchange alignment	**(1,529)**	–
At 31 December	**38,841**	–

The Group recognised provision for impairment of trade receivables based on the accounting policy stated in Notes 3.12 and 3.13.

A provision of HK$38,656,000 (2017: Nil) was made against the gross amounts of trade receivables during the year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 41.

As at 31 December 2018 and 2017, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Deposits	**2,668**	650
Loan and interest receivable (note)	**134,216**	542,804
Prepayments	**–**	1,186
VAT receivables	**64,372**	73,237
Other receivables	**2,069**	1,756
Advances to suppliers	**3,642**	5,512
	206,967	625,145

Note: 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.

During the year ended 31 December 2017, the borrower exercised its option to extend the loan receivable for further twelve months and since then, loan receivables of HK$251.1 million and HK$288.9 million were repayable on 21 April 2018 and 11 May 2018 respectively. As at 31 December 2017, this loan receivable was repayable within one year and accordingly, it was classified as current assets.

During the year, the borrower has defaulted in repaying the full amount of the loan receivables and the outstanding accrued interests. A default interest rate of 6% per annum was applied. The directors of the Company considered the possibility of realising the loan receivables and the fair values of the underlying securities of the loan receivables, which mainly comprising 24.98% equity interests of Yuxing Infotech Investment Holdings Limited, a company listed on the GEM, impairment loss of HK$357,401,000 was recognised in profit or loss during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — CONTINUED

The movement of loan and interest receivable during the year is as follows:

	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Amortised cost *HK$'000*
Balance at 1 January 2018	542,804	–	542,804
Initial application of HKFRS 9 *(note 2)*	–	(24,085)	(24,085)
Interest income *(note 7)*	14,176	–	14,176
Impairment loss	–	(357,401)	(357,401)
Unwinding of discount on present value of expected credit losses	12,917	(12,917)	–
Repayments	(41,278)	–	(41,278)
Balance at 31 December 2018	**528,619**	**(394,403)**	**134,216**

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *HK$'000*	2017 *HK$'000*
Listed equity investments, at market value, in Hong Kong — held for trading	–	1,985

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 2018 and 2017 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 2018, the Group had restricted bank deposits amounting to approximately HK$26,019,000 (2017: HK$15,978,000)

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

As at 31 December 2018, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$209,565,000 (2017: HK$148,950,000), 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

	2018 *HK$'000*	2017 *HK$'000*
Trade payables	280,401	18,618
Bill payables	26,019	9,974
	306,420	28,592

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:

	2018 *HK$'000*	2017 *HK$'000*
0 — 30 days	245,642	788
31 — 60 days	20,198	292
61 — 90 days	6,331	3,244
91 — 180 days	25,252	9,790
Over 180 days	8,997	14,478
	306,420	28,592

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

	2018 *HK$'000*	2017 *HK$'000*
Payables for construction in progress	–	32,770
Other payables	134,187	23,092
Accrued expenses	11,372	6,928
Contract liabilities/Receipts in advance *(Note)*	576	235
Deposits received	34	14,690
	146,169	77,715

Included in other payables, there are amount due to non-controlling interests of a subsidiary of HK$54,644,000 (2017: Nil), which is unsecured, interest-free and repayable on demand.

Note: Upon the adoption of HKFRS 15, amounts previously included as "receipts in advance" have been accounted for as "contract liabilities". The Group received certain percentage of deposit on sales of goods as a contract liability until such time as the sales were completed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Government loans *(Note (a))*	**341,525**	240,143
Other loans *(Note (b))*	**227,683**	120,072
	569,208	360,215
Represented by:		
Current liabilities	**455,366**	240,143
Non-current liabilities	**113,842**	120,072
	569,208	360,215

Note:

(a) 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.

