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

NEW ENERGY AND DIVERSIFIED BUSINESSES

ANNUAL REPORT 2021

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Honbridge Holdings Limited
Annual Report 2021

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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 (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
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North Point
Hong Kong

STOCK CODE

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COMPANY WEBSITE

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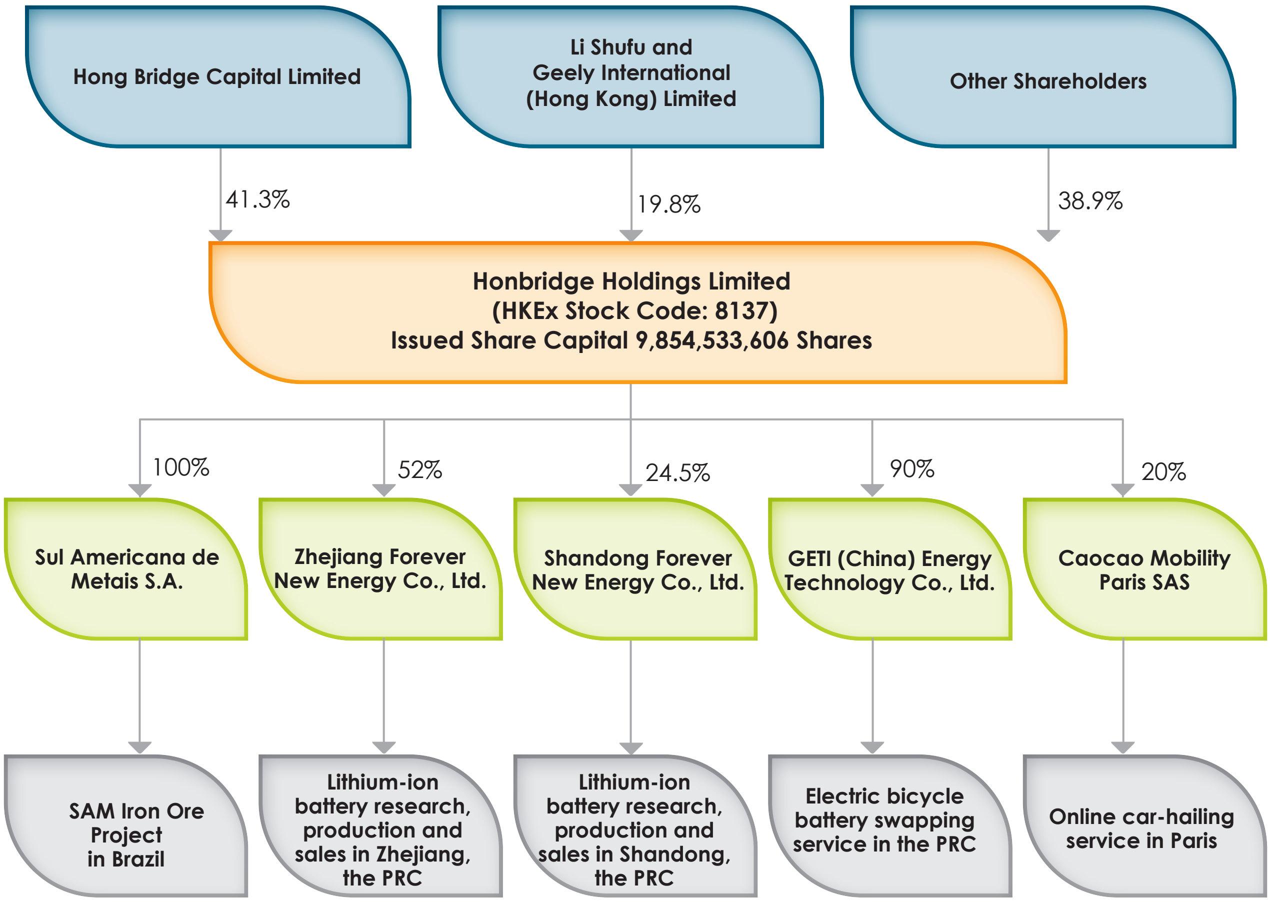
CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the 2021 annual report of Honbridge Holdings Limited to all shareholders.

BUSINESS REVIEW

For the year ended 31 December 2021, the Group recognised a HK$478.9 million in revenue, representing a 61% increase when compared to HK$297.1 million revenue recognised in the last year. The profit for the year ended 31 December 2021 attributable to owners of the Company was approximately HK$88.5 million (2020: HK$1,156.6 million).

Approximately HK$473.1 million revenue of the Group were contributed by our Zhejiang lithium-ion battery plant, among which export sales to Europe were strong and increased to approximately HK$116.7 million (2020: HK$56.2 million) for the year ended 31 December 2021, representing 24.4% (2020: 19.0%) of total lithium-ion battery sales. The remaining revenue, approximately HK$5.8 million (2020: HK$6.3 million), were generated by our electric bicycle battery swapping service in China. The total revenue of the Group increased because our major customer Volvo Car recorded strong sales for its PHEV models.

In addition to the lithium-ion battery business, the Group is also running a battery sharing business focusing on food delivery electric motorcycle branded "GETI" in the PRC. By December 2021, GETI has approximately 666 battery swapping stations and 2,242 package 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. GETI is also working with a leading delivery platform in the PRC so that platform users can subscribe GETI service directly through the platform. 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 2021, GETI has recognised approximately HK$5.8 million revenue, and has completed over 1 million times battery swapping service since its launch in 2019.

For the year ended 31 December 2021, the profit attributable to the owners of the Company was HK$88.5 million (31 December 2020: HK$1,156.6 million). The decrease in profit was mainly because there was no reverse of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project this year (2020: HK$1,355.5 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. The new car sales of new energy vehicles is expected to account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. 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.

CHAIRMAN'S STATEMENT

Our Zhejiang lithium-ion battery manufacturing plant has been focusing on producing lithium-ion batteries for PHEV models in the past few years. Nevertheless, PHEV is only a small segment for the battery segment in new energy vehicles, accounting for approximately 20% of the total new energy vehicles sales in the PRC, which around half of the total sales in this segment were derived by a single manufacturer which is also a battery manufacturer. Also, the electric powered range for PHEV has been increasing, while 50-70KM range was the mainstream in the past few years, it is expected that PHEV models with over 80-100KM range will become the norm from 2022 onwards. The keen competition and the new industry norm poses a challenge for the Group and revenue of the Group is expected to decrease substantially in the first half of 2022. On the other hand, to meet the requirements of the new orders, new production facilities are under installation in the Zhejiang manufacturing plant.

Since October 2021, the Company has been working on the potential acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France. 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 2021 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong
30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS

Since its mass production in 2018, our lithium-ion battery plant has supplied batteries to several premium car models, 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.

Polestar 01 PHEV

Although the batteries produced by the Group are top quality, reliable and safe technically, the small production capacity and low utilisation rate of the battery plant lead to a higher average costs when compared to the other competitors. The Lynk & Co. brand did not purchase the battery packs of the Group for their PHEV models in 2021, which was mainly due to the cost factor. In the PRC, the top ten powered battery manufacturers accounted for over 90% of the market share. The business relationship between the powered battery manufacturer and the NEV manufacturers is stable, making it not easy for the companies in the industry to break off reliance on a major supplier or customer. 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.

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 which produce pouch type cells has commenced mass production since 2018.

Zhejiang Forever New Energy's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As of 31 December 2021, Zhejiang Forever New energy was granted 256 patents, among which 190 are utility model patents, 9 appearance design patents and 57 innovation patents.

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.

LITHIUM-ION BATTERY BUSINESS — CONTINUED

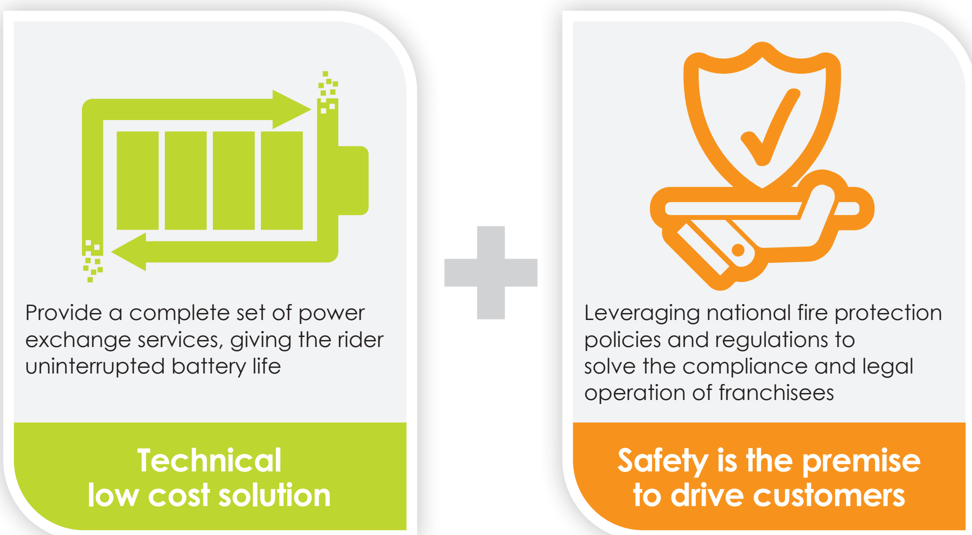
Shandong Forever New Energy Company Limited ("Shandong Forever New Energy") — Continued

During the year ended 31 December 2021, the lithium-ion battery segment recorded a revenue of approximately HK$473.1 million (equivalent to approximately RMB392.7 million), which was increased by approximately 62.7% when compared to HK$290.8 million (equivalent to approximately RMB259 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 profit was approximately HK$17.2 million (2020: HK$130.5 million loss). The turn-around from loss to profit during the year was mainly because of the decreased in impairment of property, plant and equipment and increased in gross profit 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 2021, GETI has approximately 666 battery swapping stations and 2,242 package users and has completed over 1 million times battery swapping service on aggregate since its launch in 2019. The revenue and loss for the segment was approximately HK$5.8 million (2020: HK$6.3 million) and HK$15.3 million (2020: HK$11.3 million) respectively for the year ended 31 December 2021. The widened loss was mainly contributed by the HK$3.8 million increase in depreciation expenses, after more battery swapping stations and batteries were launched to the market during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

BATTERY SHARING BUSINESS — CONTINUED

Battery Swapping Station

Automatic battery adaptation

Intelligent charging strategy

Multi-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 2021, the Group had accumulatively provided US$78.6 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$157.0 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.

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 waste and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

Updates on the Project Development Plan — Continued

Port

Porto Sul has renewed its LI (installation license) in 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.

Water Supply

In 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 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.

PROGRESS OF SAM — CONTINUED

Updates on the Project Development Plan — Continued

Expected Timetable

Assuming that the LP (preliminary license) is obtained between the fourth quarter of 2022 and the first quarter of 2023, there is a chance to obtain the LI in the second quarter of 2024 and start trial production in the second half of 2027. Many uncertainties, however, may affect the timetable.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$2.78 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$27.6 and thereafter will rise to approximately US$33.8. 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$40.9 per ton for the first 18 years and then increase to US$47.1 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 mines operated by other companies 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

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. 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.

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. The Superintendence of Priority Projects (SUPPRI), a division of SEMAD which is responsible for reviewing the LP application of priority project of the Minas Gerais State, is analysing the EIA-RIMA of SAM. SUPPRI has agreed to complete the analysis of EIA-RIMA in the coming months.

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

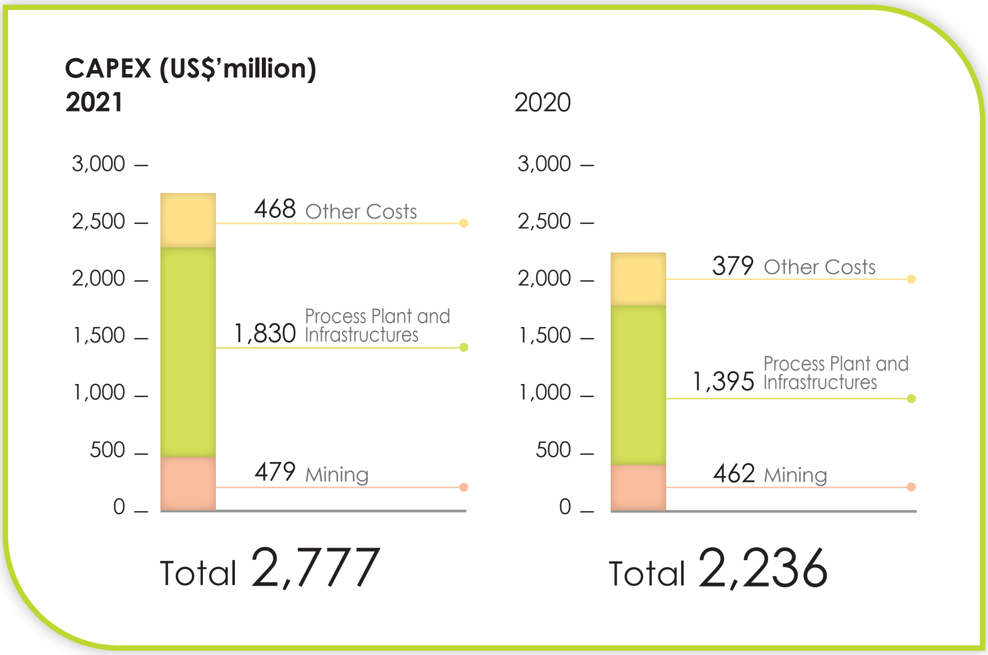
After learning that SAM's environmental licensing process was affected by the ACP filed in December 2019, many institutions and associations voiced their support to SAM. SAM received letters of support from 5 mayors of municipalities in the area directly influenced by SAM's project and other 15 local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

