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

NEW ENERGY AND
DIVERSIFIED BUSINESSES

HALF YEAR REPORT 2021

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

CORPORATE INFORMATION

Board of Directors

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

Non-Executive Directors
Mr. Yan Weimin
Mr. Ang Siu Lun, Lawrence (retired on 18 May 2021)

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 (retired on 18 May 2021)
Mr. Ma Gang
Mr. Ha Chun

Auditor
BDO Limited

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

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

Head Office and Principal Place of Business
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Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Share Registrar and Transfer Office
Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Stock Code
8137

Company Website
www.8137.hk

UNAUDITED CONSOLIDATED HALF YEAR RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

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

	Notes	Three months ended 30 June 2021 HK$'000	Three months ended 30 June 2020 HK$'000	Six months ended 30 June 2021 HK$'000	Six months ended 30 June 2020 HK$'000
Revenue	2	110,940	56,661	205,286	91,833
Cost of sales		(82,445)	(49,428)	(147,613)	(74,810)
Gross profit		28,495	7,233	57,673	17,023
Other operating (expenses)/income	4	(23,875)	(3,967)	91,925	13,826
Selling and distribution costs		(2,986)	(2,334)	(6,436)	(6,243)
Administrative expenses		(18,179)	(17,736)	(36,986)	(39,249)
Share of results of associates	12	(3,917)	(41,981)	(6,909)	(44,212)
Gain on disposal of financial assets		–	–	45,400	–
Loss on deemed disposal of a subsidiary		–	–	–	(58,767)
Finance costs	5	(2,115)	(3,908)	(5,440)	(9,906)
Profit/(loss) before income tax	6	(22,577)	(62,693)	139,227	(127,528)
Income tax	7	–	–	–	–
Profit/(loss) for the period		(22,577)	(62,693)	139,227	(127,528)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		538,813	(180,049)	169,552	(1,163,522)
Exchange reserves released upon deemed disposal of a subsidiary		–	–	–	32,024
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity instruments at fair value through other comprehensive income		19,311	47	29,045	(15,182)
Other comprehensive income for the period, net of tax		558,124	(180,002)	198,597	(1,146,680)
Total comprehensive income for the period		535,547	(242,695)	337,824	(1,274,208)
Profit/(loss) for the period attributable to:					
Owners of the Company		(30,019)	(51,312)	124,973	(119,295)
Non-controlling interests		7,442	(11,381)	14,254	(8,233)
		(22,577)	(62,693)	139,227	(127,528)
Total comprehensive income attributable to:					
Owners of the Company		524,045	(231,578)	322,975	(1,264,569)
Non-controlling interests		11,502	(11,117)	14,849	(9,639)
		535,547	(242,695)	337,824	(1,274,208)
Earnings/(loss) per share attributable to the owners of the Company during the period	9				
— Basic		HK(0.31) cent	HK(0.53) cent	HK1.28 cents	HK(1.23) cents
— Diluted		HK(0.31) cent	HK(0.53) cent	HK1.28 cents	HK(1.23) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		74,877	71,953
Exploration and evaluation assets	10	7,186,173	6,920,709
Financial assets at fair value through other comprehensive income	11	39,721	10,676
Interests in associates	12	5,482	12,391
Right-of-use assets	13	39,446	40,795
		7,345,699	7,056,524
Current assets			
Inventories		148,440	92,759
Trade receivables	14	101,385	102,863
Prepayments, deposits and other receivables		92,526	88,505
Financial assets at fair value through profit or loss	15	151,303	89,621
Tax recoverable		327	282
Cash and cash equivalents		270,102	372,651
Total current assets		764,083	746,681
Current liabilities			
Trade and bill payables	16	78,137	78,273
Other payables, accruals and deposit received		71,413	133,096
Borrowings	17	142,129	242,990
Lease liabilities		1,475	2,950
Total current liabilities		293,154	457,309
Net current assets		470,929	289,372
Total assets less current liabilities		7,816,628	7,345,896
Non-current liabilities			
Borrowings	17	136,597	182,421
Deferred income		18,602	19,453
Deferred tax liabilities	18	2,328,381	2,237,901
Contingent consideration payables	19	106,325	106,325
Lease liabilities		774	774
		2,590,679	2,546,874
Net assets		5,225,949	4,799,022
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,855	9,855
Reserves		5,183,466	4,860,491
		5,193,321	4,870,346
Non-controlling interests		32,628	(71,324)
Total equity		5,225,949	4,799,022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Treasury shares reserve *HK$'000*	Share-based payment reserve *HK$'000*	Translation reserve *HK$'000*	Fair value reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
2021										
At 1 January 2021	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
Capital contribution from a non-controlling interests to a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	89,103	89,103
	–	–	–	–	–	–	–	–	89,103	89,103
Profit for the period	–	–	–	–	–	–	124,973	124,973	14,254	139,227
Other comprehensive income										
Currency translation	–	–	–	–	168,957	–	–	168,957	595	169,552
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	29,045	–	29,045	–	29,045
Total comprehensive income	–	–	–	–	168,957	29,045	124,973	322,975	14,849	337,824
At 30 June 2021	9,855	3,563,686	(142,864)	9,958	(5,807,865)	(54,405)	7,614,956	5,193,321	32,628	5,225,949
2020										
At 1 January 2020	9,855	3,563,686	(142,864)	12,170	(5,065,260)	(68,535)	6,391,778	4,700,830	65,765	4,766,595
Capital contribution from a non-controlling interests to a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	95,910	95,910
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(155,638)	(155,638)
Share options expired	–	–	–	(2,212)	–	–	2,212	–	–	–
Share of movement of other reserves of associate	–	–	–	–	–	–	(60,600)	(60,600)	(6,228)	(66,828)
	–	–	–	(2,212)	–	–	(58,388)	(60,600)	(65,956)	(126,556)
Loss for the period	–	–	–	–	–	–	(119,295)	(119,295)	(8,233)	(127,528)
Other comprehensive income										
Currency translation	–	–	–	–	(1,162,116)	–	–	(1,162,116)	(1,406)	(1,163,522)
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(15,182)	–	(15,182)	–	(15,182)
Release of translation reserve upon disposal of a subsidiary	–	–	–	–	32,024	–	–	32,024	–	32,024
Total comprehensive income	–	–	–	–	(1,130,092)	(15,182)	(119,295)	(1,264,569)	(9,639)	(1,274,208)
At 30 June 2020	9,855	3,563,686	(142,864)	9,958	(6,195,352)	(83,717)	6,214,095	3,375,661	(9,830)	3,365,831