As at 31 December 2017, there were outstanding government loans of RMB200 million in which government loans of RMB100 million and RMB100 million were repayable on 18 January 2018 and 21 May 2019 respectively. Accordingly, government loan of RMB100 million was classified as current liabilities as at 31 December 2017 as it was repayable within twelve months from the reporting period while another government loan of RMB100 million was classified as non-current liabilities as at 31 December 2017 as it was not repayable within twelve months from the reporting period.

As at 31 December 2018, there were outstanding government loans of RMB300 million in which government loans of RMB100 million, RMB100 million and RMB100 million were repayable on 18 January 2018, 21 May 2019 and 26 July 2020 respectively. Accordingly, government loan of RMB200 million and RMB100 million was classified as current liabilities and non-current liabilities as at 31 December 2018 respectively as it was repayable within twelve months from the reporting period and over one year from the reporting period.

According to the agreement with the local government in the PRC, the local government will provide government grant of RMB300 million to the Group after the commencement of production of the manufacturing factory and these grant is solely used for the repayment of government loan. If there is any delay in the distribution of government grant, the Group can repay overdue government loan once the related government grant is received.

(b) One of the loans from Zhejiang Geely Holding Group Co., Ltd. of RMB100 million was granted to the Group in 2017 at 4.35% is unsecured, interest bearing at 4.35% per annum and repayable within one year from the withdrawal date. During the year, the loan is extended to 20 May 2019. Another loan from Zhejiang Geely Holding Group Co. Ltd. of RMB100 million is granted to the Group during the year. This loan is unsecured, interest bearing of 4.75% per annum and repayable within one year from the withdrawal date. All these loans are repayable within twelve months from the reporting period and classified as current liabilities accordingly.

28. DEFERRED INCOME

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**1,542**	95,708
Exchange realignment	**(72)**	9,594
Government grant income recognised for the year	**(217)**	(103,760)
At 31 December	**1,253**	1,542

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 3.17.

For the year ended 31 December 2017, in view of the full impairment of property, plant and equipment (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.

29. 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.

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.

During the year ended 31 December 2017, the convertible bonds were fully converted into 2,000,000,000 ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. CONVERTIBLE BONDS — CONTINUED

Movements of the convertible bonds liability component and derivative component in the consolidated statement of financial position for the year ended of 31 December 2017 were as follows:

	Liability *HK$'000*	Derivative *HK$'000*
At 1 January 2017	623,433	58,297
Imputed interest expenses (note 8)	67,675	–
Fair value gain recognised in profit or loss	–	(58,164)
Conversion rights exercised	(691,108)	(133)
At 31 December 2017	–	–

30. DEFERRED TAX LIABILITIES

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 2017	892,425	449	17,405	910,279
Credited to profit or loss	384,637	(449)	(18,102)	366,086
Exchange realignment	7,286	–	697	7,983
At 31 December 2017 and 1 January 2018	**1,284,348**	**–**	**–**	**1,284,348**
Credited to profit or loss	**736,419**	**–**	**–**	**736,419**
Exchange realignment	**(201,716)**	**–**	**–**	**(201,716)**
At 31 December 2018	**1,819,051**	**–**	**–**	**1,819,051**

As at 31 December 2018, the Group has unused tax losses of HK$357,510,000 (2017: HK$184,235,000) 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 2018. All tax losses of the Group have no expiry dates under the current tax legislation except for the tax losses amounting to HK$193,043,000 (2017: HK$49,758,000) incurred by two (2017: two) subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

31. SHARE CAPITAL

	Number of shares *'000*	Total *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2017 and 2018	1,000,000,000	1,000,000

	Number of shares *'000*	Total *HK$'000*
Issued and fully paid:		
At 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 and 2018	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 holders 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 holders of convertible bonds.

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

32. 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 2018, an aggregate of 13,750,000 (2017: 118,750,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing 0.1% (2017: 1.2%) of the shares of the Company in issue at that date.

As at 31 December 2018, total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 591,567,971 (2017: 591,567,971), representing 6% (2017: 6%) of the issued share capital of the Company as at 31 December 2018.