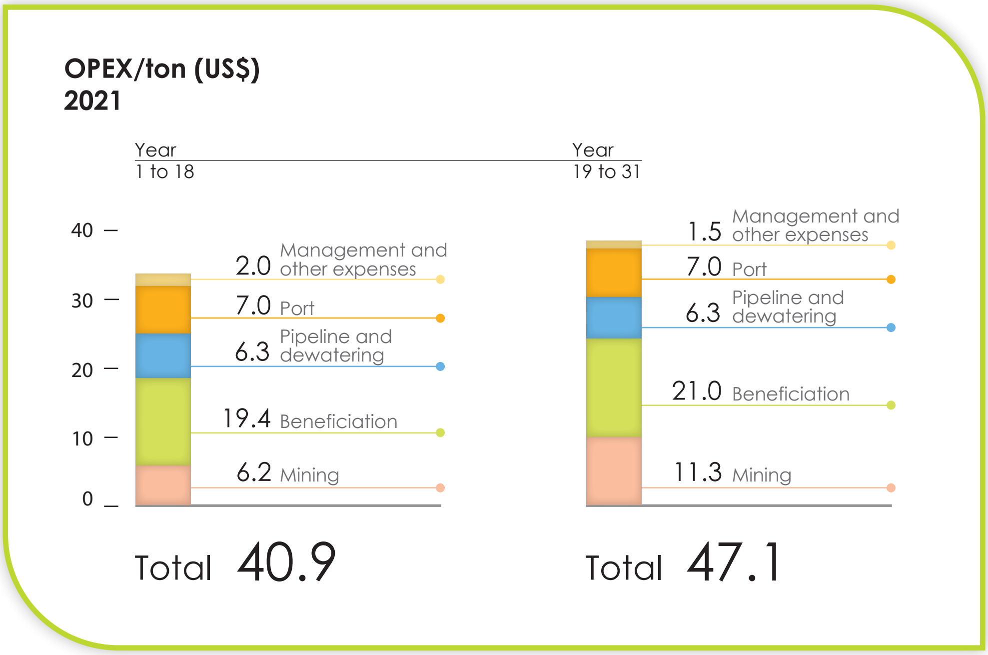
According to previous records, most large scale projects in Brazil were challenged by the Public Ministries. SAM will strengthen communication with the Public Ministries and continue to advance the project in accordance with local laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM — CONTINUED

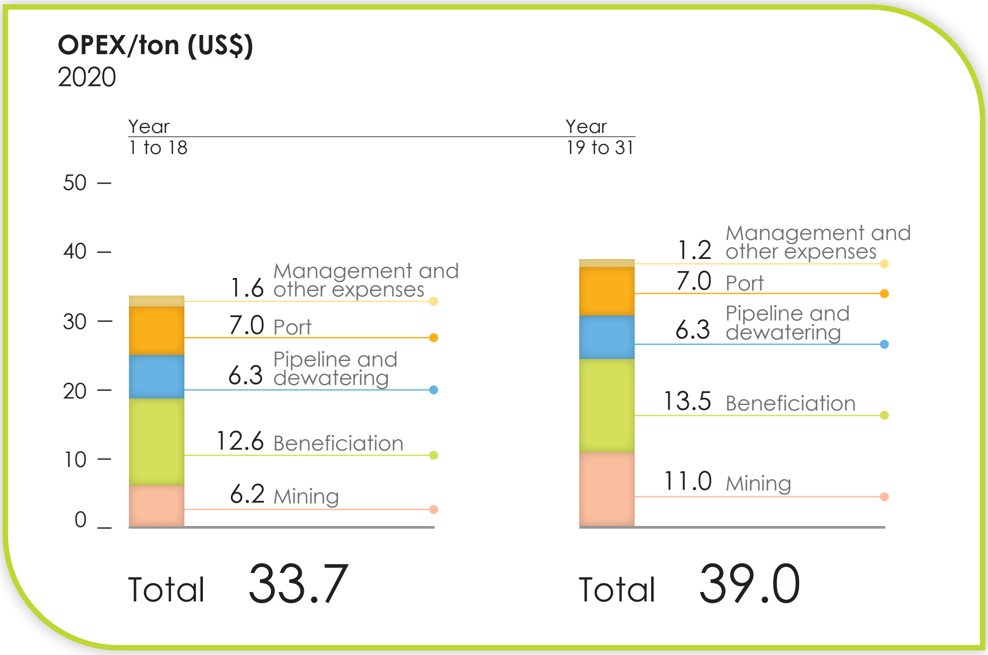
CAPEX AND OPEX





PROGRESS OF SAM — CONTINUED

CAPEX and OPEX — Continued



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 2021, US$2.78 billion CAPEX (2020: US$2.24 billion) and US$40.9 (2020: US$33.7) (year 1 to 18) and US$47.1 (2020: US$39.0) (year 19 to 31) per ton of OPEX applied. The applied CAPEX and OPEX increased in the current year mainly due to the increase in expected steel and concrete costs and increase in energy costs respectively.

Regarding the project timeline, the new operation commencement date is expected to be early 2028 (2020: late 2026) because due to the public civil action (ACP), SAM licensing process is progressing slower than expected.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$840 million (equivalent to approximately HK$6,518 million) (2020: US$981 million, equivalent to approximately HK$7,613 million). The fair value of the exploration and evaluation assets decreased because the applied discount rate, CAPEX and OPEX were all increased in the current year. But their impact was partly compensated due to the strong demand for high grading iron concentrate products, making the price of product of SAM increased. More assumptions and parameters of the valuation has been set out in note 15 of this report.

Impairment Assessment of Zhejiang Forever New Energy

During the year ended 31 December 2021, impairment of approximately HK$18.2 million was recognised in relation to Zhejiang Forever New Energy cash generating unit (the "Zhejiang CGU") because of the increase in estimated capital expenditure and the downward adjustment in the estimated profit margin after an expected change in product mix.

The Valuation was performed by an independent professional valuer, Valtech Valuation Advisory Limited, with the discounted 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 2022 to 2026, it is estimated based on the estimated sales quantity and estimated unit selling price. In 2022, the forecast sales quantities are adjusted by an expected decrease in sales to customer. The sales quantity in the forecast period is expected to reach the peak in 2023 according to the production plan of customer, and orders are expected to decrease in 2024 and no further growth is expected in 2025 and onwards.

Other key assumptions and inputs:

- The post-tax discount rate of 14.00% (2020: 14.09%) which is based on the weighted average cost of capital.
- The pre-tax discount rate of 24.33% (2020: 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 revenue growth rate beyond the five-year budget plans was 0% (2020: 0%).

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 and 10 August 2021, the Company entered into a sales framework agreement and supplemental sales framework agreement respectively with Zhejiang Geely, pursuant to which the Group will supply ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder (the "Sales Framework Agreements").

Annual Caps for the Sales Framework Agreement

Extraordinary general meetings of the Company were convened and passed the resolution in relation to the Sales Framework Agreements. The latest annual caps are shown below.

	For the year ended 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	460,000,000	300,000,000	350,000,000

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 year ended 31 December 2021 was approximately RMB383.9 million (equivalent to approximately HK$462.4 million).

There was no other continuing connected transaction entered into by the Company during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC COOPERATION AGREEMENT WITH NEW GONOW

On 27 January 2021 (after trading hours), the Company has entered into a non-legally binding Strategic Cooperation Agreement (the "Strategic Cooperation Agreement") with Zhejiang New Gonow New Energy Vehicle Co., Ltd. 浙江新吉奧新能源汽車有限公司 ("New Gonow"). According to the Strategic Cooperation Agreement, the technical teams of both parties have conducted detailed research on the technical docking for developing dedicated battery modules, but a formal supply agreement has yet to be reached. Both parties are expanding the exploration of technologies in respect of the control-by-wire skateboard platform for the new energy vehicle.

STRATEGIC INVESTMENT AGREEMENT WITH YINUO MINING

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"). Yinuo Mining is participating in the reorganisation of a group of companies which has approximately 9.13 square kilometers of aluminum ore mining rights and has reported reserves of 13 million tons; bauxite exploration rights which cover approximately 50 square kilometers; and is engaged in the production and deep processing of specialty aluminum oxide, aluminum hydroxide, alpha alumina and boehmite products. Once the reorganisation become effective, the Company, subject to the further agreement, will acquire Yinuo Mining's interests and turn Yinuo Mining into a wholly-owned subsidiary or subsidiary of the Company. Yinuo Mining will lease the mining rights for large-scale mining and/or will rent a plant for aluminum oxide production. The company will inject funds into Yinuo Mining according to the lease terms agreed and actual production requirement. Having considered that the project partner was undergoing complex debt restructuring procedures, the Company decided to put this project on hold.

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"). On 23 February 2021, 98,490,000 shares of the Sale Shares were disposed to the Purchaser at the price of HK$0.66 per shares. However, the Sale Shares Agreement, as well as supplemental agreement, were expired on 30 September 2021 after the Purchaser failed to settle the final payment. For details, please refer to the announcements of the Company dated 21 June 2020, 22 February 2021, 30 June 2021 and 30 September 2021.

As at 31 December 2021, the Group owned 351,867,200 shares of Yuxing InfoTech, represented 14.14% equity interests in Yuxing InfoTech.

BUSINESS REVIEW

For the year ended 31 December 2021, the Group recognised HK$478.9 million in revenue, representing a 61% increase when compared to HK$297.1 million revenue recognised in the last year. The profit for the year ended 31 December 2021 attributable to owners of the Company was approximately HK$88.5 million (31 December 2020: HK$1,156.6 million).

Over 98% 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 rose in revenue of the Group was driven by the increase in demand of lithium-ion batteries from our major customer Volvo Car which recorded strong sales growth for its PHEV car models in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW — CONTINUED

The Group is running the battery sharing business focusing on food delivery electric bicycle branded "GETI" in the PRC. By December 2021, GETI has approximately 666 battery swapping stations and 2,242 package 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 year ended 31 December 2021, GETI has recognised approximately HK$5.8 million revenue (31 December 2020: HK$6.3 million). Revenue decreased because of the keen competition in the industry.

The Group recorded a gross profit of approximately HK$115.1 million (gross profit ratio: 24.0%) for the year ended 31 December 2021 as compared with the gross profit of approximately HK$93.0 million (gross profit ratio: 31.3%) in the last year.

Gross profit ratio was lowered because there were price adjustment on products to Volvo Car in the fourth quarter of 2021. On the other hand, certain long ageing inventories were sold at a discounted price.

Other operating income of approximately HK$114.6 million (31 December 2020: expenses of HK$47.8 million) was recognised during the current year. Other operating income increased despite the government grant recognised in the current period was only HK$7.6 million (31 December 2020: HK$69.7 million). It was mainly because approximately HK$119.8 million net gain was recognised on financial assets at fair value through profit or loss mainly due to the increase in share price of Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited during the current year (31 December 2020: loss of HK$50.0 million). In addition, only HK$26.3 million (31 December 2020: HK$79.4 million) provision on inventories was provided in current year.

Because of the improved quality control, the maintenance cost for the battery products decreased during the current year and the selling and distribution costs during the year ended 31 December 2021 was approximately HK$13.0 million (31 December 2020: HK$20.1 million).

The administrative expenses increased by approximately HK$6.7 million or 7.7% when compared to the last year. The increase was mainly contributed by the increased in research and development costs by Zhejiang Forever New Energy.

Approximately HK$8.8 million finance costs were recognised during the year ended 31 December 2021 (31 December 2020: HK$16.8 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 year ended 31 December 2021. The decrease in borrowings and loans of the Group has led to a lower finance costs during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW — CONTINUED

For the year ended 31 December 2021, the profit attributable to the owners of the Company was approximately HK$88.5 million (31 December 2020: profit of HK$1,156.6 million), decreased by more than 90% year-on-year. The decrease in profit was mainly because there was no non-cash income regarding the reversal of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project this year (reversal of impairment for the year ended 31 December 2020: HK$1,355.5 million (net of deferred tax expense)). Although there was no such reversal of impairment income for the current year, profit was recorded for the Company, major reasons include (1) there was a net gain of HK$119.8 million on financial assets at fair value through profit or loss during the year (31 December 2020: loss of HK$50.0 million) ; (2) non-cash impairment provision related to property, plant and equipment was decreased by HK$120.8 million year-on-year.

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 since second quarter of 2021 and reached record high in the fourth quarter of 2021 as worries about the COVID-19 pandemic have eased amid rising vaccinations, COVID-19 control measures such as quarantine requirement imposed by Asia countries for returning citizens are still affecting the tourism industry in Paris and a share of HK$7.8 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. However, despite repeated demands from the Company, Jiangsu Tiankai has not yet settled the unpaid capital contribution up to the date of this report. In 2020, 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 in the past. Approximately HK$3.0 million share of profit was recognised by the Company during the year because Shandong Forever New Energy has recovered a long ageing, impaired trade receivables. 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 2021, the cash and cash equivalent balance of the Group was approximately HK$396.4 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 uncertain economic situation.

As at 31 December 2021, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 6.1% (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 year ended 31 December 2021.

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 below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 31 December 2021:

Intended use of proceeds	Total net proceeds *HK$' million*	Actual use of net proceeds up to 31 December 2021 *HK$' million*	Remaining balance of net proceeds up to 31 December 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	134.9	18.4
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	76.9	Nil
Total	1,336.0	1,317.6	18.4

As at 31 December 2021, the unutilised portion of approximately HK$18.4 million were expected to be utilised in the following specific uses:

Brazilian iron ore project

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2021, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$85.5 million.

EMPLOYEES

As at 31 December 2021, the total number of employees of the Group was 198 (2020: 261). Employee benefit expenses (including directors' emoluments) amounted to HK$49.8 million for the year (2020: HK$51.7 million).

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

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. The new car sales of new energy vehicles is expected to account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. 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.

Our Zhejiang lithium-ion manufacturing plant has been focusing on producing lithium-ion batteries for PHEV models in the past few years. Nevertheless, PHEV is only a niche market for the battery segment in new energy vehicles, accounting for approximately 20% of the total new energy vehicles sales in the PRC, which around half of the total sales were derived by a single manufacturer which is also a battery manufacturer. Also, the electric powered range for PHEV has been increasing, while 50-70KM range was the mainstream in the past few years, it is expected that PHEV models with over 80-100KM range will become the norm from 2022 onwards. The keen competition and the new industry norm poses a challenge for the Group and revenue of the Group is expected to decrease substantially in the first half of 2022. On the other hand, to obtain new orders and meet the requirements of the new orders, new production facilities are under installation in the Zhejiang manufacturing plant.