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Net cash from (used in) operating activities	(28,798)	31,769
Net cash used in investing activities:		
Purchases of property, plant and equipment	(9,065)	(6,214)
Interests received	1,804	1,146
Disposal of a subsidiary, net of cash disposed	–	(7,332)
Decrease in restricted bank deposits	–	660
	(7,261)	(11,740)
Net cash used in financing activities:		
Drawdown of borrowings	–	58,273
Repayment of borrowings	(151,589)	(289,047)
Interests paid on borrowings	(5,347)	(9,781)
Capital contribution from non-controlling interests to a non-wholly owned subsidiary	89,103	95,910
Other financing cash flows	(1,568)	(1,566)
	(69,401)	(146,211)
Net decrease in cash and cash equivalents	(105,460)	(126,182)
Cash and cash equivalents, at beginning of period	372,651	351,714
Effect of foreign exchange rate changes	2,911	(5,815)
Cash and cash equivalents, at end of period	270,102	219,717
Analysis of the balance of cash and cash equivalents		
Cash at banks and in hand	270,102	219,717

Notes:

1. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated financial statements for the six months ended 30 June 2021 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

These financial statements should be read, where relevant, in conjunction with the 2020 annual report.

The accounting policies adopted in the 2020 annual financial statements have been consistently applied to these financial statements except that in the current period. The group has applied for the first time the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies. The Group has not applied any new or amended HKFRSs that are not yet effective.

2. REVENUE

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Sale of lithium batteries	**202,178**	89,415
Battery swapping service income	**3,108**	2,418
	205,286	91,833

3. SEGMENT INFORMATION

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

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

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC and Brazil.

