HONBRIDGE HOLDINGS LIMITED

洪 橋 集 團 有 限 公 司

(Stock Code: 8137)

NEW ENERGY AND DIVERSIFIED BUSINESSES

ANNUAL REPORT 2020

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

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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

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STOCK CODE

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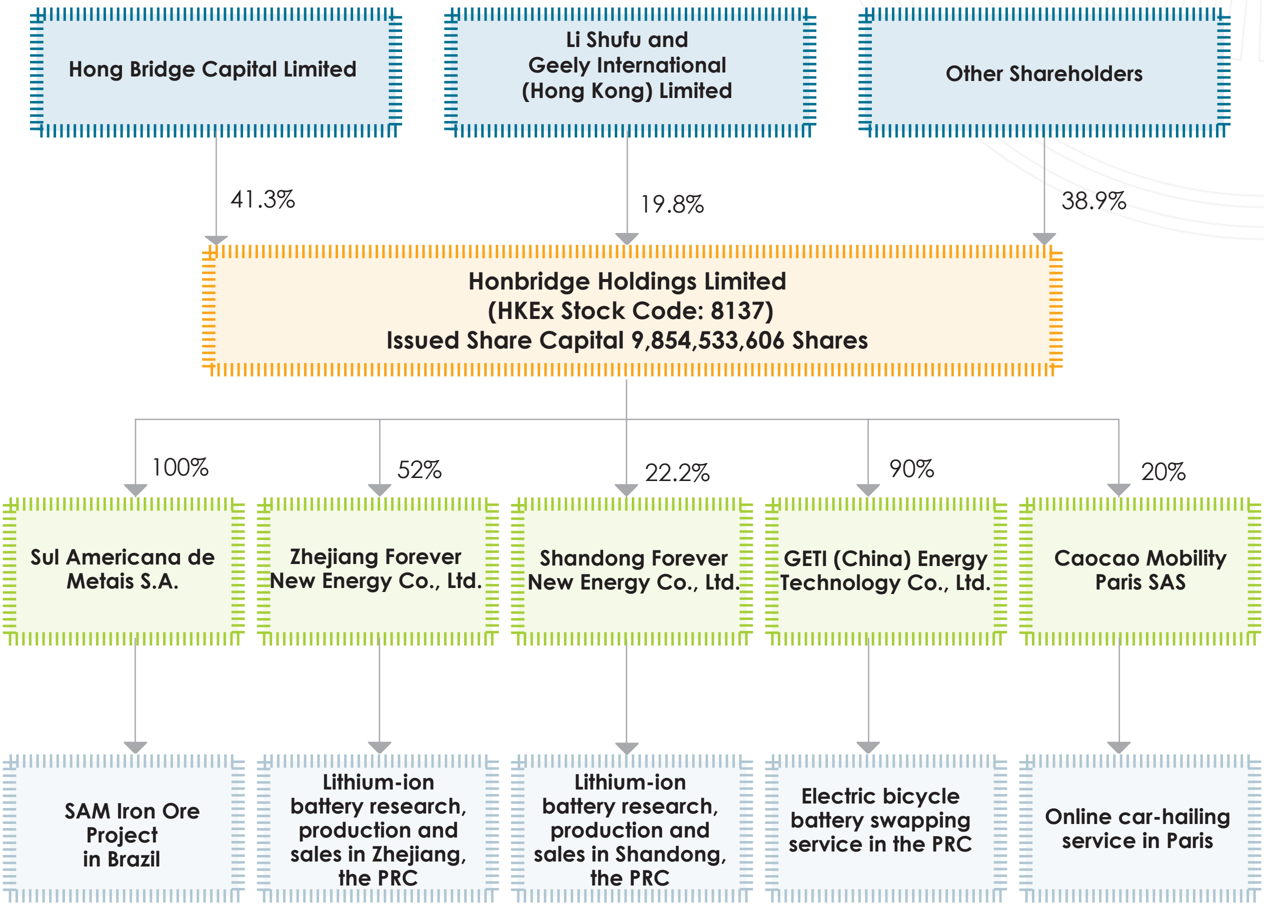
CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the 2020 annual report of Honbridge Holdings Limited to all shareholders.

BUSINESS REVIEW

For the year ended 31 December 2020, the Group recognised a HK$297.1 million in revenue, representing a 13.0% decrease when compared to HK$341.3 million revenue recognised in the last year. The profit for the year ended 31 December 2020 attributable to owners of the Company was approximately HK$1,156.6 million (2019: HK$415.6 million).

Over 97.9% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. Export sales to Europe increased to approximately HK$56.3 million (2019: HK$55.3 million) for the year ended 31 December 2020, representing 19.4% (2019: 16.3%) of total lithium-ion battery sales. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The total revenue of the Group decreased because the business of the Group was affected by the COVID-19 pandemic, especially in the first quarter of 2020.

The battery packs produced by Zhejiang Forever New Energy were supplied 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. Batteries modules were also supplied to Volvo Polestar 01 PHEV and XC90 PHEV.

The Group is running the battery sharing business focusing on food delivery electric motorcycle branded "GETI" in the PRC. By December 2020, GETI has approximately 230 battery swapping stations and 3,200 active users and electric bicycles powered by GETI has travelled over 50 million km. The Group is currently one of the leading service providers in Jiangsu Province and is planning expand the service to other region in the PRC. Year 2020 marked GETI'S first full year of operation and has gained a lot of experience and knowledge regarding the battery sharing industry. GETI will continue to improve the quality and specifications of its batteries as well as enhance the overall user experience. Ultimately, it is the vision of the Group to provide safe, convenient and reliable battery swapping service to customers all over China. For the year ended 31 December 2020, GETI has recognised approximately HK$6.3 million revenue, 543% increase compared to the HK$1 million revenue in 2019.

For the year ended 31 December 2020, the profit attributable to the owners of the Company was HK$1,156.6 million (31 December 2019: HK$415.6 million), increased by 178.3% compared to the year ended 31 December 2019. The increase in profit was mainly due to the increase in non-cash reverse of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project (2020: HK$1,355.5 million; 2019: HK$563.2 million).

PROSPECTS

The world is undergoing an evolution of the replacement of traditional petrol cars by low emission and electric vehicles as several countries in Europe have set out their timetable to phase out combustion-engine vehicles.

Meanwhile, the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. By 2025, the competitiveness of new energy vehicle market in the PRC will improve significantly with major breakthroughs achieved in terms of key technologies such as powered batteries, electric motors and vehicle operating systems, as well as comprehensively enhanced safety level. The new car sales of new energy vehicles will account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The PRC government will also deepen the research and development layout of "three-vertical-three-horizontal" (三縱三橫), under which pure electric vehicles, plug-in hybrid electric vehicles (including extended range models) and fuel cell electric vehicles serve as "three-vertical", which is the layout for vehicle technology innovation chain; while powered batteries and management systems, electric motors and power electronics, networking and intelligent technologies serve as "three-horizontal", which is the supply system for critical parts, components and technologies. The Company expected that with the launch of the latest policies, the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Nevertheless, the global economy continues to be influenced by trade barriers and 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 possibly affect the sales of the Group. 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 and progressive approach in business operation and development.

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 continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as smart car cockpit, chips and parts for automobile, electric controlling, Internet of Vehicle, autonomous driving, shared mobility, high-definition map and light-weighting of vehicles.

For the resource sector, the latest progress of the Brazil SAM iron ore project was covered in the Progress of SAM section in this report. Despite the exceptional time and efforts spent for the SAM iron ore project, it is mainly due the two tailing dam disasters in Brazil in November 2015 and January 2019 that all the licensing process of other projects with tailing dam has been badly affected, therefore the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility. Despite unexpected challenges and tests, the Group still proactively promoted the SAM project which was widely supported locally. 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.

The overall business strategy of the Group is the dual development of new energy vehicles related business and resources, creating value for shareholders.

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 2020 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong
24 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY 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 etc. Although the batteries produced by the Group feature top quality technically, the low production capacity and utilisation rate of the battery plant lead to a higher average costs when compared to the main competitors, customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with 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.

Polestar 01 PHEV

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 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells.

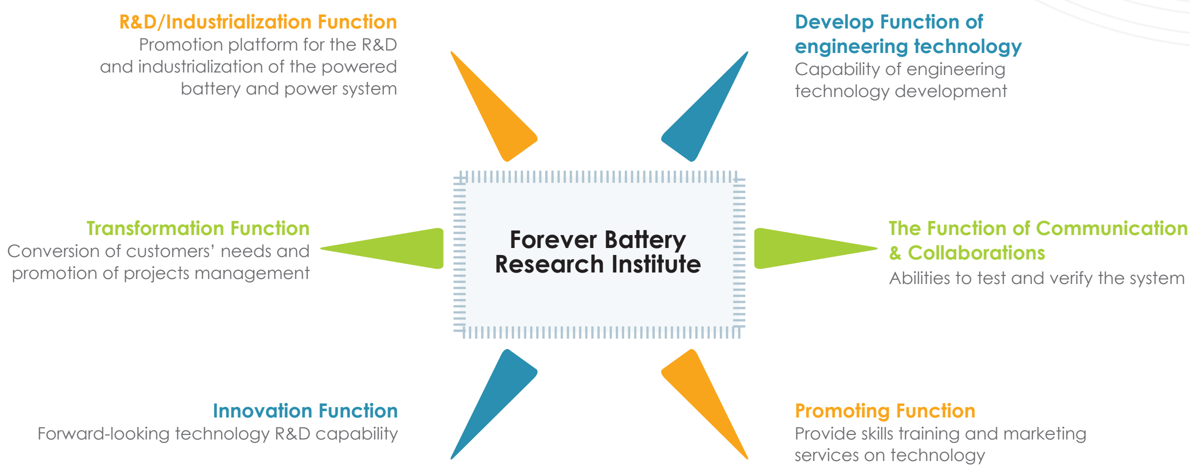
The Group embraces an enterprise culture of "integrity, practicality, meritocracy, creativity" and its after-sales services adhere to the principle of "quality comes first and commitment of outstanding service to customer's satisfaction".

Zhejiang Forever New energy has been conducting in-depth improvement tests on Lithium Ion Battery and applying the technological achievements into production from time to time so as to improve the current products and develop a new generation of products. The Group's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As of 31 December 2020, Zhejiang Forever New energy was granted 244 patents, among which 184 are utility model patents, 4 appearance design patents and 56 innovation patents. At present, 3 patents are under application.

LITHIUM-ION BATTERY BUSINESS — CONTINUED

Zhejiang Forever New Energy Company Limited (“Zhejiang Forever New Energy”) — Continued

FE R&D INSTITUTE PROFILE



R&D Achievement in Relation to Lithium Solid State Battery

Zhejiang Forever focused on the solid state battery direction for continuous research and selected oxide solid electrolyte (LLZO) route to produce LLZO and polymeric composite films which has high conductivity and can go into mass production and application satisfactorily. This significant technological achievement has been granted an invention patent (patent number 201910074271.4). The patent invents a producing method of composite cathode films to lithium solid state battery and has the following advantages as compared to current methods:

- It can effectively improve the interface densification, decrease interface impedance and decrease the interface charge transfer resistance of cathode;

- It can effectively avoid adding sintering aid and polymer electrolyte, and can work more effectively under a high voltage greater than 5V to improve the performance of the material.

The miniature battery sample produced by that method has passed a prick test.

The Group will continue to devote on R&D to expand our pool of technologies and provide more quality products for customers.

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 (a lithium-ion battery enterprise). More details of the reorganisation agreement was set out in the circular of the Company dated 24 February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS — CONTINUED

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

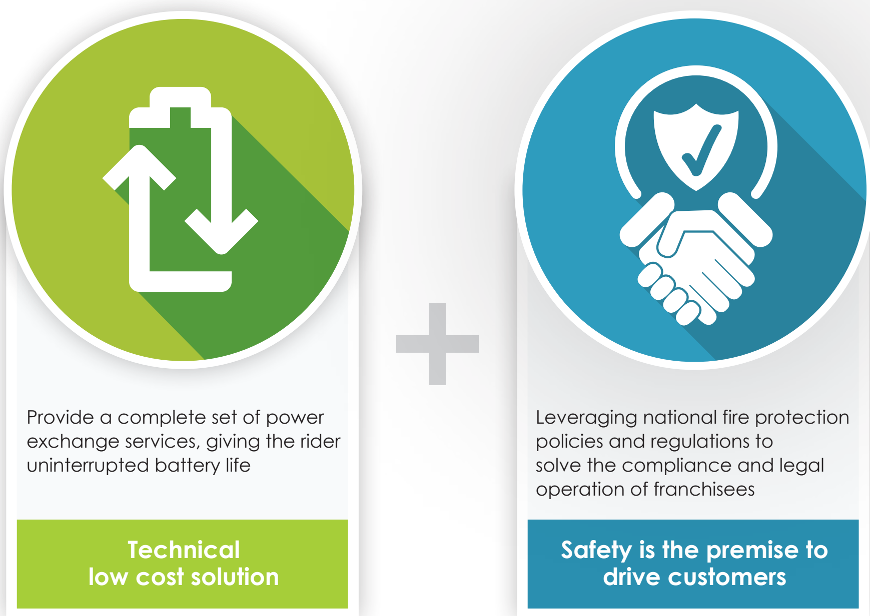
The transaction was completed on 19 March 2020, since then Jiangsu Tiankai controls 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory's equity interest in Shandong Forever New Energy was diluted from 49% to 24.5%. Shandong Forever New Energy is accounted for an associate of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

During the year ended 31 December 2020, the lithium-ion battery segment recorded a revenue of approximately HK$291 million (equivalent to approximately RMB259 million), which was decreased by approximately 14.4% when compared to HK$340 million (equivalent to approximately RMB300 million) revenue recognised in last year. The reasons were discussed in the Business Review section in the Management Discussion and Analysis of this report.

The lithium-ion battery segment losses were approximately HK$131 million (2019: HK$227 million). The loss decreased during the year mainly because the impairment of property, plant and equipment was decreased in the current year. The decrease was partially set-off by the HK$79 million impairment of inventories (2019: HK$5 million) in the current year.

BATTERY SHARING BUSINESS

Under the brand "GETI", the Company has launched a battery sharing business in mid-2019 which target electric bicycles 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 December 2020, GETI has approximately 230 battery swapping stations and 3,200 package users. The revenue and loss for the segment was approximately HK$6.3 million and HK$11.3 million respectively for the year ended 31 December 2020.



BATTERY SHARING BUSINESS — CONTINUED

Battery Swapping Station

Automatic battery adaptation

Intelligent charging strategy

16 measures for safety protection

Intelligent charging power distribution

Online failure diagnosis and maintenance

Active fire explosion-proof

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

PROGRESS OF SAM

Background

As of 31 December 2020, the Group had accumulatively provided US$76.1 million to Sul Americana de Metais S.A. (“SAM”), an indirect wholly owned subsidiary of the Company in Brazil, for preliminary work of the iron ore project in Brazil (“Block 8 Project” or “SAM Project”). In addition to the acquisition consideration of US$78.42 million, the cumulative investment had reached approximately US$154.52 million.

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 of iron concentrate (on dry basis) with an average grading of 66.2% Fe in the first 18 years’ operation. The project will have an integrated system comprising of an open-pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam.

The license application procedure of the mine project in Brazil involves three most important licenses: Preliminary License (“LP”), Installation License (“LI”) and Operation License (“LO”). Among them, the LP is the most important to the project as it confirms environmental feasibility and approves the location and design of the project, and establishes basic requirements and conditions to be met in the next phases of the implementation of the project. The LP is also a prerequisite for obtaining the LI, LO, and other necessary approvals or implementing the project.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

Updates on the Project Development Plan

In order to reduce the impact on the environment by SAM Project, improve its safety, maximize its social benefits to the local communities, and build a sustainable green mining project, SAM has been optimizing, adjusting, and updating its project development plan in accordance with changing legal requirements and based on the rapid advances in technological innovation in the global mining sector and the specific situation of Block 8 Project.

Smart Mining

In order to maximize the safety of open-pit mining operators and reduce costs, the Company will conduct in-depth discussion with HUAWEI in 5G-powered unmanned mining. The project may adopt a large number of new technologies and new equipment, including autonomous drills, remote control excavators, autonomous trucks, BeiDou satellite- or GPS-enabled truck dispatch systems, real-time slope displacement monitoring, and cluster management and dispatch systems.

Beneficiation

After being crushed in the open pit, the ore will go through the comminution process of "primary screeening — secondary crushing — high-pressure grinding roll — wet screening — ball milling" and then go through processes such as high-intensity magnetic roughing concentration, regrinding, reverse flotation, and high-intensity magnetic scavenging etc. The final product will be pellet feed (Fe 66.2%).

Tailings Treatment

The company has conducted a large number of tailings backfilling studies. Due to the very slight dip angle of the ore body, the project can realize backfilling of waste and tailings during the open-pit mining operation. It is expected that 125 million cubic meters of waste and 19.46 million cubic meters of tailings will be backfilled, making the project the first open-pit iron ore project in Brazil to adopt backfilling during mining operation. In addition, a study on the reuse of tailings shows that the tailings of the project are very suited for the construction of base, sub-base, and reinforcement in the subgrade of highways. The company plans to cooperate with the local highway management authority in reusing tailings to improve and widen highway facilities in the region of the project after obtaining the relevant LP. The tailings dams of the project will be built with centreline construction technique, which is completely different from the dam construction method (upstream method) adopted in the recent two tailings dam failure cases in Brazil. Meanwhile, there will be an internal vertical septum filter constructed along with the dam body which could avoid the occurrence of liquefaction. In addition to the extremely safe tailings dam construction method, there will be a dike in the downstream of the project area to further hold the tailings in case of dam-breach. The results of the new dam-breach study show that, under the worst situation with all different extreme worst scenarios happen at the same time, all tailings will be blocked within the project area without affecting any community in the case of a dam collapse, which brings double safety guarantee for the tailings dams of Block 8 Project.

Pipeline Transportation

The final product, pellet feed will be transported from the mine site to Porto Sul port in southern Bahia via a pipeline of approximately 480 kilometers long and will be dewatered in the port and then loaded on ships for export. Lotus Brasil is responsible for environmental licensing, financing, construction and operation of the pipeline. SAM has a 5% interest in this company.

PROGRESS OF SAM — CONTINUED

Updates on the Project Development Plan — Continued

Port

Porto Sul has renewed its LI in September 2020. It will be constructed and operated by independent third parties and a Chinese consortium intends to participate in its construction and financing. SAM has negotiated with Porto Sul's developers to include the annual cargo volume of 30 million tons (wet basis) of pellet feed in Porto Sul's development plan. After obtaining the LP for the mine project, the company does not rule out participating in the construction and development of Porto Sul through a small amount of equity investment.

Water Supply

In March 2012, the National Water Agency of Brazil granted SAM a water use right that allows SAM to have an annual water consumption of 51 million cubic meters from the Irape Dam for 20 consecutive years. In order to solve water concerns in the region of the project, SAM has also promised to construct a water dam named Vacaria, which has been included in the environmental licensing process of Block 8 Project. If its environmental feasibility is confirmed, the Vacaria dam will become the water source of Block 8 Project. The Vacaria dam is around 39m tall and 253m long with a water storage capacity of approximately 80 million cubic meters. Nearly half of the water will be provided to communities and for flow regulation of the downstream river.