PROSPECTS — CONTINUED

Since October 2021, the Company has been working on the potential acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France. 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 Group has been providing battery swapping service for electric bicycle since 2019.

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. 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.

CONTINGENT CONSIDERATION AND LIABILITIES

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

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

Conditional additional payment

If, however:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT CONSIDERATION AND LIABILITIES — CONTINUED

Conditional additional payment — Continued

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

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

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

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

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

(5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), with the aggregate of items (1) to (5) above in no event exceeding US$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US$60,000,000 (the "Additional Payment"). As at 31 December 2021, the additional loans and capital invested was approximately US$12,890,000.

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 2021, the contingent consideration payable was approximately HK$109.7 million (equivalent to approximately US$14.1 million) (2020: HK$106.3 million, equivalent to approximately US$13.7 million).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 59, 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 48, 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 57, 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. Yan Weimin, aged 55, 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 50, 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 65, 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 52, 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. Mr. Ha is also the sponsoring body manager of Ju Ching Chu Secondary School (Yuen Long, Kwai Chung and Tuen Mun).

SENIOR MANAGEMENT

Mr. Yeung Ho Ming, aged 38, is a Certified Public Accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants (ACCA). 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.

Dr. Eder de Silvio, aged 59, 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 42, 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 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 82 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 157 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

DIRECTORS

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

Executive Director:

Mr. He Xuechu *(Chairman)*
Mr. Liu Jian *(Vice Chairman and 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

In accordance with Article 116 of the Articles of Association of the Company, Mr. Liu Jian, Mr. Yan Wei Min and Mr. Chan Chun Wai, Tony will retire as Directors by rotation at the annual general meeting. All other remaining Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31 December 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 31 December 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.

DIRECTORS' REPORT

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 2021, an aggregate of 8,750,000 Shares were issuable pursuant to share options granted.

As at 31 December 2021, 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 2021.

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:

	Number of share options						
Category of participant	Outstanding as at 01/01/2021	Lapsed during the year	Outstanding as at 31/12/2021	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	–	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	8,750,000	–	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 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:

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 of Zhejiang Geely Holding Group Co., Ltd.

DIRECTORS' REPORT

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

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

For the year ended 31 December 2021, the Group has sold approximately HK$462.4 million lithium-ion batteries to Zhejiang Geely Group.

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.

CONNECTED TRANSACTIONS — CONTINUED

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 2021.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 36 to the consolidated financial statements and the consolidated statement of changes in equity in page 87 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 2021 amounted to approximately HK$1,282,318,000 (2020: HK$1,183,022,000).

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 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 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.

DIRECTORS' REPORT

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 2021, the largest and five largest customers of the Group accounted for 96.5% and 98.8% of the Group's total revenue respectively and the largest and five largest suppliers of the Group accounted for 96.4% and 99.0% 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 2021.

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

During the year ended 31 December 2021, 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 2021 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
30 March 2022

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 2021 with the exception of Code Provision C.2.5. 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 seven Directors, including the Chairman, the Vice Chairman and Joint Chief Executive Officer and the Joint Chief Executive Officer who are Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Over one third of the Board are Independent Non-Executive Directors who have appropriate professional qualifications in accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section of this annual report.

DIRECTORS' RESPONSIBILITIES

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

DELEGATION BY THE BOARD

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

BOARD MEETINGS AND GENERAL MEETINGS

Four Board meetings, one extraordinary general meeting ("EGM") and an annual general meeting ("AGM") were held during the financial year ended 31 December 2021 and the attendance records of the Directors are as follows:

	EGM	AGM	Board Meeting
Executive Director			
He Xuechu *(Chairman)*	1/1	1/1	4/4
Liu Jian *(Vice Chairman and Joint chief Executive Officer)*	0/1	0/1	4/4
Liu Wei, William *(Joint Chief Executive Officer)*	1/1	1/1	4/4
Non-Executive Director			
Yan Weimin	0/1	0/1	1/4
Ang Siu Lun, Lawrence (retired on 18 May 2021)	retired	0/1	2/2
Independent Non-Executive Director			
Chan Chun Wai, Tony	1/1	1/1	4/4
Ma Gang	0/1	0/1	4/4
Ha Chun	1/1	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 (including all non-executive directors) 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 2021, the Company has engaged a legal advisor to provide a training course for our Directors and senior management and all the Directors have attended the course. The Company also 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 2021.

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 2021 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 2021 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 77 to 81 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 2021, the Auditors of the Company and its subsidiaries received approximately HK$2.6 million 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 2020 annual results, 2021 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 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.

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. 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.

REMUNERATION OF THE SENIOR MANAGEMENT

The remuneration of the senior management of our Group for the year ended 31 December 2021 and 2020 falls within the following band:

	Number of individuals	
	2021	2020
HK$1,000,001 to HK$1,500,000	**3**	3
Below HK$1,000,001	**0**	1

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 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 ("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 ("ESG Report") discloses the ESG initiatives, plans and performances of the Group for the year ended 31 December 2021 (the "Reporting Period") transparently and demonstrates its ongoing commitment towards sustainable development.

BOARD STATEMENT

The Board is pleased to present the ESG Report of the Group, which reviewed the Group's ESG initiative, plans, performance, as well as its sustainable development in respect of environmental protection, labour practices, business operations, supply chain management, and other issues. As a responsible corporate, the Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process.

The ESG Governance Structure

The Group has developed a core governance framework to ensure the alignment of ESG governance with its strategic growth, while advocating ESG integration into its business operations. The structure of ESG governance is divided into two components, namely the Board of Directors (the "Board") and ESG taskforce (the "Taskforce").

The Board holds the overall responsibility for the Group's ESG strategies and reporting, as well as overseeing and managing its ESG-related risks. The Board is responsible for setting ESG-related targets and goals. The Board discusses and reviews the Group's ESG-related risks and opportunities, performance, progress, goals and targets regularly with the assistance of the Taskforce. The Board also examines the effectiveness of Group's risk management and internal controls through an annual assessment, and assuring the precision and accuracy of the information disclosed in the ESG reports.

The Taskforce consists of representatives from different functional departments of the Group. The Taskforce facilitates the Board's oversight of ESG-related issues and has the responsibility for collecting and analysing the ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, as well as preparing ESG reports. The Taskforce arranges meeting regularly to discuss and review ESG-related issues including but not limited to the effectiveness of current ESG policies and procedures, and its strategic goals in terms of sustainable development. The Taskforce reports to the Board periodically and assists the Board to discharge its oversight responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE OF REPORTING

The senior management of the Group discusses, identifies and has confirmed the reporting scope based on the materiality principle and considers the core business and main revenue source. The ESG Report follows the reporting scope of the Group's annual report and approved by the Board. As there was no material changes in the Group's main operational structure during the Reporting Period, the scope of this ESG Report remain continues to cover the Group's major business operations and activities in Hong Kong, the PRC and Brazil, which is aligned with the previous reporting practice.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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.

Information relating to the Group's corporate governance structure and practices has been set out in the Corporate Governance Report of this annual report.

The Group attaches great importance to materiality, quantitative and consistency during the preparation for this ESG Report, the Group has applied these reporting principles listed in the aforementioned ESG Reporting Guide as the following:

Materiality: Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of this ESG Report. The materiality of issues was reviewed and confirmed by the Board and the Taskforce. Details will be mentioned in the section headed "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumption used in the calculation of the ESG key performance indicators (the "KPI") and relevant data in this ESG Report were supplemented by explanatory notes to establish benchmarks where feasible.

Consistency: The preparation approach of this ESG Report were substantially consistent with the previous year. If there are any changes that may affect comparison with previous reports, explanation will be provided to the corresponding data.

This ESG Report has undergone the internal review process of the Group and was approved by the Board.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges, and measures taken by the Group from 1 January 2021 to 31 December 2021 (the "Reporting Period").

CONTACT US

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

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. In the hopes of creating a greater value for the community, formulating operational strategies and ESG measures, as well as improving the performance through cooperation with the stakeholders, the Group maintains close ties with its stakeholders, including but are not limited to, management, employees, investors and shareholders, customers, suppliers, government and regulatory bodies, and public and communities.

Stakeholders' expectations have been taken into consideration by utilising diversified engagement methods and communication channels as shown below:

Key stakeholders	Engagement Channels	Expectations and Concerns
Management	• Regular meetings • Intranet and emails	• Employee health and safety • Employee development and training • Protection of employees' rights and interests • Complying with relevant 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	• Complying with relevant 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 • Customer information and privacy protection
Suppliers	• Site visits and meetings • Supplier performance assessments • Supplier Management Meetings and Events • Supplier Audit Management System	• Fair competition • Business ethics and reputation • Cooperation with mutual benefits
Government and regulatory bodies	• Site visits and meetings • Regular reporting	• Complying with relevant laws and regulations • Business ethics
Public and communities	• ESG reports • Community Investment Program	• Giving back to society • Environmental protection • Complying with relevant laws and regulations

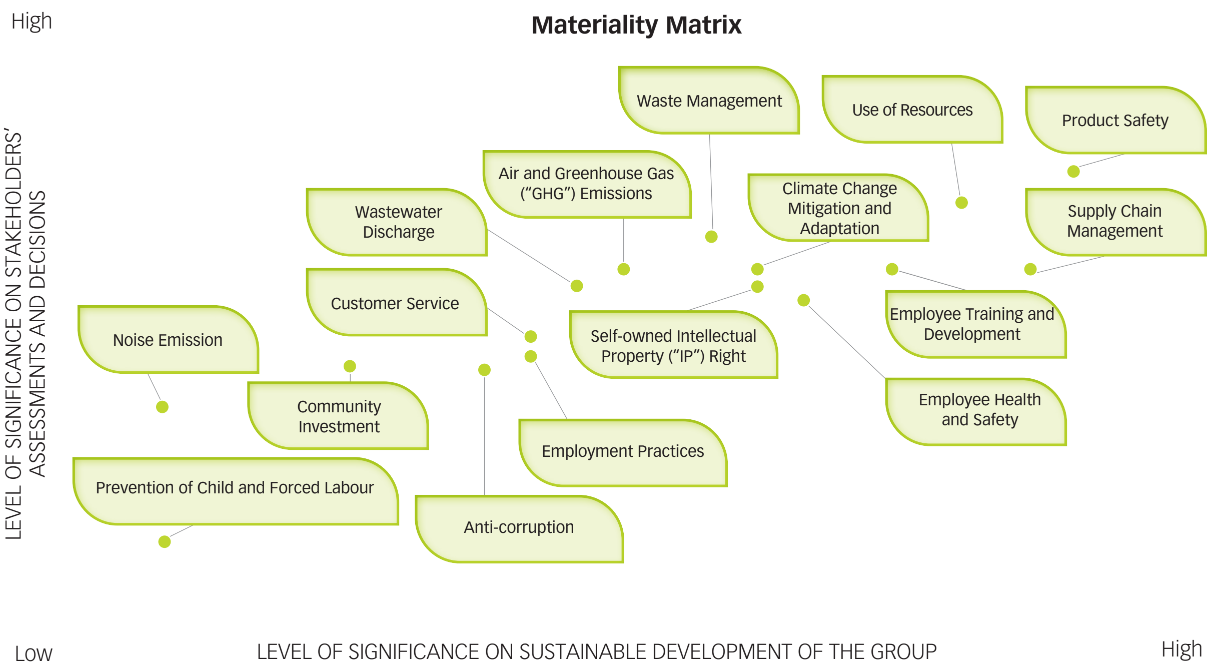
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

Materiality assessment is the process of identifying, refining, and assessing ESG issues that could affect the Group's business and its stakeholders. The results of materiality assessment is used to formulate strategy, set targets and determine the focus of ESG reports. Materiality assessment enables the Group to analyse business risks and opportunities, supporting the sustainable development of its business.

With the assistance of the Group's management and the Taskforce, the Group identified the list of material ESG issues with consideration of its business operations, the ESG Reporting Guide and industry standards. To prioritise the identified material ESG issues, the Group conducted a materiality assessment survey. During the Reporting Period, more management and employees of different business units and departments were invited to evaluate the significance of the identified ESG issues to the stakeholders and the Group's business. Based on the results of survey, the Group compiled the materiality matrix. The results of the materiality assessment were reviewed and validated by the Taskforce, and then approved by the Board.