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.

32. SHARE OPTIONS — CONTINUED

The following tables set out the movement in share options:

Name or category of participant	Share option type	Outstanding at 1 January 2017 and 2018	Transferred during the year	Expired during the year	Outstanding at 31 December 2018
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	(25,000,000)	(80,000,000)	–
Employees					
In aggregate	2010	5,000,000	20,000,000	(25,000,000)	–
In aggregate	2012	–	5,000,000	–	5,000,000
In aggregate	2015	8,750,000	–	–	8,750,000
Sub-total		13,750,000	25,000,000	(25,000,000)	13,750,000
Total — Share Option Scheme		118,750,000	–	(105,000,000)	13,750,000

During the year, share option granted to Mr. Shi Lixin have been transferred as he was resigned as director of the Company but continued to be employed by the Company during the year.

32. 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 2018 and 2017.

32. SHARE OPTIONS — CONTINUED

Notes: — Continued

(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.

(vii) For the year ended 31 December 2018, no share-based payment expenses (2017: 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:

	2018		2017	
	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	–	–	–	–
Expired	(105,000,000)	2.60	–	–
Outstanding at 31 December	13,750,000	2.01	118,750,000	2.53

For the year ended 31 December 2018, no share options have been exercised (2017:Nil) The weighted average is remaining contractual life of 3.3 years (2017: 1.1 years). There are 13,750,000 (2017: 118,750,000) share options exercisable as at 31 December 2018.

(ix) For the year ended 31 December 2018, 105,000,000 of share options have been expired. (2017:Nil)

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For the year ended 31 December 2018

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**389**	627
Investments in subsidiaries	*34*	**119**	18,461
		508	19,088
Current assets			
Financial assets at fair value through profit or loss	*23*	**–**	1,985
Deposits and other receivables		**135,232**	543,664
Amounts due from subsidiaries		**758,749**	750,870
Cash and cash equivalents		**385,923**	434,358
		1,279,904	1,730,877
Current liabilities			
Other payables and accrued expenses		**3,496**	3,436
Convertible bonds	*29*	**–**	–
		3,496	3,436
Net current assets		**1,276,408**	1,727,441
Total assets less current liabilities		**1,276,916**	1,746,529
Net assets		**1,276,916**	1,746,529
EQUITY			
Share capital	*31*	**9,855**	9,855
Reserves	*35*	**1,267,061**	1,736,674
Total equity		**1,276,916**	1,746,529

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

34. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018 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.

34. INTERESTS IN SUBSIDIARIES — CONTINUED

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

As at 31 December 2018 and 2017, 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December				
Revenue	**18,183**	17,476	**220,426**	–
Loss for the year	**(77,973)**	(11,552)	**(138,327)**	(28,624)
Total comprehensive income	**(81,341)**	(9,504)	**(143,171)**	(18,413)
Loss allocated to NCI	**(49,277)**	(5,491)	**(70,547)**	(14,598)
Cash flows used in operating activities	**(12,109)**	(100,612)	**(14,755)**	(63,759)
Cash flows (used in)/generated from investing activities	**(943)**	35,494	**(127,790)**	(169,003)
Cash flows generated from financing activities	**–**	75,588	**227,578**	248,154
Net cash (outflows)/inflows	**(13,052)**	10,470	**85,033**	15,392
As at 31 December				
Current assets	**328,861**	103,162	**520,349**	194,086
Non-current assets	**45,303**	349,721	**583,513**	451,839
Current liabilities	**(28,057)**	(21,360)	**(867,549)**	(318,964)
Non-current liabilities	**(151,250)**	(155,325)	**(113,842)**	(120,072)
Net assets	**194,857**	276,198	**122,471**	206,889
Accumulated non-controlling interests	**144,697**	192,948	**35,632**	105,488