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

	Mineral resources exploration and trading *HK$'000*	Lithium battery production *HK$'000*	Battery swapping services *HK$'000*	Total *HK$'000*
Six months ended 30 June 2021				
Reportable segment revenue (external customers)	**–**	**202,178**	**3,108**	**205,286**
Reportable segment (losses)/profit	**(3,639)**	**36,131**	**(5,763)**	**26,729**
Reportable segment assets	**7,203,921**	**526,711**	**69,888**	**7,800,520**
Reportable segment liabilities	**111,231**	**427,606**	**13,221**	**552,058**
Capital expenditure	**600**	**5,343**	**3,122**	**9,065**
Depreciation	**333**	**2,527**	**2,179**	**5,039**
Six months ended 30 June 2020				
Reportable segment revenue (external customers)	–	89,415	2,418	91,833
Reportable segment (losses)/profit	(3,835)	2,391	(6,113)	(7,557)
Reportable segment assets	4,596,712	656,999	61,346	5,315,057
Reportable segment liabilities	165,777	531,515	4,225	701,517
Capital expenditure	–	1,483	4,731	6,214
Depreciation	332	9,420	271	10,023

3. SEGMENT INFORMATION — CONTINUED

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Reportable segment revenue	**205,286**	91,833
Reportable segment profit/(loss)	**26,729**	(7,557)
Other operating income	**676**	899
Administrative expenses	**(7,857)**	(8,724)
Gain/(loss) on financial assets at fair value through profit or loss	**81,281**	(9,007)
Share of results of associate	**(6,909)**	(44,212)
Gain on disposal of financial assets	**45,400**	–
Loss on deemed disposal of a subsidiary	**–**	(58,767)
Finance costs	**(93)**	(160)
Profit/(loss) before income tax	**139,227**	(127,528)

	As at 30 June 2021	As at 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reportable segment assets	**7,800,520**	7,571,115
Prepayments, deposits and other receivables	**32,668**	29,062
Financial assets at fair value through profit or loss	**151,303**	89,621
Financial assets at fair value through other comprehensive income	**39,721**	10,676
Right-of-use assets	**2,098**	3,497
Interest in associates	**5,482**	12,391
Cash and cash equivalents	**77,990**	86,843
	8,109,782	7,803,205
Reportable segment liabilities	**552,058**	700,381
Other payables and accrued expenses	**1,145**	62,177
Lease liabilities	**2,249**	3,724
Deferred tax liabilities	**2,328,381**	2,237,901
	2,883,833	3,004,183

3. SEGMENT INFORMATION — CONTINUED

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Revenue from external customers		
PRC	123,740	71,824
Belgium	–	76
Sweden	81,546	19,933
Reportable segment revenue	205,286	91,833

	As at 30 June 2021	As at 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets (excluding interest in associate and other financial assets)		
Hong Kong	2,098	3,497
PRC	111,281	109,251
Brazil	7,187,117	6,920,709
Reportable segment non-current assets	7,300,496	7,033,457

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).

4. OTHER OPERATING (EXPENSES) INCOME

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Bank interest income	1,804	1,146
Government grant	1,605	15,292
Rental income	60	312
Imputed interest income of amounts due from non-controlling interests of a subsidiary	–	3,272
Gain/(Loss) on financial assets at fair value through profit or loss	81,281	(8,903)
Sundry income and exchange gain	7,175	2,707
	91,925	13,826

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Interest charges on borrowings wholly repayable within five years	**5,347**	9,746
Finance costs on lease liabilities	**93**	160
	5,440	9,906

6. PROFIT (LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Profit (loss) before income tax are arrived at after charging:		
Depreciation and amortisation	**6,852**	12,057

7. INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Overseas tax		
Current period	**–**	–
Deferred tax	**–**	–
Income tax	**–**	–

During the six months ended 30 June 2020 and 2021, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

8. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2021 are based on the loss attributable to the owners of the Company of approximately HK$30,019,000 and profit of HK$124,973,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company. (For the three months and six months ended 30 June 2020, loss attributable to the owners of the Company was HK$51,312,000 and HK$119,295,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company.)

Diluted earnings (loss) per share figure are the same as basic earnings per share for the three months and six months ended 30 June 2020 and 2021 because the impact of the exercise of share options was anti-dilutive.