The following matrix is a summary of the Group's material ESG issues:



EMPLOYMENT PRACTICES

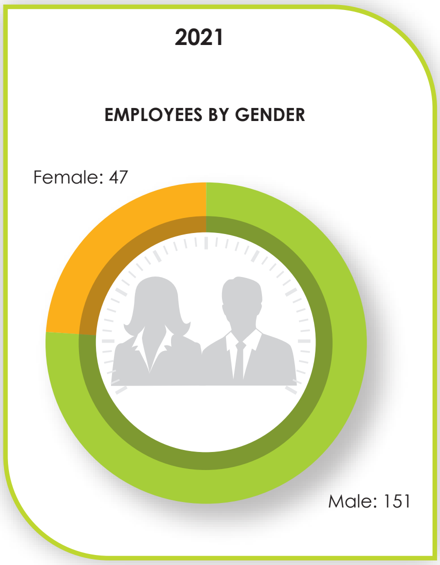
The Group believes that talent is one of the most important assets, and serve as the basis of sustainable development of an enterprise. While employees contribute time and wisdom to the Group, the Group also endeavours to build a fair and proper workplace for employees. The Group is committed to upholding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

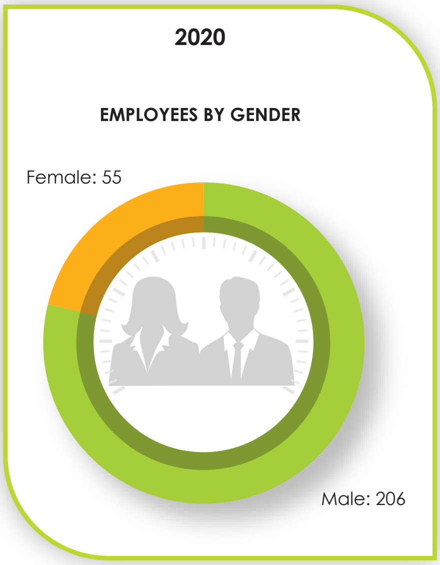
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

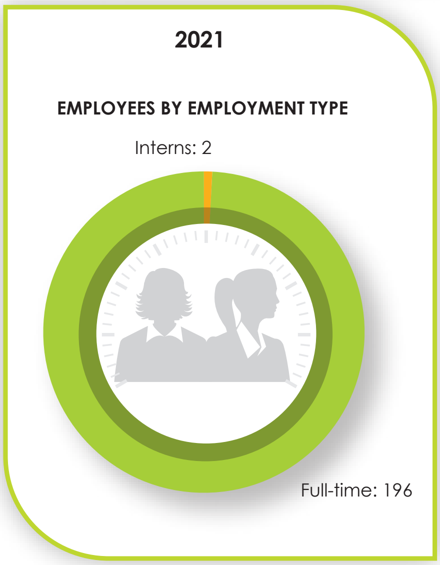
During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic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

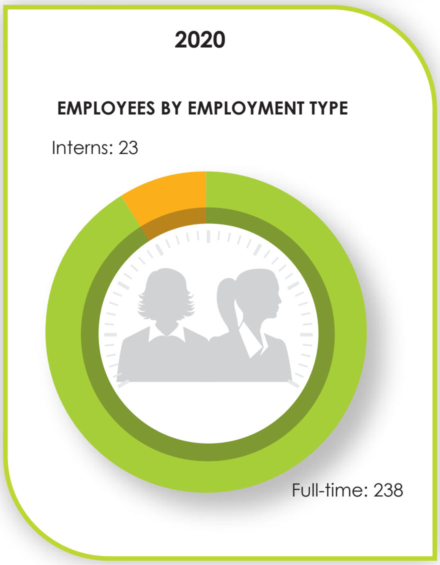
Labour Structure

As at 31 December 2021, the total number of employees of the Group was 198 (2020: 261), the breakdown of employees according to gender, age group, employment type and geographical region are as follows:

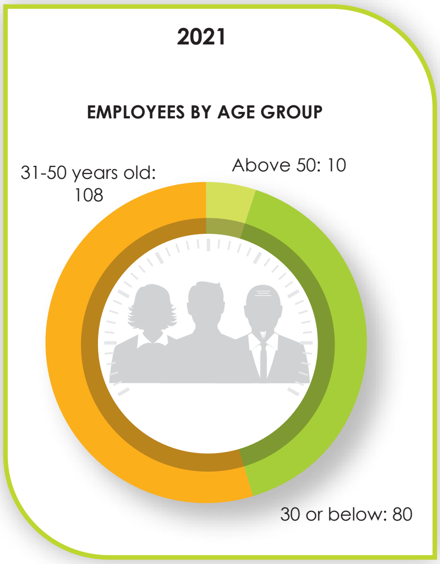


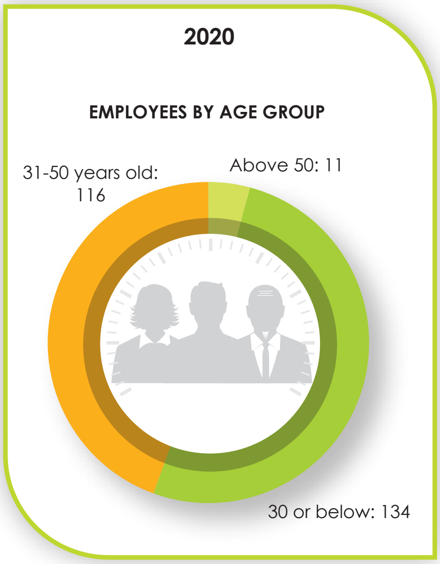


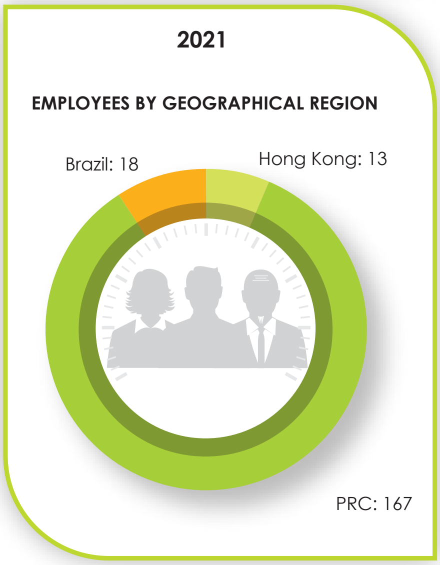


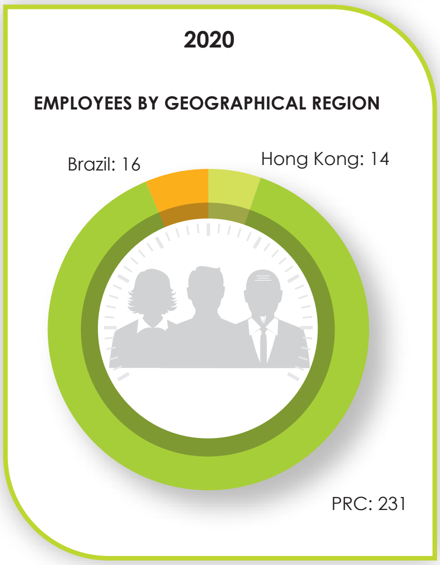


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT









ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's overall average monthly turnover rate[1] was approximately 29.28%. The employee average monthly turnover rate by gender, age group and geographical region is as follows:

By Gender	
Male	32.23%
Female	20.16%
By Age Group	
30 or below	43.73%
31-50 years old	19.99%
Above 50	5.68%
By Geographical Region	
Hong Kong	0.64%
PRC	34.06%
Brazil	0.52%

Note(s):

1. The employee average monthly turnover rate is calculated by dividing the number of the sum of monthly turnover rate, which is calculated by taking the number of employees leaving employment during every month divided by the number of employees at the end of the corresponding month, by 12.

Recruitment, Diversity and Equal Opportunities

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's employees are recruited via a robust, transparent and fair recruitment process based solely on their experience and expertise, and without regard to their age, ethnicity, origin, gender identity, marital status, sexual orientation and religion.

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 centres 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group believes that all employees should have the right to work in an environment free of discrimination, harassment, and vilification. Therefore, the Group is committed to creating and maintaining an inclusive and harmonious workplace culture. Moreover, the Group emphatically states its zero-tolerance stance on any aforementioned behaviours in the workplace of any form.

Benefits and Welfare

The Group has established the 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 the 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, 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. While employees in Hong Kong and Brazil enjoy medical insurance, work-related injury insurance, and retirement coverage such as mandatory provident fund in Hong Kong. The Group is also flexible in granting leave to cater the needs of its employees, such as marriage leave, compassionate leave, etc.

Working Hours & Rest Periods

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 headquarter 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.

Compensation and Dismissal

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. Unreasonable dismissal under any circumstances is strictly prohibited, dismissal will be based on reasonable and lawful grounds supported by internal policies of the Group. The Group has also formulated resignation management procedures to ensure resigning personnel and relevant departments have carried out proper handover procedures.

EMPLOYEE HEALTHY 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 established the Environmental and Occupational Health System Manual (《環境及職業健康安全管理體系管理手冊》), which was certified with ISO ISO45001:2018 Occupational Health and Safety Management Systems. 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, 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, including but 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 Fire Protection Law of the People's Republic of China, the Occupational Safety and Health Ordinance of Hong Kong, and the Consolidation of Labour Laws of Brazil. There were no reported work-related fatalities that occurred in each of the past three years including the Reporting Period.

Apart from regular assessments on the working environment of manufacturing plants in the PRC, the Group has also 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 records of work-related injury as well as lost days due to work-related injury.

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

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

4.) Labour protection equipment measures: distribute Personal Protective Equipment for workers, such as anti-virus and anti-dust masks, earplugs, safety goggles, safety helmets, protective boots, insulating protective equipment, etc.

The Group organises fire safety lessons and trainings 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.

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 work environment for employees. First aid station of the Group are placed in close proximity to the workplace, clearly identified by a sign, and accessible at all times during working hours.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. Potential risks and hazards of occupation exposure are monitored under the systematic and repetitive evaluation with the introduction and modification of control measures. Management of work accidents with the procedure of action plans for any work accident with corrective actions is formulated. Besides, SAM will provide personal protective equipment to the employees during the induction training, 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, including the medical emergencies. 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.

Response to the COVID-19 pandemic and its Variant Virus

In order to safeguard the health and safety of all staff under the epidemic, the Group has followed all WHO guidelines to take care of the health of its employees and has supported the community where it operates.

In the PRC, Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy") has established the Epidemic Prevention and Control Policy which stipulates precautionary measures against COVID-19 pandemic in order to ensure all employees are well protected and avoid them of being infected.

All employees and visitors are required to equip surgical masks in the area of manufacturing plants and offices, and only 2 people are allowed at every table for dining. Besides, the 48-hour nucleic acid test, commitment letter, normal body temperature, itinerary Code and health Code are required for every visitor. For the delivery drivers, the Group's employees are responsible to unload the goods, and seal the driver's door, to avoid the drivers getting out of the car. The above information are archived for monitoring and managing the whole process.

Apart from the above, Hong Kong headquarter of the Group has applied remote and adaptive work arrangements with flexible working hours and work from home policy if needed according to the real-time situation, to reduce potential exposure in the office and during the commute. All travel, visits and face-to-face meetings were suspended.

In response to the Provisional Measure published by the Federal Government of Brazil, the Group also offered a work-from-home arrangement for employees working in SAM during the Reporting Period. Before returning to work at the office, all employees were required to carry out the periodic examinations. To ensure all employees are properly equipped with appropriate prevention equipment against COVID-19 pandemic, the Group has distributed surgical masks to all its employees and their family members, and provided alcohol sprays and hand sanitisers in meeting rooms and reception in the office. 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, which is the Group's health care plan of medical insurance.

EMPLOYEE TRAINING AND DEVELOPMENT

The Group holds firm belief that the provision of training opportunities and continuous development to its employees provides the Group with a solid foundation for its continuing success. 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.

During Reporting Period, the Group recorded approximately 79.29%[2] of the trained employees and an average of approximately 20.62[3] hours per employee. The relevant training data[4] by gender and employee category are as follows:

Categories	Percentage of employees trained[5]	Breakdown of employees trained[6]	Average training hours per employee (hours)[7]
By Gender			
Male	82.12%	78.98%	21.20
Female	70.21%	21.02%	18.74
By Employee Category			
Management	84.38%	17.20%	16.05
Other Employees	78.31%	82.80%	21.50

Note(s):

2. This percentage is calculated by dividing the total number of trained employees as at 31 December 2021 by the total number of employees as at 31 December 2021.

3. The average training hours per employee is calculated by dividing the total number of training hours during the Reporting Period by the total number of employees as at 31 December 2021.

4. The training data excludes employees who have left the Group during the Reporting Period.

5. The percentage of employees trained by category is calculated by dividing the number of trained employees in the specified category as at 31 December 2021 by the number of employees in the specified category as at 31 December 2021.

6. The breakdown of employees trained by category is calculated by dividing the number of trained employees in the specified category as at 31 December 2021 by the total number of trained employees as at 31 December 2021.

7. The average training hours by category is calculated by dividing the total number of training hours for employees in the specified category during the Reporting Period by the number of employees in the specified category as at 31 December 2021.

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.

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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

The Group guarantees that no employee will be forced to work against his/her will or be coerced to work. 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 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 that the identification documents are carefully checked. If violation is involved, corrective actions will be taken immediately to rectify the situation, by terminating the employment contract.

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, including but not limited to the Labour Law of the People's Republic of China, the Employment Ordinance of Hong Kong, and the Consolidation of Labour Laws of Brazil.

SUPPLY CHAIN MANAGEMENT

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.

The Procurement Department has formulated a series of relevant documents which regulate supplier admission and grade individual supplier to select, supervise and incentivise suppliers. 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 govern the procurement processes. The Group takes into account suppliers' track record, prevailing market price, and delivery time. At the same time, the purchase of supplies is determined and adjusted by the current inventories, expected customer demands and projected sales trends. Besides, the Group performs close monitoring on the suppliers' or subcontractors' business practices through onsite inspections. Any observations of non-compliance during the site visit will be reported immediately to the management. Corrective action plans will be carried out to remediate the identified risks in a timely manner. 17 suppliers of the Group were engaged through the Group's standardised procurement process. In addition, 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.

Where possible, the Group strives not to over-rely on a particular supplier by maintaining more than one supplier for each type of goods or services provided in order to ensure the stability of the supply chain. The Group is keen on supporting local economies, hence, more than 90% of the approved suppliers of the Group are local suppliers. As of 31 December 2021, there are a total of 127 of qualified suppliers.

Materials for production, such as manufacturing components and equipment are procured for the research, production and sales of lithium-ion battery and battery swapping service. The breakdown of suppliers by geographical region is as follows:

	Number of suppliers	
Region	2021	2020
PRC	67	60
South Korea	–	1

The suppliers of SAM Project are composed of service providers for the iron ore project. During the Reporting Period, the Group has enhanced its disclosure and included the suppliers of SAM Project in the ESG Report. The breakdown of suppliers by geographical region is as follows:

	Number of suppliers	
Region	2021	2020
Brazil	60	N/A

PRODUCT RESPONSIBILITY

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, including but not limited to the 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 and Quality Control

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 meet 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 have 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》).

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Self-owned IP Right

The Group regularly monitors the market to ensure that IP rights are not being infringed upon, as IP 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 IP.

The Group's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As at 31 December 2021, the Group was granted 256 patents, among which 190 are utility model patents, 9 appearance design patents, and 57 innovation patents.

Customer Service

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. During the Reporting Period, the Group did not receive any cases of product or service-related complaints, nor was it subjected to any product recalls for safety and health reasons.

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 said policy covers topics such as the handling and disclosure of confidential information. A designated personnel is appointed to regularly review existing policies and ensure that the Group's employees have proper knowledge and support with regard to data privacy protection. The Group has also formulated security measures for data protection and encryption.