35. 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 2018, the Company held 117,100,000 (2017: 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 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	948,078	–	–	(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
At 1 January 2018 as originally presented	3,563,686	(142,864)	136,741	–	(1,820,889)	1,736,674
Initial application of HKFRS 9	–	–	–	–	(24,085)	(24,085)
At 1 January 2018 as restated	3,563,686	(142,864)	136,741	–	(1,844,974)	1,712,589
Loss for the year and total comprehensive income for the year	–	–	–	–	(445,528)	(445,528)
Share options expired	–	–	(124,571)	–	124,571	–
At 31 December 2018	3,563,686	(142,864)	12,170	–	(2,165,931)	1,267,061

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36. OPERATING LEASE COMMITMENTS

Operating leases — lessee

At 31 December 2018, total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**3,745**	2,907
In the second to fifth year inclusive	**7,070**	569
	10,815	3,476

The Group leases a number of rented premises under operating leases. The leases run for an initial period of one to three years (2017: one to three years). None of the leases include contingent rentals.

Operating leases — lessor

At 31 December 2018, total future minimum lease receivables under non-cancellable operating leases are as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**108**	306

37. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for property, plant and equipment	**63,990**	211,214

As at 31 December 2018, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 15.

38. CONTINGENT CONSIDERATION PAYABLES

	2018 HK$'000	2017 HK$'000
At 1 January	**159,080**	153,087
(Gain)/loss on changes in fair value and terms of contingent consideration payables	**(2,584)**	5,993
At 31 December	**156,496**	159,080

Under the settlement agreement related to the acquisition of SAM, 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 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 2018, the fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 18.42% (2017: 17.34%) and the probability of occurrence of certain events as stated in the 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 2018

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2018	2017
	HK$'000	*HK$'000*
Financial assets		
Financial assets measured at fair value through profit or loss:		
Current assets		
Listed securities held for trading	**–**	1,985
Financial assets measured at amortised cost (2017: loans and receivables):		
Non-current assets		
Amounts due from non-controlling interests of a subsidiary	**298,720**	285,632
Current assets		
Trade and bill receivables	**116,586**	30,224
Other receivables	**136,285**	544,560
Restricted bank deposits	**26,019**	15,978
Cash and bank balances	**577,259**	583,492
	1,154,869	1,461,871
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Non-current liabilities		
Contingent consideration payables	**156,496**	159,080
Financial liabilities at amortised cost:		
Current liabilities		
Trade and bill payables	**306,420**	28,592
Other payables and accrued expenses and deposits received	**145,559**	62,790
Borrowings	**455,366**	240,143
Non-current liabilities		
Borrowings	**113,842**	120,072
	1,177,683	610,677

40. 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 2018	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Liabilities				
Contingent consideration payables	**–**	**–**	**156,496**	**156,496**

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

The details of the valuation of the fair value of contingent consideration payables were disclosed in note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. 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.

41.1 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.

41.2 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 2018. 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

41.3 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% (2017: 91%) of the Group's revenue for the year was derived from 2 major customers (2017: 2) and as at reporting date, 94% (2017: 78%) 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.

The Group measures loss allowances for trade and bill receivables at an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade and bill receivables based on individually specific customer or the ageing of customers collectively. The following table provides information about the Group's exposure to credit risk and ECLs for trade and bill receivables as at 31 December 2018:

	Weighted average lifetime ECL	Gross carrying amount	Loss allowance
		HK$'000	*HK$'000*
Current (not past due)	0.5%	102,609	517
1 — 90 days past due	1.2%	7,627	92
91 — 365 days past due	2.92%	2,566	75
Over 1 year past due	16.2%	5,332	864
		118,134	1,548
Individual assessment	100%	37,293	37,293
		155,427	38,841

Expected loss rates are based on actual loss experience over the past 5 years or general default rate of the industry if no historical record available. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

41.3 Credit risk — Continued

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 3.13). At 31 December 2017, the ageing analysis of trade and bill receivables that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	5,458
91 to 180 days	5,846
Over 180 days but not more than 1 year	12,482
Over 1 year past due	6,438
	30,224