10. EXPLORATION AND EVALUATION ASSETS

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 *HK$'000* **(Unaudited)**	As at 31 December 2020 *HK$'000* (Audited)
Equity instruments measured at FVOCI	**39,721**	10,676

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

12. INTERESTS IN ASSOCIATES

	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Interest in associates:		
Share of net assets	5,482	12,391

Details of the Group's principal associates as at 30 June 2021 are as follows:

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

The carrying amount of equity-accounted investment has changed as follow for the six months ended 30 June 2021:

	Six months ended 30 June 2021 HK$'000
As at 1 January 2021	12,391
Loss for the period	(6,909)
At 30 June 2021	5,482

13. RIGHT-OF-USE ASSETS

	HK$'000 (Unaudited)
As at 1 January 2021	40,795
Amortisation	(1,813)
Exchange reserve	464
At 30 June 2021	39,446

The right-of-use assets represent the Group's prepaid land lease payments and lease of properties and offices for its operations. Prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC. The leases of properties and offices run for an initial period ranged from 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.

14. TRADE RECEIVABLES

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

	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Trade receivable — Gross	101,784	103,262
Less: Impairment losses and expected credit loss	(399)	(399)
Trade receivables — Net	101,385	102,863

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

	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
0 to 30 days	66,108	68,099
31 to 90 days	29,993	35,163
91 to 180 days	–	–
Over 180 days	5,683	–
	101,784	103,262

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Listed equity investments, at market value, in Hong Kong — held for trading	151,303	89,621

The balance represented the fair value of 14.14% equity interests (31 December 2020: 21.72%) in Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of Hong Kong Stock Exchange Limited. The Company is not accounted for an equity method as the Group does not have the power to participate in its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

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

16. TRADE AND BILL PAYABLES

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

	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Trade payables	74,476	78,273
Bill payables	3,661	–
	78,137	78,273
0–30 days	47,136	65,543
31–60 days	15,994	6,435
61–90 days	1,991	194
91–180 days	2,423	21
Over 180 days	10,593	6,080
	78,137	78,273

17. BORROWINGS

	Original currency	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Government loans *(Note (a))*	RMB	**120,244**	118,763
Other loans *(Note (b))*	RMB	**–**	102,612
Bank loans *(Note (c))*	RMB	**158,482**	204,036
		278,726	425,411
Represented by:			
Current liabilities	RMB	**142,129**	242,990
Non-current liabilities	RMB	**136,597**	182,421
		278,726	425,411

(a) The balance represented the unsecured and interest free loans granted by the local government in the PRC in relation to the establishment of the manufacturing factory of new energy vehicle battery in Zhejiang, the PRC. The loans were classified a current liabilities.

(b) These loans were from Zhejiang Geely Holding Group Co., Ltd. and its subsidiary and all these loans were interest bearing at 4.35% per annum, unsecured and repayable within twelve months from the reporting period and classified as current liabilities accordingly.

(c) The bank loans are secured by the Group's right-of-use assets and property, plant and equipment and the corporate guarantee from Zhejiang Geely Holding Group Co., Ltd. Bank loans were repayable by instalments up to 3 June 2029 and were interest bearing at 4.9% per annum.

18. DEFERRED TAX LIABILITIES

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

19. CONTINGENT CONSIDERATION PAYABLES

Under the settlement agreement related to the acquisition of SAM, the Company is committed to pay a maximum aggregate amount of US$60,000,000 contingent additional payment and conditional mining production payment to the sellers upon occurrence of certain events. Details of the settlement agreement are set out in the Company's announcement dated 13 May 2016.

The contingent consideration payables represent the fair value of the obligation for the contingent payable in accordance with the settlement agreement.

20. CAPITAL COMMITMENTS

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Contracted but not provided for property, plant and equipment	**67,451**	57,674

FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

As at 30 June 2021	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Listed equity securities for strategic purpose	39,721	–	–	39,721
Listed securities held for trading	151,303	–	–	151,303
	191,024	–	–	191,024
Liabilities				
Contingent consideration payables	–	–	106,325	106,325

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	10,676	–	–	10,676
Listed securities held for trading	89,621	–	–	89,621
	100,297	–	–	100,297
Liabilities				
Contingent consideration payables	–	–	106,325	106,325

During the six months ended 30 June 2021, there was no transfer between different levels of fair value hierarchy.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Lithium-Ion Battery Business

The car models installed with battery packs of the Group include the PHEV model "XC90", "XC60", "S60" 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" of Volvo.

Although the batteries produced by the Group were top quality and reliable technically, the small production capacity and low 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. Expect for lithium ion battery for PHEVs, the Group also has 12V and 48V batteries in the product list.

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. 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.

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

The production plant of Shandong Forever New Energy, 24.5% owned associate of the Company, covers a total area of approximately 130,000 square meters and its current factory and office facilities cover a floor area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

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 June 2021, GETI has approximately 400 battery swapping stations and 1,800 package users.

