



HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司
(Stock Code: 8137)

INTERIM REPORT
2020



NEW ENERGY AND
DIVERSIFIED BUSINESS

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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This report, for which the directors (the “Directors”) of Honbridge Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. He Xuechu (*Chairman*)
Mr. Liu Jian (*Vice Chairman and
Joint Chief Executive Officer*)
Mr. Liu Wei, William (*Joint Chief Executive Officer*)

Non-Executive Directors

Mr. Yan Weimin
Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Directors

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

Compliance Officer

Mr. Liu Wei, William

Company Secretary

Mr. Yeung Ho Ming, CPA (HK)

Authorised Representatives

Mr. Liu Wei, William
Mr. Yeung Ho Ming

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Auditor

BDO Limited

Principal Bankers

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

Registered Office

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman
KY1-1205 Cayman Islands

Head Office and Principal Place of Business

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Central Plaza
18 Harbour Road
Wanchai
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Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Stock Code

8137

Company Website

www.8137.hk

UNAUDITED CONSOLIDATED HALF YEAR RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — UNAUDITED

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	56,661	26,990	91,833	125,518
Cost of sales		(49,428)	(22,551)	(74,810)	(125,017)
Gross profit		7,233	4,439	17,023	501
Other operating (expenses)/income	5	(3,967)	14,493	13,826	29,326
Selling and distribution costs		(2,334)	(969)	(6,243)	(1,757)
Administrative expenses		(17,736)	(58,404)	(39,249)	(89,073)
Reverse of impairment of prepayments, deposits and other receivables		–	20,497	–	20,497
Share of results of associates	15	(41,981)	–	(44,212)	–
Loss on deemed disposal	6	–	–	(58,767)	–
Finance costs	7	(3,908)	(5,850)	(9,906)	(8,501)
Loss before income tax	8	(62,693)	(25,794)	(127,528)	(49,007)
Income tax	9	–	–	–	–
Loss for the period		(62,693)	(25,794)	(127,528)	(49,007)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		(180,049)	47,482	(1,163,522)	22,265
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity instruments at fair value through other comprehensive income		47	(9,336)	(15,182)	1,945
Release of translation reserve upon disposal of a subsidiary		–	–	32,024	–
Other comprehensive income for the period, net of tax		(180,002)	38,146	(1,146,680)	24,210
Total comprehensive income for the period		(242,695)	12,352	(1,274,208)	(24,797)
Loss for the period attributable to:					
Owners of the Company		(51,312)	(2,354)	(119,295)	(12,702)
Non-controlling interests		(11,381)	(23,440)	(8,233)	(36,305)
		(62,693)	(25,794)	(127,528)	(49,007)
Total comprehensive income attributable to:					
Owners of the Company		(231,578)	36,986	(1,264,569)	10,483
Non-controlling interests		(11,117)	(24,634)	(9,639)	(35,280)
		(242,695)	12,352	(1,274,208)	(24,797)
Loss per share	11				
— Basic		HK(0.53) cent	HK(0.02) cent	HK(1.23) cents	HK(0.13) cent
— Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		208,194	215,260
Exploration and evaluation assets	12	4,590,705	6,316,882
Amount due from non-controlling interest of a subsidiary	13	–	311,807
Financial assets at fair value through other comprehensive income	14	10,409	25,591
Interests in associate	15	16,945	17,063
Right-of-use assets	16	39,476	85,741
		4,865,729	6,972,344
Current assets			
Inventories		184,637	235,237
Trade and bill receivables	17	58,071	133,945
Prepayments, deposits and other receivables		67,631	83,953
Financial assets at fair value through profit or loss	18	130,604	139,611
Tax recoverable		233	278
Restricted Bank deposits		–	660
Cash and cash equivalents		219,717	351,714
		660,893	945,398
Current liabilities			
Trade and bill payables	19	13,627	87,116
Other payables, accrued expenses and deposits received		63,065	143,615
Borrowings	20	204,483	452,593
Lease liabilities		1,406	2,812
Total current liabilities		282,581	686,136
Net current assets		378,312	259,262
Total assets less current liabilities		5,244,041	7,231,606
Non-current liabilities			
Borrowings	20	198,450	192,179
Deferred income		69,020	75,191
Deferred tax liabilities	21	1,445,922	2,032,823
Contingent consideration payables	22	161,094	161,094
Lease liabilities		3,724	3,724
		1,878,210	2,465,011
Net assets		3,365,831	4,766,595
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,855	9,855
Reserves		3,365,806	4,690,975
		3,375,661	4,700,830
Non-controlling interests		(9,830)	65,765
Total equity		3,365,831	4,766,595