Advertising and Labelling

Due to the Group's business nature, the Group considers that it has an insignificant amount of business dealing in relation to advertising and labelling matters.

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 emphatically asserts its zero-tolerance stance regarding any behaviours that not only violate relevant laws and regulations in Hong Kong, the PRC, and Brazil, but also severely damage the business integrity and reputation of the Group. The Group has formulated internal policies for different operational sites to ensure that every employee complies with relevant laws and regulations. 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 encourages and provides opportunities to all the employees including the management and general employees, to participate in anti-corruption trainings. During the Reporting Period, the Group has launched the compliance cultural activity month, providing series of compliance training. It has also disseminated materials and information regarding anti-corruption and anti-money laundering provided by the Hong Kong ICAC to its directors and other employees via e-mails. To further enhance the corporate compliance and business ethics, the Group has held meetings with the external parties to exchange the compliance management skills. During the Reporting Period, 160 attendants participated in the aforementioned anti-corruption training, including the Group's directors.

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, including but not limited to the Company Law of the People's Republic of China, the Prevention of Bribery Ordinance of Hong Kong, 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 supports 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.

The Group has participated in many charitable donations over the years and has donated not less than R$70,000 (equivalent to approximately HK$110,000) and offering appropriate resources, such as cell phones and panettones, to the needy in the community during the Reporting Period. The charitable activities include different projects to various group of people in the community, such as donation for schools and soccer school, churches, health centres, and association, supporting people with cancer in Salinas.

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The pandemic was unable to paralyse SAM's activities in relation to communities. Contacts, previously made through visits to homes, gave rise to constant telephone calls and exchanges of messages through WhatsApp application. The Group has also donated Personal Protective Equipment against COVID to Association of Parents and Friends of the Exceptional of Salinas.

The Group remained committed to generating social contributions to these communities. An example is the partnership entered into with the Huawei company ("Huawei") through a Memorandum of Understanding ("MOU") that, to providing technology availability for the Block 8 project, brought the forecast for future structuring, together with SAM, of a technological centre for the region. The partnership with Huawei also allowed SAM to encourage and mediate the donation of 200 tablets to elementary and high schools in the municipalities of direct influence of the Block 8 Project as a way to contribute to educational activities during the pandemic. In addition, the public relations department of SAM supported solidary by distributing Christmas presents around the community.

ENVIRONMENT

The Group understands the importance of environmental protection for promoting sustainable development. Therefore, the Group has embedded the slogan, "to protect the natural environment, to build green factories and to provide green energy", into its business strategy and daily operations. To create an environmentally sustainable business, Zhejiang Forever New Energy has formulated the Environmental and Occupational Health and Safety Management System Manual (《環境及職業健康安全管理體系手冊》) which was accredited with ISO 14001:2015 Environmental Management System. The Group proactively implemented different environmental measures, endeavouring 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 GHG emissions, wastewater discharged into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, including but 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 audits and inspection to report on emissions during the production 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 standards, laws and regulations.

The Group's business premises include Hong Kong headquarters, and offices in the PRC and Brazil. These premises are mainly used for administrative purposes, with insignificant impacts on the environment. 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 insignificant 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 and diesel oil 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". During the Reporting Period, the emissions of nitrogen oxides (NO_X), sulphur oxides (SO_X), and particulate matter (PM) are 56.32 kg, 0.07 kg, and 5.37 kg respectively.

Apart from the emissions generated from vehicle use, the manufacturing process of lithium-ion battery also involves other type of pollutants. During the Reporting Period, 232.2 kg of Non-methane Hydrocarbons ("NMHC") was emitted in the process of edge sealing using electrolyte injection. On the other hand, during the positive electrode coating process, N-Methyl-2-Pyrrolidone ("NMP") will be generated. To reduce the overall environmental impacts, the Group has used a combination of Ultraviolet ("UV") photolysis and activated carbon treatment to absorb the exhaust gas. 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. During the Reporting Period, there is a total of 0.6 tonnes of dust was produced. Therefore, regular water spraying are performed to control dusts. Through adopting the aforementioned treatment measures, the Group is confirmed to have met the local emission standards.

GHG Emissions

The Group's primary source of GHG emissions are direct emissions from petrol and diesel oil consumed by vehicles and natural gas consumed by the boiler (Scope 1), and energy indirect emissions from purchased electricity (Scope 2). During the Reporting Period, the Group has set target to reduce the total GHG emissions intensity gradually, using 2021 as the baseline year. Besides, the Group has adopted the following measures to reduce GHG emissions:

Scope 1 — Direct GHG Emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol and diesel oil consumed by company vehicles and natural gas for the production of pretensioned spun high strength concrete ("PHC") piles, which is high strength concrete, in its operations:

- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Service company vehicles regularly 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 section headed "Effective Energy Consumption Plan" under aspect A2.

During the Reporting Period, the total GHG emissions intensity decreased by approximately 37.73% from approximately 28.15 tCO_2e per million revenue in 2020 to approximately 17.53 tCO_2e per million revenue in 2021. This can be explained by the Group's effective measures in GHG emissions reduction.

Summary of GHG emissions performances:

Indicator[8]	Unit	2021	2020
Direct GHG Emissions (Scope 1)	tCO_2e	1,579.64	1,810.00
Energy Indirect GHG Emissions (Scope 2)	tCO_2e	6,817.35	6,554.62
Total GHG Emissions (Scope 1 and Scope 2)	**tCO_2e**	**8,396.99**	**8,364.62**
Total GHG emissions intensity[9]	**tCO_2e/million revenue (HK$)**	**17.53**	**28.15**

Note(s):

8. 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 2020, the emission factors of China's regional power grid basis, CO_2 Emission Factors for Electricity Generation in the National Interconnected System of Brazil 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.

9. For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$478.9 million (2020: approximately HK$297.1 million). This data is used for calculating other intensity data.

Wastewater Discharge

The Group wastewater discharge mainly due to its manufacturing process. To minimise the environmental impact, the Group conducts management in strict compliance of the environmental licensing requirements and online monitoring of wastewater pollutants by its sewage station in Zhejiang Forever New Energy. 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, the Group's total wastewater discharge is equivalent to its total water consumption. To pursue the initiative of water conservation, the Group's lithium-ion battery manufacturing plants in the PRC has recycled its wastewater. During the Reporting Period, the recycling rate was approximately 33%. Meanwhile, part of the domestic wastewater is directly discharged to the municipal sewage pipe network. Other measures of saving water as well as reducing water discharge will be mentioned in the below section headed "Water Efficiency" under aspect A2.

Waste Management

Hazardous Waste

The hazardous waste generated by the Group is mainly scrap electrode and used batteries. Other hazardous waste includes waste chemical packaging materials, electrolyte, waste oil, and laboratory waste. 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). To minimise the risk impact caused by hazardous wastes, the Group returns such wastes to the suppliers or sells them to qualified recycling companies.

During the Reporting Period, the Group's total hazardous waste intensity dropped by about 57.89% from approximately 0.038 tonnes per million revenue in 2020 to approximately 0.016 tonnes per million revenue in 2021. The decrease was mainly due to the Group's initiative in waste reduction and the improvement of the manufacturing process.

Summary of hazardous wastes disposal performance:

Indicator	Unit	2021	2020
Total Hazardous Waste	**tonnes**	**7.67**	**11.18**
Total Hazardous Waste Intensity	**tonnes/million revenue (HK$)**	**0.016**	**0.038**

Non-hazardous Waste

The Group disposals 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 non-hazardous waste generated by the Group is mainly domestic refuse and office paper. The Group continues to place great effort in educating its employees on the importance of reducing waste production in the offices. During the Reporting Period, the Group has set target to organise at least one waste reduction campaigns annually from 2022 onwards. In order to minimise the environmental impacts, the Group has also adopted environmentally friendly initiatives to enhance its environmental performance. Green measures include but not limited to the following:

- Print electronic correspondences only when necessary;
- Recycle used office paper;
- Double-sided printing or photocopying;
- Recycle office and electronic equipment to extend its lifecycle; and
- Procure paper with FSC Recycled Label to encourage the use of recycling materials.

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During the Reporting Period, the Group's total non-hazardous waste intensity dropped by about 94.02% from approximately 1.84 tonnes per million revenue in 2020 to approximately 0.11 tonnes per million revenue in 2021. This was mainly attributed to the significant decrease of domestic refuse due to fewer employees working in office under the staff arrangement of the Group, and dropped workforce compared with 2020.

Summary of non-hazardous wastes disposal performance:

Indicator	Unit	2021	2020
Domestic Refuse	tonnes	50.00	547.00
Office Paper	tonnes	0.75	0.58
Total Non-hazardous Waste	**tonnes**	**50.75**	**547.58**
Total Non-hazardous Waste Intensity	**tonnes/million revenue (HK$)**	**0.11**	**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 participates in various energy saving and water conservation programmes so as to facilitate the efficient use of resource.

Effective Energy Consumption Plan

The Group plays an active role in energy conservation and takes it as its key responsibility. The Group's commitment towards realising its responsibilities for energy-saving was shown throughout its planning, design, and Research and Development ("R&D") of chemical system, electric system, future technologies, and manufacturing process. During the Reporting Period, the Group has successfully improved the energy efficiency of its circulating cooling water system by dosing cleaning and refrigerator sludge stripping cleaning. Besides, the Group has set target to study the feasibility of installing solar panels in the coming years. The Group has also adopted the following initiatives:

- Regularly repair equipment and facilitate technological innovation to achieve the best status and reduce energy consumption;
- Switch off unnecessary lightings and electrical appliances when not in use;
- Purchase energy-efficient equipment on replacement of retired equipment;
- Set all computer screens and printers to standby mode after a certain period;
- Build an expert team for energy conservation and environmental protection to enhance energy efficiency; and
- 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.

During the Reporting Period, the Group's total energy consumption intensity decreased by about 40.60% from approximately 57.69 MWh per million revenue in 2020 to 34.27 MWh per million revenue in 2021. The significant drop was mainly due to the effective energy-saving measures which has successfully enhanced the energy efficiency of the Group's business operation.

Summary of energy consumption performance:

Indicator	Unit	2021	2020
Petrol	MWh	33.71	257.03
Diesel	MWh	13.11	23.84
Natural Gas	MWh	7.751.46	8,574.68
Total Direct Energy Consumption	**MWh**	**7,798.28**	**8,855.55**
Purchased Electricity	MWh	8,615.03	8,283.13
Total Indirect Energy Consumption	**MWh**	**8,615.03**	**8,283.13**
Total Energy Consumption	**MWh**	**16,413.31**	**17,138.68**
Total Energy Consumption Intensity	**MWh/million revenue (HK$)**	**34.27**	**57.69**

Water Efficiency

The Group actively promotes the importance of water conservation to its employees. During the Reporting Period, the Group has set target to organise at lease one activities annually to raise employees' awareness on water saving measures. To further enhance the water conservation, 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.

During the Reporting Period, the Group's total water consumption intensity decreased by 40.50% from 128.37 m^3 per million revenue in 2020 to 76.38 m^3 per million revenue in 2021. This was mainly attributable to the increased awareness of water conservation among the Group's employees.

Summary of water consumption performance:

Indicator	Unit	2021	2020
Total Water Consumption[10]	m^3	36,577.00	38,140.00
Total Water Consumption Intensity	**m^3/million revenue (HK$)**	**76.38**	**128.37**

Note(s):

10. Water consumption data only includes the operation in the offices and one of the offices in Brazil. Water consumption data of Hong Kong headquarter and the other office 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 due to its business nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Packaging Materials

The packaging materials used by the Group are mainly wooden boxes and paper cartons. Some waste chemical packaging materials are also produced and the detail is mentioned in the section headed "Hazardous Waste". 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's total packaging material used intensity increased by 18.52% from 0.27 tonnes per million revenue in 2020 to 0.32 tonnes per million revenue in 2021. This was mainly attributable to the rising demand of packaging material under the production growth.

Summary of the use of packaging material performance:

Indicator	Unit	2021	2020
Wooden Box	tonnes	3.60	12.52
Paper Carton	tonnes	149.80	67.20
Total Packaging Materials Used	**tonnes**	**153.40**	**79.72**
Total Packaging Material Used Intensity	**tonnes/million revenue (HK$)**	**0.32**	**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 trainings before conducting any inspection or research in the iron ore area. During the trainings, the requirements and standardised operational procedures of SAM are elaborated to the staffs from different departments. The contents 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, defining the scope of activities and listing out the works and duties of each worker are required before conducting any inspections or researches in the iron ore area, to enhance efficiency and minimise the time for outdoor work.

When there is any negative environmental issues that would have a material environmental impact or violation of relevant legal requirements, or occurrence that 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

Climate Change Mitigation and Adaptation

The Group is committed to managing the potential climate-related risks which may impact the Group's business activities. To identify and mitigate different climate-related risks, the Group has integrated climate change into its internal control and enterprise risk management processes, and established relevant climate-related policy. Besides, the Board also meets regularly and co-operates closely with the Taskforce to evaluates ESG-related risks including climate-related risks and to formulate strategies to manage the identified risks.

Through the above method, the Group identified the material impacts on the Group's business arising from the following risks:

Climate-related Issues

Physical Risks

Acute risk

Increased frequency and severity of extreme weather events such as extreme cold or heat, storms, heavy rains, typhoons can disrupt operations by damaging the power grid and communication infrastructures, hampering and injuring its employees on the way or during their work. These events could also disrupt supply chains, interrupt business operations, and damage the Group's assets. During the Reporting Period, part of the Group's business operation is located at regions with high risk from major typhoon.

As countermeasure, the Group has formulated the precautionary and contingency measures, concurrently, the Group will explore the ways in which a change in business model is possible to mitigate or avoid these severe impact on business operations. Owing to the Group's comprehensive preventive measures, there is no material impact is caused by the climate-related events during the Reporting Period.