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 30 June 2021, the Group had accumulatively provided US$78.0 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$78.4 million, the cumulative investment had reached approximately US$156.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

Background — Continued

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.

Updates on the Project Development Plan

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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

LP Application — Continued

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.

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,

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. IBAMA and SEMAD has entered into a technical co-operation agreement on 26 March 2021 and all the delegation procedure was completed in April 2021, SAM has resumed the environmental licensing process in SEMAD.

In order to ensure that public prosecutors have a better understanding of Block 8 Project, SAM and MPMG signed an agreement on 24 May 2021, with the Governor of the State of Minas Gerais attended the signing ceremony. The signing of the agreement fully demonstrated SAM's confidence in the sustainable development model and environmental feasibility of the project.

More details in relation to the SAM Project was set out in the 2020 annual report of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Shareholding in Yuxing Infotech

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

Supplemental Agreement to the Sale Shares Agreement Dated 19 June 2020

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

Principal 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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Shareholding in Yuxing Infotech — Continued

Supplemental Agreement to the Sale Shares Agreement Dated 19 June 2020 — Continued

Principal terms of the Supplemental Agreement — Continued

It was 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 was also agreed that the Company would transfer 98,490,000 shares of Yuxing InfoTech 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 Yuxing InfoTech were transferred to the Purchaser on 23 February 2021.

On 30 June 2021, the Company and the Purchaser entered into a supplemental agreement (the "Second Supplemental Agreement") which agreed to postpone the due date of the Final Payment from 30 June 2021 to 30 September 2021.

After entering into the Supplemental Agreement and the Second Supplemental Agreement, no additional consideration was received by the Company.

The two supplemental agreements do not change the total consideration of the Sale Shares Agreement, which remains at HK$240,000,000.

Business Review

For the six months ended 30 June 2021, the Group recognised HK$205.3 million in revenue, representing a 123.6% increase when compared to HK$91.8 million revenue recognised in the last corresponding period. The profit for the six months ended 30 June 2021 attributable to owners of the Company was approximately HK$125.0 million (30 June 2020: loss of HK$119.3 million).

Approximately 98.5% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The total revenue of the Group increased because of the increase in demand of lithium-ion batteries from our major customer Volvo Car.

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") 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 June 2021, GETI has approximately 400 battery swapping stations and 1,800 active users. 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. It is the vision of the Group to provide safe, convenient and reliable battery swapping service to customers all over China. For the six months ended 30 June 2021, GETI has recognised approximately HK$3.1 million revenue, 29.2% increase compared to the HK$2.4 million revenue for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

The Group recorded a gross profit of approximately HK$57.7 million (gross profit ratio: 28.1%) for six months ended 30 June 2021 as compared with the gross profit of approximately HK$17.0 million (gross profit ratio: 18.5%) in the last corresponding period.

Gross profit ratio improved because the demand for our high margin products increased and Zhejiang Forever New Energy has improved the overall operating efficiency of the plant and decreased the overhead costs, depreciation expenses also decreased for the period after impairment provision on property, plant and equipment in the past. 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.

Other operating income of approximately HK$91.9 million (30 June 2020: HK$13.8 million) was recognised during the current period. Other operating income increased despite the government grant recognised in the current period was only HK$1.6 million (30 June 2020: HK$15.3 million). It was mainly because approximately HK$81.3 million gain was recognised on financial assets at fair value through profit or loss due to the increase in share price of a listed equity investments (i.e. Yuxing InfoTech Investment Holdings Limited ("Yuxing InfoTech"), a company listed in the GEM of Hong Kong Stock Exchange Limited) of the Company during the current period (30 June 2020: loss of HK$8.9 million).

The selling and distribution costs during the six months ended 30 June 2021 was approximately HK$6.4 million (30 June 2020: HK$6.2 million).

The administrative expenses decreased by approximately HK$2.3 million or 5.8% when compared to the last corresponding period. It was mainly due to decreased in depreciation expenses and staff costs.

On 23 February 2021, 98,490,000 shares of Yuxing InfoTech were disposed by the Company at the price of HK$0.66 per shares and a HK$45.4 million gain on disposal was recognised because of the disposal.