Irrigation Project

The company will carry out an irrigation project near the Vacaria dam together with the Government of the State of Minas Gerais. SAM plans to relocate households in the area directly affected by the mine project to places near the Vacaria dam to make them the main beneficiaries of the irrigation project. As Block 8 Project needs starch as one of flotation reagents with an annual consumption of approximately 50,000 tons for its flotation process, the company will encourage these beneficiaries of the irrigation project to plant crops for starch production, thereby promoting the development of family agriculture in the region of the project.

Power Supply

In October 2014, SAM was authorized by the Ministry of Mines and Energy (MME) of Brazil to connect the main substation of SAM Project to the most appropriate connection point in the basic grid of the National Integrated System, as being in the Irapé UHE (Hydroelectric Plant) Substation, via a 67km power transmission line with a nominal voltage of 345 kV. The region of the project has huge potential for renewable energy. It is one of the best region for solar energy in Brazil, in recent years, the installed solar photovoltaic capacity in this region has increased rapidly. It also has huge potential for wind energy as the strongest wind belt (with the wind speed of 8-11m/s) in the State of Minas Gerais is only approximately 40km away from Block 8 Project. In addition, the project region is covered by endless eucalyptus forests, which is a traditional area for producing eucalyptus wood, making it a great place for biomass energy generation. In view of the above, to reduce carbon dioxide emissions, the company is also exploring the use of 100% renewable energy to power Block 8 Project within a certain period of time after the project is put into production. SAM may choose to purchase electricity from established renewable energy plants to reduce electricity costs by 10% to 20%. Meanwhile, the company is also discussing with large energy companies about the possibility of being a solar, wind, and biomass renewable energy self-producer since self-production of energy could save approximately 39% of electricity costs due to tax cuts.

Job Opportunities

The project is expected to create approximately 6,200 direct jobs during construction and approximately 1,100 direct jobs and 5,600 indirect jobs during operation.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

Updates on the Project Development Plan — Continued

Expected Timetable

Assuming that the LP is obtained in the fourth quarter of 2021, there is a chance to obtain the LI in the second quarter of 2023 and start trial production in the second quarter of 2026. Many uncertainties, however, may affect the timetable.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$2.24 billion, excluding the pipeline project led by Lotus Brasil and the port project led by Bahia State Government. The Opex per ton of pellet feed for the first 18 years is approximately US$20.4 and thereafter will rise to approximately US$25.7. Taking into account the pipeline transportation and concentrate dewatering service fees payable to Lotus Brasil, as well as fees payable to the port, FOB costs are expected to be approximately US$33.7 per ton for the first 18 years and then increase to US$39.0 per ton.

LP Application

SAM remained committed to applying for the LP in compliance with laws and regulations in Brazil over the past few years. When and after the Group was notified of the pending granting of the LP for the first time in 2015, two tailings dam failures occurred at other mines in Brazil, resulting in a severe delay in the granting LP for the SAM project. Although being aware of many mines worldwide that were put into operation or even failed after more than one or two decades of preliminary work, the delay in SAM's obtaining necessary licenses for the construction is still frustrating.

The collapse of a tailings dam at the Samarco mine in the state of Minas Gerais in Brazil in November 2015 caused damage to residents in surrounding areas and polluted the environment downstream. As a result of this disaster, environmental licensing processes were suspended for all projects involving tailings dams and the government also formulated more stringent laws and regulations, substantially delaying the LP application for all mining projects with tailings dam facilities in Brazil. The SAM project was therefore halted for two years during which SAM had been negotiating with the environmental licensing authority on optimization of the project and necessary complementary studies.

At the end of 2017, after two years of interruption of environmental licensing process of the project, the Company decided to restructure the SAM project by spinning off the pipeline logistics business to a third-party company so that SAM would focus more on the optimization of the mine project.

In 2018, to reduce the environmental impact and risks of the project and build a safe, sustainable green mine, SAM fully optimized the engineering design of the project in accordance with new laws and regulations governing tailings dams, such as optimizing the mining plan to reduce the volume of tailings, changing the tailings dam construction method by adopting centreline instead of upstream, and carrying out a dam breach studies, emergency plan, and a lot of additional environmental studies. Finally, SAM completed a new Environmental Impact Study (EIA-RIMA) at the end of 2018 and submitted it to SEMAD (the Secretariat of Environment and Sustainable Development) of the state of Minas Gerais at the beginning of January 2019.

PROGRESS OF SAM — CONTINUED

LP Application — Continued

Unfortunately, at the end of January 2019, half a month after the Company submitted the new EIA-RIMA, one inactive upstream tailings dam belonging to mining company Vale in Brumadinho collapsed. As this dam-breach happened again only 3 years after Samarco dam-breach 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. Laws and regulations governing tailings dams were amended again, and environmental licensing process for the SAM project had to be suspended again for seven months.

In May 2020, the National Mining Agency (ANM) published a new resolution No. 32 to alter Ordinance No. 70.389 which is about the safety of dams of the mining industry. Resolution No. 32 totally changed the criteria and method for dam-breach study.

In October 2020, a new Law No. 14.066 was published in Brazil to amend Law No. 12.334, which establishes the National Dam Safety Policy.

In March 2021, SAM has finished a new dam-breach study in accordance with the said new laws and regulations governing tailings dams. The results of the new dam-breach study show that, under the worst situation with all different extreme worst scenarios happen at the same time, all tailings will be blocked within the project area without affecting any community in the case of a dam collapse,

The project has not only been affected by the aforementioned two dam failures but also by litigations.

In March 2011, public prosecutors from the Public Ministry of the Minas Gerais State ("MPMG") issued a "letter of advice" to the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA"). The letter of advice recommends IBAMA: a) promote the interruption of the environmental licensing process of the "mining complex" of the then SAM's project and hand over the licensing process of the "mining complex" to the environmental licensing authority of the state of Minas Gerais; b) refrain from granting any authorization or license regarding the analysis of the environmental feasibility of the pipeline project, until the possible granting of the LP for the "mining complex" by the State before the environment policy committee of the state grants the LP for the mine Council for Environmental Policy (COPAM/MG). In other words, MPMG requests SAM to apply environmental license for the mine and the pipeline separately in the state of Minas Gerais and at IBAMA. In April 2011, IBAMA rejected the public prosecutors' advice in its reply to the "letter of advice" as it thought environmental licensing process for the then SAM's project was legally compliant.

In May 2014, the public prosecutor of MPMG filed a public civil action (ACP) against SAM and IBAMA, alleging that SAM should apply environmental license for SAM`s mining rights of Block 7 and Block 8 together as one project and should complement and submit environmental impact studies related to the area of Block 7. IBAMA defended and affirmed that environmental licensing process conducted for the SAM project complied with Brazilian environment legislation. In August 2015, at the first instance, the court judged that it was illegitimate for the public prosecutors of MPMG to file the lawsuit for affairs within the federal jurisdiction and declared to extinguish the ACP process without having ruled on the merits of the discussion. The public prosecutors of MPMG did not revoke the case until May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

LP Application — Continued

In December 2019, public prosecutors of MPMG and the Federal Public Ministry (MPF) jointly filed a public civil action ("ACP") against the Government of the State of Minas Gerais, IBAMA, Lotus Brasil and SAM. The ACP claimed that SAM's mine project and the pipeline project of Lotus Brasil are dependent, and shall be licensed jointly in IBAMA. In January 2020, the judge granted a temporary injunction for the environmental licensing processes of the SAM project and the pipeline project of Lotus Brasil until the final decision was made to ACP. In July 2020, the judge repealed the temporary injunction and provisionally establish IBAMA as the competent organ for the environmental licensing of the SAM project, and allowed IBAMA to delegate its competency to the State of Minas Gerais so that the Government of the State of Minas Gerais can continue with the analysis of the LP application of the SAM project. Currently, the delegation procedure is drawing to a close, SAM expects to resume the environmental licensing process in the first half of 2021.

Despite unexpected challenges, the Group still proactively move the SAM project forward and the project was widely supported locally.

In April 2017, the strategic affairs committee of the state of Minas Gerais made a decision to include SAM's iron ore project as the priority project of the state. Therefore, the SAM project would enjoy a faster LP application procedure than other projects.

After learning that SAM's environmental licensing process was affected by the ACP filed in December 2019, many institutions and associations voiced their support to SAM. SAM received letters of support from 5 mayors of municipalities in the area directly influenced by SAM's project and other 15 local institutions/associations.

According to previous records, most large scale projects in Brazil were challenged by the Public Ministries. SAM will strengthen communication with the Public Ministries and continue to advance the project in accordance with local laws and regulations.

Public Welfare Activities

In addition to the promotion of the SAM project, the Group has also been actively participating in public welfare events in Brazil. Since the COVID-19 broke out in Brazil, SAM has 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 2020, SAM received a letter of thanks from the Governor of Minas Gerais State because of SAM's donation.

PROGRESS OF SAM — CONTINUED

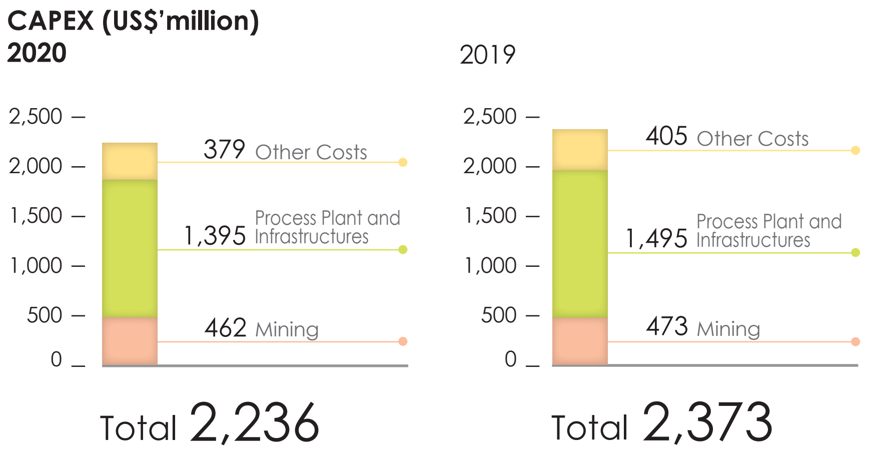
Public Welfare Activities — Continued

In 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 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.

In 2020, SAM and HUAWEI had opened online courses on 5G, artificial intelligence and Cloud technology for free in many local universities and vocational schools and SAM helped HUAWEI donate 200 HUAWEI tablets to primary and secondary schools in the area whether the SAM project operates to support their online education during the pandemic.

Besides, SAM, as always, continued to sponsor events hosted by local schools and traditional activities organized by communities near the project area in 2020. SAM has maintained a very good relationship with local communities. People in the Northern region of Minas Gerais have high expectation from the implementation of the SAM project.

CAPEX AND OPEX

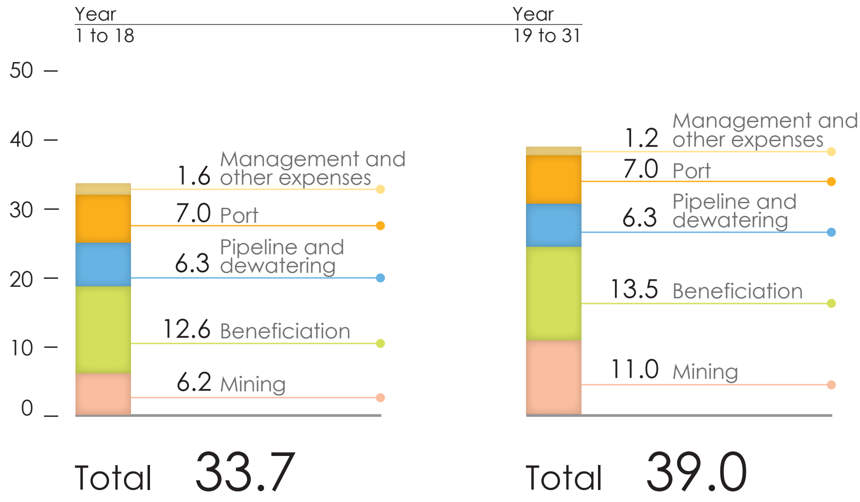


MANAGEMENT DISCUSSION AND ANALYSIS

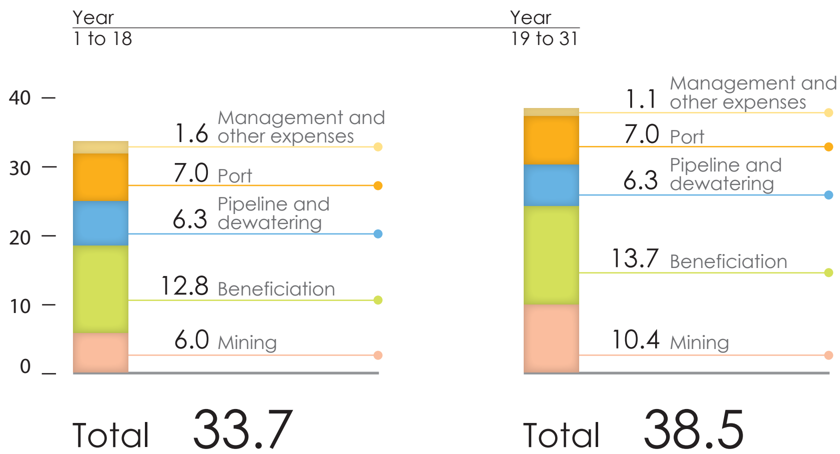
PROGRESS OF SAM — CONTINUED

CAPEX and OPEX — Continued

OPEX/ton (US$)
2020



OPEX/ton (US$)
2019



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 2020, US$2.24 billion CAPEX (2019: US$2.37 billion) and US$33.7 (2019: US$33.7) (year 1 to 18) and US$39.0 (2019: US$38.5) (year 19 to 31) per ton of OPEX applied.

Regarding the project timeline, the new operation commencement date is expected to be late 2026 (2019: early 2026) because due to the public civil action (ACP), SAM licensing process is temporarily suspended.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$981 million (equivalent to approximately HK$7,613 million) (2019: US$811 million, equivalent to approximately HK$6,317 million). A reverse of impairment of US$265 million (equivalent to approximately HK$2,054 million) on exploration and evaluation assets has been recognised in current year. Despite the discount rate adopted (19.84%) was increased (2019: 18.48%), the fair value of the exploration and evaluation assets increased mainly due to the increase in forecast iron ore price. More assumptions and parameters of the valuation has been set out in note 15 of this report.

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;

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 31 December 2020, the additional loans and capital invested was approximately US$10,400,000.

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 2020, the contingent consideration payable was approximately HK$106.3 million (equivalent to approximately US$13.7 million). The amount of contingent consideration payable decreased for the year ended 31 December 2020 because according to the latest timetable of the SAM Project, the conditions for the New Mining Production Payment are not expected to be met. Saved as disclosed above the Group did not have any significant contingent liabilities.

CONTINGENT CONSIDERATION AND LIABILITIES — CONTINUED

Impairment Assessment of Zhejiang Forever New Energy

During the year ended 31 December 2020, impairment of approximately HK$139.1 million was recognised in relation to Zhejiang Forever New Energy cash generating unit (the "Zhejiang CGU") because of the downward adjustment in forecast sales amount for the Zhejiang CGU in view of the slow down of economic growth in the PRC for the year ended 31 December 2020.

The Valuation was performed by an independent professional valuer, Valtech Valuation Advisory Limited, with the discount cash flow method under the income approach on the basis of value in use in accordance with the Hong Kong Accounting Standard 36 — Impairment of Assets ("HKAS 36") published by Hong Kong Institute of Certified Public Accountants. The valuation for the impairment assessment was based on the following key assumptions and inputs:

For the forecast revenue growth rate from 2021 to 2025, it is estimated using the sales quantity growth rate of a major customer in PRC in 2020 as a base. Although the sales quantity growth rate of a major customer in PRC has slowed down in 2020 when compared to 2019, it is expected the major customer can maintain sales growth in the coming years because it has performed well in the PRC market recently and has announced a global electrification strategy that every new car launch from 2019 onwards will have an electric motor and there are two major targets: 50% of sales volume to be fully electric by 2025 and committed to putting one million electrified cars on the road by 2025. To fulfil the strategy, the major customer of the Company needs substantial amount of lithium batteries. Zhejiang Forever New Energy has supplied lithium batteries to popular car models of the major customer and has maintain a good business relationship so more sales order is expected. Other than that, the sales of new energy vehicle is also expected to increase in the coming years, mainly because the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which target new car sales of new energy vehicles will account for about 20% of the overall new car sales in the PRC, which is expected to reach 5 million units in 2025. Globally, the tightening of vehicles gas emission requirements imposed by the government of different counties, provision of government grants or tax exemption also promote the sales of new energy vehicles.

In 2021 and 2022, the forecast sales quantities are adjusted by an expected decrease in sales to another customer in 2021 and 2022. The sales quantity to another customer is expected to decrease because the customer is expected to launch new car models in 2021 and onwards, and orders from certain existing car models is expected to decrease in 2021 and no further orders is expected in 2022.

Other key assumptions and inputs:

- The post-tax discount rate of 14.09% which is based on the weighted average cost of capital.
- The pre-tax discount rate of 15.54% determined by an iterative computation so that the value in use determined by the pre-tax cash flows and a pre-tax discount rate equals value in use determined by the post-tax cash flows and a post-tax discount rate.
- The growth rate beyond the five-year budget plans was 0%, considering the expected sale quantity growth and decreasing trend in unit price of batteries.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS

The Sales Framework Agreement with Zhejiang Geely Holding Group Co. Ltd. ("Zhejiang Geely")

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International (Hong Kong) Limited. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company.

On 28 September 2020 (after trading hours), the Company entered into a sales framework agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder (the "Sales Framework Agreement"). Principal terms of the Sales Framework Agreement are set out below:

Term	:	From 23 October 2020 or the date on which the Independent Shareholders approve the Sales Framework Agreement, the annual caps and the transactions contemplated therein (whichever is later) to 22 October 2023
Subject matters	:	Pursuant to the Sales Framework Agreement, the Group shall supply high-performance ternary lithium-ion battery pack and related products to Zhejiang Geely and its subsidiaries but excluding Geely Automobile Holdings Limited and its subsidiaries. The exact model and volume of goods purchased by Zhejiang Geely from the Group and the dates of delivery will be provided in separate purchase orders.
Pricing basis	:	The price of goods under the Sales Framework 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 separate purchase orders.
Payment terms	:	All transactions contemplated under the Sales Framework Agreement are satisfied in cash.

Proposed Annual Caps for the Sales Framework Agreement

It is expected that for the period ending 31 December 2020, for the year ending 31 December 2021 and 2022 and for the period ending 22 October 2023, the Group supplying high performance ternary lithium-ion battery pack and related products to Zhejiang Geely will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the Sales Framework Agreement accordingly:

	For the period from 23 October 2020 to 31 December 2020 *RMB*	For the year ending 31 December 2021 *RMB*	For the year ending 31 December 2022 *RMB*	For the period from 1 January 2023 to 22 October 2023 *RMB*
Proposed annual caps	76,000,000	250,000,000	300,000,000	350,000,000

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Proposed Annual Caps for the Sales Framework Agreement — Continued

Should the actual annual purchase amount exceed the above proposed annual caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The annual caps after the period ending 22 October 2023 will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

An extraordinary general meeting of the Company was held on 16 November 2020 and passed the resolution in relation to the Sales Framework Agreement. The sales under the Sales Framework Agreement for the period from 23 October to 31 December 2020 was approximately RMB74.8 million (HK$84.0 million).