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to owners of the Company										Total equity HK\$'000	
	Share capital	Share premium	Treasury shares reserve	Share-based payment reserve	Translation reserve	Fair value reserve	Other reserve	Retained earnings	Total	Non-controlling interests		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
2020												
At 1 January 2020	9,855	3,563,686	(142,864)	12,170	(5,065,260)	(68,535)	-	6,391,778	4,700,830	65,765	4,766,595	
Capital contribution from a non-controlling interests to a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	95,910	95,910	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(155,638)	(155,638)	
Share options expired	-	-	-	(4,424)	-	-	-	4,424	-	-	-	
Share of equity reduction of an associate	-	-	-	-	-	-	(60,600)	-	(60,600)	(6,228)	(66,828)	
	-	-	-	(4,424)	-	-	(60,600)	4,424	(60,600)	(65,956)	(126,556)	
Loss for the period	-	-	-	-	-	-	-	(119,295)	(119,295)	(8,233)	(127,528)	
Other comprehensive income												
Currency translation	-	-	-	-	(1,162,116)	-	-	-	(1,162,116)	(1,406)	(1,163,522)	
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(15,182)	-	-	(15,182)	-	(15,182)	
Release of translation reserve upon disposal of a subsidiary	-	-	-	-	32,024	-	-	-	32,024	-	32,024	
Total comprehensive income	-	-	-	-	(1,130,092)	(15,182)	-	(119,295)	(1,264,569)	(9,639)	(1,274,208)	
At 30 June 2020	9,855	3,563,686	(142,864)	7,746	(6,195,352)	(83,717)	(60,600)	6,276,907	3,375,661	(9,830)	3,365,831	
2019												
At 1 January 2019	9,855	3,563,686	(142,864)	12,170	(4,910,983)	-	-	5,983,566	4,515,430	180,329	4,695,759	
Acquisition of non-controlling interests of a subsidiary	-	-	-	-	145	-	-	(7,396)	(7,251)	(3,320)	(10,571)	
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	(6,846)	(6,846)	6,846	-	
	-	-	-	-	145	-	-	(14,242)	(14,097)	3,526	(10,571)	
Loss for the period	-	-	-	-	-	-	-	(12,702)	(12,702)	(36,305)	(49,007)	
Other comprehensive income												
Currency translation	-	-	-	-	21,240	-	-	-	21,240	1,025	22,265	
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	1,945	-	-	1,945	-	1,945	
Total comprehensive income	-	-	-	-	21,240	1,945	-	(12,702)	10,483	(35,280)	(24,797)	
At 30 June 2019	9,855	3,563,686	(142,864)	12,170	(4,889,598)	1,945	-	5,956,622	4,511,816	148,575	4,660,391	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash from (used in) operating activities	31,769	(292,439)
Net cash used in investing activities:		
Purchases of property, plant and equipment	(6,214)	(21,447)
Interests received	1,146	2,757
Acquisition of equity investments measured at fair value through other comprehensive income	–	(47,131)
Investment in an associate	–	(18,272)
Acquisition of interests in a non-wholly owned subsidiary	–	(10,571)
Disposal of a subsidiary, net of cash disposed	(7,332)	–
Decrease in restricted bank deposits	660	16,027
Other investing cash flows	–	(350)
	(11,740)	(78,987)
Net cash (used in) from financing activities:		
Drawdown of borrowings	58,273	390,106
Repayment of borrowings	(289,047)	(113,800)
Interests paid on bank borrowings	(9,781)	(8,277)
Capital contribution from non-controlling interests to a non-wholly owned subsidiary	95,910	–
Other financing cash flows	(1,566)	(224)
	(146,211)	267,805
Net decrease in cash and cash equivalents	(126,182)	(103,621)
Cash and cash equivalents, at beginning of period	351,714	577,259
Effect of foreign exchange rate changes	(5,815)	(975)
Cash and cash equivalents, at end of period	219,717	472,663
Analysis of the balance of cash and cash equivalents		
Cash at banks and in hand	219,717	472,663

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2020 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

These financial statements should be read, where relevant, in conjunction with the 2019 annual report.

The accounting policies adopted in the 2019 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020.

2. ADOPTION OF NEW OR AMENDED HKFRSS

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

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

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

3. REVENUE

Revenue represents total invoiced value of goods supplied and income from provision of services.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Sale of lithium batteries	89,415	125,518
Battery swapping service income	2,418	–
	91,833	125,518

4. SEGMENT INFORMATION

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.

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	Battery swapping services HK\$'000	Total HK\$'000
Six months ended 30 June 2020				
Reportable segment revenue (external customers)	–	89,415	2,418	91,833
Reportable segment (losses)/profit	(3,835)	2,391	(6,113)	(7,557)
Reportable segment assets	4,596,712	656,999	61,346	5,315,057
Reportable segment liabilities	165,777	531,515	4,225	701,517
Capital expenditure	–	1,483	4,731	6,214
Depreciation	332	9,420	271	10,023
Six months ended 30 June 2019				
Reportable segment revenue (external customers)	–	125,518	–	125,518
Reportable segment losses	(3,789)	(74,067)	–	(77,856)
Reportable segment assets	5,728,129	1,593,123	–	7,321,252
Reportable segment liabilities	164,039	1,130,854	–	1,294,893
Capital expenditure	–	21,447	–	21,447
Depreciation	56	20,597	–	20,653