Chronic risk

Global warming may affect battery research and production, and even increase the relevant costs. Under high temperature, equipment used for research and production is more likely to be deteriorated, and more energy is required for cooling the equipment during operation, result of more water and coolants needed, as well as the cost and the environmental impact. In addition, the PRC has established up-to-date climate-related measures, emission reduction targets and policies in response to the climate change, such as the electricity restriction measure which potentially affects the Group's production operation. In order to manage the related market risk, the Group shall improve and upgrade the machinery used in the production process, increasing its heat resistance and energy efficiency. On the other hand, water circulation method is used in the cooling process to replace the use of chemical coolants, therefore, reduce the long-term cost and minimise the environmental impact by minimising chemical use and water uptake.

Transition Risk

Policy and legal risks, and reputation risks

There are more stringent climate legislations and regulations to support global vision for decarbonisation. For example, the Stock Exchange has required the listed companies to enhance the climate-related disclosures in their ESG reports. Meanwhile, the PRC also unveiled an up-to-date document guiding the country to achieve carbon peaking and carbon neutrality goals in 2030 and 2060 respectively. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the top management where necessary to avoid cost increments, noncompliance fines or reputational risks due to delayed response.

Market risk

Besides, investors advocate to tackle climate change, and become more likely to withdraw capital when companies failed to implement effective measures to manage climate risks. This may reduce the Group's capital supply if the investors do not believe in the climate risk management of the Group. To build investors' trust and confidence, the Group enhances and maintains the high transparency of the ESG risk management activities.

Opportunities

Climate change has raised the public awareness towards environmental conservation. It led to the development of electric vehicles and green energy, due to the shift of customer preference. The newly established legislations and regulations guide the transformation of transportation and logistics from traditional petrol and diesel vehicles to alternative fuel vehicles, including electronic vehicles and plug-in hybrid electronic vehicles. Therefore, the demand for batteries may increase due to the increasing popularity of electric vehicles. Rapid development in the sales of electric vehicles and, batteries and the transformation of technology and industry standard provide a unique business opportunity for the industry. To grasp this opportunity, the Group will continue to enhance management skills, promote efficient use of materials, and control the cost of lithium-ion battery products to increase profits.

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	Board Statement
Reporting Principles	Reporting Framework
Reporting Boundary	Scope of Reporting

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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Air Emissions, GHG Emissions, Wastewater Discharge
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions — Air Emissions, GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Effective Energy Consumption Plan
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Use of Resources — Effective Energy Consumption Plan
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, 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 impacts on the environment and natural resources.	Environmental Protection and Natural Resources Conservation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection and Natural Resources Conservation
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change — Climate Change Mitigation and Adaptation
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Climate Change Mitigation and Adaptation

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
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, anti-discrimination, and other benefits and welfare	Employment Practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment Practices — Labour Structure
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Practices — Labour Structure
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 occurred in each of the past three years including the reporting year.	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, and how they are implemented and monitored.	Employee Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
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
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	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 — Prevention of Child and Forced Labour
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
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Customer Service
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Self-owned IP Right
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Product Safety and Quality Control
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — 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 whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
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
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT

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永安中心25樓

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 82 to 156, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

INDEPENDENT AUDITOR'S REPORT

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 2021, before current year's impairment assessment, the Group had exploration and evaluation assets with carrying amount of HK$6,491 million operated by Sul Americana de Metais S.A. ("SAM"), a subsidiary of the Company, and were stated at cost less accumulated impairment loss.

Management performed assessment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed their recoverable amount. Following a review of the business, the outlook of the industry in Brazil and SAM's operating plans, the estimated recoverable values (estimated by the independent external valuer as the management's expert) are higher than their carrying amount.

We focused on these area because these conclusions are dependent upon significant management judgement and are significant to the consolidated 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 2021, before current year's impairment assessment, the Group had property, plant and equipment with an aggregate carrying value of HK$64 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. Since there is impairment trigger exists, management performed impairment assessment for the non-financial assets within that business as at 31 December 2021.

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$18 million on property, plant and equipment was recognised to reduce the carrying values of the relevant assets of the lithium battery business to their estimated recoverable amounts.

We focused on these areas because estimation of recoverable amount is dependent upon significant management judgement and are significant to the consolidated 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 disclosure requirements of 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.

INDEPENDENT AUDITOR'S REPORT

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.

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 the 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, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**478,917**	297,065
Cost of sales		**(363,791)**	(204,077)
Gross profit		**115,126**	92,988
Other operating income, gains and losses	7	**114,590**	(47,836)
Selling and distribution costs		**(12,995)**	(20,149)
Administrative expenses		**(92,824)**	(86,159)
Loss on deemed disposal of a subsidiary	37	**–**	(58,767)
Reversal of impairment of exploration and evaluation assets	15	**–**	2,053,773
(Impairment)/reversal of expected credit loss on trade receivables	20	**(10)**	277
Impairment of property, plant and equipment	14	**(18,244)**	(139,058)
(Loss)/gain on changes in fair value of contingent consideration payables	39	**(3,342)**	54,769
Share of results of associate	17	**(4,868)**	(50,628)
Finance costs	8	**(8,780)**	(16,785)
Profit before income tax	9	**88,653**	1,782,425
Income tax expense	10	**–**	(698,283)
Profit for the year		**88,653**	1,084,142
Other comprehensive loss			
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		**(1,238)**	(14,915)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(289,019)**	(944,138)
Share of other comprehensive (loss)/income of associates		**(730)**	1,862
Exchange reserves released upon deemed disposal of a subsidiary		**–**	32,032
Other comprehensive loss for the year, net of tax		**(290,987)**	(925,159)
Total comprehensive (loss)/income for the year		**(202,334)**	158,983
Profit for the year attributable to:			
Owners of the Company		**88,500**	1,156,593
Non-controlling interests		**153**	(72,451)
		88,653	1,084,142
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(200,754)**	230,116
Non-controlling interests		**(1,580)**	(71,133)
		(202,334)	158,983
Earnings per share	11		
— **Basic**		**0.91 cents**	11.88 cents
— **Diluted**		**0.91 cents**	11.88 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**69,572**	71,953
Exploration and evaluation assets	15	**6,490,624**	6,920,709
Right-of-use assets	16	**45,462**	40,795
Interests in associate	17	**6,793**	12,391
Financial assets at fair value through other comprehensive income	18	**9,438**	10,676
		6,621,889	7,056,524
Current assets			
Inventories	19	**9,201**	92,759
Trade receivables	20	**61,322**	102,863
Prepayments, deposits and other receivables	21	**66,074**	88,505
Financial assets at fair value through profit or loss	22	**148,300**	89,621
Tax recoverable		**341**	282
Restricted bank deposits	23	**5,134**	–
Cash and cash equivalents	23	**396,387**	372,651
Total current assets		**686,759**	746,681
Current liabilities			
Trade and bill payables	24	**27,203**	78,273
Other payables, accruals and deposit received	25	**80,012**	132,489
Contract liabilities	26	**10,038**	607
Borrowings	27	**145,024**	242,990
Lease liabilities	28	**2,420**	2,950
Total current liabilities		**264,697**	457,309
Net current assets		**422,062**	289,372
Total assets less current liabilities		**7,043,951**	7,345,896
Non-current liabilities			
Borrowings	27	**139,380**	182,421
Lease liabilities	28	**5,230**	774
Deferred income	29	**13,255**	19,453
Deferred tax liabilities	30	**2,090,628**	2,237,901
Contingent consideration payables	39	**109,667**	106,325
		2,358,160	2,546,874
Net assets		**4,685,791**	4,799,022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	31	**9,855**	9,855
Reserves	36	**4,644,191**	4,860,491
		4,654,046	4,870,346
Non-controlling interests		**31,745**	(71,324)
Total equity		**4,685,791**	4,799,022

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit before income tax		88,653	1,782,425
Adjustments for:			
Depreciation of property, plant and equipment	14	11,543	20,604
Amortisation of right-of-use assets	16	3,554	3,752
Reversal of impairment of exploration and evaluation assets	15	–	(2,053,773)
Impairment/(reversal of impairment) of trade receivable	20	10	(277)
Impairment of property, plant and equipment	14	18,244	139,058
Loss on deemed disposal of a subsidiary	37	–	58,767
Write-down of inventories	7	26,266	79,386
Interest expense on bank and other borrowings	8	8,546	16,463
Interest expense on lease liabilities	8	234	322
Share of results of associate	17	4,868	50,628
Loss/(gain) on changes in fair value of contingent consideration payables	39	3,342	(54,769)
Bank interest income	7	(4,310)	(1,984)
Imputed interest income of amounts due from non-controlling interests of a subsidiary	7	–	(3,272)
Loss/(gain) on disposals of property, plant and equipment	7	419	(44)
Write off of property, plant and equipment	9	132	–
Government grant	29	(6,691)	(56,091)
Gain on lease modification	7	(112)	–
(Gain)/loss on financial assets at fair value through profit or loss	22	(119,797)	49,990
Operating profit before working capital changes		34,901	31,185
Decrease in inventories		58,782	59,389
Decrease in trade receivables		43,820	31,359
Decrease/(increase) in prepayments, deposits and other receivables		25,360	(6,146)
Decrease in trade and bill payables		(52,682)	(6,151)
(Decrease)/increase in other payables, accrued expenses and receipts in advance		10,113	57,683
Increase in contract liabilities		9,239	470
Cash generated from operations		129,533	167,789
Income tax paid		–	–
Net cash generated from operating activities		129,533	167,789

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Interest received	7	4,310	1,984
Purchases of property, plant and equipment	14	(26,875)	(13,160)
Additions of exploration and evaluation assets	15	(3,071)	(656)
Proceeds from disposals of property, plant and equipment	14	1,147	1,308
Net cash outflow arising from deemed disposal of a subsidiary	37	–	(7,332)
Purchase of financial assets at fair value through profit or loss	22	(15,517)	–
Proceeds from disposal of financial assets at fair value through profit or loss	22	10,697	–
(Increase)/decrease in restricted bank deposits		(5,134)	660
Net cash used in investing activities		(34,443)	(17,196)
Cash flows from financing activities			
Interest paid on other borrowings	44	(8,546)	(16,463)
Drawdown of borrowings	44	–	59,328
Repayments of borrowings	44	(152,257)	(304,503)
Capital contribution from non-controlling interests		89,103	95,910
Interest paid on lease liabilities	44	(234)	(322)
Repayment of principal portion of lease liabilities	44	(2,954)	(2,812)
Net cash used in financing activities		(74,888)	(168,862)
Increase/(decrease) in cash and cash equivalents		20,202	(18,269)
Cash and cash equivalents at 1 January		372,651	351,714
Effect of foreign exchange rate changes		3,534	39,206
Cash and cash equivalents at 31 December		396,387	372,651
Analysis of cash and cash equivalents			
Cash at banks and in hand		396,387	372,651

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to the owners of the Company									
	Notes	Share capital HK$'000	Share premium* HK$'000	Treasury shares reserve* HK$'000	Share-based payment reserve* HK$'000	Translation reserve* HK$'000	FVOCI reserve* HK$'000	Retained earnings* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 37)*		–	–	–	–	–	–	–	–	(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		–	–	–	–	(945,456)	–	–	(945,456)	1,318	(944,138)
Share of other comprehensive income of associates						1,862			1,862		1,862
Deemed disposal of a subsidiary		–	–	–	–	32,032	–	–	32,032	–	32,032
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
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 non-controlling interests		–	–	–	–	–	–	–	–	89,103	89,103
Acquisition of non-controlling interests without a change to control *(Note 34)*		–	–	–	–	–	–	(15,546)	(15,546)	15,546	–
Transactions with owners		–	–	–	–	–	–	(15,546)	(15,546)	104,649	89,103
Profit for the year		–	–	–	–	–	–	88,500	88,500	153	88,653
Other comprehensive loss											
Changes of fair value of financial assets at fair value through other comprehensive income		–	–	–	–	–	(1,238)	–	(1,238)	–	(1,238)
Share of other comprehensive loss of associates		–	–	–	–	(730)	–	–	(730)	–	(730)
Currency translation		–	–	–	–	(287,286)	–	–	(287,286)	(1,733)	(289,019)
Total comprehensive loss		–	–	–	–	(288,016)	(1,238)	88,500	(200,754)	(1,580)	(202,334)
At 31 December 2021		9,855	3,563,686	(142,864)	9,958	(6,264,838)	(84,688)	7,562,937	4,654,046	31,745	4,685,791

* The aggregate amount of these balances of approximately HK$4,644,191,000 (2020: HK$4,860,491,000) is included as reserves in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 34. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company as Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability.

The financial statements on pages 82 to 156 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as described in note 3. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing Rules").

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 Adoption of new or amended HKFRSs

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 HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2
- Amendment to HKFRS 16, Covid-19-related rent concessions

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.

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.

HKFRS 17, Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3, Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies[2]
Amendments to HKAS 8, Definition of Accounting Estimates[2]
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 17, Insurance Contracts and the related Amendments

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 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 general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

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

HKFRS 17, Insurance Contracts and the related Amendments — Continued

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of amendments is not expected to have significant impact on the financial position and performance of the Group.

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

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) The classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The application of amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ADOPTION OF NEW OR AMENDED HKFRSs — CONTINUED

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies — Continued

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The directors of the Company do not anticipate that the application of the amendments in the future would have any 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 Property, Plant and Equipment — Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

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 37 Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

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 HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

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 HKFRSs Annual Improvements to HKFRSs 2018-2020 — Continued

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 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.

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 profit or loss and other 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 in line with those used by other members of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.2 Business combination and basis of consolidation — Continued

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.3 Subsidiaries

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

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

3.4 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.5 Foreign currency translation — Continued

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.

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.6 Revenue recognition — Continued

Sale of lithium batteries 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

3.8 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.8 Property, plant and equipment — CONTINUED

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

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

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

3.9 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.10 Exploration and evaluation assets

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

Corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

3.12 Financial instruments

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(i) Financial assets — Continued

Debt instruments

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.12 Financial instruments — Continued

(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.

3.14 Cash and cash equivalents

For the purpose of the consolidated 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

Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.15 Leasing — Continued

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 right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.15 Leasing — Continued

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and investments in associates, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.17 Accounting for income taxes — Continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.19 Share-based payments — Continued

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

3.23 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

3.23 Related parties — CONTINUED

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

(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).

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For the year ended 31 December 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(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.