Volvo Car Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Volvo Car Corporation ("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.
2020 annual cap	:	RMB251 million
Sales for the year ended 31 December 2020	:	approximately RMB160.4 million (HK$180.2 million)

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Zhejiang Geely Components Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Zhejiang Geely Automobile Parts & Components Stock Co., Ltd ("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.
2020 annual cap	:	RMB951 million
Sales for the year ended 31 December 2020	:	approximately RMB22.5 million (HK$25.3 million)

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International (Hong Kong) Limited. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. Given each of Volvo Car and Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely, each of Volvo Car and Zhejiang Geely Components is an associate of the connected person of the Company.

The 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.

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 "Sale Shares Agreement").

The principal terms of the Sale Shares 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.

The Company has entered into a supplemental agreement with the Purchaser on 22 February 2021. Please refer to the Subsequent Event paragraph in the Management Discussion and Analysis section.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2020, the Group recognised a HK$297.1 million in revenue, representing a 13.0% decrease when compared to HK$341.3 million revenue recognised in the last year. The profit for the year ended 31 December 2020 attributable to owners of the Company was approximately HK$1,156.6 million (2019: HK$415.6 million).

Over 97.9% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. Export sales to Europe increased to approximately HK$56.3 million (2019: HK$55.3 million) for the year ended 31 December 2020, representing 19.4% (2019: 16.3%) of total lithium-ion battery sales. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The total revenue of the Group decreased because the business of the Group was affected by the COVID-19 pandemic, especially in the first quarter of 2020.

The battery packs produced by Zhejiang Forever New Energy were supplied 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. Batteries modules were also supplied to Volvo Polestar 01 PHEV and XC90 PHEV.

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 mid-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, the Group is running the battery sharing business focusing on food delivery electric motorcycle branded "GETI" in the PRC. By December 2020, GETI has approximately 230 battery swapping stations and 3,200 active users and electric bicycles powered by GETI has travelled over 50 million km. The Group is currently one of the leading service providers in Jiangsu Province and is planning expand the service to other region in the PRC. Year 2020 marked GETI'S first full year of operation and has gained a lot of experience and knowledge regarding the battery sharing industry. GETI will continue to improve the quality and specifications of its batteries as well as enhance the overall user experience. Ultimately, it is the vision of the Group to provide safe, convenient and reliable battery swapping service to customers all over China. For the year ended 31 December 2020, GETI has recognised approximately HK$6.3 million revenue, 543% increase compared to the HK$1 million revenue in 2019.

The Group recorded a gross profit of approximately HK$93.0 million (gross profit ratio: 31.3%) for year ended 31 December 2020 as compared with the gross profit of approximately HK$4.3 million (gross profit ratio: 1.3%) in the last corresponding year. Gross profit ratio improved because of the general decrease in raw material costs and Zhejiang Forever New Energy also received an one-off purchase discount of approximately HK$26.8 million from a supplier. Zhejiang Forever New Energy has improved the overall operating efficiency of the plant and decreased the overhead costs, depreciation expenses also decreased from HK$32.1 million last year to HK$14.8 million for the year ended 31 December 2020 after impairment provision on property, plant and equipment during the last financial year. On the other hand, the upgraded product of our Zhejiang battery plant has a better profit margin. Without compromise of the battery quality, the Group also optimised the human resources structure of Zhejiang Forever New Energy. 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, sourcing of raw materials from different suppliers, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

BUSINESS REVIEW — CONTINUED

Other operating income of approximately HK$81.5 million (2019: HK$196.6 million) was recognised during the current year. It consists of government grants of HK$69.7 million (2019: HK$163 million), imputed interest income of amounts due from non-controlling interests of HK$3.3 million (2019: HK$13.1 million) and bank interest income of HK$2.0 million (2019: $5.4 million).

The selling and distribution costs during the year ended 31 December 2020 was approximately HK$20.1 million (2019: HK$13.4 million). The increase was mainly due to the increase in product maintenance costs.

The administrative expenses decreased by approximately HK$6.6 million or 7.1% when compared to the last corresponding year. The decreased was mainly due to the decrease in HK$6.0 million staff costs and HK$0.5 million deprecation expenses for the year ended 31 December 2020.

HK$129.4 million other operating expenses were recognised during the year ended 31 December 2020 (2019: HK$5.1 million), which approximately HK$79.4 million was impairment provision on long-ageing inventories and approximately HK$50.0 million was loss on financial assets at fair value through profit or loss due to the decrease in share price of a listed equity investments (i.e. Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of Hong Kong Stock Exchange Limited) of the Company.

HK$58.8 million non-cash loss on deemed disposal of a subsidiary was recognised during the year ended 31 December 2020 when Shandong Forever New Energy was disposed in March 2020.

Although there is improvement in gross profit margin and decrease in operating loss of Zhejiang Forever New Energy, impairment loss of HK$139.1 million has been provided on property, plant and equipment during the year ended 31 December 2020 because of the downward adjustment in forecasts sales amount for the current products of Zhejiang Forever New Energy.

Finance costs decreased because the amount of borrowings and loans decreased during the year. Approximately HK$16.8 million finance costs were recognised during the year ended 31 December 2020 (2019: HK$19.4 million) which 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 year ended 31 December 2020, the profit attributable to the owners of the Company was approximately HK$1,156.6 million (2019: HK$415.6 million). The significant increase in profit was mainly attributable to (1) a significant reverse of impairment of exploration and evaluation assets, which is due to the increase in the recoverable amount of the exploration and evaluation assets in relation to the Sul Americana de Metais S.A. ("SAM") project; (2) decrease in impairment loss on property, plant and equipment and (3) increase in gross profit for the year ended 31 December 2020. The increase in profit was partially set-off by the impairment loss on inventories in relation to the Zhejiang lithium-ion battery project, loss on deemed disposal of a subsidiary, increase in loss on financial assets at fair value through profit or loss and increase in share of loss of associates for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW — CONTINUED

For the associate (20% owned by the Group) which initially engaged in online car-hailing services in Paris, France under the brand Caocao, the service was launched in Paris in January 2020 and although Caocao has received positive feedback from the market, city lockdown in Paris and other COVID control measures are affecting its operation and a share of HK$9.2 million loss of associate was recognised by the Group during the year.

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 yet settled the unpaid capital contribution up to the date of this report. Shandong Forever New Energy has made an impairment loss on such receivable in view of its long overdue status and the existence of uncertainty to receive the capital contribution sum from Jiangsu Tiankai. Approximately HK$39.5 million share of loss was recognised by the Company during the year. The Group is exploring the feasibility of retrieving equity or reverting the transaction through negotiation or legal proceedings, and is also constantly exploring the possibility of finding other partners or further developing equity structure and business.

As at 31 December 2020, the cash and cash equivalent balance of the Group was approximately HK$373.0 million (2019: HK$351.7 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and difficult economic situation.

As at 31 December 2020, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 8.9% (2019: 13.5%). The gearing ratio of the Group has improved significantly because the total loans and borrowings decreased during the year.

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 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, in 2016, the Company had yet to identify suitable investment and acquisition targets in the new energy vehicle-related field and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, 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.

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 31 December 2020:

Intended use of proceeds	Total net proceeds *HK$' million*	Actual use of net proceeds up to 31 December 2020 *HK$' million*	Remaining balance of net proceeds up to 31 December 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	123.0	30.3
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	63.4	13.5
Total	1,336.0	1,292.2	43.8

As at 31 December 2020, the unutilised portion of approximately HK$43.8 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$13.5 million are expected to be utilised to maintain the headquarter in Hong Kong. Major expenditures include 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.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$57.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2020, the total number of employees of the Group was 261 (2019: 481). Employee benefit expenses (including directors' emoluments) amounted to HK$51.7 million for the year (2019: HK$61.6 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.

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 14 of this report.

PROSPECTS

The world is undergoing an evolution of the replacement of traditional petrol cars by low emission and electric vehicles as several countries in Europe have set out their timetable to phase out combustion-engine vehicles.

Meanwhile, the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. By 2025, the competitiveness of new energy vehicle market in the PRC will improve significantly with major breakthroughs achieved in terms of key technologies such as powered batteries, electric motors and vehicle operating systems, as well as comprehensively enhanced safety level. The new car sales of new energy vehicles will account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The PRC government will also deepen the research and development layout of "three-vertical-three-horizontal" (三縱三橫), under which pure electric vehicles, plug-in hybrid electric vehicles (including extended range models) and fuel cell electric vehicles serve as "three-vertical", which is the layout for vehicle technology innovation chain; while powered batteries and management systems, electric motors and power electronics, networking and intelligent technologies serve as "three-horizontal", which is the supply system for critical parts, components and technologies. The Company expected that with the launch of the latest policies, the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Nevertheless, the global economy continues to be influenced by trade barriers and 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 possibly affect the sales of the Group. 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 and progressive approach in business operation and development.

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 continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as smart car cockpit, chips and parts for automobile, 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 Brazil SAM iron ore project was covered in the Progress of SAM section in this report. Despite the exceptional time and efforts spent for the SAM iron ore project, it is disappointing and disappointing 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.

SUBSEQUENT EVENT

Supplemental Agreement to the Sale Shares Agreement Dated 16 June 2020

On 22 February 2021, the Company and Bronze Pony Investments Limited (the "Purchaser") entered into a supplemental agreement (the "Supplemental Agreement").

Main terms of the Supplemental Agreement

On or before 30 June 2021, the Purchaser shall pay HK$175,000,000 (the "Final Payment") to the Company.

If the Purchaser has paid part of the Final Payment before 30 June 2021, by the request of the Purchaser, the Company may choose to transfer a portion of Sale Shares such that the number of Target Shares to be transferred to the Purchaser will be equal to the amount of Final Payment received by the Company divided by HK$0.66 per Target Share.

It is agreed that if the Purchaser settles the Final Payment in full before 30 June 2021, the transfer price of the Sale Shares previously transferred at a price of HK$0.66 per Target Share will be adjusted to HK$0.60 per Target Share.

It is also agreed that the Company will transfer 98,490,000 shares of the Target Company to the Purchaser at the price of HK$0.66 per Target Share for the HK$65,000,000 already received by the Company (the "Shares Transfer"). 98,490,000 shares of the Target Company were transferred to the Purchaser on 23 February 2021. After entering into the Supplemental Agreement, no additional consideration was received by the Company.

The Supplemental Agreement does not change the total consideration of the Sale Shares Agreement, which remains at HK$240,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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, NEV sales target 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 lithium-ion battery business 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 management is aware of the business risk to rely on limited key customer. Should Zhejiang Geely Group 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 Group will count a significant portion of revenue of Zhejiang Forever New Energy. 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. 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 key customers. The Group is also actively investing and exploring opportunities other than lithium-ion battery business. For example, the revenue from battery swapping service for electric bicycle has been increasing in the past two years.

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. However, the high cost was also attributable to the small production capacity of the project, and hence it would be relatively difficult to reduce the cost.

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 to reduce the possible harmful impacts from such risks.

THE PRINCIPAL RISKS AND UNCERTAINTIES 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, legal litigation challenges, political factors, policies and approval of the relevant permits and licenses to conduct the mining activities in the Brazil. All these factors may affect the schedule of the project, or even result in the failure of the SAM project.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 58, joined the Company in 2007, 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, and Triumphant Glory Investments Limited, all being subsidiaries of the Company.

Mr. Liu Jian, aged 47, joined the Company in June 2018, is the Vice-Chairman and Joint Chief Executive Officer of the Company. He is director of GETI (China) Energy Technology Company Limited (吉遞(中國)能源科技有限公司). 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 56, joined the Company in 2007, is the Joint 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. 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 GETI Energy Sharing Technology Company Limited, all being subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Ang Siu Lun, Lawrence, aged 60, joined the Company in 2010, holds a Bachelor of Science degree in physics and computer science and a Master Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is an executive director of Geely Automobile Holdings Limited (Stock Code: 175). Mr. Ang assists the Group's capital market activities and investor relations.

Mr. Yan Weimin, aged 54, joined the Company in 2010, graduated from Central South University in 1989 majoring in automation. He also holds an EMBA degree of United Business Institutes (UBI) in Belgium. Mr. Yan has 20 years experience in the trading of mineral products. He has served in Shanghai Guohong Trading Co. Ltd. as the general manager and Shanghai Yingyue International Group Co. Ltd as the chairman. Mr. Yan is now a non-executive director of Xi'an Haitiantian Holdings Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Wai, Tony, aged 49, joined the Company in 2007, is a Certified Public Accountant and owns a CPA practice. He has extensive experience in audit assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited, and the joint company secretary of Zhejiang Cangnan Instrument Group Company Limited, the shares of which are listed on the Hong Kong Stock Exchange. He was also a former director of Wai Chun Mining Industry Group Company Limited, Wai Chun Group Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange.

Mr. Ma Gang, aged 64, joined the Company in 2007, 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 51, joined the Company in 2015, 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 37, 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. Jin Jigang, aged 41, joined the Company in 2017, 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 of Zhejiang Forever New Energy Co., Ltd..

Dr. Eder de Silvio, aged 58, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT — CONTINUED

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 41, 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 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 153 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 33 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 Joint Chief Executive Officer)*
Mr. Liu Wei, William *(Joint Chief Executive Officer)*

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. Ang Siu Lun, Lawrence (``Mr. Ang'') and Mr. Ha Chun (``Mr. Ha'') will retire as Directors by rotation at the annual general meeting. Mr. Ang has informed the Board that he will not offer himself for re-election at the annual general meeting in order to devote more time to pursue his other business commitments and accordingly, he will retire as a non-executive Director and a member of the Nomination Committee at the conclusion of the annual general meeting. All other remaining Directors continue in office.

DIRECTORS' REPORT

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 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

	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 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.

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 2020, an aggregate of 8,750,000 Shares were issuable pursuant to share options granted.

As at 31 December 2020, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 596,567,971, representing approximately 6.1% of the issued share capital of the Company as at 31 December 2020.

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 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: Outstanding as at 01/01/2020	Number of share options: Lapsed during the year	Number of share options: Outstanding as at 31/12/2020	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$
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	13,750,000	(5,000,000)	8,750,000				

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.

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

As at 31 December 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				Approximate percentage of shareholding
	Beneficial owner	Interest of spouse	Interests of controlled corporation	Total number of shares held	*(%)*
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

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.

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

Save as disclosed above, as at 31 December 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 year ended 31 December 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 year ended 31 December 2020.

On 20 September 2019, for the working capital requirement of Zhejiang Forever New Energy, Shanghai Maple Automobile Company Limited, a subsidiary of Zhejiang Geely, 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. The loan was fully repaid on 2 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. The loan was fully repaid on 2 March 2021.

During the year ended 31 December 2020, a finance costs of approximately HK$6.2 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.

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) ("Zhejiang Geely Auto") 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 a lithium-ion battery enterprise. More details of the reorganisation agreement was set out in the circular of the Company dated 24 February 2020.

CONNECTED TRANSACTIONS — CONTINUED

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.

As Zhejiang Geely Auto owns 51% equity interest in Shandong Forever New Energy immediately prior to the Completion and is therefore a substantial shareholder of Shandong Forever New Energy. Zhejiang Geely Auto, which is a 71.05% owned subsidiary of Zhejiang Geely, is a connected person of the Company. The reorganisation agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2020, the Group has sold approximately HK$84.0 million, HK$180.2 and HK$25.3 million lithium-ion batteries to Zhejiang Geely, Volvo Car and Zhejiang Geely Components respectively.

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 2020.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 37 to the consolidated financial statements and the consolidated statement of changes in equity in page 86 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 2020 amounted to approximately HK$1,183,022,000 (2019: HK$1,267,189,000).

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 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 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 3.18 to the consolidated financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the largest and five largest customers of the Group accounted for 60.7% and 97.9% of the Group's total revenue respectively and the largest and five largest suppliers of the Group accounted for 96.42% and 98.06% of the Group's total purchases respectively.

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 2020.

DIRECTORS' REPORT

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

During the year ended 31 December 2020, 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 2020 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
24 March 2021

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain 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 2020 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. 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.

BOARD COMPOSITION

The Board of Directors (the "Board") of the Company composed of eight Directors, including the Chairman, the Vice Chairman and Joint Chief Executive Officer and the Joint 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.

CORPORATE GOVERNANCE REPORT

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 GENERAL MEETINGS

Four Board meetings, two extraordinary general meetings ("EGM") and an annual general meeting ("AGM") were held during the financial year ended 31 December 2020 and the attendance records of the Directors are as follows:

	EGM	AGM	Board Meeting
Executive Director			
He Xuechu *(Chairman)*	2/2	1/1	4/4
Liu Jian *(Vice Chairman and Joint chief Executive Officer)*	0/2	0/1	4/4
Liu Wei, William *(Joint Chief Executive Officer)*	2/2	1/1	4/4
Non-Executive Director			
Yan Weimin	0/2	0/1	0/4
Ang Siu Lun, Lawrence	0/2	0/1	4/4
Independent Non-Executive Director			
Chan Chun Wai, Tony	2/2	1/1	4/4
Ma Gang	0/2	0/1	4/4
Ha Chun	2/2	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 2020, 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 2020.

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 2020 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 2020 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.

CORPORATE GOVERNANCE REPORT

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 76 to 80 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 2020, the Auditors of the Company received approximately HK$2,167,000 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 2019 annual results, 2020 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 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.

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 2020 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 2020 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.

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF THE SENIOR MANAGEMENT

The remuneration of the senior management of our Group for the year ended 31 December 2020 and 2019 falls within the following band:

	Number of individuals	
	2020	2019
HK$1,000,001 to HK$1,500,000	3	3
Below HK$1,000,001	1	2

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Honbridge Holdings Limited (the "Company", together with its subsidiaries, the "Group") mainly engages in i) the research, production and sales of lithium-ion battery in the People's Republic of China (the "PRC"), ii) the provision of electric bicycle battery swapping service in the PRC, and iii) the iron ore project in Brazil ("Block 8 Project" or "SAM Project").

Environmental protection, resource conservation and sustainable development are the core values of the Group. To pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance (the "ESG") aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

This environmental, social and governance report (the "ESG Report") summarises the ESG initiatives, plans, and performances of the Group and demonstrates its on-going commitment towards sustainable development.

THE ESG GOVERNANCE STRUCTURE

The Group conducts a top-down management approach regarding its ESG issues. The board of directors (the "Board") oversees and sets out ESG strategy for the Group. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control mechanisms. To develop a systematic management approach to ESG issues, the Group has arranged designated personnel to manage the Group's ESG matters. The designated personnel is responsible to collect relevant information on the ESG aspects for the preparation of the ESG Report. It periodically reports to the CEO, assists in identifying and assessing the Group's ESG risk, and evaluates the implementation and effectiveness of the Group's internal control system. It also examines and reviews the Group's ESG performance, including environmental, labour practices, and other ESG aspects. Upon the review of the ESG Report by the CEO, the CEO will directly report to the Board.

SCOPE OF REPORTING

This ESG Report generally covers the Group's business activities in Hong Kong, the PRC and Brazil where its business operations are located. The ESG key performance indicator ("KPI") data is gathered and includes subsidiaries that are under the Group's direct operational control. The KPI are supplemented by explanatory notes to establish benchmarks.

Shandong Forever New Energy Company Limited ("Shandong Forever New Energy") was disposed on 19 March 2020. Besides, its operations nearly suspended during the Reporting Period. Therefore, Shandong Forever New Energy is not covered in this ESG Report. Due to the change of reporting scope, the data comparison between the Reporting Period and the financial year ended 31 December 2019 is not meaningful.