4. SEGMENT INFORMATION — 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:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Reportable segment revenue	91,833	125,518
Reportable segment loss	(7,557)	(77,856)
Other operating income	899	17,428
Administrative expenses	(8,724)	(8,853)
Reverse of impairment/(impairment) of other financial assets	–	20,497
Loss on changes in fair value of financial assets at fair value through profit or loss	(9,007)	–
Share of results of associate	(44,212)	–
Loss on deemed disposal	(58,767)	–
Finance costs	(160)	(223)
Loss before income tax	(127,528)	(49,007)

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Reportable segment assets	5,315,057	7,672,662
Property, plant and equipment	141	141
Prepayments, deposits and other receivables	940	700
Financial assets at fair value through profit or loss	130,604	139,611
Equity investment measured at fair value through other comprehensive income	10,409	25,591
Right-of-use assets	4,896	6,295
Investment in an associate	16,945	17,063
Cash and cash equivalents	47,630	55,679
	5,526,622	7,917,742
Reportable segment liabilities	701,517	1,108,312
Other payables and accrued expenses	8,222	3,476
Lease liabilities	5,130	6,536
Deferred tax liabilities	1,445,922	2,032,823
	2,160,791	3,151,147

4. SEGMENT INFORMATION — CONTINUED

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue from external customers		
PRC	71,824	121,240
Belgium	76	2,170
Sweden	19,933	2,108
Reportable segment revenue	91,833	125,518

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
	Non-current assets (excluding interest in associate and other financial assets)	
Hong Kong	15,446	6,435
PRC	242,002	294,264
Brazil	4,591,336	6,317,184
Reportable segment non-current assets	4,848,784	6,617,883

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).

5. OTHER OPERATING (EXPENSES) INCOME

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Bank interest income	1,146	2,757
Loan interest income	–	16,148
Government grant	15,292	1,951
Rental income	312	372
Imputed interest income of amounts due from non-controlling interests of a subsidiary	3,272	6,544
Loss on changes in fair value of financial assets at fair value through profit or loss	(9,007)	–
Gain/(Loss) on financial assets at fair value through profit or loss	104	(350)
Sundry income	2,707	1,904
	13,826	29,326

6. DEEMED DISPOSAL OF A SUBSIDIARY

On 20 January 2020, Triumphant Glory Investments Limited, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. (浙江吉利汽車有限公司) and Jiangsu Tiankai Energy Co., Ltd. (江蘇天開能源技術有限公司) (“Jiangsu Tiankai”), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US\$20,408,100 (or its equivalent in RMB) into Shandong Forever New Energy Company Limited, a 49% owned subsidiary of the Company (the “Deemed Disposal”).

The Deemed Disposal was completed on 19 March 2020 and Triumphant Glory’s equity interest in Shandong Forever New Energy has been diluted from 49% to 24.5% and Shandong Forever New Energy was accounted for as an associate of the Company. Net assets of Shandong Forever New Energy Company Limited at the date of Deemed Disposal were as follows:

	HK\$'000
Amount due from non-controlling interest	315,079
Right-of-use assets	41,726
Trade and bills receivables	119
Other receivables	1,416
Cash and cash equivalents	7,332
Trade payables	(2,692)
Other payables and receipts in advance	(1,518)
Borrowings	(67,155)
Deferred income	(1,004)
	293,303
Non-controlling interests	(155,638)
Release of translation reserve upon disposals	32,024
Recognition of interests in associate	(110,922)
Loss on Deemed Disposal	58,767

An analysis of net outflow of cash and cash equivalents in respect of the Deemed Disposal was as follows:

	HK\$'000
Cash consideration received	–
Cash and cash equivalents disposed of	(7,332)
Net outflow of cash and cash equivalents in respect of the Deemed Disposal	(7,332)

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest charges on other borrowings wholly repayable within five years	9,746	8,277
Finance costs on lease liabilities	160	224
	9,906	8,501

8. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss before income tax are arrived at after charging:		
Depreciation and amortisation	12,057	22,859

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Overseas tax		
Current period	-	-
Deferred tax	-	-
Income tax credit	-	-

During the six months ended 30 June 2019 and 2020, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

The PRC corporate income tax rate of 25% is applicable to the Group's PRC subsidiaries during the period.

10. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2020 are based on the loss attributable to the owners of the Company of approximately HK\$51,312,000 and HK\$119,295,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company. (For the three months and six months ended 30 June 2019, loss attributable to the owners of the Company was HK\$2,354,000 and HK\$12,702,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company.)

No diluted loss per share figure was presented for the three months and six months ended 30 June 2019 and 2020 because the impact of the share options and convertible bonds was anti-dilutive.

12. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais, Brazil and the expenditures incurred in the search for mineral resources.