Finance costs decreased because the amount of borrowings and loans decreased compared to the last corresponding period. Approximately HK$5.4 million finance costs were recognised during the period ended 30 June 2021 (30 June 2020: HK$9.9 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. The Group has repaid all the loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary during the period ended 30 June 2021.

For the period ended 30 June 2021, the profit attributable to the owners of the Company was approximately HK$125.0 million (30 June 2020: loss of HK$119.3 million). The profit was mainly attributable to (1) the increased in share price of Yuxing InfoTech during the period, generated approximately HK$81.3 million other operating income; (2) HK$45.4 million gain on disposal of shares of Yuxing InfoTech and (3) increase in gross profit of approximately HK$40.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

For the associate (20% owned by the Group) which 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 and its revenue has surged and reached record high in the second quarter of 2021, city lockdown in Paris and other COVID-19 control measures are still affecting its operation and a share of HK$6.4 million loss of associate was recognised by the Group during the period.

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$0.5 million share of loss was recognised by the Company during the period. 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 30 June 2021, the cash and cash equivalent balance of the Group was approximately HK$270.1 million (31 December 2020: HK$372.7 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and difficult economic situation.

As at 30 June 2021, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 5.3% (31 December 2020: 8.9%). The gearing ratio of the Group has improved because the total loans and borrowings decreased due to loan repayment during the period ended 30 June 2021.

Prospects

The world is undergoing an evolution of the replacement of traditional petrol cars by electric vehicles with low and even zero emission as several countries in Europe have set out their timetable to gradually phase out production of 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 policies, the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospects — Continued

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 steadily exploring the existing lithium-ion battery business, 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 long time and extraordinary 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, as some positive progress has been made for obtaining the approval of the LP application in the State of Minas Gerais in recent months, we consider it's in the best interests of the shareholders of the Company to continue to push forward the project and review its status and development continuously. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

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

The Use of Proceeds from Placing and Share Subscription

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") of the Company in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$950 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company had yet to identify suitable investment and acquisition targets in the new energy vehicle-related field in 2016 and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, HK$540 million net proceeds were re-allocated from new energy related projects and the Company has entered into a Loan Agreement with Cloudrider Limited (the "Borrower") and a loan with principal amount of HK$540 million has been granted. In February 2020, Zhejiang Forever New Energy lithium-ion battery plant required new capital from its shareholders. Since the Brazilian iron ore project still need more time to obtain the environmental license and no material expenses are expected before the license is obtained, to strengthen the use efficiency of proceeds, HK$46.7 million net proceeds were re-allocated for the new energy vehicles related projects.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

The Use Of Proceeds From Placing And Share Subscription — Continued

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 30 June 2021:

Intended use of proceeds	Total net proceeds *HK$' million*	Actual use of net proceeds up to 30 June 2021 *HK$' million*	Remaining balance of net proceeds up to 30 June 2021 *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	127.3	26.0
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	72.1	4.8
Total	1,336.0	1,305.2	30.8

As at 30 June 2021, the unutilised portion of approximately HK$30.8 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$4.8 million are expected to be utilised to maintain the headquarter in Hong Kong. Major expenditures include director and staff costs, rental expenses and various professional fees. Subject to the change based on the future development of the operations of the Group, the amount is expected to be fully utilised on or before 31 December 2021.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 241 employees (30 June 2020: 257 employees). 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.

Subsequent Event

Strategic Investment Agreement with Pinglu Yinuo Mining Company Limited

In order to seize the potential business opportunity, on 22 July 2021, the Company has entered into a non-legally binding strategic investment agreement (the"Strategic Investment Agreement") with Pinglu Yinuo Mining Company Limited 平陸一諾礦業有限公司 ("Yinuo Mining").

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Subsequent Event — CONTINUED

Strategic Investment Agreement with Pinglu Yinuo Mining Company Limited — CONTINUED

Background

Yinuo Mining is planning to participate in the reorganisation of Pinglu Zhongsheng Bauxite Development Company Limited 平陸縣中盛鋁矾土開發有限公司 ("Zhongsheng Bauxite"), Shanxi Yuncheng Wusheng Industrial Company Limited 山西省運城武聖實業有限公司 ("Yuncheng Wusheng") and Shanxi Wusheng New Material Company Limited 山西武聖新材料有限公司 ("Wusheng New Material"). Zhongsheng Bauxite has approximately 9.13 square kilometers of aluminum ore mining rights and has reported reserves of 13 million tons; Zhongsheng Bauxite also has bauxite exploration rights which cover approximately 50 square kilometers. Wusheng New Material, controlled by Yuncheng Wusheng, is engaged in the production and deep processing of specialty aluminum oxide, aluminum hydroxide, alpha alumina and boehmite products. Yinuo Mining has conducted in-depth negotiation with the parties to the reorganisation, and plans to lease the mining rights of Zhongsheng Bauxite after the reorganisation enters the process, and to carry out large-scale aluminum ore mining business, at the same time, Wusheng New Material's factory will be leased to resume production.