The Group will continue to assess the major ESG aspects of different businesses and extend the scope of disclosures when and where applicable.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges, and measures taken by the Group from 1 January 2020 to 31 December 2020 (the "Reporting Period").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with Appendix 20 of GEM Listing Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 45 to 52 of the Company's annual report 2020.

STAKEHOLDER ENGAGEMENT

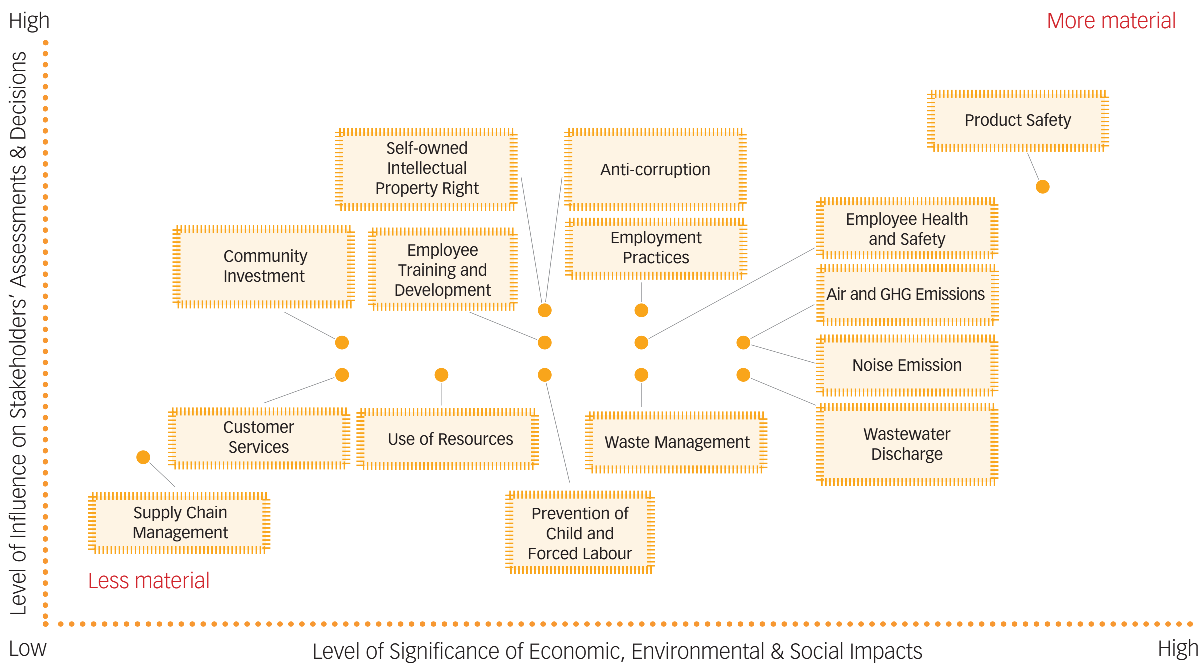
The Group believes that regular communication with stakeholders can help to drive its growth. The Group is committed in maintaining the sustainable development of its businesses and providing support to environmental protection and the community in which it operates. The Group maintains close ties with its stakeholders, including government, investors, management, customers, employees, suppliers, community and the public, and strives to balance their opinions and interests through constructive communications in order to set the direction of its sustainable development. The Board is responsible for assessing and determining its ESG risks, and ensuring that the relevant risk management and internal control systems are operating properly and effectively.

Key stakeholders	Engagement Channels	Expectations & Concerns
Management	— Regular meetings — Intranet and emails	— Employee health and safety — Employee development and training — Protection of employees' rights and interests — Complying with laws and regulations
Employees	— Regular meetings — Intranet and emails	— Employee health and safety — Remuneration and benefits — Career development
Investors and shareholders	— Annual general meetings — Financial reports — Press releases and announcements — Manufacturing plant visits	— Complying with laws and regulations — Disclosing latest information of the corporate in due course — Financial results — Corporate sustainability
Customers	— Company website and social media — Email and customer service hotline	— Assuming product and service responsibility
Suppliers	— Site visits and meetings — Supplier performance assessment	— Fair competition — Business ethics and reputation
Government and regulatory bodies	— Site visits and meetings — Regular reporting	— Complying with laws and regulations — Business ethics
Public and communities	— ESG report	— Giving back to society — Environmental protection — Complying with relevant laws and regulation

MATERIALITY ASSESSMENT

The Group's management and staff from respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of related matters to its businesses and stakeholders. The Group has compiled a survey based on the assessed ESG issues to collect the information from relevant departments, business units, and stakeholders of the Group. The following matrix is a summary of the Group's material ESG issues:

The Group's Materiality Assessment Martrix



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

EMPLOYMENT PRACTICES

The Group believes that talent is one of the most important assets, and serve as the basis of sustainable development of an enterprise. While employees contribute time and wisdom to the Group, the Group also endeavors to build a fair and proper workplace for employees. The Group is committed to upholding the principle of fair and impartial competition to offer equal promotion opportunities to every employee in the Group. The Group also offers competitive remuneration, training and development opportunities to employees and emphasises workplace and occupational safety in order to create a good and harmonious working environment.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations in the PRC, Hong Kong and Brazil that would have a significant impact on the Group. Such laws and regulations include but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, Employment Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Minimum Wage Ordinance of Hong Kong, and the Consolidation of Labour Laws of Brazil.

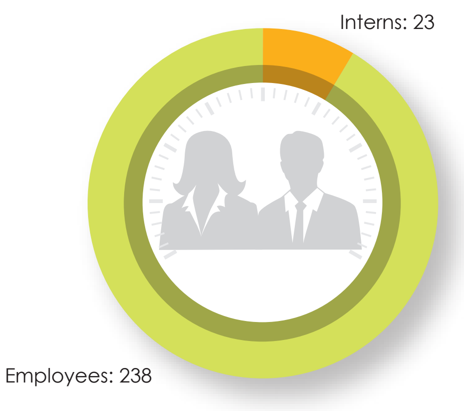
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Structure

As at 31 December 2020, the total number of employees of the Group was 261 (2019: 481) with labour structures set out below:

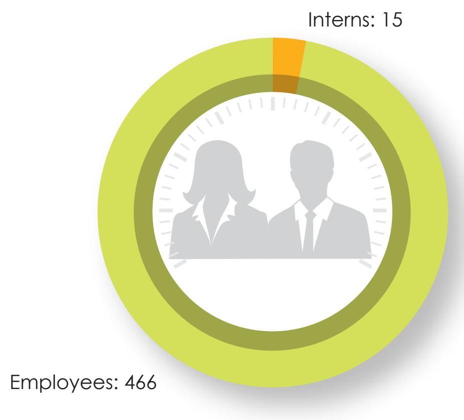
2020

EMPLOYMENT CATEGORY

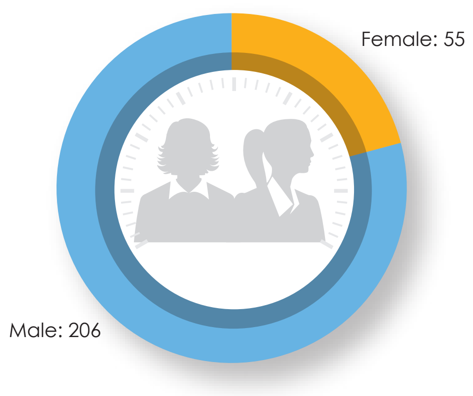


2019

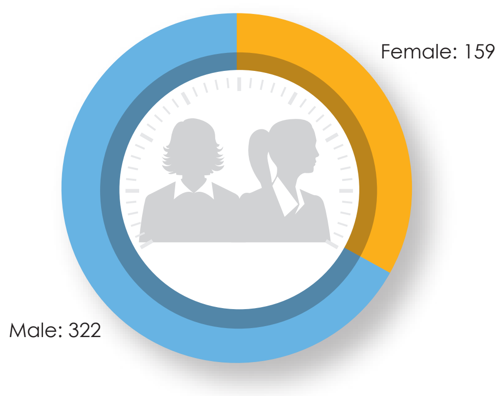
EMPLOYMENT CATEGORY



EMPLOYEES BY GENDER



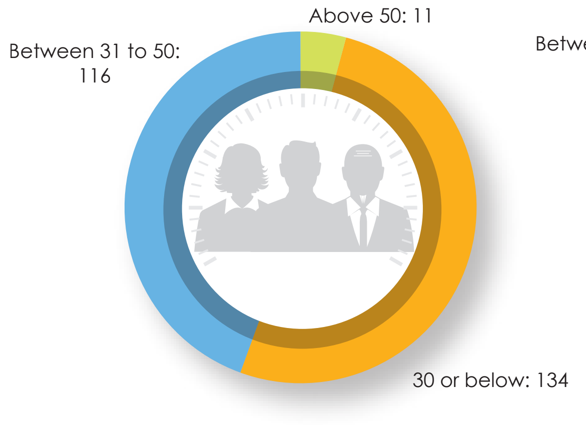
EMPLOYEES BY GENDER



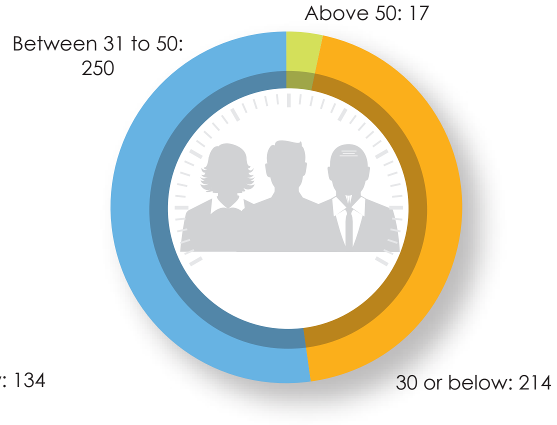
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2020 **2019**

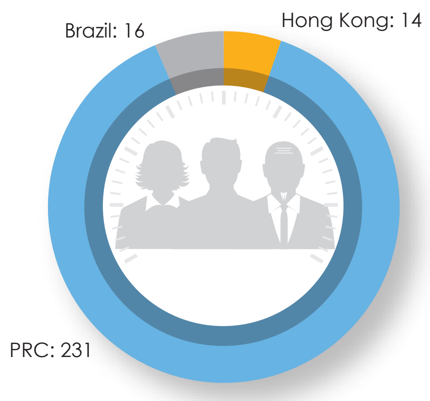
EMPLOYEES AGE GROUP



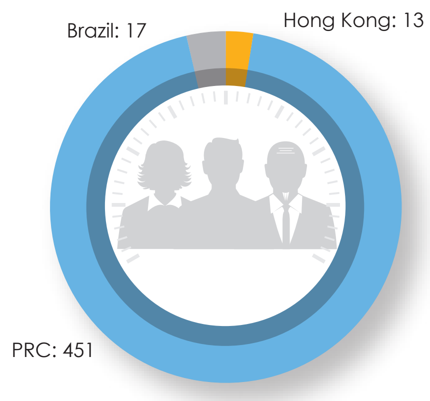
EMPLOYEES AGE GROUP



EMPLOYEES BY REGIONS



EMPLOYEES BY REGIONS



The number of employees decreased significantly mainly because of the disposal of Shandong Forever New Energy in March 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment and Promotion Process

The Group has formulated Recruitment Management System (《招聘管理制度》) to regulate and standardise employment related procedures. In line with the need of business development and the principles of fairness and justice, the Group selects most suitable qualified candidates through open recruitment or internal promotion processes. Employees of different races, nationalities, beliefs, genders, ages, marital statuses, and those with special legal protection, are treated equally during the recruitment and promotion process.

The Group adopts a combination of various recruitment channels based on different positions and rankings. These channels mainly include the followings:

1.) Referral by employees: The Group encourages its employees to refer outstanding talents. The administrative department will evaluate the candidates' competence by adhering to the principle of fair competition. The employee that referred a suitable candidate to the Group successfully will receive the corresponding bonus according to the internal talent referral system.

2.) Public recruitment: The Group recruits through public media, advertisements in professional publications, relevant websites and professional institutions regularly or when necessary. The recruitment period of each position shall not be longer than 12 weeks.

3.) Campus recruitment: Targeting fresh graduates, the Group timely disseminates information on recruitment to the career guidance centers of different institutions in autumn every year. The Group will also participate in job fairs held by different universities. The Group has received applications from fresh graduates from well-known universities through online and on-site screening.

Remuneration and Benefits

The Group has established a Salary Management System (《薪酬管理制度》). The Group recognises its employees' qualifications, experiences and work performances by offering attractive remuneration packages. In order to demonstrate care for employee, boost employee loyalty and harmony, and build up a highly motivated team, the Group reviews and adjust the salary and benefits in accordance with employees' performance annually.

The Group has established a Benefit Management System (《福利管理制度》) for employees in the PRC, which sets out benefits stipulated in the laws and regulations of the PRC, such statutory benefits include traditional holiday benefits, labour insurance, ex gratia payment for important personal matters and subsidies for academic qualification enhancement. In order to ensure the wellbeing of employees, the Group purchases traffic accident insurance and employer liability insurance and organises body checks for its employees. During festivals such as Lunar New Year and Mid-Autumn Festival, the Group would also distribute festive food or gifts to employees.

Employees in Hong Kong and Brazil enjoy medical insurance, work-related injury insurance, and retirement coverage such as mandatory provident fund in Hong Kong.

Working Hours & Rest Period

The working hours of the Group's employees based in the PRC complies with relevant requirements of the Labour Law of the People's Republic of China. For over-time work, the Group provides over-time work compensation to employees in accordance with the requirements stipulated in the local labour laws such as the Provisions on Minimum Wages. Employees also enjoy day off and public holidays as stipulated in the local labour laws as well.

The Group's Hong Kong headquarters has formulated policies in regulating the working hours and rest periods for employees following local labour laws. The 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.

In Brazil, Sul Americana de Metais S.A. ("SAM") strictly follows the terms in the Collective Bargaining Agreements. For aspects not covered by the agreements, SAM will follow the local labour laws. The employees 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.

Termination of Employment

In the event of staff resignation or dismissal, the Group ensures that the employees receive the entitled rewards and compensation according to the employment contract and by reference to the applicable labour laws and regulations. The Group strictly prohibits any kinds of unfair or illegitimate dismissals. The Group has also formulated resignation management procedures to ensure resigning personnel and relevant departments have carried out proper handover procedures.

EMPLOYEE HEALTH AND SAFETY

To protect our employees, the Group strictly adheres to the "safety first" slogan and constantly upgrades occupational health and safety management. The Group has accredited with OHSAS 18001:2007 Occupational Health and Safety Management Certification and established the Environmental and Occupational Health System Manual (《環境&職業健康安全管理體系管理手冊》). The Group's management reviews the manual annually or whenever there is a significant change in relevant regulations, the Group's governance structure, or working environment and will make necessary adjustments and updates accordingly.

During the Reporting Period, there were no reported work-related fatalities and the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Production Safety Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Fire Protection Law of the People's Republic of China, Regulation on Work-Related Injury Insurances, Health Ordinance of Hong Kong, and the Consolidation of Labour Laws of Brazil.

Apart from regular assessments on the working environment of manufacturing plants in the PRC, the Group has also set objectives of occupational health management; established safety and occupational health management system; and set up an occupational health management scheme to eliminate occupational hazards from construction facilities to achieve fundamental safety. During the Reporting Period, there were no reported cases of work-related fatalities and no lost days due to work injury.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safety measures implemented in the manufacturing plants in the PRC include:

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

(2) Training measures: conduct regular occupational health lesson and training for workers; conduct 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, earplugs, safety goggles, safety helmets, protection boots, insulating equipment, etc.

The Group organises fire safety lessons and training for employees every year. Fire emergency evacuation drills and fire extinguishers operations drills allow employees to understand the importance of safety and improve their awareness of safety precautions. On 5 November 2020, Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy") has organised a comprehensive emergency fire drill. The fire drill is considered a success as more than 200 staff were evacuated to a designated location safely and orderly within 3 minutes. In order to further implement the fire-safety approach of "focusing on prevention and combining prevention with elimination measures" and enhance it's the employees' capabilities on self-rescue and escaping, the Group invited the fire services team of Jiangnan District, Jinhua City for guidance and on-site observation during the Reporting Period. Besides, Zhejiang Forever New Energy held a fire fighting skills competition. Through the competition, the employees' awareness on fire safety has been improved and their understanding of the use of fire fighting equipment has been strengthened.

The Hong Kong headquarter is required to comply with the Occupational Safety and Health Ordinance to improve the indoor environment of the Group in order to create a safe and healthy workplace for employees. The Group has also placed First aid boxes around the premise.

SAM has strictly adhered to Brazil regulations of work safety and health standards and prepared an annual Environmental Risk Prevention Program ("PPRA") as well as an Occupational Health Examination Program ("PCMSO"). PPRA is a program for employee health and physical integrity by predicting, identifying, evaluating and controlling environmental risks in the workplace. During the induction training, SAM 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 that aims at promoting and protecting the health of its employees. In accordance with the requirements of PCMSO, SAM has arranged physical examination to employees, with a view to prevent, detect and control potential health risks especially work-related diseases and assuring the health of employees.

In response to the outbreak of the COVID-19 pandemic, the Group has formulated the below guidelines and encourages its employees to follow.

Personal hygiene

- Regularly and thoroughly clean hands with an alcohol-based hand rub or wash them with soap and water
- Avoid touching your eyes, nose, and mouth
- Cover your mouth and nose with your bent elbow or tissue when you cough or sneeze.

Workplace

- Avoid handshaking and use other non-contact methods of greeting
- Increase ventilation by opening windows or adjusting air conditioning
- Clean and disinfect surfaces frequently especially those which are regularly touched such as doorknobs, tables, desks and handrails
- Stay home if staff or their close contacts are sick.

Business meeting and traveling

- Use video conferencing for meetings when possible
- Hold meetings in open and well-ventilated spaces under unavoidable circumstances,
- Consider adjusting or postponing large meetings or gatherings
- Assess the risks of business travel
- Suspend unnecessary business travels and face-to-face meetings

Canteen

- Avoid food sharing
- Strengthen health screening for canteen staff and their close contacts
- Ensure staff and their close contacts practice strict hygiene

In order to safeguard the health and safety of the Group's staff under the epidemic, the Group has used remote, flexible and adaptive work arrangements to reduce potential exposure in the office and during the commute. In response to the Provisional Measure ("MP") published by the Federal Government of Brazil, the Group offered a work-from-home arrangement for employees working in SAM during the Reporting Period. To ensure all employees are properly equipped with appropriate prevention equipment against COVID-19, the Group has provided surgical masks to all its employees and their family members. Besides, in order to enhance the flow of information and quick identification of infected employees, the Group has also offered an around the clock medical consultation services to all its employees in Brazil by collaborating with Bradesco Saúde.

Hong Kong headquarters has adopted flexible working hours and arranged for employees to work from home.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYEE TRAINING AND DEVELOPMENT

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 also be given opportunities for self-actualisation. The Group has formulated a Training Management Measure (《培訓管理辦法》) and an External Training Management Measure (《外派培訓管理辦法》) to standardise the management of employees' training. The Group provides internal and external training for all employees. Employees will receive training depending on their different positions and ranks, so as to achieve different training purposes and effects which enable the Group to improve work efficiency and enhance employees' independent ability to work. The Group will also provide subsidies to employees for academic qualification enhancement.