13. AMOUNT DUE FROM NON-CONTROLLING INTEREST OF A SUBSIDIARY

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current		
— Amounts due from non-controlling interests of a subsidiary	—	311,807

The assets were disposed upon completion of the deemed disposal of Shandong Forever on 19 March 2020.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Equity instruments measured at FVOCI	10,409	25,591

The balance represented the Group's strategic investments in LuoKung Technology Corp. The equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

15. INTERESTS IN ASSOCIATE

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Interest in associate:		
Share of net assets	16,945	17,063

Details of the Group's associate as at 30 June 2020 are as follows:

Name	Place of incorporation/ operation and principal activity	Percentage of ownership interests
吉行國際科技有限公司	People's Republic of China/Investment holding company	20% (directly)
Caocao Mobility Paris SAS	France/online-car-hailing business in Europe	20% (indirectly)
山東衡遠新能源科技 有限公司	People's Republic of China/Research, production and sales of lithium battery	22.2% (indirectly)

15. INTERESTS IN ASSOCIATE — CONTINUED

The carrying amount of equity-accounted investment has changed as follow for the six months ended 30 June 2020:

	Six months ended 30 June 2020 HK\$'000
As at 1 January 2020	17,063
Recognition of interests in associate (note 6)	110,922
Loss for the period	(44,212)
Capital reserve reduction for the period	(66,828)
At 30 June 2020	16,945

16. RIGHT-OF-USE ASSETS

	HK\$'000 (Unaudited)
As at 1 January 2020	85,741
Amortisation	(2,034)
Disposals	(41,726)
Exchange reserve	(2,505)
At 30 June 2020	39,476

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

17. TRADE AND BILL RECEIVABLES

The following is the breakdown and ageing analysis of net trade and bill receivables at the reporting dates.

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade receivable – Gross	78,151	158,965
Less: Impairment losses and expected credit loss	(24,742)	(25,020)
Trade receivables – Net	53,409	133,945
Bill receivables	4,662	–
Trade and bill receivables	58,071	133,945

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0 to 30 days	29,276	88,033
31 to 90 days	24,214	44,035
91 to 180 days	1,523	2,431
Over 180 days	23,138	24,466
	78,151	158,965

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Listed equity investments, at market value, in Hong Kong — held for trading	130,604	139,611

The balance represented the fair value of 21.72% equity interests in Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of Hong Kong Stock Exchange Limited. The Company is not accounted for an equity method as the Group does not have the power to participate in its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

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

19. TRADE AND BILL PAYABLES

The following is ageing analysis of trade and bills payables at the reporting dates:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade payables	13,627	86,456
Bill payables	—	660
	13,627	87,116
0–30 days	130	68,149
31–60 days	49	13,160
61–90 days	497	36
91–180 days	20	106
Over 180 days	12,931	5,665
	13,627	87,116

20. BORROWINGS

		As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
	Original currency		
Government loans (Note (a))	RMB	109,701	111,861
Other loans (Note (b))	RMB	94,782	212,538
Bank loans (Note (c))	RMB	198,450	320,373
		402,933	644,772
Represented by:			
Current liabilities	RMB	204,483	452,593
Non-current liabilities	RMB	198,450	192,179
		402,933	644,772

- (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 vehicle battery in Zhejiang, the PRC. The loans were classified a current liabilities.
- (b) As at 30 June 2020, these loans are from Zhejiang Geely Holding Group Co., Ltd. and its subsidiary and all these loans are interest bearing at 4.35% per annum, unsecured and repayable within twelve months from the reporting period and classified as current liabilities accordingly.
- (c) As at 30 June 2020, bank loans of RMB181 million are secured by the Group's right-of-use assets and property, plant and equipment and the corporate guarantee from Zhejiang Geely Holding Group Co., Ltd. Bank loans were repayable by instalments up to 3 June 2029 and were interest bearing at 4.9% per annum.

21. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The amount was mainly arising from the fair value adjustment of exploration and evaluation assets and other intangible assets.

22. CONTINGENT CONSIDERATION PAYABLES

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 agreement.

FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group use 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 30 June 2020	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Listed equity securities for strategic purpose	10,409	–	–	10,409
Listed securities held for trading	130,604	–	–	130,604
	141,013	–	–	141,013

Liabilities				
Contingent consideration payables	–	–	161,094	161,094

As at 31 December 2019	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Listed equity securities for strategic purpose	25,591	–	–	25,591
Listed securities held for trading	139,611	–	–	139,611
	165,202	–	–	165,202
Liabilities				
Contingent consideration payables	–	–	161,094	161,094

During the six months ended 30 June 2020, there was no transfer between different levels of fair value hierarchy.

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), London Electric Vehicle Company, 山東豐沃, 西安中力科技, etc. 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. Besides the sale of battery packs, the battery modules produced by the Group are also used in the battery packs of "Polestar 01 PHEV" and "XC90 PHEV" of Volvo.

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

Zhejiang Forever New Energy, a 52% owned subsidiary of the Group, 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 product testing center was completed in December 2019. It is expected to strengthen the research and development and product testing and matching ability of Zhejiang Forever New Energy and may have a positive impact on future customer development. The time for installation of the new production line will be decided based on the market demand and development strategy.



Lynk 01 PHEV battery pack produced by Zhejiang Forever New Energy



Lynk 02 PHEV



Lynk 03 PHEV

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

New Energy Vehicles-Related Business — Continued

Shandong Forever New Energy Company Limited (“Shandong Forever New Energy”)

On 20 January 2020, Triumphant Glory, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. (浙江吉利汽車有限公司) and Jiangsu Tiankai Energy Co., Ltd. (江蘇天開能源技術有限公司) (“Jiangsu Tiankai”), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US\$20,408,100 (or its equivalent in RMB) into Shandong Forever New Energy.