Principal Terms

Once the reorganisation become effective, the Company will acquire Yinuo Mining's interests and turn Yinuo Mining into a wholly-owned subsidiary or subsidiary of the Company. Yinuo Mining will lease Zhongsheng Bauxite's mining rights for large-scale mining and/or will rent Zhongsheng Bauxite's plant for aluminum oxide production. The company will inject funds into Yinuo Mining according to the lease terms agreed and actual production requirement.

The Strategic Investment Agreement sets out the principal terms for the strategic cooperation, the implementation of which will be governed by further agreements in details, if applicable.

Contingent Consideration and Liabilities

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SPA"), the total consideration of US$390 million for the acquisition of SAM was to be satisfied in cash in five instalment payments.

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

As at 30 June 2021, the contingent consideration payable was approximately HK$106.3 million (equivalent to approximately US$13.7 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Corporate Governance

Throughout the six months ended 30 June 2021, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

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

As at 30 June 2021, 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 30 June 2021, 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.

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.

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.

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:

	Number of share options				
Category of participant	Outstanding as at 01/01/2021 and 30/06/2021	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	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	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 30 June 2021, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

	Number of Shares in the Company				
Name of Shareholder	Beneficial owner	Interest of spouse	Interests of controlled corporation	Total number of shares held	Approximate percentage of shareholding *(%)*
Hong Bridge	4,065,000,000 *(Note 1)*	–	–	4,065,000,000	41.25
HE Xuechu *(Note 2)*	57,939,189	22,460,000	4,065,000,000 *(Note 1)*	4,145,399,189	42.07
FOO Yatyan *(Note 2)*	22,460,000	4,122,939,189	–	4,145,399,189	42.07
LI Xing Xing	–	–	4,065,000,000 *(Note 3)*	4,065,000,000	41.25
Geely International (Hong Kong) Limited	1,850,675,675	–	–	1,850,675,675	18.78
Zhejiang Geely Holding Group Co., Ltd. *(Note 4)*	–	–	1,850,675,675	1,850,675,675	18.78
LI Shufu *(Note 5)*	103,064,000	–	1,850,675,675	1,953,739,675	19.83

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. ("Zhejiang Geely") holds 100% equity interest of Geely International (Hong Kong) Limited.

5. Mr. LI Shufu is the controlling shareholder of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

On 20 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 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 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 period ended 30 June 2021, a finance costs of approximately HK$0.8 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.

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").

Annual Caps for the Sales Framework Agreement

An extraordinary general meeting of the Company was held on 16 November 2020 and passed the resolution in relation to the Sales Framework Agreement with the following annual caps.

	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*
Annual caps	250,000,000	300,000,000	350,000,000

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Annual Caps for the Sales Framework Agreement — Continued

Should the actual annual purchase amount exceed the above 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.

The sales under the Sales Framework Agreement for the period ended 30 June 2021 was approximately HK$202.2 million. Because of the strong growth of sales to Volvo Car, the Group anticipated that the transactions for the year ending 31 December 2021 pursuant to the Sales Framework Agreement will exceed the existing RMB250,000,000 annual cap. The Group is working to enter into a supplemental sales framework agreement with Zhejiang Geely with a revised annual cap for the year ending 31 December 2021.

There was no other connected transaction entered into by the Company during the period ended 30 June 2021.

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 period ended 30 June 2021.

DIRECTORS' INTERESTS IN CONTRACTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the six months ended 30 June 2021.

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 Group's unaudited results for the six months ended 30 June 2021 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the six months ended 30 June 2021, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors of the Company during the period and up to the date of this 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 (retired on 18 May 2021)

Independent Non-Executive Director:

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

On behalf of the Board
LIU Wei, William
Director and Joint Chief Executive Officer

Hong Kong, 10 August 2021