Besides, the Group designed a training programme for the talents from campus recruitment, which is known as "Rising Stars". This programme aims at developing young, energetic and advocating reserved power with an ambitious, determined, amiable and complimentary spirit.

The Hong Kong headquarter and SAM encourage employees to enroll 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 society and regulations.

LABOUR STANDARDS

Prevention Of Child And Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and prohibits any child and forced labour employment. The Group's Human Resources and Administrative Department is responsible to monitor and ensure compliance of the latest and relevant laws and regulations that prohibits child labour and forced labour.

To avoid illegal employment of child labour, underage workers and forced labour, personal data are collected during the recruitment process to assist the selection of suitable candidates and to verify candidates' personal identity. The administrative department also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in light of the circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Hong Kong Employment Ordinance, the Labour Law of the People's Republic of China ,and the Consolidation of Labour Laws of Brazil.

SUPPLY CHAIN MANAGEMENT

As of 31 December 2020, with regards to the lithium-ion battery business, there are a total of 39 qualified suppliers, among which 38 companies were located in China and 1 company was located in South Korea. For the battery swapping business, there are 22 suppliers on the list of qualified suppliers, all of which were located in China.

With reference to the specific product requirements from the Group's Quality Department, Research and Development Department, and Production Department, the Procurement Department has prepared supplier management and regulation documents to ensure the consistency, reliability and passing rate of the products.

In order to enhance the supplier selection process and properly allocate procurement volume every month, a Procurement Control Procedure (《採購控制程序》) has been established to further standardise and tighten the procurement processes. The Procurement Department has formulated a series of relevant documents which regulate supplier admission and grading individual supplier to select, supervise and incentivise suppliers. Meanwhile, the Group has signed Agreements on Credibility, Integrity and Self-discipline (《誠信廉潔自律協議》) with suppliers to establish a relationship of mutual trust.

PRODUCT LIABILITY

The Group 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".

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group. Such laws and regulations include but are not limited to Personal Data (Privacy) Ordinance, Law of the People's Republic of China on Protection of Consumer Rights and Interests, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Consumer Protection Code of Brazil.

Product Safety

The Group has formulated a Quality Handbook (《質量手冊》) to build a quality control system, ensuring that the lithium-ion battery products of Zhejiang Forever New Energy meets the requirements of relevant regulations and standards. The Group conducts on-site quality checks and inspections at various stages of manufacturing. The lithium-ion battery products of Zhejiang Forever New Energy has passed the requirements of various standards, including GB/T31467.3-2015 Lithium-ion Battery Packs and Systems for Electric Vehicles — Part 3: Safety Requirements and Test Methods (《電動汽車用鋰離子動力蓄電池包和系統第3部分：安全性要求與測試方法》) and Revision Notice No. 1, the 1610 Test Methods for the Relevant Technologies and Indicators of Powered Battery and Fuel Cells (Trial) (1610《動力電池、燃料電池相關技術指標測試方法(試行)》), GB/T31484-2015 Cycle Life Requirements and Test Methods for Powered Battery of Electric Vehicles (GB/T31484-2015《電動汽車用動力蓄電池循環壽命要求及試驗方法》), GB/T31485-2015 Safety Requirements and Test Methods for Powered Battery of Electric Vehicles (GB/T31485-2015《電動汽車用動力蓄電池安全要求及試驗方法》) and GB/T31486-2015 Electrical Performance Requirements and Test Methods for Powered Battery of Electric Vehicle (GB/T31486-2015《電動汽車用動力蓄電池 電性能要求及試驗方法》).

Self-Owned Intellectual Property Rights

The intellectual property rights are the core competitiveness of enterprises, especially for the lithium-ion battery industry which relies on independent research and development and brand building. Its "quality" and "quantity" are directly related to the innovation capacity and product safety of an enterprise. The Group has formulated the Intellectual Property Management Measures (《知識產權管理辦法》), the Patent Management Measures (《專利管理辦法》) and Trademark Management Measures (《商標管理辦法》) to protect the Group's property.

The Group's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As at 31 December 2020, the Group was granted 244 patents, among which 184 are utility model patents, 4 appearance design patents and 56 innovation patents.

After-Sales Service Commitment

To constantly improve and optimise the after-sales system and ensure timely and efficient resolution of battery set failure, the Group has formulated a Procedures on Handling After-sales Product (《售後產品處理程序》). The Group adopted various forms of after-sales services to maintain customer satisfaction. For example, the Group's customer hotlines provide 24-hour technical support services to the customers.

Privacy Protection

The Group is determined to protecting customers' personal data by handling them with the highest degree of confidentiality. Therefore, we have also established the Information Security Management System (《信息安全管理體系制度》) for the collection and use of customers' data. The Group has also formulated security measures for data protection and encryption.

ANTI-CORRUPTION

The Group strives to maintain a high level of corporate ethical culture and we strictly prohibit all forms of bribery and corruption. The Group has formulated internal policies for different operational sites to ensure that every employee complies with the rules of the Group in daily operation to prevent violation of the law. For Hong Kong headquarters, the Group has formulated a Corporate Disciplinary Code (《公司紀律守則》). For Brazil, the Group has formulated a Code of Conduct. For the PRC, the Group formulated a Integrity and Self-discipline Code of Conduct and the Punishment Implementation Rules (《廉潔自律行為準則及其處分實施細則》), a Gifts and Entertainment Management System (《禮品與招待管理制度》) and a Conflict of Interest Management System (《利益衝突管理制度》). The Group requires all its employees to understand and be well-aware of the Group's ethical expectations and standards.

To further achieve and maintain the highest degree of openness, probity and accountability, the Group has established a whistle-blowing system. The Group has formulated the Measures for Compliance Consulting, Reporting, Investigation and Reward Management (《合規諮詢、舉報、查處及獎勵管理辦法》) in the PRC. Employees and stakeholders of the Group are allowed to report any forms of negligence, corruption, bribery and other misconducts to the Group. Reports and complaints received will be handled in a prompt, fair and confidential manner. The Group will protect the whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions. Any person who is found to have victimised or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

In order to promote integrity and honesty, the Group disseminates materials and information regarding anti-corruption and anti-money laundering provided by the Hong Kong ICAC to its directors and senior management via e-mails regularly. Besides, the Group launched a promotion campaign on compliance in the PRC during September 2020 to encourage employees to maintain a high level of corporate ethical culture together.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Hong Kong Prevention of Bribery Ordinance, the Company Law of the People's Republic of China and Federal Law No. 12,846/2013 (LAC) of Brazil.

COMMUNITY INVESTMENT

The Group is devoted to becoming a responsible corporate citizen and offering appropriate resources to the needy in the community. The Group believes that the Group and its employees can build positive values through charitable activities and become socially-responsible corporate. The Group encourages and support employees to participate in voluntary activities in their spare time and arrange environmental and social service activities for the Group's employees. Through participating in those community activities, the Group hopes that its employees can develop a sense of social responsibility and empathy. During the Reporting Period, the public relations department of SAM distributed Christmas presents around the community. Furthermore, the Group has also donated 70,000 medical-surgical masks to 6 municipalities in the northern region of the State of Minas Gerais to fight the pandemic when the Brazilian market was in dire need of surgical masks.

Village visit and gifts distribution

ENVIRONMENTAL PROTECTION

The Group understands the importance of environmental protection for promoting sustainable development. The Group's slogan on environmental regulation is "to protect the natural environment, to build green factories and to provide green energy". To create an environmentally sustainable business, the Group has formulated the Environmental & Occupational Health and Safety Management System Manual (《環境&職業健康安全管理體繫手冊》) which was accredited with ISO 14001:2015 Environmental Management System. The Group proactively implemented different environmental measures, endeavoring to reduce the environmental impacts resulted from its operations. Different control measures have also been imposed on activities that are likely to have an impact on the environment.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations in relation to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Environmental Protection Law of the People's Republic of China, Cleaner Production Promotion Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Emission Standard of Pollutants for Battery Industry (《電池工業污染物排放標準》) (GB30484-2013), the Waste Disposal Ordinance of Hong Kong and the Article 225 of the Brazilian Federal Constitution.

EMISSIONS

The Group's emissions such as wastewater, solid wastes, GHG, air pollutants, and noise are mainly produced by the lithium-ion battery manufacturing plants in the PRC. The Group has engaged a qualified third party to conduct auditing, inspection and reporting on the emission processes of the manufacturing plants in the PRC. Emissions-related data are closely monitored and strictly controlled to ensure that the Group's emissions meet the requirements of national and regional laws and regulations and the emission standards.

The Group's business premises also include Hong Kong headquarters, and offices in the PRC and Brazil. The Hong Kong headquarter and offices in the PRC and Brazil are mainly for administrative purposes, for which the environmental impacts are insignificant. Regarding the iron ore project in Brazil, since it is still in its stage of applying for the environmental license, construction and operation have not yet commenced, therefore the environmental risks and pollutions are not significant during the Reporting Period. In respect of the battery swapping business, since the Group serves as a service provider, no direct industrial discharge was involved.

Air Emissions

The principal source of emissions arising out of the Group's operation was petrol consumed by vehicles. In response to the above-mentioned source, the Group has actively taken measures to control air emissions. Such measures will be mentioned in the following aspect headed "GHG Emissions".

Summary of exhaust gas emissions performances:

Types of Exhaust Gas	Unit	Emissions
Nitrogen oxides (NO_x)	kg	18.44
Sulphur oxides (SO_x)	kg	0.43
Particulate matter (PM)	kg	1.59

Apart from the emission generated from vehicle use, the manufacturing process of lithium-ion battery also involves two other type of pollutants. During the positive electrode coating process, N-Methyl-2-Pyrrolidone ("NMP") will be generated. Therefore, the Group has used a combination of UV photolysis and activated carbon treatment to absorb the exhaust gas and thereby reduce the overall environmental impact. The used activated carbon are then collected and transported back to the manufacturer for recycling and reuse.

In addition, dust will be generated during the charging process of the lithium-ion batteries, regular water spraying are performed to control dusts. Through adopting the aforementioned treatment measures, the Group confirms to have met the local emission standards.

GHG Emissions

The Group's primary source of GHG emissions are from petrol consumption of vehicles and natural gas consumption of the boiler (Scope 1), and purchased electricity (Scope 2).

Scope 1 — Direct GHG Emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol consumed by company vehicles and natural gas for the production of PHC piles in its operations:

- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Regularly service vehicles to ensure optimal engine performance and fuel use; and
- Switch off the engine when the vehicle is idling.

Scope 2 — Energy Indirect GHG Emissions

Electricity consumption accounted for a sizeable percentage of GHG emissions within the Group. The Group has implemented measures to reduce energy consumption, said measures will be mentioned in the below aspect headed "Use of Resources".

The employees' awareness of reducing GHG emissions has been increased through these measures.

Summary of GHG emissions performances:

Indicator [1]	Unit	Emissions
Direct GHG Emissions (Scope 1)	tCO_2e	1,810.00
Energy Indirect GHG Emissions (Scope 2)	tCO_2e	6,554.62
Total GHG emissions (Scope 1 and Scope 2)	tCO_2e	8,364.62
The intensity[2] of total GHG emissions	tCO_2e/million revenue (HK$)	28.15

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the HK Electric Investments Sustainability Report 2019 published by the HK Electric, CO_2 Emission Factors for Electricity Generation in the National Interconnected System of Brazil — Base Year 2019 by the Ministry of Science, Technology, Innovations and Communications of Brazil and Technical Annex to the SEAP Template Instructions Document: The Emission Factors issued by Covenants of Mayor.

2. For the years ended 31 December 2020, the Group recorded a revenue of approximately HK$297.1 million. This data is used for calculating other intensity data.

Control On Wastewater Discharge

In compliance with the requirements of environmental licensing, Zhejiang Forever New Energy has a sewage station with online equipment for monitoring sewage discharge. The Group has obtained the National Pollutant Discharge Permit in accordance with the Emission Standard of Pollutants for Battery Industry (《電池工業污染物排放標準》) (GB30484-2013) during the Reporting Period.

Summary of wastewater discharged:

Indicator	Unit	Discharge
Wastewater	m^3	1,320.00
Intensity	m^3/million revenue (HK$)	4.44

Waste Management

Scrap Electrode, domestic refuse and office paper are the Group's major solid wastes. The Group ensures that hazardous wastes are stored properly in accordance with the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001). The Group returns hazardous wastes to the suppliers or sells them to recycling companies. For non-hazardous waste, the Group disposal of waste according to Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (《一般工業固體廢棄物貯存、處置場污染物控制標準》) (GB18599-2001).

The Group continues to place great effort in educating its employees on the importance of reducing waste production in the offices and has adopted the following environmentally friendly initiatives to enhance its environmental performance. Green measures include but are not limited to the following:

- Print electronic correspondences only when necessary;
- Recycle used single-sided office paper;
- Encourage double-sided printing or photocopying;
- Procure paper with FSC Recycled Label; and
- Recycle office and electronic equipment to extend its lifecycle.

Employees' awareness of waste management has been increased through these implementations.

Summary of non-hazardous wastes and hazardous wastes disposal performance:

Indicator	Unit	Disposal
Scrap Electrode	tonnes	11.18
Total Hazardous Waste	tonnes	11.18
Total Hazardous Waste Intensity	tonnes/million revenue (HK$)	0.038
Domestic Refuse	tonnes	547.00
Office Paper	tonnes	0.58
Total Non-hazardous Waste	tonnes	547.58
Total Non-hazardous Waste Intensity	tonnes/million revenue (HK$)	1.84

USE OF RESOURCES

The Group actively promotes the effective use of resources and monitors the potential impact that its business operations brought to the environment. The Group encourages employees to make suggestions and participate in various energy-saving and emission reduction programmes so as to raise their awareness of environmental protection and resource conservation.

Effective Energy Consumption Plan

The Group's lithium-ion battery manufacturing plants play an active role in energy conservation and environmental protection, taking energy conservation and emission reduction as its key responsibility. The Group's commitment towards realising these two responsibilities was shown throughout its planning, design, R&D and manufacturing process with the following goals as listed in the following:

- 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; and
- Build an expert team for energy conservation and environmental protection to enhance energy efficiency.

In addition, the Group strives to further reduce energy consumption by adopting energy-saving measures in the office and manufacturing plants with the detail listed as follows:

- Regularly repair equipment to achieve the best status and reduce energy consumption;
- Encourage employees to utilise public transportation where possible;
- Switch off unnecessary lightings and electrical appliances when not in use;
- Purchase energy-efficient equipment on replacement of retired equipment; and
- Set all computer screens and printers to standby mode after a certain period.

With the above measures, the employees' awareness of energy conservation has been increased through these measures.

Summary of energy consumption performance:

Types of Energy	Unit	Consumption
Total Direct Energy Consumption	MWh	8,855.55
Natural Gas	MWh	8,574.68
Petrol	MWh	257.03
Diesel	MWh	23.84
Total Indirect Energy Consumption	MWh	8,283.13
Purchased Electricity	MWh	8,283.13
Total Energy Consumption	MWh	17,138.68
Intensity	MWh/million revenue (HK$)	57.69

Water Efficiency

The Group actively promotes the importance of water conservation to its employees. Apart from posting banners around the office, the Group also regularly inspects water taps to prevent leakage. As a result of these implementations, the employees' awareness of water conservation was increased.

Summary of water consumption performance:

Indicator	Unit	Consumption
Total water consumption	m^3	38,140.00
Intensity	m^3/million revenue (HK$)	128.37

Water consumption data of Hong Kong headquarter and offices in Brazil were not available since water usage was covered in the rent.

During the Reporting Period, the Group did not encounter any problem in water sourcing.

Use of Packaging Materials

The packaging materials used by the Group are mainly wooden boxes and paper cartons. The Group realises the potential adverse environmental impacts brought by the packaging materials consumed and thus strived to make the best use of the packaging materials consumed and minimise the potential impacts brought by its consumption. During the Reporting Period, the Group has consumed approximately 79.72 tonnes of packaging materials. All the packaging materials used will be recycled.

Types of Packaging Material	Unit	Consumption
Wooden box	tonnes	12.52
Paper carton	tonnes	67.20
Total packaging materials used	tonnes	79.72
Intensity	tonnes/million revenue (HK$)	0.27

ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES CONSERVATION

The Group's lithium-ion battery manufacturing plant is located within the planned area of WuCheng District in Jinhua New Energy Automobile Industrial Park, which is far from nature reserve area. Feasibility analysis and environmental impact assessment were conducted for the site. By adhering to the principle of "Focusing on proactive prevention and combining with controlling and correcting measures to form a comprehensive solution", the Group strives to reduce the impact on the environment to a minimal level and ensure that it will not affect the important local water sources in whatever way.

Methodology Of Environmental Inspection Or Research In Brazil

SAM is committed to minimise the impact on the environment and the surrounding residents or animals by adopting different measures.

SAM and its assigned professional firms or advisors are required to participate in in-depth training before conducting any inspection or research in the iron ore area. 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 unauthorised area (path or entrance of a drill area) is allowed;
- Burying any plant in the area is forbidden;
- Destroying any plant in the area is forbidden;
- Disposing of any excess chemical materials, cleansing waste and/or other waste in unauthorised area is forbidden;
- Blockage of drainage system and/or permanent storage area due to environmental inspection or research is not allowed;
- Dispose of and store waste at appropriate location, such as recycle material bins;
- Waste combustion is prohibited;
- Driving carefully and avoiding internal or third-party vehicles running over wild animals; and
- Wild animal hunting and catching are prohibited.

Besides, a series of preparation work such as mapping carefully, defining the scope of activities and listing out the works and duties of each worker are required before conducting inspection or research in the iron ore area, which aims to enhance efficiency and minimise the time for outdoor work.

When there is any negative environmental issue that would have a material environmental impact or violate with relevant legal requirements, and no rectification measure is adopted for related environmental incident, the environmental supervisors shall immediately give environmental warning to the coordinator of the environmental management project of SAM and advise the manager of SAM to evaluate and decide whether further measures shall be taken.

During the Reporting Period, there was no occurrence of material negative environmental issues in the course of environmental inspection or research.

Noise Emission

The Group responds proactively to the noise generated by the manufacturing plant in the PRC. By conducting regular noise inspections in four specific locations, and adopting sound insulation and vibration reduction measures, the Group was able to meet the Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096-2008).

CLIMATE CHANGE

Mitigation and adaptation to climate change

The Group recognises that its operation and supply chain contributes to climate change and therefore has incorporated climate change into the considerations of its risk management assessment. The Group not only considers the potential risks of climate change to our business, but also explores the potential advantages that climate change brings to our operations and integrate them into our operational processes. Since the Group has just begun to incorporate climate change into risk management, the Group has not disclosed relevant information in detail in this ESG Report. However, the Group will plan to disclose more in future ESG Report.

CONTACT US

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

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonness) and intensity.	Emissions — GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonness) and intensity.	Emissions — Waste Management
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonness) and intensity.	Emissions — Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions — Air Emissions, GHG Emissions Waste Management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Effective Energy Consumption Plan
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Efficiency
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Effective Energy Consumption Plan
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Efficiency
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonness) and with reference to per unit produced.	Use of Resources — Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Methodology of Environmental Inspection or Research in Brazil, Noise Emission
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment Practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Practices — Labour Structure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Employee Health and Safety
KPI B2.2	Lost days due to work injury.	Employee Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training And Development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards — Prevention Of Child And Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards — Prevention Of Child And Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Liability
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Liability — Self-Owned Intellectual Property Rights
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Liability — Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF HONBRIDGE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 81 to 152, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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.