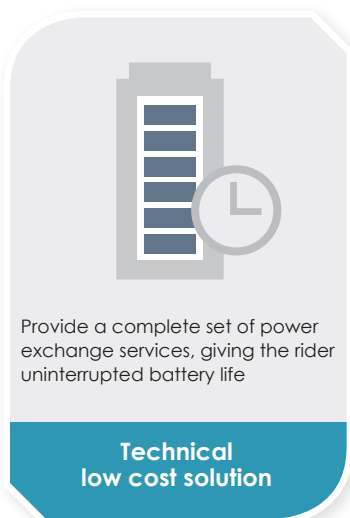
The transaction was completed on 19 March 2020, since then Jiangsu Tiankai controls 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory’s equity interest in Shandong Forever New Energy was diluted from 49% to 24.5%. Shandong Forever New Energy is accounted for an associate of the Company.

Shandong Forever New Energy 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. However, Shandong Forever New Energy has stopped production during the period.

Lithium-Ion Battery Business

Battery Sharing Business

Under the brand “GETI”, the Company has launched a battery sharing business in mid-2019 which target electric motorcycles with business model include self-operation and franchising in the PRC. “GETI” has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By June 2020, GETI has approximately 229 battery swapping stations and 2,843 package users. The revenue and loss for the segment was approximately HK\$2.4 million and HK\$6.1 million for the period ended 30 June 2020 respectively. GETI’s major features are set out below:



MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Lithium-Ion Battery Business — Continued

Battery Swapping Station



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

Standardised Battery Modules



- Stan 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 — CONTINUED

Business Review

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$91.8 million, representing a 26.8% decrease when compared to revenue of HK\$125.5 million recognised in the last corresponding period. The loss for the six months ended 30 June 2020 attributable to owners of the Company was approximately HK\$119.3 million (30 June 2019: HK\$12.7 million). Over 97% revenue of the Group were contributed by our Zhejiang Forever New Energy lithium-ion battery plant.

Due to the pandemic of COVID-19, the worldwide economic activities are substantially halted, and new energy vehicle and lithium-ion battery industry are no exception. Despite the market in the PRC has substantially recovered in the second quarter of 2020, according to the data released by China Association of Automobile Manufactures (中國汽車工業協會), the production and sales number of new energy vehicles in the PRC were only 397,000 and 393,000 respectively for the first six months of 2020, decreased by approximately 36.5% and 37.4% when compared to the corresponding period in 2019. Decrease in operating days due to quarantine measures, decrease in sales orders, disruption in supply chain and logistic, etc. all led to the 26.8% decrease in revenue of the Company during the current period, which is in line with the market.

The Group recorded a gross profit of approximately HK\$17.0 million (gross profit ratio: 18.5%) for the six months ended 30 June 2020 as compared with the gross profit of approximately HK\$0.5 million (gross profit ratio: 0.4%) in the last corresponding period. Gross profit ratio improved because the upgraded product of our Zhejiang battery plant has a better profit margin. On the other hand, the Group has improved the overall operating efficiency of the plant, overhead costs such as depreciation expenses also decreased after impairment provision on property, plant and equipment during the last financial year. Without compromise of the battery quality, the Group also optimised the human resources structure of the battery plant. 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.

The compulsory “Technical Specifications for Safety of Electric Bicycles” 《電動自行車安全技術規範》 national standard (the “New National Standard”) was effective since April 2019 in the PRC. It regulates electric bicycles’ safety performance, speed limit, production quality and pedal riding performance, etc., these policies has accelerated the transition of lead-acid battery in electric bicycles to lithium battery. To seize this opportunity, in mid-2019 the Group has launched the battery sharing business branded “GETI” focusing on food delivery electric motorcycle in the PRC in Jiangsu Province and Zhejiang Province. In June 2020, GETI has approximately 229 battery swapping stations and 2,843 package users. The Group will initially focus on serving the customers in the two Provinces and expand the service to other region in the PRC based on the future business strategy. Ultimately, it is the vision of the Group to provide safety, convenient and reliable battery swapping service to customers all over China. For the period ended 30 June 2020, GETI has recognised approximately HK\$2.4 million revenue.

Other operating income of approximately HK\$13.8 million (30 June 2019: HK\$29.3 million) was recognised during the current period. It consists of government grants of HK\$15.3 million (30 June 2019: HK\$2.0 million), imputed interest income of amounts due from non-controlling interests of HK\$3.3 million (30 June 2019: 6.5 million) and bank interest income of HK\$1.1 million (30 June 2019: \$2.8 million). The decrease in other operating income was mainly because there was no loan interests income during the period and there was an HK\$9.0 million fair value loss on financial assets at fair value through profit or loss, but their impact was reduced by the release of government grants by local government in the PRC in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

The administrative expenses decreased substantially when compared to the last corresponding period. The decreased was mainly due to the decrease in research and development expenses by approximately HK\$50.2 million as more testings were conducted on new battery product in the last corresponding period. Depreciation expenses were also decreased by approximately HK\$12.8 million compared to the last corresponding period.