(v) Fair value of contingent consideration payables

Where the fair value of contingent consideration payables recorded in the consolidated 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

Equity interests in Yuxing InfoTech Investment Holdings Limited is classified as financial assets at fair value through profit or loss as included in Note 22, in which has Group holds 14.14% (2020: 21.72%) ownership interest with voting rights in Yuxing InfoTech Investment Holdings Limited. Yuxing InfoTech Investment Holdings Limited is listed in GEM of Hong Kong Stock Exchange Limited.

The directors of the Company assessed whether the Group has significant influence over Yuxing InfoTech Investment Holdings Limited. In making the judgement , the directors of the Company considers the Group's power to participate in its operating and financial policies. After assessment, the directors of the Company concluded that the Group does not have significant influence to direct the relevant activities of Yuxing InfoTech Investment Holdings Limited and therefore the Group does not have significant influence over Yuxing InfoTech Investment Holdings Limited.

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:

	2021 *HK$'000*	2020 *HK$'000*
Sale of lithium batteries	**473,087**	290,805
Battery swapping service income	**5,830**	6,260
	478,917	297,065
Timing of revenue recognition		
At a point in time	**473,087**	290,805
Over time	**5,830**	6,260
	478,917	297,065

There are no remaining performance obligations as at 31 December 2021 and 2020.

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 2021				
Reportable segment revenue (external customers)	–	473,087	5,830	478,917
Reportable segment (losses)/profit	(8,035)	17,236	(15,261)	(6,060)
Reportable segment assets	6,504,929	467,067	68,589	7,040,585
Reportable segment liabilities	113,917	386,863	20,692	521,472
Capital expenditure	3,071	9,425	17,450	29,946
Impairment of property, plant and equipment	–	18,244	–	18,244
Impairment of trade receivables	–	10	–	10
Interest income	(520)	(2,533)	(895)	(3,948)
Interest expense	–	8,546	2	8,548
Depreciation	128	5,077	6,338	11,543
Amortisation charge	–	833	41	874
Write-down of inventories	–	26,266	–	26,266
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
Reversal of impairment of exploration and evaluation assets	(2,053,773)	–	–	(2,053,773)
Impairment of property, plant and equipment	–	139,058	–	139,058
Reversal of impairment of trade receivables	–	277	–	277
Interest income	–	(1,537)	(333)	(1,870)
Interest expense	–	19,571	–	19,571
Depreciation	54	15,690	2,493	18,237
Amortisation charge	–	954	–	954
Write-down of inventories	–	79,386	–	79,386

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:

	2021 HK$'000	2020 HK$'000
Reportable segment revenue	478,917	297,065
Reportable segment (losses)/profit	(6,060)	1,904,911
Other operating income	1,392	1,209
Administrative expenses	(18,034)	(18,757)
Share of results of associate	(4,868)	(50,628)
Fair value gain on contingent consideration payables	(3,342)	54,769
Loss on deemed disposal of a subsidiary	–	(58,767)
Net gain/(loss) on financial assets at fair value through profit or loss	119,797	(49,990)
Finance costs	(232)	(322)
Profit before income tax	88,653	1,782,425
Reportable segment assets	7,040,585	7,571,115
Right-of-use assets	7,567	3,497
Interest in associate	6,793	12,391
Financial assets at fair value through other comprehensive income	9,438	10,676
Prepayments, deposits and other receivables	28,602	29,062
Financial assets at fair value through profit or loss	148,300	89,621
Cash and cash equivalents	67,363	86,843
	7,308,648	7,803,205
Reportable segment liabilities	521,472	700,381
Other payables and accrued expenses	3,297	62,177
Lease liabilities	7,460	3,724
Deferred tax liabilities	2,090,628	2,237,901
	2,622,857	3,004,183

6. SEGMENT REPORTING — CONTINUED

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

	2021 *HK$'000*	2020 *HK$'000*
Revenue from external customers		
PRC	**362,176**	240,766
Belgium	**–**	78
United Kingdom	**1,048**	–
Sweden	**115,693**	56,221
Reportable segment revenue	**478,917**	297,065
Non-current assets (excluding other financial assets)		
Hong Kong	**14,360**	15,888
PRC	**106,943**	109,251
Brazil	**6,491,148**	6,920,709
Reportable segment non-current assets	**6,612,451**	7,045,848

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).

During the year ended 31 December 2021, over 97% (2020: 89%) of the Group's revenue was derived from 1 major customer (2020: 2 major customers) in lithium battery production segment and revenue generated from the customer is HK$462,375,000 (2020: revenue generated from these customers are HK$180,242,000 and HK$84,032,000 respectively).

7. OTHER OPERATING INCOME, GAINS AND LOSSES

	2021 ***HK$'000***	2020 *HK$'000*
Bank Interest income	**4,310**	1,984
Government grants *(Note)*	**7,622**	69,748
Rental income	**183**	447
Sundry income	**9,192**	6,045
Gain on lease modification	**112**	–
Dividend income	**59**	–
(Loss)/gain on disposal of property, plant and equipment	**(419)**	44
Write-down of inventories	**(26,266)**	(79,386)
Net gain/(loss) on financial assets at fair value through profit or loss	**119,797**	(49,990)
Imputed interest income of amounts due from non-controlling interests	**–**	3,272
	114,590	(47,836)

Note:

The balance represented government grant related to income of HK$0.9 million (2020: HK$13.6 million) and government grant related to assets of HK$6.7 million (2020: HK$56.1 million) (Note 29). These government grants were received and complied with all attached conditions and therefore recognised in profit or loss during the year.

8. FINANCE COSTS

	2021 ***HK$'000***	2020 *HK$'000*
Interest charges on bank borrowings not wholly repayable within five years	**7,779**	13,183
Interest charges on other borrowings wholly repayable within five years	**767**	3,280
Interest on lease liabilities	**234**	322
	8,780	16,785

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For the year ended 31 December 2021

9. PROFIT BEFORE INCOME TAX

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

	2021 *HK$'000*	2020 *HK$'000*
Auditor's remuneration	**2,579**	2,671
Cost of inventories recognised as expenses	**322,168**	204,077
Depreciation *(note (i))*	**11,543**	20,604
Amortisation of right-of-use assets *(note (ii))*	**3,554**	3,752
Short-term leases expenses	**456**	719
Net foreign exchange gain	**(6,307)**	(1,181)
Research and development costs *(note (ii))*	**18,834**	16,774
Loss/(gain) on disposal of property, plant and equipment	**419**	(44)
Write off of property, plant and equipment	**132**	–
Impairment of property, plant and equipment	**18,244**	139,058

Notes:

(i) Depreciation of HK$10,591,000 (2020: HK$14,821,000), HK$80,000 (2020: HK$41,000) and HK$872,000 (2020: HK$5,742,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

(ii) Included in administrative expenses.

10. INCOME TAX EXPENSE

	2021 *HK$'000*	2020 *HK$'000*
Deferred tax — current year *(note 30)*	**–**	698,283
Income tax expense	**–**	698,283

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% (2020: 25%) is applicable to the Group's PRC subsidiaries.

During the year, corporate income tax rates in Brazil of 34% (2020: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Company's subsidiary established in Brazil.

10. INCOME TAX EXPENSE — CONTINUED

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

	2021	2020
	HK$'000	*HK$'000*
Profit before income tax	**88,653**	1,782,425
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**13,477**	649,881
Tax effect of non-deductible expenses	**10,628**	78,579
Tax effect of non-taxable revenue	**(53,664)**	(39,646)
Tax effect of tax losses not recognised	**29,559**	9,447
Tax effect on temporary difference not recognised	**–**	22
Income tax expense	**–**	698,283

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$88,500,000 (2020: HK$1,156,593,000) and weighted average of 9,737,434,000 (2020: 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 2021 and 2020 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)

	2021	2020
	HK$'000	*HK$'000*
Wages and salaries	**44,926**	49,933
Contribution to defined contribution plans	**4,829**	1,777
	49,755	51,710

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

	2021	2020
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**8,199**	7,114
Contribution to defined contribution plans	**72**	72
	8,271	7,186

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021				
Executive directors				
HE Xuechu	**2,048**	**–**	**18**	**2,066**
LIU Wei, William	**1,902**	**–**	**18**	**1,920**
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**
	4,703	**–**	**36**	**4,739**
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

Fee, salaries and allowance paid to or for the executive directors are generally emoluments paid in respect of those persons' 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 (2020: two) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2020: three) individual during the year are as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,497	3,065
Contribution to defined contribution plans	36	50
	3,533	3,115

The emoluments fell within the following band:

	Number of individual	
	2021	2020
Emolument band		
HK$1,000,001 — HK$1,500,000	3	3
	3	3

During the year, no emoluments were paid by the Group to the directors or the three (2020: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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For the year ended 31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Land HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Construction in progress HK$'000	Total HK$'000
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
Year ended 31 December 2021									
Opening net book amount	**81**	**22,944**	**–**	**45,416**	**1,295**	**61**	**86**	**2,070**	**71,953**
Additions	**–**	**828**	**87**	**1,504**	**354**	**336**	**–**	**23,766**	**26,875**
Transfers	**–**	**–**	**132**	**24,634**	**50**	**–**	**–**	**(24,816)**	**–**
Disposals	**–**	**–**	**–**	**(843)**	**(200)**	**(523)**	**–**	**–**	**(1,566)**
Write off	**–**	**–**	**(132)**	**–**	**–**	**–**	**–**	**–**	**(132)**
Depreciation	**–**	**(802)**	**(35)**	**(10,307)**	**(324)**	**(58)**	**(17)**	**–**	**(11,543)**
(Impairment)/reversal of impairment	**–**	**(5,568)**	**–**	**(18,615)**	**(40)**	**473**	**(17)**	**5,523**	**(18,244)**
Exchange realignment	**(5)**	**656**	**1**	**1,430**	**(13)**	**6**	**2**	**152**	**2,229**
Closing net book amount	**76**	**18,058**	**53**	**43,219**	**1,122**	**295**	**54**	**6,695**	**69,572**
At 31 December 2021									
Cost	**76**	**230,748**	**2,541**	**454,743**	**11,740**	**1,611**	**3,051**	**9,536**	**714,046**
Accumulated depreciation and impairment	**–**	**(212,690)**	**(2,488)**	**(411,524)**	**(10,618)**	**(1,316)**	**(2,997)**	**(2,841)**	**(644,474)**
Net book amount	**76**	**18,058**	**53**	**43,219**	**1,122**	**295**	**54**	**6,695**	**69,572**

Note:

The Group's land held as at 31 December 2021 and 2020, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2021 and 2020 are situated in the PRC and held under long term leases.

14. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

As at 31 December 2021, leasehold buildings of HK$11,688,000 (2020: HK$15,401,000) were pledged to secure the Group's bank borrowings (note 27(b)).

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

As at 31 December 2021 and 2020, the Group's property, plant and equipment and right-of-use assets are mainly related to CGU of lithium battery production segment, operated by Zhejiang Forever New Energy Company Limited ("Zhejiang CGU").

As at 31 December 2021 and 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$81,561,000 (2020: HK$95,006,000). As a result, impairment loss of HK$18,244,000 (2020: HK$139,058,000) had been recognised in the consolidated statement of profit or loss and other comprehensive income. The significant impairment loss recognised was mainly due to increase in estimated capital expenditure and downward adjustment in the estimated profit margin after an expected change in product mix.

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 24.33% (2020: 15.54%) 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 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 discounted cash flow approach.

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For the year ended 31 December 2021

15. EXPLORATION AND EVALUATION ASSETS

	2021	2020
	HK$'000	*HK$'000*
At 1 January		
Cost	**6,920,709**	8,982,866
Accumulated impairment	**–**	(2,665,984)
Net book amount	**6,920,709**	6,316,882
For the year ended 31 December		
Opening net book amount	**6,920,709**	6,316,882
Additions	**3,071**	656
Exchange realignments	**(433,156)**	(1,450,602)
Reversal of impairment	**–**	2,053,773
Net book amount	**6,490,624**	6,920,709
At 31 December		
Cost	**6,490,624**	6,920,709
Accumulated impairment	**–**	–
Net book amount	**6,490,624**	6,920,709

As at 31 December 2021 and 2020, 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, no impairment loss for the year (2020: reversal of impairment loss of HK$2,053,773,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income.

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

15. EXPLORATION AND EVALUATION ASSETS — CONTINUED

Assumptions and parameters of the valuation as at 31 December 2021 are as follows:

Approval of all required licenses	Mid 2024 (2020: Mid 2023)
Commencement of production	1st quarter of 2028 (2020: 4th quarter of 2026)
Annual production capacity	27.5 million tonnes (2020: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2020: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2020: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US$114 per tonnes (2020: US$111 per tonnes)
Operating costs:	
— First 18 years of mining	US$40.9 per tonnes (2020: US$33.7 per tonnes)
— Remaining period of mining	US$47.11 per tonnes (2020: US$39.0 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2020: same term)
Capital expenditures:	
— Construction of infrastructure	US$2,777 million (2020: US$2,236 million)
Discount rate	23.23% (2020: 19.84%)

16. RIGHT-OF-USE ASSETS

	Prepaid land lease payments *HK$'000*	Offices *HK$'000*	Total *HK$'000*
At 1 January 2020	79,446	6,295	85,741
Deemed disposal of a subsidiary *(note 37)*	(41,726)	–	(41,726)
Amortisation	(954)	(2,798)	(3,752)
Foreign exchange movement	532	–	532
At 31 December 2020 and 1 January 2021	**37,298**	**3,497**	**40,795**
Addition	**–**	**248**	**248**
Amortisation	**(833)**	**(2,721)**	**(3,554)**
Remeasurement as a result of lease modification	**–**	**6,750**	**6,750**
Foreign exchange movement	**1,219**	**4**	**1,223**
At 31 December 2021	**37,684**	**7,778**	**45,462**

As at 31 December 2021 and 2020, 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 2021 and 2020, 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 (2020: 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 28.

As at 31 December 2021, right-of-use assets of HK$37,684,000 (2020: HK$37,298,000) were pledged to secure the Group's bank borrowings (note 27(b)).