KEY AUDIT MATTERS — CONTINUED

Impairment of exploration and evaluation assets

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

As at 31 December 2020, before current year's impairment assessment, the Group had exploration and evaluation assets with carrying amount of HK$4,867 million operated by Sul Americana de Metais S.A. ("SAM"), a subsidiary of the Group, and for the year then ended.

Following a review of the business, the outlook of the industry in Brazil and SAM's operating plans, management reversed impairment loss of HK$2,054 million to increase the exploration and evaluation assets to the lower of their estimated recoverable values (estimated by the independent external valuer as the management's expert) and their carrying amount that would have resulted had no impairment loss been recognised in prior years.

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

Lithium battery production business impairment assessment

(Refer to notes 3, 4 and 14 to the consolidated financial statements)

As at 31 December 2020, before current year's impairment assessment, the Group had property, plant and equipment with an aggregate carrying value of HK$197M million and right-of-use assets of HK$37 million which are relating to the lithium battery production business operated by Zhejiang Forever New Energy Company Limited. This business incurred operating 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$139 million on property, plant and equipment was recognized to reduce the carrying values of the relevant assets of the lithium battery business to their estimated recovered values.

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

KEY AUDIT MATTERS — CONTINUED

Our response

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

— Assessing the appropriateness of valuation methodologies;

— Assessing the reasonableness of underlying key assumptions;

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

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

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Hong Kong, 24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	297,065	341,270
Cost of sales		(204,077)	(336,947)
Gross profit		92,988	4,323
Other operating income	7	81,540	196,640
Selling and distribution costs		(20,149)	(13,402)
Administrative expenses		(86,159)	(92,715)
Other operating expenses	9	(129,376)	(5,131)
Loss on deemed disposal of a subsidiary	38	(58,767)	–
Reverse of impairment of exploration and evaluation assets	15	2,053,773	853,360
Reversal of expected credit loss on trade receivables	23	277	13,344
Expected credit loss on prepayments, deposits and other receivables		–	(2,322)
Impairment of property, plant and equipment	14	(139,058)	(331,909)
Gain/(Loss) on changes in fair value of contingent consideration payables	40	54,769	(4,598)
Share of results of associates	17	(50,628)	(1,096)
Finance costs	8	(16,785)	(19,395)
Profit before income tax	9	1,782,425	597,099
Income tax expense	10	(698,283)	(290,142)
Profit for the year		1,084,142	306,957
Other comprehensive income			
Items that will not reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		(14,915)	(68,535)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(944,130)	(157,014)
Share of other comprehensive income of associates		1,862	–
Exchange reserves released upon deemed disposal of a subsidiary		32,024	–
Other comprehensive income for the year, net of tax		(925,159)	(225,549)
Total comprehensive income for the year		158,983	81,408
Profit for the year attributable to:			
Owners of the Company		1,156,593	415,609
Non-controlling interests		(72,451)	(108,652)
		1,084,142	306,957
Total comprehensive income attributable to:			
Owners of the Company		230,116	192,652
Non-controlling interests		(71,133)	(111,244)
		158,983	81,408
Earnings per share	11		
— Basic		11.88 cents	4.27 cents
— Diluted		11.88 cents	4.27 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	71,953	215,260
Exploration and evaluation assets	15	6,920,709	6,316,882
Right-of-use assets	16	40,795	85,741
Interests in associates	17	12,391	17,063
Financial assets at fair value through other comprehensive income	18	10,676	25,591
Other intangible assets	19	–	–
Goodwill	20	–	–
Amount due from non-controlling interest of a subsidiary	21	–	311,807
		7,056,524	6,972,344
Current assets			
Inventories	22	92,759	235,237
Trade receivables	23	102,863	133,945
Prepayments, deposits and other receivables	24	88,505	83,953
Financial assets at fair value through profit or loss	25	89,621	139,611
Tax recoverable		282	278
Restricted bank deposits	26	–	660
Cash and cash equivalents	26	372,651	351,714
Total current assets		746,681	945,398
Current liabilities			
Trade and bill payables	27	78,273	87,116
Other payables, accruals and deposit received	28	133,096	143,615
Borrowings	29	242,990	452,593
Lease liabilities	30	2,950	2,812
Total current liabilities		457,309	686,136
Net current assets		289,372	259,262
Total assets less current liabilities		7,345,896	7,231,606
Non-current liabilities			
Borrowings	29	182,421	192,179
Lease liabilities	30	774	3,724
Deferred income	31	19,453	75,191
Deferred tax liabilities	32	2,237,901	2,032,823
Contingent consideration payables	40	106,325	161,094
		2,546,874	2,465,011
Net assets		4,799,022	4,766,595

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*33*	**9,855**	9,855
Reserves	*37*	**4,860,491**	4,690,975
		4,870,346	4,700,830
Non-controlling interests		**(71,324)**	65,765
Total equity		**4,799,022**	4,766,595

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit before income tax		1,782,425	597,099
Adjustments for:			
Depreciation of property, plant and equipment	14	20,604	41,628
Amortisation of right-of-use assets	16	3,752	4,600
Reverse of impairment of exploration and evaluation assets	15	(2,053,773)	(853,360)
Reverse of impairment of trade and bills receivable	23	(277)	(13,344)
Impairment of property, plant and equipment	14	139,058	331,909
Impairment of prepayments, deposits and other receivables		–	2,322
Loss on deemed disposal of a subsidiary	38	58,767	–
Write-down of inventories	9	79,386	5,131
Interest expense on bank and other borrowings	8	16,463	18,950
Interest expense on lease liabilities	8	322	445
Share of results of associate	17	50,628	1,096
(Gain)/Loss on changes in fair value of contingent consideration payables	40	(54,769)	4,598
Bank interest income	7	(1,984)	(5,367)
Interest income from loan receivable	7	–	(7,717)
Imputed interest income of amounts due from non-controlling interests of a subsidiary	7	(3,272)	(13,087)
Gain on disposals of property, plant and equipment	7	(44)	(20)
Government grant	31	(56,091)	(151,872)
Loss on financial assets at fair value through profit or loss	9	49,990	–
Operating profit/(loss) before working capital changes		31,185	(36,989)
Decrease/(Increase) in inventories		59,389	(90,091)
Decrease/(Increase) in trade receivables		31,359	(6,314)
Increase in prepayments, deposits and other receivables		(6,154)	(12,668)
Decrease in trade and bill payables		(6,151)	(216,985)
Increase/(Decrease) in other payables, accruals and deposits received		58,154	(2,664)
Cash from/(used in) operations		167,782	(365,711)
Income tax paid		–	–
Net cash generated from/(used in) operating activities		167,782	(365,711)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Interest received	7	1,984	5,367
Purchases of property, plant and equipment	14	(13,160)	(53,980)
Additions of exploration and evaluation assets	15	(656)	(3,286)
Proceeds from disposals of property, plant and equipment	14	1,308	2,558
Net cash outflow arising from deemed disposal of a subsidiary	38	(7,332)	–
Investment in associate		–	(18,159)
Investment in financial assets at fair value through other comprehensive income		–	(94,126)
Decrease in restricted bank deposits		660	25,257
Net cash used in investing activities		(17,196)	(136,369)
Cash flows from financing activities			
Interest paid on other borrowings	45	(16,463)	(18,950)
Drawdown of borrowings	45	59,328	426,973
Repayments of borrowings	45	(304,503)	(113,436)
Acquisition of non-controlling interests of a subsidiary		–	(10,572)
Capital contribution from non-controlling interests		95,910	–
Interest paid on lease liabilities	45	(322)	(445)
Repayment of principal portion of lease liabilities	45	(2,812)	(2,556)
Net cash (used in)/generated from financing activities		(168,862)	281,014
Decrease in cash and cash equivalents		(18,276)	(221,066)
Cash and cash equivalents at 1 January		351,714	577,259
Effect of foreign exchange rate changes		39,213	(4,479)
Cash and cash equivalents at 31 December		372,651	351,714
Analysis of cash and cash equivalents			
Cash at banks and in hand		372,651	351,714

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Treasury shares reserve*	Share-based payment reserve*	Translation reserve*	FVOCI reserve*	Retained earnings*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 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	–	(7,397)	(7,252)	(3,320)	(10,572)
Transactions with owners	–	–	–	–	145	–	(7,397)	(7,252)	(3,320)	(10,572)
Profit for the year	–	–	–	–	–	–	415,609	415,609	(108,652)	306,957
Other comprehensive income										
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(68,535)	–	(68,535)	–	(68,535)
Currency translation	–	–	–	–	(154,422)	–	–	(154,422)	(2,592)	(157,014)
Total comprehensive income	–	–	–	–	(154,422)	(68,535)	415,609	192,652	(111,244)	81,408
At 31 December 2019	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
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
Expiry of share option	–	–	–	(2,212)	–	–	2,212	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	95,910	95,910
Deemed disposal of a subsidiary *(Note 38)*	–	–	–	–	–	–	–	–	(155,638)	(155,638)
Share of movement of other reserves of associate *(Note 17)*	–	–	–	–	–	–	(60,600)	(60,600)	(6,228)	(66,828)
Transactions with owners	–	–	–	(2,212)	–	–	(58,388)	(60,600)	(65,956)	(126,556)
Profit for the year	–	–	–	–	–	–	1,156,593	1,156,593	(72,451)	1,084,142
Other comprehensive income										
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(14,915)	–	(14,915)	–	(14,915)
Currency translation	–	–	–	–	(945,448)	–	–	(945,448)	1,318	(944,130)
Share of movement of other comprehensive income of associates	–	–	–	–	1,862	–	–	1,862	–	1,862
Deemed disposal of a subsidiary	–	–	–	–	32,024	–	–	32,024	–	32,024
Total comprehensive income	–	–	–	–	(911,562)	(14,915)	1,156,593	230,116	(71,133)	158,983
At 31 December 2020	9,855	3,563,686	(142,864)	9,958	(5,976,822)	(83,450)	7,489,983	4,870,346	(71,324)	4,799,022

* The aggregate amount of these balances of approximately HK$4,860,491,000 (2019: HK$4,690,975,000) is included as reserves in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 36. 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. Apart from the deemed disposal of a subsidiary (note 38), there were no other significant changes in the Group's operations during the year.

The financial statements on pages 81 to 152 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

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 HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

2. ADOPTION OF NEW OR AMENDED HKFRSS — CONTINUED

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

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16, Proceeds before Intended Use[2]
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17 — Insurance Contracts[4]
Amendments to HKFRS 3, Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKFRS 16, Covid-19-Related Rent Concession[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 Effective for annual periods beginning on or after 1 June 2020.
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

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 HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

2. ADOPTION OF NEW OR AMENDED HKFRSS — CONTINUED

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

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3.5 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.6 Revenue recognition

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.

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 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. Some of the Group's contracts with customers from the sale of lithium batteries product provides customers a right of return (a right to exchange another product). These rights of return allow the returned goods to be refund in cash. Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. Besides, a refund liability and a right to recover returned goods assets are recognised. However, it does not have material impact on recognition of contract assets and contract liabilities.

Revenue is recognised over time as battery swapping services are provided. Invoices for such services are issued on a monthly basis and are usually payable immediately.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.6 Revenue recognition — Continued

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 under the then the Group recognises a contract liability for the difference.

3.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.8 Property, plant and equipment

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.10 Exploration and evaluation assets — Continued

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

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

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

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

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

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

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

Property, plant and equipment, other intangible assets, right-of-use assets and investments in subsidiaries and associates 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(i) Financial assets — Continued

Debt instruments — Continued

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.

Equity instruments

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. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(ii) Impairment loss on financial assets — Continued

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 3.12(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) 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.

3.13 Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.14 Cash and cash equivalents

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

3.15 Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.15 Leasing — Continued

Lease liability — Continued

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has sub-leased out its offices to a number of tenants. 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.

3.16 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.

3.17 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

3.17 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.

3.18 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

3.18 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.

3.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.19 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.

3.20 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.

3.21 Provisions and contingent liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.21 Provisions and contingent liabilities — Continued

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.

3.22 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.

(iii) “Battery swapping service” segment involves provision of a set of power exchange services.

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

3.23 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 right-of-use assets in accordance with the accounting policies stated in notes 3.8 and 3.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

(vi) Power to exercise significant influence

Where the Group holds over 20% of voting rights (but not over 50%) and the Group does not exercise significant influence, the investment is treated as financial assets at fair value through profit or loss. Details are given in note 25.

5. REVENUE

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

	2020 ***HK$'000***	2019 *HK$'000*
Sale of lithium batteries	**290,805**	340,297
Battery swapping service income	**6,260**	973
	297,065	341,270

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*	Battery swapping services *HK$'000*	Total *HK$'000*
Year ended 31 December 2020				
Reportable segment revenue (external customers)	–	290,805	6,260	297,065
Reportable segment profit/(losses)	2,046,697	(130,533)	(11,253)	1,904,911
Reportable segment assets	6,927,567	572,754	70,794	7,571,115
Reportable segment liabilities	110,768	575,355	14,258	700,381
Capital expenditure	1,205	4,403	8,208	13,816
Reverse of impairment of exploration and evaluation assets	(2,053,773)	–	–	(2,053,773)
Impairment of property, plant and equipment	–	139,058	–	139,058
Reverse of impairment of trade receivables	–	(277)	–	(277)
Interest income	–	(1,537)	(333)	(1,870)
Interest expense	–	16,463	–	16,463
Depreciation	54	15,690	2,493	18,237
Amortisation charge	–	954	–	954
Write-down of inventories	–	79,386	–	79,386
Year ended 31 December 2019				
Reportable segment revenue (external customers)	–	340,297	973	341,270
Reportable segment profit/(losses)	845,099	(227,370)	(2,833)	614,896
Reportable segment assets	6,324,700	1,279,591	68,371	7,672,662
Reportable segment liabilities	167,405	936,442	4,465	1,108,312
Capital expenditure	3,286	46,368	7,612	57,266
Reverse of impairment of exploration and evaluation assets	(853,360)	–	–	(853,360)
Impairment of property, plant and equipment	–	331,909	–	331,909
Reverse of impairment of trade receivables	–	(13,344)	–	(13,344)
Interest income	(1,642)	(1,899)	(528)	(4,069)
Interest expense	–	18,950	–	18,950
Depreciation	108	41,108	163	41,379
Amortisation charge	–	1,803	–	1,803
Write-down of inventories	–	5,131	–	5,131

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For the year ended 31 December 2020

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:

	2020 HK$'000	2019 HK$'000
Reportable segment revenue	297,065	341,270
Reportable segment profit	1,904,911	614,896
Other operating income	1,209	9,627
Administrative expenses	(18,757)	(18,963)
Impairment on prepayments, deposits and other receivables	–	(2,322)
Share of results of associates	(50,628)	(1,096)
Fair value gain/(loss) on contingent consideration payables	54,769	(4,598)
Loss on deemed disposal of a subsidiary	(58,767)	–
Loss on financial assets at fair value through profit or loss	(49,990)	–
Finance costs	(322)	(445)
Profit before income tax	1,782,425	597,099
Reportable segment assets	7,571,115	7,672,662
Property, plant and equipment	–	141
Right-of-use assets	3,497	6,295
Interest in associates	12,391	17,063
Financial assets at fair value through other comprehensive income	10,676	25,591
Prepayments, deposits and other receivables	29,062	700
Financial assets at fair value through profit or loss	89,621	139,611
Cash and cash equivalents	86,843	55,679
	7,803,205	7,917,742
Reportable segment liabilities	700,381	1,108,312
Other payables and accrued expenses	62,177	3,476
Lease liabilities	3,724	6,536
Deferred tax liabilities	2,237,901	2,032,823
	3,004,183	3,151,147

6. SEGMENT REPORTING — CONTINUED

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

	2020 *HK$'000*	2019 *HK$'000*
Revenue from external customers		
PRC	240,766	285,945
Belgium	78	7,520
Sweden	56,221	47,805
Reportable segment revenue	297,065	341,270
Non-current assets (excluding interests in associate and other financial assets)		
Hong Kong	3,497	6,435
PRC	109,251	294,264
Brazil	6,920,709	6,317,184
Reportable segment non-current assets	7,033,457	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 right-of-use assets) and (2) location of operations (for exploration and evaluation assets and other intangible assets).

During the year ended 31 December 2020, 89% (2019: 87%) of the Group's revenue was derived from 2 major customers (2019: 2) in lithium battery production segment and revenue generated from these customers are HK$180,242,000 and HK$84,032,000 respectively (2019: HK$156,916,000 and HK$178,438,000 respectively).

7. OTHER OPERATING INCOME

	2020 *HK$'000*	2019 *HK$'000*
Bank Interest income	1,984	5,367
Government grants *(Note)*	69,748	163,037
Rental income	447	744
Sundry income	6,045	6,668
Interest income from loan receivable	–	7,717
Gain on disposal of property, plant and equipment	44	20
Imputed interest income of amounts due from non-controlling interests *(note 21)*	3,272	13,087
	81,540	196,640

Note:

The balance represented government grant related to income of HK$13.6 million (2019: HK$11.1 million) and government grant related to assets of HK$56.1 million (2019: HK$151.9 million) (Note 31). These government grants were received and complied with all attached conditions and therefore recognised in profit or loss during the year.

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For the year ended 31 December 2020

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest charges on bank borrowings not wholly repayable within five years	10,310	12,965
Interest charges on other borrowings wholly repayable within five years	6,153	5,985
Interest on lease liabilities	322	445
	16,785	19,395

9. PROFIT BEFORE INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	2,167	2,482
Cost of inventories recognised as expenses	204,077	336,947
Depreciation *(note (i))*	20,604	41,628
Amortisation of right-of-use assets *(note (ii))*	3,752	4,600
Short-term leases expenses	719	874
Net foreign exchange loss	1	119
Research and development costs *(note (ii))*	16,774	13,531
Gain on disposal of property, plant and equipment	(44)	(20)
Impairment of property, plant and equipment	139,058	331,909
Other operating expenses:		
— Write-down of inventories	79,386	5,131
— Loss on financial assets at fair value through profit or loss	49,990	–
	129,376	5,131

Notes:

(i) Depreciation of HK$14,821,000 (2019: HK$32,134,000), HK$41,000 (2019: HK$8,000) and HK$5,742,000 (2019: HK$9,486,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

(ii) Included in administrative expenses.

10. INCOME TAX EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Deferred tax — current year *(note 32)*	698,283	290,142
Income tax expense	698,283	290,142

During the years ended 31 December 2020 and 2019, 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% (2019: 25%) is applicable to the Group's PRC subsidiaries.