The finance costs of approximately HK\$9.9 million recognised during the six months ended 30 June 2020 were mainly interest expense related to the bank borrowings from a commercial bank in the PRC and loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary.

For the period ended 30 June 2020, the loss attributable to the owners of the Company was approximately HK\$119.3 million (30 June 2019: HK\$12.7 million). The increase in loss was mainly due to the share of loss of associates of HK\$44.2 million and HK\$58.8 million non-recurring, non-cash loss on disposal of a subsidiary (Shandong Forever New Energy) during the current period.

In 2019, Honbridge Technology Limited (“Honbridge Tech”), a wholly-owned subsidiary of the Company, set up a Joint Venture with 杭州優行科技有限公司 (Hangzhou UGO Tech Co., Ltd.) (“Hangzhou UGO”) and 杭州禾曦嬌科技有限公司 (Hangzhou Hexijiao Technology Co., Ltd.) (“Hangzhou Hexijiao”). The Joint Venture, 20% owned by Honbridge Tech, is initially engaged in online car-hailing services in Paris, France and related services and will gradually extend its online car-hailing services to other cities in Europe depending on its business development progress. The service was launched in Paris in January 2020 with a positive feedback from the market.

Since 19 March 2020, Shandong Forever New Energy became an associate of the Company. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement, Jiangsu Tiankai shall complete the Capital Increase by payment of the Capital Contribution Sum in cash into a designated account of Shandong Forever New Energy within 30 days after the Industrial and Commercial Administration Bureau has completed the registration of increase in share capital of Shandong Forever New Energy and issued the corresponding Business License (issued on 19 March 2020). However, despite repeated demands from the Company, Jiangsu Tiankai has not fulfilled the obligations under Reorganisation Agreement and the Amended and Restated Joint Investment Agreement to pay the Capital Contribution Sum. Shandong Forever New Energy has made an asset impairment provisions because of the material uncertainty to receive the capital contribution sum from Jiangsu Tiankai and approximately HK\$38.8 million share of loss was recognised by the Company during the period.

As at 30 June 2020, the cash and cash equivalent balance of the Group was approximately HK\$219.7 million. The Group will continue to prudently control its costs and monitor its expenditure under current challenging and difficult economic situation.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM

As at 30 June 2020, the Group has provided funding with principal amount of approximately US\$74 million 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 in the state of Minas Gerais 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.

On 2 December 2019, SAM learned from the media that a Minas State Public Ministry ("MPMG") and a Federal Public Ministry ("MPF") jointly initiated a public civil action ("ACP") against the Minas Gerais State Government, Brazilian Institute of Environment and Renewable Resource ("IBAMA"), LOTUS BRASIL, and SAM. The ACP claimed that SAM's Block 8 mine project and the pipeline project of LOTUS BRASIL are dependent, and shall be licensed jointly in IBAMA. In another word, the ACP concerns if the Minas Gerais State Government is the legitimate authority to analyse and approve the LP application and whether Block 8 Project and Lotus Brasil should be licensed jointly in IBAMA, it does not involve environmental feasibility of the Block 8 Project.

On 14 January 2020, the Federal Judge of the 3rd Federal Court of the Judicial Subsection of Montes Claros made a provisional decision about the ACP (the "Provisional Decision"). The Provisional Decision temporarily suspended SAM's and LOTUS BRASIL's licensing processes until the judge himself can hear the parties' reasons and decide the ACP. Again, this decision does not deal with the environmental feasibility of the project.

On 21 January 2020, SAM appealed in the Fifth Panel of the Federal Regional Court of the 1st Region (TRF1) in Brasília, requested to cancel the Provisional Decision. Beside the aforementioned arguments, we believe this Provisional Decision is unreasonable for this case considering Block 8 Project is still at the status of environmental licensing, which does not offer risk of direct impacts on the environment immediately.

In March 2020, Minas Gerais State Government, IBAMA and LOTUS BRASIL all made interlocutory appeals to the ACP respectively, and their arguments are consistent with SAM's. Additionally, the Minas Gerais State Government and IBAMA emphasised that the Provisional Decision violated the Art 2 of the Law no. 8.437 (i.e. without hearing the opinion from public authorities) and should be withdrawn as soon as possible.

With the pandemic of Covid-19 getting worse in Brazil, it takes more time for the judge to process the case.

On 7 July 2020, the judge made an interlocutory decision. The judge determined to exclude the MPMG from the parties of the ACP due to its illegitimacy, and repeal the provisional decision of suspension of the licensing process and provisionally establish IBAMA as the competent organ for the environmental licensing of the mine project. With this decision, the continuation of the environmental studies and analyzes referring to the mine and pipeline projects is authorized.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

On 21 July 2020, IBAMA submitted contestation, IBAMA mentioned that the present ACP case is not the first case of debate about mine and pipeline under Brazilian law, in all other cases the Public Ministries has agreed that mine and pipeline are separate projects for the purposes of environmental licensing. The mine is a project located only in the State of Minas Gerais and IBAMA's is not responsible for its licensing. On the other hand, the pipeline comprises more than one State, so the pipeline would be the responsibility of IBAMA. Otherwise, there is a direct violation of Complementary Law no.140.