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.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Approximately 60% (2017: 50%) of the bank balances as at 31 December 2018 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

41.4 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 2018 and 2017, 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 2018					
Non-derivatives:					
Trade and bill payables	306,420	–	–	306,420	306,420
Other payables and accrued expenses	145,559	–	–	145,559	145,559
Borrowings	455,366	113,842	–	569,208	569,208
Contingent consideration payables	–	159,111	119,243	278,354	156,496
	907,345	272,953	119,243	1,299,541	1,177,683

	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. 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.

The capital-to-overall financing ratio at reporting date was as follows:

	2018 *HK$'000*	2017 *HK$'000*
Capital		
Total equity	**4,695,759**	4,263,957
Overall financing		
Borrowings	**569,208**	360,215
Capital-to-overall financing ratio	**8.25 times**	11.84 times

43. RELATED AND CONNECTED PARTIES DISCLOSURES

(i) Related party transactions

Save as disclosed in consolidated financial statement, there are no other significant related party transactions during the year ended 31 December 2018 and 31 December 2017.

(ii) Connected party transactions

Name of connected party	Nature of transactions	2018 HK$'000	2017 HK$'000
Volvo Car and its related companies	Sales of lithium battery	**88,661**	–
Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. and its related companies	Sales of lithium battery	**131,761**	–
Zhejiang Geely Holdings Group Co., Ltd	Borrowings	**227,683**	–
	Interest paid	**9,778**	–

Note:

Zhejiang Forever and Volvo Car Corporation ("Volvo Car") entered into a sale of lithium-ion battery agreement (the "Sale Agreement") on 23 October 2017 regarding the sales of high performance ternary lithium-ion powered battery packs by Zhejiang Forever to Volvo Car commencing from 23 October 2017 to 22 October 2020.

Zhejiang Forever and Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. ("Zhejiang Geely Components") entered into a sale of lithium-ion battery agreement (the "Sale Agreement") on 25 October 2017 regarding the sales of high performance ternary lithium-ion powered battery packs by Zhejiang Forever to Zhejiang Geely Components commencing from 25 October 2017 to 24 October 2020.

Shanghai Maple Automobile Co., Ltd. ("Shanghai Maple") is a substantial shareholder of Zhejiang Forever as it holds 48% equity interest in Zhejiang Forever, and therefore it is a connected person of the Company at the subsidiary level. Shanghai Maple is held as to 90% by Zhejiang Geely Holding Group Co., Ltd ("Zhejiang Geely"), and Volvo Car and Zhejiang Geely Components are subsidiaries of Zhejiang Geely. As such, Zhejiang Geely, Volvo Car and Zhejiang Geely Components are associates of Shanghai Maple 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 annual cap amounts for the three financial years ended 31 December 2017 and 2018 for the Sale Agreement of Volvo Car are RMB30,000,000, and RMB280,000,000 respectively as set out in the announcement of the Company dated 23 October 2017. On 29 June 2018, the annual cap amounts were revised to RMB178 million, RMB278 million and RMB251 million for the years ended 31 December 2018, 2019 and the period from 1 January 2020 to 22 October 2020 as set out in the circular of the Company dated 13 June 2018.

The annual cap amounts for the three financial years ended 31 December 2018 and 2019 for the Sale Agreement of Zhejiang Geely Components are RMB600,000,000, and RMB900,000,000 respectively as set out in the announcement of the Company dated 25 October 2017. On 29 June 2018, the annual cap amounts were revised to RMB207 million, RMB739 million and RMB951 million for the years ended 31 December 2018, 2019 and the period from 1 January 2020 to 24 October 2020 as set out in the circular of the Company dated 13 June 2018.

During the year ended 31 December 2017, there was no connected transaction.

44. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Convertible bonds *(Note 29)*	Borrowings *(Note 27)*	
	2017	2018	2017
	HK$'000	***HK$'000***	*HK$'000*
At 1 January	623,433	**360,215**	123,267
Changes from cash flows:			
Proceeds from new borrowings	–	**237,026**	240,152
Repayment of borrowings	–	**–**	(11,206)
Interest paid	–	**(9,778)**	(860)
Total changes from financing cash flows	–	**227,248**	228,086
Other changes:			
Exchange difference	–	**(28,033)**	8,002
Conversion of convertible bonds	(691,108)	**–**	–
Interest expenses	67,675	**9,778**	860
At 31 December	–	**569,208**	360,215

45. EVENTS AFTER THE REPORTING DATE

On 16 January 2019, the Company entered into a securities purchase agreement with Luokung Technology Corp. (the "Luokung")(NASDAQ stock symbol: LKCO), pursuant to which the Company has agreed to purchase and Luokung has agreed to issue and sell 2 million ordinary shares of Luokung for an aggregate consideration of US$12 million. On 19 January 2019, the Company paid US$6 million and Luokung issued 1 million ordinary share of Luokung and sold to the Company.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on 25 March 2019.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONTINUING OPERATIONS					
Revenue	73,481	115,394	34,045	17,476	**238,610**
Direct operating expenses	(51,996)	(91,723)	(33,160)	(17,756)	**(286,161)**
Other operating revenue	4,086	15,028	33,959	144,403	**38,267**
Selling and distribution costs	(959)	(2,323)	(1,457)	(3,187)	**(3,108)**
Administrative expenses	(78,912)	(98,940)	(102,175)	(114,701)	**(132,762)**
Other operating expenses, net	(3,008)	–	(2,884)	(7,910)	**(25,414)**
Share–based payment expenses	–	(10,812)	–	–	**–**
(Impairment)/reverse of impairment of exploration and evaluation assets	(4,474,063)	(3,305,838)	(270,826)	1,131,284	**2,165,938**
Impairment of other intangible assets	–	(93,037)	(85,964)	(60,003)	**–**
Impairment of property, plant and equipment	–	(20,688)	(37,643)	(50,368)	**(1,047)**
Impairment loss of trade receivables	–	–	–	–	**(38,656)**
Impairment loss of prepayments, deposits and other receivables	–	–	–	–	**(357,401)**
Gain on disposal of subsidiaries	18,161	3,239	–	–	**–**
Gain on bargain purchase	–	–	–	–	**–**
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 (loss)/gain on contingent consideration payables	(190,295)	564,740	1,039,423	(5,993)	**2,584**
Impairment of goodwill	–	(176,370)	–	–	**–**
Finance costs	(67,327)	(66,556)	(72,138)	(68,535)	**(9,778)**
(Loss)/Profit before income tax	(4,762,020)	(3,149,018)	511,072	1,022,874	**1,591,072**
Income tax credit/(expense)	1,520,225	1,154,011	122,135	(366,900)	**(736,419)**
(Loss)/Profit for the year	(3,241,795)	(1,995,007)	633,207	655,974	**854,653**
Attributable to:					
Owners of the Company	(3,241,459)	(1,984,984)	700,010	676,063	**974,477**
Non–controlling interests	(336)	(10,023)	(66,803)	(20,089)	**(119,824)**
(Loss)/Profit for the year	(3,241,795)	(1,995,007)	633,207	655,974	**854,653**

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON–CONTROLLING INTERESTS

	As at 31 December				
	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	**2018** ***HK$'000***
Total assets	10,146,738	4,485,474	4,851,487	6,175,449	**7,694,356**
Total liabilities	(6,074,233)	(2,933,998)	(2,040,865)	(1,911,492)	**(2,998,597)**
Non–controlling interests	(24,742)	(44,205)	(222,463)	(296,436)	**(180,329)**
Equity attributable to owners of the Company	4,047,763	1,507,271	2,588,159	3,967,521	**4,515,430**