During the year, corporate income tax rates in Brazil of 34% (2019: 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:

	2020 *HK$'000*	2019 *HK$'000*
Profit before income tax	1,782,425	597,099
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	649,881	226,063
Tax effect of non-deductible expenses	62,480	99,568
Tax effect of non-taxable revenue	(23,547)	(52,595)
Tax effect of tax losses not recognised	9,447	17,079
Tax effect on temporary difference not recognised	22	27
Income tax expense	698,283	290,142

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11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$1,156,593,000 (2019: HK$415,609,000) and weighted average of 9,737,434,000 (2019: 9,737,434,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

Diluted earnings per share for the year ended 31 December 2020 and 2019 is the same as basic earnings per share because the impact of the exercise of share options was anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 ***HK$'000***	2019 *HK$'000*
Wages and salaries	**49,933**	56,978
Contribution to defined contribution plans	**1,777**	4,639
	51,710	61,617

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

	2020 ***HK$'000***	2019 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**7,114**	7,059
Contribution to defined contribution plans	**72**	72
	7,186	7,131

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 2020				
Executive directors				
HE Xuechu	2,030	–	18	2,048
LIU Wei, William	1,885	–	18	1,903
LIU Jian	–	–	–	–
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
	4,668	–	36	4,704
Year ended 31 December 2019				
Executive directors				
HE Xuechu	2,011	–	18	2,029
LIU Wei, William	1,868	–	18	1,886
LIU Jian	–	–	–	–
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
	4,632	–	36	4,668

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: 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 (2019: two) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2019: three) individual during the year are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**3,915**	3,794
Contribution to defined contribution plans	**36**	36
	3,951	3,830

The emoluments fell within the following bands:

	Number of individual **2020**	 2019
Emolument bands		
Nil — HK$1,500,000	**3**	3
	3	3

During the year, no emoluments were paid by the Group to the directors or the three (2019: three) 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	Leasehold buildings	Leasehold improvements	Plant and machinery	Furniture and office equipment	Motor vehicles	Computer software	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019									
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
Year ended 31 December 2019									
Opening net book amount	109	108,742	–	328,387	5,062	880	160	103,659	546,999
Additions	–	8,321	–	4,059	1,376	217	2,138	37,869	53,980
Transfers	–	88,698	–	36,311	293	–	–	(125,302)	–
Disposals	–	–	–	(2,346)	(35)	(157)	–	–	(2,538)
Depreciation	–	(4,925)	–	(35,006)	(1,249)	(283)	(165)	–	(41,628)
Impairment	–	(121,550)	–	(198,198)	(3,019)	(324)	(1,275)	(7,543)	(331,909)
Exchange realignment	(4)	(3,169)	–	(5,745)	(98)	(9)	(30)	(589)	(9,644)
Closing net book amount	105	76,117	–	127,462	2,330	324	828	8,094	215,260
At 31 December 2019									
Cost	105	247,323	2,832	468,805	10,372	2,120	3,363	15,637	750,557
Accumulated depreciation and impairment	–	(171,206)	(2,832)	(341,343)	(8,042)	(1,796)	(2,535)	(7,543)	(535,297)
Net book amount	105	76,117	–	127,462	2,330	324	828	8,094	215,260
Year ended 31 December 2020									
Opening net book amount	105	76,117	–	127,462	2,330	324	828	8,094	215,260
Additions	–	1,646	–	411	866	–	–	10,237	13,160
Transfers	–	3,745	–	12,038	174	–	–	(15,957)	–
Disposals	–	–	–	(799)	(191)	–	–	(274)	(1,264)
Depreciation	–	(2,549)	–	(16,844)	(533)	(134)	(544)	–	(20,604)
Impairment	–	(57,592)	–	(79,600)	(1,348)	(134)	(206)	(178)	(139,058)
Exchange realignment	(24)	1,577	–	2,748	(3)	5	8	148	4,459
Closing net book amount	81	22,944	–	45,416	1,295	61	86	2,070	71,953
At 31 December 2020									
Cost	81	222,541	2,452	415,372	11,359	1,866	3,006	2,258	658,935
Accumulated depreciation and impairment	–	(199,597)	(2,452)	(369,956)	(10,064)	(1,805)	(2,920)	(188)	(586,982)
Net book amount	81	22,944	–	45,416	1,295	61	86	2,070	71,953

Note:

The Group's land held as at 31 December 2020 and 2019, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2020 and 2019 are situated in the PRC and held under medium term leases.

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For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

As at 31 December 2020, leasehold buildings of HK$15,401,000 (2019: HK$63,225,000) were pledged to secure the Group's bank borrowings (note 29(b)).

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

As at 31 December 2020, the Group's property, plant and equipment and land use rights are mainly related to CGU of lithium battery production segment, operated by Zhejiang Forever New Energy Company Limited ("Zhejiang CGU").

As at 31 December 2020, the directors of the Company carried out a review of the recoverable amounts of relevant assets of Zhejiang CGU, which is amounted to HK$95,006,000 (2019: HK$243,390,000). As a result, impairment loss of HK$139,058,000 (2019: HK$331,909,000) had been recognised in the consolidated statement of profit or loss and other comprehensive income. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount in view of the slow down of economic growth in the PRC for the year ended 31 December 2020.

The recoverable amount had been determined based on value in use calculation using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows without growth rate. The pre-tax discount rate used for value in use calculation is 15.54% (2019: 19.4%) per annum, which reflects specific risks relating to the relevant CGU.

The key assumptions for the value in use 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 and products development.

Apart from the considerations described above in determining the recoverable amount 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 by an independent professional valuer, Valtech Valuation Advisory Limited with the discount cash flow approach.

15. EXPLORATION AND EVALUATION ASSETS

	2020 HK$'000	2019 HK$'000
At 1 January		
Cost	8,982,866	9,348,922
Accumulated impairment	(2,665,984)	(3,664,067)
Net book amount	6,316,882	5,684,855
For the year ended 31 December		
Opening net book amount	6,316,882	5,684,855
Additions	656	3,286
Exchange realignments	(1,450,602)	(224,619)
Reverse of impairment	2,053,773	853,360
Net book amount	6,920,709	6,316,882
At 31 December		
Cost	6,920,709	8,982,866
Accumulated impairment	–	(2,665,984)
Net book amount	6,920,709	6,316,882

As at 31 December 2020 and 2019, 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.

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$2,053,773,000 (2019: HK$853,360,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The reverse of impairment loss during the year is mainly due to increase in the iron ore price during the year.

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.

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15. EXPLORATION AND EVALUATION ASSETS — CONTINUED

Assumptions and parameters of the valuation as at 31 December 2020 are as follows:

Approval of all required licenses	Mid 2023 (2019: The end of 2022)
Commencement of production	4th quarter of 2026 (2019: beginning of 2026)
Annual production capacity	27.5 million tonnes (2019: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2019: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2019: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US$111 per tonnes (2019: US$86 per tonnes)
Operating costs:	
— First 18 years of mining	US$33.7 per tonnes (2019: US$33.7 per tonnes)
— Remaining period of mining	US$39.0 per tonnes (2019: US$38.5 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2019: same term)
Capital expenditures:	
— Construction of infrastructure	US$2,236 million (2019: US$2,373 million)
Discount rate	19.84% (2019: 18.48%)

16. RIGHT-OF-USE ASSETS

	Prepaid land lease payments *HK$'000*	Offices *HK$'000*	Total *HK$'000*
At 1 January 2019	82,630	9,092	91,722
Amortisation	(1,803)	(2,797)	(4,600)
Foreign exchange movement	(1,381)	–	(1,381)
At 31 December 2019	79,446	6,295	85,741
Deemed disposal of a subsidiary *(note 38)*	(41,726)	–	(41,726)
Amortisation	(954)	(2,798)	(3,752)
Foreign exchange movement	532	–	532
At 31 December 2020	37,298	3,497	40,795

As at 31 December 2020 and 2019, the Group's prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC.

In 2020 and 2019, the Group leases a number of properties and offices for its operations. The leases run for an initial period ranged from one to three years (2019: one to three years). Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the lease maturity analysis of lease liabilities are set out in notes 30.

As at 31 December 2020, right-of-use assets of HK$37,298,000 (2019: HK$35,904,000) were pledged to secure the Group's bank borrowings (note 29(b)).

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For the year ended 31 December 2020

17. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Interests in associates:		
Share of net assets	12,391	17,063

Movement of interests in associates are as follows:

	2020 HK$'000	2019 HK$'000
As at 1 January	17,063	–
Additions *(note 1)*	110,922	18,159
Share of results of associates	(50,628)	(1,096)
Share of other comprehensive income of associates	1,862	–
Share of other reserve *(note 2)*	(66,828)	–
As at 31 December	12,391	17,063

Details of the Group's associates as at 31 December 2020 are as follows:

Name	Place of incorporation/operation and principal activity	Percentage of ownership interests/voting rights/profit share
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)
Shandong Forever	People's Republic of China/research, production and sales of lithium battery	24.5% (indirectly) *(note 1)*

Notes:

1. 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. and Jiangsu Tiankai Energy Co., Ltd. ("Jiangsu Tiankai"), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US$20.4 million into Shandong Forever, 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 has been diluted from 49% to 24.5% and Shandong Forever New Energy was accounted for as an associate of the Company. Management assessed that the fair value of the Group's interest in Shandong Forever as at 19 March 2020 is HK$110,922,000, determined based on the assets approach.

2. On 9 April 2020, pursuant to a resolution approved by all shareholders of Shandong Forever, there is a capital reserve reduction of US$35 million without any change of shareholders of the existing shareholders of Shandong Forever. Accordingly, the interests in associates was reduced by the Group's share of capital reserve reduction of HK$66,828,000 and such balance was debited to the Group's retained earnings and non-controlling interests.

17. INTERESTS IN ASSOCIATES — CONTINUED

Summarised financial information of the Group's associates and its subsidiary is as follows:

	吉行國際科技有限公司 and its subsidiary		Shandong Forever	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December				
Current assets	**82,113**	92,071	**6,223**	–
Non-current assets	**209,141**	203,080	**86,365**	–
Current liabilities	**(252,030)**	(209,837)	**(74,032)**	–
Net assets	**39,224**	85,314	**18,556**	–
Group's share of net assets of the associate	**7,845**	17,063	**4,546**	–
Year ended 31 December*				
Revenue	**6,227**	–	**2,711**	–
Expenses	**(56,781)**	(5,487)	**(168,083)**	–
Loss for the year/period	**(50,554)**	(5,487)	**(165,372)**	–
Other comprehensive income	**4,465**	–	**3,955**	–
Total comprehensive income	**(46,089)**	(5,487)	**(161,417)**	–
Dividends received from associates	**–**	–	**–**	–
Share of results of associates	**(10,112)**	(1,096)	**(40,516)**	–
Share of other comprehensive income of associates	**894**	–	**968**	–
Share of total comprehensive income of associates	**(9,218)**	(1,096)	**(39,548)**	–

* From the date of incorporation/reclassification as associate to 31 December.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Equity instruments measured at FVOCI	**10,676**	25,591

The balance represented the Group's strategic investments is a 1% interest 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.

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19. OTHER INTANGIBLE ASSETS

	Patents *HK$'000*	Customers relationship *HK$'000*	Total *HK$'000*
At 1 January 2019			
Cost	330,823	10,560	341,383
Accumulated amortisation and impairment	(330,823)	(10,560)	(341,383)
Net book amount	–	–	–
At 31 December 2019			
Cost	325,070	10,377	335,447
Accumulated amortisation and impairment	(325,070)	(10,377)	(335,447)
Net book amount	–	–	–
At 31 December 2020			
Cost	–	–	–
Accumulated amortisation and impairment	–	–	–
Net book amount	–	–	–

As at 31 December 2019, patent and customers relationship, related to CGU of lithium battery production segment, operated by Shandong Forever, were fully impaired. During the year, there is deemed disposal of Shandong Forever and since then, Shandong Forever is no longer the subsidiary of the Group and the cost and accumulated amortisation and impairment of other intangible assets of Shandong Forever were de-recognised.

20. GOODWILL

As at 31 December 2019, the balance represented goodwill which arose from the acquisition of Triumphant Glory Investment Limited ("Triumphant Glory") and its subsidiary, Shandong Forever, which are engaged in the production and sales of lithium batteries. The net carrying amount of goodwill can be analysed as follows:

	2020 ***HK$'000***	2019 *HK$'000*
At 1 January		
Gross carrying amount	**165,277**	168,202
Accumulated impairment	**(165,277)**	(168,202)
Net carrying amount	–	–
At 31 December		
Gross carrying amount	–	–
Accumulated impairment	–	–
Net carrying amount	–	–

As at 31 December 2019, goodwill allocated to the CGU of lithium battery production segment by Shandong Forever was fully impaired. During the year, there is deemed disposal of Shandong Forever and since then, Shandong Forever is no longer the subsidiary of the Group and the balance of goodwill and its accumulated impairment were de-recognised.

21. 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 2019, in the opinion of directors, the unpaid capital contribution will be not be repaid within one year from the reporting date. Accordingly, such balance is classified as non-current assets. The non-controlling interests undertake that, pending full payment of their respective capital contribution, they shall use all dividend, distribution and payment received from Shandong Forever to satisfy their capital contribution obligation.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**311,807**	298,720
Imputed interest income	**3,272**	13,087
Deemed disposal of a subsidiary *(note 38)*	**(315,079)**	–
At 31 December	**–**	311,807

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

22. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**46,712**	87,553
Work-in-progress	**91,893**	55,119
Finished goods	**76,400**	131,722
	215,005	274,394
Less: Write-down of inventories	**(122,246)**	(39,157)
	92,759	235,237

The Directors have assessed the net realisable values and condition of the Group's inventories as at 31 December 2020 and considered a write-down of inventories of HK$79,386,000 (2019: HK$5,131,000) be made in the consolidated statement of profit or loss and other comprehensive income.

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For the year ended 31 December 2020

23. TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables — Gross	**103,262**	158,965
Less: Impairment losses	**(399)**	(25,020)
Trade receivables — Net	**102,863**	133,945

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

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

	2020 **HK$'000**	2019 HK$'000
0 — 30 days	**68,099**	88,033
31 — 90 days	**35,163**	44,035
91 to 180 days	**–**	2,431
Over 180 days	**–**	24,466
	103,262	158,965

In general, the Group allows a credit period from 60 to 75 days (2019: 60 to 75 days) to the customers.

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

	2020 **HK$'000**	2019 HK$'000
At 1 January	**25,020**	38,841
Deemed disposal of a subsidiary	**(23,825)**	–
Reversal of impairment recognised	**(277)**	(13,344)
Exchange alignment	**(519)**	(477)
At 31 December	**399**	25,020

A reversal of provision of HK$277,000 (2019: reversal of provision of HK$13,344,000) 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 42.

As at 31 December 2020 and 2019, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Deposits	3,390	2,588
VAT receivables	55,049	74,242
Other receivables	3,127	6,448
Advances to suppliers	88	675
Amount due from an associate	26,851	–
	88,505	83,953

The amount due from an associate of HK$26.9 million (2019: Nil) is unsecured, bears no interest and is repayable on demand. The carrying amount of the amount due from an associate approximate their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed equity investments, at market value, in Hong Kong — held for trading	89,621	139,611

As at 31 December 2020 and 2019, 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. This company is not accounted for on 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 date.

26. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

All restricted bank deposits of HK$660,000 as at 31 December 2019 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 2020, the Group did not have restricted bank deposits.

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

As at 31 December 2020, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$272,712,000 (2019: HK$286,938,000), 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.

27. TRADE AND BILL PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	78,273	86,456
Bill payables	–	660
	78,273	87,116

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:

	2020 HK$'000	2019 HK$'000
0 — 30 days	65,543	68,149
31 — 60 days	6,435	13,160
61 — 90 days	194	36
91 — 180 days	21	106
Over 180 days	6,080	5,665
	78,273	87,116

28. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2020 HK$'000	2019 HK$'000
Other payables	59,876	134,487
Accrued expenses	5,487	8,622
Contract liabilities *(Note)*	607	104
Deposits received	1,188	402
Deposit received for financial assets at fair value through profit or loss	65,938	–
	133,096	143,615

As at 31 December 2019, included in other payables, there were amount due to non-controlling interests of a subsidiary of HK$53,694,000, which was unsecured, interest-free and repayable on demand. Such balance was utilised during the year as part of capital contributions from non-controlling interests.

Note: The Group received certain percentage of deposit on sales of goods as a contract liability until such time as the sales were completed.

29. BORROWINGS

	2020 HK$'000	2019 HK$'000
Government loans *(Note (a))*	118,763	111,861
Bank loans *(Note (b))*	204,036	212,538
Other loans *(Note (c))*	102,612	320,373
	425,411	644,772
Represented by:		
Current liabilities	242,990	452,593
Non-current liabilities	182,421	192,179
	425,411	644,772

Note:

(a) The balance represented the unsecured and interest free loan of RMB100 million 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 (i.e. 18 January 2018).

According to the agreement with the local government in the PRC, the local government will provide government grant 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. As there is delay in the distribution of government grant as at 31 December 2020 and 2019, the Group can repay the overdue government loan once the related government grant is received (repayable on demand). Therefore, the loans were classified as current liabilities as at 31 December 2020 and 2019.

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For the year ended 31 December 2020

29. BORROWINGS — CONTINUED

Note: — Continued

(b) As at 31 December 2020, bank loans of RMB172 million (2019: RMB190 million) are secured by the Group's right-of-use assets and property, plant and equipment of HK$37,298,000 and HK$15,401,000 (2019: HK$35,904,000 and HK$63,225,000) respectively 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. Based on the repayment date, the Group's bank loans are due for repayments as at 31 December 2020 as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Within one year	**21,615**	20,359
In the second year	**21,615**	20,359
In the third to fifth year	**64,845**	61,077
Over five years	**95,961**	110,743
	204,036	212,538

(c) As at 31 December 2020, these loans are from Zhejiang Geely Holding Group Co., Ltd. and its subsidiary (2019: Zhejiang Geely Holding Group Co., Ltd. and its subsidiary) and all these loans are interest bearing at 4.35% to 4.75% per annum, unsecured and repayable within twelve months from the reporting period and classified as current liabilities accordingly.

30. LEASE LIABILITIES

	2020 ***HK$'000***	2019 *HK$'000*
Lease liabilities:		
Current	**2,950**	2,812
Non-current	**774**	3,724
	3,724	6,536

Future lease payments are due as follows:

	Minium lease payments ***HK$'000***	**Interest** ***HK$'000***	**Present value** ***HK$'000***
As at 31 December 2020			
Due within one year	3,132	182	2,950
Due in the second to fifth years	783	9	774
	3,915	191	3,724
As at 31 December 2019			
Due within one year	3,132	320	2,812
Due in the second to fifth years	3,917	193	3,724
	7,049	513	6,536

30. LEASE LIABILITIES — CONTINUED

Operating leases — lessor

The Group subleased its leased properties during the year. The sub-lease rental income during the year ended 31 December 2020 was HK$447,000 (2019: HK$744,000). At 31 December 2020, total future minimum lease receivables under non-cancellable operating leases are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	62	62

31. DEFERRED INCOME

	2020 HK$'000	2019 HK$'000
At 1 January	75,191	1,253
Additions	–	226,872
Deemed disposal of a subsidiary *(note 38)*	(1,004)	–
Exchange realignment	1,357	(1,062)
Government grant income recognised for the year	(56,091)	(151,872)
At 31 December	19,453	75,191

As at 31 December 2020, deferred income represents government grants received by Zhejiang Forever in relation to its purchases of production facilities of lithium batteries in Zhejiang Province, the PRC (2019: (1) 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 and (2) government grants received by Zhejiang Forever in relation to its purchases of production facilities of lithium batteries in Zhejiang Province, the PRC). 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 3.16.

In view of the depreciation and impairment of property, plant and equipment of Zhejiang Forever was recognised (note 14), the relevant amount of deferred income of HK$56,091,000 (2019: HK$151,872,000) was released to profit or loss during the year.

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For the year ended 31 December 2020

32. DEFERRED TAX

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

	Fair value adjustments arising from exploration and evaluation assets	
	2020	2019
	HK$'000	*HK$'000*
At 1 January	**2,032,823**	1,819,051
Charged to profit or loss	**698,283**	290,142
Exchange realignment	**(493,205)**	(76,370)
At 31 December	**2,237,901**	2,032,823

As at 31 December 2020, the Group has unused tax losses of HK$343,597,000 (2019: HK$389,691,000) 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 2020. All tax losses of the Group have no expiry dates under the current tax legislation except for the tax losses amounting to HK$126,680,000 (2019: HK$226,793,000) incurred by three (2019: four) subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

33. SHARE CAPITAL

	Number of shares	Total
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2019 and 2020	**1,000,000,000**	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.001 each at 31 December 2019 and 2020	**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.