Although the decision of suspension of the licensing process was repealed, SAM is taking all available measures and legal options to defend the company aiming to resume the licensing process in Minas State and to conclude the ACP as soon as possible.

SAM has been communicating and having meetings with government institutions, environmental organs, State and Federal deputies, senators, municipals and associations to present SAM's new tailings disposal technology. After learning that SAM's environmental licensing process was suspended, lots of institutions and associations are manifesting their support to SAM. SAM has received support letters from 5 Mayors of the municipalities in the area directly influenced by SAM's project and other 15 local institutions/associations.

COVID-19 has been spreading fast worldwide. For SAM, life comes first. Since the pandemic broke out in Brasil, SAM have followed all WHO guidelines to take care of the health of our employees and the community where we operate. The company donated 70,000 medical surgical masks to 6 municipalities in the north region of Minas Gerais State to combat the COVID-19 at the early stage of pandemic when Brazilian market was severely short of masks. In June, SAM received a letter of thanks from the Governor of Minas Gerais State because of SAM's donation.

On 8 July 2020, SAM signed a non legal binding Memorandum of Understanding ("MOU") with HUAWEI BRAZIL to cooperate in developing unmanned mining technology and effectively applying 5G in mining operation of Block 8 Project. SAM and HUAWEI also commit to cooperate in carrying out social responsibility actions in the region where SAM operates. The parties will cooperate in human resources training at technical level in 5G, artificial intelligence and Cloud solutions, creating more opportunity for the people of the region to learn and access high technology, and promoting educational cooperation with the local universities and schools. Once Block 8 Project goes into operation, SAM and HUAWEI will co-found and implement a Technology Innovation Center in the North region of Minas Gerais.

COVID-19 pandemic has widely affected the normal business and operation of government in Brazil. If there is any breakthrough in the SAM Project, announcement will be made in accordance with the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Shareholding in Yuxing InfoTech

On 19 June 2020 (after trading hours), the Company and Bronze Pony Investments Limited (the “Purchaser”) entered into an agreement in relation to the disposal of 400,000,000 shares (the “Sale Shares”) of Yuxing InfoTech Investment Holdings Ltd. (“Yuxing InfoTech”) (the “Agreement”).

The principal terms of the Agreement are set out below:

Consideration

The consideration for the Sale Shares is HK\$240,000,000, which represents HK\$0.6 per Target Share subject to the adjustment as set out in the paragraph headed “Adjustment to the number of the Sale Shares” below. The consideration shall be payable in cash, check or cashier order in the following manner.

	Date	Amount payable (HK\$)
First instalment	Before 20 July 2020	25,000,000
Second instalment	On or before 30 September 2020	95,000,000
Third instalment	On or before 30 June 2021	120,000,000

Adjustment to the number of the Sale Shares

If the Purchaser defaults in the payment of the second instalment, the Company may elect to forfeit the first instalment or increase the consideration per share from HK\$0.6 per Sale Share to HK\$0.66 per Sale Share, such that the number of shares to be transferred to the Purchaser upon completion of the disposal will be reduced to the number equal to the consideration received by the Company divided by HK\$0.66 per share.

If the Purchaser defaults in the payment of the third instalment, the Company will increase the consideration per share from HK\$0.6 per Sale Share to HK\$0.66 per Sale Share, such that the number of shares to be transferred to the Purchaser upon completion will be reduced to the number equal to the consideration received by the Company divided by HK\$0.66 per share.

So the final number of Sale Shares may be lower than the expected 400,000,000 shares of Yuxing InfoTech. The actual amount of gain or loss as a result of the disposals to be recognised by the Company will be subject to the book value of the Sales Shares as at the date of completion, any potential adjustment to the number and the per share price of the Sale Shares.

As the Company has already received approximately HK\$15.6 million from the Purchaser up to the date of this report, the Company has agreed to waive the due date of the first instalment to allow more time for the Purchaser to arrange the consideration.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospects

Despite the central government of China has announced that subsidies for new energy vehicles will be extended to 2022, the Group 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 addition, in the post-subsidy period new energy vehicle manufacturers and customers are going to put more focus on the overall quality of the car models. This could be positive for premium and high-end car models, which are the target customer segment of our Group.

Nevertheless, the global economy continues to be weakened by rising trade barriers and increasing geopolitical tensions. The novel coronavirus (COVID-19) outbreak since the end of 2019 adds another significant challenge to the world economy, the economic uncertainty is expected to affect the sales of the Group in 2020. COVID-19 pandemic is also likely to accelerate the elimination and reorganisation in the new energy vehicle and lithium-ion battery industry. The Group will take a more prudent approach in business operation and development.

For the resource sector, the latest progress of the SAM Project was covered in the Progress of SAM section in this report and 2019 annual report. Despite the exceptional time and efforts spent for the SAM iron ore project, it is disappointing and helpless that the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility, however, 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.