34. SHARE OPTIONS

The Company's 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 2020, an aggregate of 8,750,000 (2019: 13,750,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing 0.1% (2019: 0.1%) of the shares of the Company in issue at that date.

As at 31 December 2020, total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 596,567,971 (2019: 591,567,971), representing 6% (2019: 6%) of the issued share capital of the Company as at 31 December 2020.

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

The following tables set out the movement in share options:

Name or category of participant	Share option type	Outstanding at 1 January 2019 and 2020	Expired during the year	Outstanding at 31 December 2020
Share Option Schemes				
Share option for employees				
Employees				
In aggregate	2012	5,000,000	(5,000,000)	–
In aggregate	2015	8,750,000	–	**8,750,000**
Total — Share Option Scheme		13,750,000	(5,000,000)	**8,750,000**

34. SHARE OPTIONS — CONTINUED

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2012 *(note i)*	28 May 2012	28 May 2012 to 27 May 2020	HK$0.95
2015 *(note ii)*	14 May 2015	15 May 2015 to 14 May 2023	HK$2.61

Notes:

(i) 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.

(ii) 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.

(iii) No share options were exercised for the year ended 31 December 2020 and 2019.

(vi) The fair values of options granted under the Share Option Scheme on 28 May 2012 and 14 May 2015, measured at the date of grant, were approximately 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	28 May 2012	14 May 2015
Expected volatility	61%	76%
Expected life (in years)	8.0	8.0
Risk-free interest rate	1%	1.6%
Expected dividend yield	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.

(v) For the year ended 31 December 2020, no share-based payment expenses (2019: 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.

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

	2020		2019	
	Number of share options	**Weighted average exercise price** ***HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding at 1 January	**13,750,000**	**2.01**	13,750,000	2.01
Expired	**(5,000,000)**	**0.95**	–	–
Outstanding at 31 December	**8,750,000**	**2.61**	13,750,000	2.01

For the year ended 31 December 2020, No share options have been exercised (2019:Nil) The weighted average is remaining contractual life of 1.5 years (2019: 2.3 years). There are 8,750,000 (2019: 13,750,000) share options exercisable as at 31 December 2020.

(vii) For the year ended 31 December 2020, 5,000,000 share options have been expired (2019: Nil).

35. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	141
Investments in subsidiaries	*36*	214	78
Financial assets at fair value through other comprehensive income		10,676	25,591
Amount due from subsidiaries		850,893	859,834
Right-of-use assets		3,497	6,295
		865,280	891,939
Current assets			
Financial assets at fair value through profit or loss		89,621	139,611
Deposits and other receivables		1,187	700
Cash and cash equivalents		86,844	55,618
		177,652	195,929
Current liabilities			
Amount due to a subsidiary		319	41
Lease liabilities		2,950	2,812
Other payables, accruals and deposits received		62,368	3,476
		65,637	6,329
Net current assets		112,015	189,600
Total assets less current liabilities		977,295	1,081,539
Current liabilities			
Lease liabilities		774	3,724
Net assets		976,521	1,077,815
EQUITY			
Share capital	*33*	9,855	9,855
Reserves	*37*	966,666	1,067,960
Total equity		976,521	1,077,815

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

NOTES TO THE FINANCIAL STATEMENTS

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36. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2020 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
Zhejiang Forever	PRC, limited liability company	Registered capital of US$80,000,000	–	52%	Research and development, production, sales of lithium-ion battery and battery system, PRC
GETI (China) Energy Technology Company Limited	PRC, limited liability company	Registered capital of RMB60,000,000	–	90%	Battery swapping services, PRC
Profit Well Global Limited	BVI, Limited liability company	50,000 ordinary shares of US$1 each	–	100%	Investment Holding, Hong Kong

36. INTERESTS IN SUBSIDIARIES — CONTINUED

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

As at 31 December 2020 and 2019, non-controlling interests ("NCI") of the Group is represented by (1) 9.32% equity interests in Triumphant Glory, which owns 24.5% (2019: 49%) equity interest of Shandong Forever (collectively known as TG Group); (2) 48% (2019: 48%) equity interests in Zhejiang Forever; and (3) 10% (2019: 10%) equity interests in GETI Energy Sharing Technology Company Limited and its wholly owned subsidiaries (collectively known as GETI Group) held by non-controlling shareholders.

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

	TG Group		Zhejiang Forever		GETI Group	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December						
Revenue	**–**	4,942	**290,805**	335,355	**6,260**	973
Profit/(Loss) for the year	**(98,350)**	7,892	**(130,602)**	(245,124)	**(11,253)**	(2,832)
Total comprehensive income	**(98,350)**	18,195	**(163,164)**	(255,712)	**(7,922)**	(4,136)
Profit/(Loss) allocated to NCI	**(8,637)**	9,905	**(62,689)**	(118,274)	**(1,125)**	(283)
Cash flows generated from/(used in) operating activities	**–**	(1,513)	**109,613**	(335,011)	**(908)**	(1,279)
Cash flows generated from/(used in) investing activities	**–**	(490)	**(1,295)**	(41,602)	**(7,874)**	(7,083)
Cash flows generated from/(used in) financing activities	**–**	–	**(122,328)**	404,544	**36**	68,558
Net cash (outflows)/inflows	**–**	(2,003)	**(14,010)**	27,931	**(8,746)**	60,196
As at 31 December						
Current assets	**32,228**	14,905	**472,543**	664,234	**58,081**	61,542
Non-current assets	**4,546**	355,348	**20,875**	232,819	**12,713**	7,346
Current liabilities	**(111,052)**	(7,356)	**(417,077)**	(767,270)	**(82,782)**	(72,954)
Non-current liabilities	**–**	(149,845)	**(201,874)**	(266,344)	**–**	–
Net assets/(liabilities)	**(74,278)**	213,052	**(125,533)**	(136,561)	**(11,988)**	(4,066)
Accumulated non-controlling interests	**(15,402)**	154,823	**(54,716)**	(88,645)	**(1,206)**	(413)

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37. 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 2019, the Company held 117,100,000 (2019: 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$'000*	FVOCI reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2019	3,563,686	(142,864)	12,170	–	(2,165,931)	1,267,061
Loss for the year and total comprehensive income for the year	–	–	–	–	(130,566)	(130,566)
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	(68,535)	–	(68,535)
At 31 December 2019 and 1 January 2020	3,563,686	(142,864)	12,170	(68,535)	(2,296,497)	1,067,960
Loss for the year and total comprehensive income for the year	–	–	–	–	(86,379)	(86,379)
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	(14,915)	–	(14,915)
Expiry of share options	–	–	(2,212)	–	2,212	–
At 31 December 2020	3,563,686	(142,864)	9,958	(83,450)	(2,380,664)	966,666

38. 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. and Jiangsu Tiankai Energy Co., Ltd. ("Jiangsu Tiankai"), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US$20.4 million into Shandong Forever, 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 has been diluted from 49% to 24.5% and Shandong Forever New Energy was accounted for as an associate of the Company. The net assets of Shandong Forever as at 19 March 2020 were as follows:

	HK$'000
Amount due from non-controlling interests of a subsidiary	315,079
Right-of-use assets	41,726
Trade and bills receivables	119
Prepayments, deposits and other receivables	1,403
Cash and cash equivalents	7,332
Tax receivable	13
Trade and bill payables	(2,692)
Other payables, accruals and deposits received	(41,822)
Amount due to holding company	(26,851)
Deferred income	(1,004)
Net assets disposed of	293,303
Non-controlling interests	(155,638)
Release of translation reserve upon disposal	32,024
Fair value of interests in associates	(110,922)
Loss on deemed disposal of a subsidiary	58,767
Net cash outflow arising on deemed disposal:	
Cash and cash equivalents disposed of	(7,332)
	(7,332)

39. CAPITAL COMMITMENTS

	2020 **HK$'000**	2019 *HK$'000*
Contracted but not provided for property, plant and equipment	**57,674**	56,126

As at 31 December 2020, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. CONTINGENT CONSIDERATION PAYABLES

	2020 HK$'000	2019 HK$'000
At 1 January	161,094	156,496
(Gain)/Loss on changes in fair value and terms of contingent consideration	(54,769)	4,598
At 31 December	106,325	161,094

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 2020, the fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 22.31% (2019: 17.07%) 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.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets measured at fair value through profit or loss:		
Current assets		
Listed securities held for trading	89,621	139,611
Financial assets measured at fair value through other comprehensive income:		
Non-current assets		
Listed equity securities	10,676	25,591
Financial assets measured at amortised cost:		
Non-current assets		
Amounts due from non-controlling interests of a subsidiary	–	311,807
Current assets		
Trade receivables	102,863	133,945
Other receivables	29,978	6,448
Restricted bank deposits	–	660
Cash and bank balances	372,651	351,714
	605,789	969,776
Financial liabilities		
Financial liabilities measured at fair value through profit or loss:		
Non-current liabilities		
Contingent consideration payables	106,325	161,094
Financial liabilities measured at amortised cost:		
Current liabilities		
Trade and bill payables	78,273	87,116
Other payables and accrued expenses	65,363	143,109
Lease liabilities	2,950	2,812
Borrowings	242,990	452,593
Non-current liabilities		
Borrowings	182,421	192,179
Lease liabilities	774	3,724
	679,096	1,042,627

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

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

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

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

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

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

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

As at 31 December 2020	**Level 1 *HK$'000***	**Level 2 *HK$'000***	**Level 3 *HK$'000***	**Total *HK$'000***
Assets				
Listed equity securities for strategic purpose *(note 18)*	**10,676**	**–**	**–**	**10,676**
Listed securities held for trading *(note 25)*	**89,621**	**–**	**–**	**89,621**
	100,297	**–**	**–**	**100,297**
Liabilities				
Contingent consideration payables	**–**	**–**	**106,325**	**106,325**

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 *(note 18)*	25,591	–	–	25,591
Listed securities held for trading *(note 25)*	139,611	–	–	139,611
	165,202	–	–	165,202
Liabilities				
Contingent consideration payables	–	–	161,094	161,094

The details of the valuation of the fair value of contingent consideration payables were disclosed in note 40.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. Management identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

42.1 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

42.2 Interest rate risk

The Group's exposure to cash flow interest rate risk is minimal as the Group has no financial assets or liabilities of material amounts with floating interest rates except for deposits held in banks as at 31 December 2020. The exposure to fluctuations in interest rates for the Group's bank deposits, bank and other borrowing are considered immaterial.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Directors are of the opinion that sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the interest rates are assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

42.3 Credit risk

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group has certain concentration of credit risk as 89% (2019: 87%) of the Group's revenue for the year was derived from 2 major customers (2019: 2) and as at reporting date, 100% (2019: 100%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

42.3 Credit risk — Continued

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:

	Weighted average lifetime ECL	Gross carrying amount *(HK$'000)*	Loss allowance *(HK$'000)*
As at 31 December 2020			
Current (not past due)	**0.39%**	**103,065**	**397**
1–90 days past due	**1.18%**	**197**	**2**
		103,262	**399**
As at 31 December 2019			
Current (not past due)	0.46%	126,520	582
1–90 days past due	1.12%	7,980	89
91–365 days past due	3.89%	121	5
		134,621	676
Individual assessment	100%	24,344	24,344
		158,965	25,020

Expected loss rates are based on actual loss experience 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.

Apart from those trade receivables identified for individual assessment for full impairment, the directors of the Company considered that there is no material credit risk inherent in the Group's carrying amounts of trade and bill receivables in view of (1) most of the trade receivables are not yet past due and (2) the potential impact of impairment on these trade receivables are insignificant to the consolidated financial statements of the Group.

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 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

42.3 Credit risk — Continued

For other receivables (including amount due from associate) and amounts due from non-controlling interests, management makes periodic collective assessments as well as individual assessment on the recoverability of these receivables based on historical settlement records and past experience. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment assessment based on 12 months ECL. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables and amounts due from non-controlling interests were insignificant and thus no loss allowance was recognised.

Approximately 45% (2019: 49%) of the bank balances as at 31 December 2020 were deposited at a major bank, the credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

42.4 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2020 and 2019, 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 2020					
Non-derivatives:					
Trade and bill payables	78,273	–	–	78,273	78,273
Other payables and accrued expenses	65,363	–	–	65,363	65,363
Lease liabilities	3,132	783	–	3,915	3,724
Borrowings	253,227	115,204	107,063	475,494	425,411
Contingent consideration payables	–	158,180	–	158,180	106,325
	399,995	274,167	107,063	781,225	679,096
At 31 December 2019					
Non-derivatives:					
Trade and bill payables	87,116	–	–	87,116	87,116
Other payables and accrued expenses	143,109	–	–	143,109	143,109
Lease liabilities	3,132	3,916	–	7,048	6,536
Borrowings	471,173	112,555	126,447	710,175	644,772
Contingent consideration payables	–	158,080	118,420	276,500	161,094
	704,530	274,551	244,867	1,223,948	1,042,627

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

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

	2020 ***HK$'000***	2019 *HK$'000*
Capital		
Total equity	**4,799,022**	4,766,595
Overall financing		
Borrowings	**425,411**	644,772
Capital-to-overall financing ratio	**11.28 times**	7.39 times

44. RELATED AND CONNECTED PARTIES DISCLOSURES

(i) Related party transactions

Same as disclosed in consolidated financial statement, there are no other significant related party transactions during the year ended 31 December 2020 and 2019.

(ii) Connected party transactions

Name of connected party	Nature of transactions	2020 HK$'000	2019 HK$'000
Volvo Car and its related companies	Sales of lithium battery	180,242	178,438
Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. and its related companies	Sales of lithium battery	25,320	156,916
Zhejiang Geely Holding Group Co. Ltd. and its subsidiaries, excluding Geely Automobile Holdings Limited and its subsidiaries	Sales of lithium battery	84,032	–
Zhejiang Geely Holdings Group Co., Ltd and its subsidiary	Borrowings	102,612	320,373
	Interest paid	6,153	12,965

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.

Zhejiang Forever and Zhejiang Geely Holdings Group Co., Ltd. ("Zhejiang Geely") entered into a sale of lithium-ion battery agreement (the "Sale Agreement") on 28 September 2020 regarding the sales of high performance ternary lithium-ion powered battery packs by Zhejiang Forever to Zhejiang Geely and its subsidiaries, excluding Geely Automobile Holdings Limited and its subsidiaries Components commencing from 23 October 2020 to 22 October 2023.

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International (Hong Kong) Limited. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. Volvo Car and Zhejiang Geely Components are subsidiaries of Zhejiang Geely and therefore a connected person of the Company.

The annual cap amounts for the years ended 31 December 2018, 2019 and the period from 1 January 2020 to 22 October 2020 for the Sale Agreement of Volvo Car are RMB178 million, RMB278 million and RMB251 million respectively as set out in the circular of the Company dated 13 June 2018.

The annual cap amounts for the years ended 31 December 2018, 2019 and the period from 1 January 2020 to 24 October 2020 for the Sale Agreement of Zhejiang Geely Components are RMB207 million, RMB739 million and RMB951 million respectively as set out in the circular of the Company dated 13 June 2018.

The annual cap amounts for the period from 23 October 2020 to 31 December 2020, years ended 31 December 2021, 2022 and the period from 1 January 2023 to 22 October 2023 for the Sale Agreement of Zhejiang Geely are RMB76 million, RMB250 million, RMB300 million and RMB350 million respectively as set out in the circular of the Company dated 29 October 2020.

45. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Borrowings (Note 29)		Lease liabilities (Note 30)	
	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	644,772	569,208	6,536	9,092
Changes from cash flows:				
Proceeds from new borrowings	59,328	426,973	–	–
Repayment of borrowings	(304,503)	(113,436)	–	–
Repayment of principal portion of lease liabilities	–	–	(2,812)	(2,556)
Interest paid	(16,463)	(18,950)	(322)	(445)
Total changes from financing cash flows	(261,638)	294,587	(3,134)	(3,001)
Other changes:				
Exchange difference	25,814	(11,101)	–	–
Transfer to deferred income	–	(226,872)	–	–
Interest expenses	16,463	18,950	322	445
At 31 December	425,411	644,772	3,724	6,536

46. SUBSEQUENT EVENTS

In February 2021, the Company disposed of its 98,490,000 shares in Yuxing InfoTech Investment Holdings Limited, which was classified as financial assets at fair value through profit or loss, to an independent third party at the consideration of HK$65,000,000.

The Company also signed the agreement with this party for further disposal of its shares in Yuxing InfoTech Investment Holdings Limited with the consideration of HK$175,000,000 while the selling price per share ranged from HK$0.6 to HK$0.66, depends on terms of the agreement.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 24 March 2021.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONTINUING OPERATIONS					
Revenue	34,045	17,476	238,610	341,270	**297,065**
Direct operating expenses	(33,160)	(17,756)	(286,161)	(336,947)	**(204,077)**
Other operating revenue	33,959	144,403	38,267	196,640	**81,540**
Selling and distribution costs	(1,457)	(3,187)	(3,108)	(13,402)	**(20,149)**
Administrative expenses	(102,175)	(114,701)	(132,762)	(92,715)	**(86,159)**
Other operating expenses, net	(2,884)	(7,910)	(25,414)	(5,131)	**(129,376)**
Loss on deemed disposal of a subsidiary	–	–	–	–	**(58,767)**
(Impairment)/reverse of impairment of exploration and evaluation assets	(270,826)	1,131,284	2,165,938	853,360	**2,053,773**
Impairment of other intangible assets	(85,964)	(60,003)	–	–	**–**
Impairment of property, plant and equipment	(37,643)	(50,368)	(1,047)	(331,909)	**(139,058)**
(Impairment loss)/Reverse of impairment loss of trade receivables	–	–	(38,656)	13,344	**277**
Impairment of prepayments, deposits and other receivables	–	–	(357,401)	(2,322)	**–**
Fair value gain on derivative financial liabilities	9,892	58,164	–	–	**–**
Fair value (loss)/gain on contingent consideration payables	1,039,423	(5,993)	2,584	(4,598)	**54,769**
Share of results of associates	–	–	–	(1,096)	**(50,628)**
Finance costs	(72,138)	(68,535)	(9,778)	(19,395)	**(16,785)**
Profit before income tax	511,072	1,022,874	1,591,072	597,099	**1,782,425**
Income tax credit/(expense)	122,135	(366,900)	(736,419)	(290,142)	**(698,283)**
Profit for the year	633,207	655,974	854,653	306,957	**1,084,142**
Attributable to:					
Owners of the Company	700,010	676,063	974,477	415,609	**1,156,593**
Non-controlling interests	(66,803)	(20,089)	(119,824)	(108,652)	**(72,451)**
Profit for the year	633,207	655,974	854,653	306,957	**1,084,142**

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	4,851,487	6,175,449	7,694,356	7,917,742	**7,803,205**
Total liabilities	(2,040,865)	(1,911,492)	(2,998,597)	(3,151,147)	**(3,004,183)**
Non-controlling interests	(222,463)	(296,436)	(180,329)	(65,765)	**71,324**
Equity attributable to owners of the Company	2,588,159	3,967,521	4,515,430	4,700,830	**4,870,346**