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\$950 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, HK\$540 million net proceeds were re-allocated from new energy related projects and 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. In February 2020, Zhejiang Forever New Energy lithium-ion battery plant required new capital from its shareholders. Since the Brazilian iron ore project still need more time to obtain the environmental license and no material expenses are expected before the license is obtained, to strengthen the use efficiency of proceeds, HK\$46.7 million net proceeds were re-allocated for the new energy vehicles related projects.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

The Use Of Proceeds From Placing And Share Subscription — Continued

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 30 June 2020:

Intended use of proceeds	Total net proceeds HK\$' million	Actual use of net proceeds	Remaining balance of net proceeds
		up to 30 June 2020 HK\$' million	up to 30 June 2020 HK\$' million
Lent to the Borrower	540.0	540.0	Nil
New energy vehicle related business	456.7	456.7	Nil
Brazilian iron ore project	153.3	118.9	34.4
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	53.9	23.0
Total	1,336.0	1,278.6	57.4

As at 30 June 2020, the unutilised portion of approximately HK\$57.4 million were expected to be utilised in the following specific uses:

Brazilian iron ore project

The Group will continue to provide funding to the SAM Project to maintain a team and carry out necessary research and work in order to obtain the environmental license (LP) in Brazil. After LP is obtained, the utilised proceeds will be utilised to prepare a detailed engineering plan. The Group will control the usage of proceed based on the progress of LP application.

General working capital

The unutilised proceeds of HK\$23 million are expected to be utilised to maintain the headquarter in Hong Kong. Major expenditures include director and staff costs, rental expenses and various professional fees. Subject to the change based on the future development of the operations of the Group, the amount is expected to be utilised on or before 31 December 2021.

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.

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. For the details of the Conditional Additional Payment and Conditional Mining Production Payment to Votorantim, please refer to the announcement of the Company dated 13 May 2016.

As at 30 June 2020, the contingent consideration payable was approximately HK\$161.1 million (equivalent to approximately US\$20.6 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Corporate Governance

Throughout the six months ended 30 June 2020, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

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

As at 30 June 2020, 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

Name of director	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
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:

- 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 30 June 2020, 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.

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

Long positions in the underlying shares of the Company

Details of options granted

Particulars of the outstanding share options granted under the share option scheme adopted by the Company on 21 May 2012 were as follows:

Category of participant	Number of share options			Date of grant of share options	Exercise period of share option	Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note a) HK\$
	Outstanding as at 01/01/2020	Lapsed during the period	Outstanding as at 30/06/2020				
Employee	5,000,000	(5,000,000)	–	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91
	8,750,000	–	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	<u>13,750,000</u>	<u>(5,000,000)</u>	<u>8,750,000</u>				

Note:

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2020, 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 30 June 2020, 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:

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
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

Notes:

- 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.
- Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
- Mr. LI Xing Xing holds 30.8% equity interest of Hong Bridge.
- Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
- Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.
- Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.
- Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.

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

Save as disclosed above, as at 30 June 2020, 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 16 March 2018, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely 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 and has a fixed interest rate of 4.75% per annum. The loan was fully repaid during the period ended 30 June 2020.

On 27 March 2019 and 16 May 2019, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely provided loans with the principal amount of RMB52.8 million (approximately HK\$60.1 million) and RMB100 million (approximately HK\$114 million) to Zhejiang Forever New Energy respectively. The loans are not secured by the assets of the Company and have a fixed interest rate of 4.35% per annum. The loans were fully repaid during the period ended 30 June 2020.

On 20 September 2019, for the working capital requirement of Zhejiang Forever New Energy, Shanghai Maple Automobile Company Limited provided a loan with the principal amount of RMB33.6 million (approximately HK\$36.85 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 20 March 2020 with a new repayment date on 20 March 2021.

On 13 May 2020, for the working capital requirement of Zhejiang Forever New Energy, Shanghai Maple Automobile Company Limited provided a loan with the principal amount of RMB52.8 million (approximately HK\$57.9 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company, repayable 12 months after the drawdown date and has a fixed interest rate of 4.35% per annum.

During the period ended 30 June 2020, a finance costs of HK\$4.6 million was recognised by the Company in relation to the above short term loans. The Board considers the above loan arrangements were conducted on normal commercial terms or better.

For the period ended 30 June 2020, the Group has sold approximately HK\$65.9 million and HK\$23.5 million lithium-ion batteries to Volvo Car and Zhejiang Geely Components respectively.

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 six months ended 30 June 2020.

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 period or at any time during the period under review.

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 six months ended 30 June 2020.

AUDIT COMMITTEE

The Group's unaudited results for the six months ended 30 June 2020 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.

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

During the six months ended 30 June 2020, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at the date of this report, the Board comprises (1) Mr. HE Xuechu, Mr. LIU Jian and Mr. LIU Wei, William as Executive Directors; (2) Mr. YAN Weimin and Mr. ANG Siu Lun Lawrence as Non-Executive Directors and (3) Mr. CHAN Chun Wai, Tony, Mr. MA Gang and Mr. HA Chun as Independent Non-Executive Directors.

On behalf of the Board

LIU Wei, William

Director and Joint Chief Executive Officer

Hong Kong, 11 August 2020