17. INTERESTS IN ASSOCIATES

	2021 **HK$'000**	2020 HK$'000
Interests in associates:		
Cost of investment on unlisted associates	**129,082**	129,082
Share of post acquisition losses and other comprehensive losses	**(122,289)**	(116,691)
Share of net assets	**6,793**	12,391

Movement of interests in associates are as follows:

	2021 **HK$'000**	2020 HK$'000
As at 1 January	**12,391**	17,063
Additions *(note 1)*	**–**	110,922
Share of results of associates	**(4,868)**	(50,628)
Share of other comprehensive (loss)/income	**(730)**	1,862
Share of other reserve *(note 2)*	**–**	(66,828)
As at 31 December	**6,793**	12,391

Details of the Group's associates as at 31 December 2021 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)*
Caocao Mobility Europe Limited	United Kingdom/Investment holding company	20% (indirectly)
Caocao Mobility France	France/Investment holding company	20% (indirectly)
ESQ VTC	France/operation of passenger transport activities in Europe	20% (indirectly)
ANGEELY INTERNATIONAL	France/dormant company	20% (indirectly)

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17. INTERESTS IN ASSOCIATES — CONTINUED

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.

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

	吉行國際科技有限公司 and its subsidiary		Shandong Forever	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December				
Current assets	**40,732**	82,113	**16,677**	6,223
Non-current assets	**180,308**	209,141	**86,562**	86,365
Current liabilities	**(249,339)**	(252,030)	**(3,414)**	(4,147)
Non-current liabilities	**–**	–	**(72,099)**	(69,885)
Net (liabilities)/assets	**(28,299)**	39,224	**27,726**	18,556
Group's share of net assets of the associate	**–**	7,845	**6,793**	4,546
Year ended 31 December*				
Revenue	**19,912**	6,227	**2,805**	2,711
Other operating income	**–**	–	**32,427**	–
Expenses	**(80,222)**	(56,781)	**(23,083)**	(168,083)
Loss for the year	**(60,310)**	(50,554)	**12,149**	(165,372)
Other comprehensive income/(loss)	**7,349**	4,465	**(2,982)**	3,955
Total comprehensive (loss)/income	**(52,961)**	(46,089)	**9,167**	(161,417)
Share of results of associates	**(7,845)**	(10,112)	**2,977**	(40,516)
Share of other comprehensive income/(loss) of associates	**–**	894	**(730)**	968
Share of total comprehensive (loss)/income	**(7,845)**	(9,218)	**2,247**	(39,548)

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

The Group has discontinued the recognition of its share of losses of associates because the share of losses of the associate exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of associates for the current year and cumulatively were approximately HK$2.8 million (2020: Nil) and HK$2.8 million (2020: Nil), respectively.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 ***HK$'000***	2020 *HK$'000*
Equity instruments measured at FVOCI	**9,438**	10,676

The balance represented the Group's strategic investments is a 1% interest in a listed equity security in Hong Kong, 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.

19. INVENTORIES

	2021 ***HK$'000***	2020 *HK$'000*
Raw materials	**35,361**	46,712
Work-in-progress	**26,705**	91,893
Finished goods	**9,444**	76,400
	71,510	215,005
Less: Write-down of inventories	**(62,309)**	(122,246)
	9,201	92,759

The Directors have assessed the net realisable values and condition of the Group's inventories as at 31 December 2021 and considered a write-down of inventories of HK$26,266,000 (2020: HK$79,386,000) be made in the consolidated statement of profit or loss and other comprehensive income. A reversal of write-down of inventories takes place when the previously written-down inventories were sold during the year.

The following table shows the movement in write-down of inventories:

	2021 ***HK$'000***	2020 *HK$'000*
At 1 January	**122,246**	39,157
Impairment recognised	**26,266**	79,386
Reversal of write-down upon disposal	**(88,808)**	–
Exchange difference	**2,605**	3,703
At 31 December	**62,309**	122,246

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For the year ended 31 December 2021

20. TRADE RECEIVABLES

	2021 **HK$'000**	2020 *HK$'000*
Trade receivables — Gross	**61,746**	103,262
Less: Impairment losses	**(424)**	(399)
Trade receivables — Net	**61,322**	102,863

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:

	2021 **HK$'000**	2020 *HK$'000*
0 — 30 days	**1,070**	68,099
31 — 90 days	**60,453**	35,163
91 — 180 days	**223**	–
Over 180 days	**–**	–
	61,746	103,262

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

	2021 **HK$'000**	2020 *HK$'000*
At 1 January	**399**	25,020
Deemed disposal *(see Note 37)*	**–**	(23,825)
Impairment recognised/(reversed)	**10**	(277)
Exchange alignment	**15**	(519)
At 31 December	**424**	399

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

A provision of HK$10,000 (2020: reversal of provision of HK$277,000) 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 41.

As at 31 December 2021 and 2020, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Deposits	6,638	3,390
VAT receivables	29,780	55,049
Other receivables	2,318	3,127
Advances to suppliers	487	88
Amount due from an associate	26,851	26,851
	66,074	88,505

The amount due from an associate of HK$26.9 million (2020: HK$26.9 million) is unsecured, bears no interest and is repayable on demand. The carrying amount of the amount due from an associate approximate their fair values.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Listed equity investments, at market value,		
— in Hong Kong — held for trading	147,978	89,621
— In overseas — held for trading	322	–
	148,300	89,621

As at 31 December 2021 and 2020, the balance represented the fair value of 14.14% (2020: 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.

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For the year ended 31 December 2021

23. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

All restricted bank deposits as at 31 December 2021 and 2020 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 2021, the Group has restricted bank deposits of approximately HK$5,134,000. (2020: Nil).

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

As at 31 December 2021, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$327,015,000 (2020: HK$272,724,000), 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.

24. TRADE AND BILL PAYABLES

	2021 ***HK$'000***	2020 *HK$'000*
Trade payables	**25,137**	78,273
Bill payables	**2,066**	–
	27,203	78,273

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:

	2021 ***HK$'000***	2020 *HK$'000*
0 — 30 days	**5,676**	65,543
31 — 60 days	**18,839**	6,435
61 — 90 days	**491**	194
91 — 180 days	**1,538**	21
Over 180 days	**659**	6,080
	27,203	78,273

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2021 **HK$'000**	2020 HK$'000
Other payables *(Note)*	**74,574**	59,876
Accrued expenses	**4,303**	5,487
Deposits received	**1,135**	1,188
Deposit received for financial assets at fair value through profit or loss	**–**	65,938
	80,012	132,489

Note:

The other payable of HK$55,862,000 (2020: HK$40,276,000) is related to purchase of property, plant and equipment.

26. CONTRACT LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Contract liabilities	**10,038**	607

Details of contract liabilities are as follows:

	2021 **HK$'000**	2020 HK$'000
Contract liabilities arising from:		
— Sale of lithium batteries	**9,829**	–
— Battery swapping service income	**209**	607
	10,038	607

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	2021 **HK$'000**	2020 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**607**	104

27. BORROWINGS

	2021 HK$'000	2020 HK$'000
Government loans *(Note (a))*	122,694	118,763
Bank loans *(Note (b))*	161,710	204,036
Other loans *(Note (c))*	–	102,612
	284,404	425,411
Represented by:		
Current liabilities	145,024	242,990
Non-current liabilities	139,380	182,421
	284,404	425,411

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 would 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 2021 and 2020, 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 2021 and 2020.

(b) As at 31 December 2021, bank loans of RMB132 million (2020: RMB172 million) are secured by the Group's right-of-use assets and property, plant and equipment of HK$37,684,000 and HK$3,525,000 (2020: HK$37,298,000 and HK$15,401,000) respectively and the corporate guarantee from Zhejiang Geely Holding Group Co., Ltd, a shareholder of the Company. 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 2021 and 2020 as follows:

	2021 HK$'000	2020 HK$'000
Within one year	22,330	21,615
In the second year	22,330	21,615
In the third to fifth year	66,990	64,845
Over five years	50,060	95,961
	161,710	204,036

(c) As at 31 December 2020, these loans are from 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. Such loans had been fully repaid during the year.

28. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities:		
Current	2,420	2,950
Non-current	5,230	774
	7,650	3,724

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 December 2021			
Due within one year	2,732	312	2,420
Due between one and two years	2,488	199	2,289
Due between two to five years	3,027	86	2,941
	8,247	597	7,650
As at 31 December 2020			
Due within one year	3,132	182	2,950
Due between one and two years	783	9	774
	3,915	191	3,724

Operating leases — lessor

The Group subleased its leased properties during the year. The sub-lease rental income during the year ended 31 December 2021 was HK$120,000 (2020: HK$447,000). At 31 December 2021 and 2020, undiscounted lease payments receivables under non-cancellable operating leases are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	62	62

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For the year ended 31 December 2021

29. DEFERRED INCOME

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**19,453**	75,191
Deemed disposal of a subsidiary *(note 37)*	**–**	(1,004)
Exchange realignment	**493**	1,357
Government grant income recognised for the year	**(6,691)**	(56,091)
At 31 December	**13,255**	19,453

As at 31 December 2021 and 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. 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$6,691,000 (2020: HK$56,091,000) was released to profit or loss during the year.

30. 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	
	2021	2020
	HK$'000	*HK$'000*
At 1 January	**2,237,901**	2,032,823
Charged to profit or loss	**–**	698,283
Exchange realignment	**(147,273)**	(493,205)
At 31 December	**2,090,628**	2,237,901

As at 31 December 2021, the Group has unused tax losses of HK$357,089,000 (2020: HK$297,094,000) 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 2021. All tax losses of the Group have no expiry dates under the current tax legislation except for the tax losses amounting to HK$177,699,000 (2020: HK$169,734,000) incurred by three (2020: three) subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

31. SHARE CAPITAL

	Number of shares '000	Total HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January, 31 December 2020 and 2021	1,000,000,000	1,000,000

	Number of shares '000	HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.001 each at 1 January, 31 December 2020 and 2021	9,854,534	9,855

32. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. SHARE OPTIONS — CONTINUED

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 2021, an aggregate of 8,750,000 (2020: 8,750,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing 0.1% (2020: 0.1%) of the shares of the Company in issue at that date.

As at 31 December 2021, total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 596,567,971 (2020: 591,567,971), representing 6% (2020: 6%) of the issued share capital of the Company as at 31 December 2021.

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 2020 and 2021	Expired during the year	Outstanding at 31 December 2021
Share Option Schemes				
Share option for employees				
Employees				
In aggregate	2015	8,750,000	–	**8,750,000**

32. SHARE OPTIONS — CONTINUED

Details of the share options are as follows:

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

Notes:

(i) 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.

(ii) No share options were exercised for the years ended 31 December 2021 and 2020.

(iii) The fair value of options granted under the Share Option Scheme on 14 May 2015, measured at the date of grant, was approximately HK$10,812,000. The following key assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 May 2015
Expected volatility	76%
Expected life (in years)	8.0
Risk-free interest rate	1.6%
Expected dividend yield	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 2021, no share-based payment expenses (2020: 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 in prior years. 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:

	2021		2020	
	Number of share options	**Weighted average exercise price *HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding at 1 January	**8,750,000**	**2.61**	13,750,000	2.01
Expired	**–**	**–**	(5,000,000)	0.95
Outstanding at 31 December	**8,750,000**	**2.61**	8,750,000	2.61

The weighted average is remaining contractual life of 1.5 years (2020: 2.3 years). There are 8,750,000 (2020: 13,750,000) share options exercisable as at 31 December 2020.

(vii) For the year ended 31 December 2021, no share options have been expired (2020: 5,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	–
Investments in subsidiaries	34	136	214
Financial assets at fair value through other comprehensive income		9,438	10,676
Amount due from subsidiaries		852,015	850,893
Right-of-use assets		7,567	3,497
		869,156	865,280
Current assets			
Financial assets at fair value through profit or loss		148,300	89,621
Deposits and other receivables		746	1,187
Cash and cash equivalents		67,363	86,844
		216,409	177,652
Current liabilities			
Amount due to a subsidiary		78	319
Lease liabilities		2,295	2,950
Other payables, accruals and deposits received		3,448	62,368
		5,821	65,637
Net current assets		210,588	112,015
Total assets less current liabilities		1,079,744	977,295
Current liabilities			
Lease liabilities		5,165	774
Net assets		1,074,579	976,521
EQUITY			
Share capital	31	9,855	9,855
Reserves	36	1,064,724	966,666
Total equity		1,074,579	976,521

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

34. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2021 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

34. INTERESTS IN SUBSIDIARIES — CONTINUED

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

As at 31 December 2021, non-controlling interests ("NCI") of the Group is represented by (1) 0% (2020: 9.32%) equity interest in Triumphant Glory; (2) 48% (2020: 48%) equity interests in Zhejiang Forever; and (3) 10% (2020: 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.

During the year, the Group acquired 9.32% equity interest of Triumphant Glory from the non-controlling interests at consideration of HK$1. Therefore, Triumphant Glory becomes one of the wholly owned subsidiaries of the Group as at 31 December 2021. The difference of HK$15,546,000 between the increase in the non-controlling interests and the consideration paid has been debited to retained earnings.

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	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December						
Revenue	**–**	–	**473,087**	290,805	**5,830**	6,260
(Loss)/profit for the year	**(12,949)**	(98,350)	**3,808**	(130,602)	**(15,261)**	(11,253)
Total comprehensive income/(loss)	**2,247**	(287,330)	**(146)**	(163,164)	**(13,674)**	(7,922)
(Loss)/profit allocated to NCI	**(144)**	(8,637)	**1,828**	(62,689)	**(1,526)**	(1,125)
Cash flows generated from/(used in) operating activities	**–**	–	**30,511**	109,613	**465**	(908)
Cash flows (used in)/generated from investing activities	**–**	–	**(7,892)**	141,348	**(19,607)**	(7,874)
Cash flows generated from/(used in) financing activities	**–**	–	**24,972**	(264,935)	**(18)**	36
Net cash inflows/(outflows)	**–**	–	**47,591**	(13,974)	**(19,160)**	(8,746)
As at 31 December						
Current assets	**32,228**	32,228	**365,400**	472,543	**43,192**	58,081
Non-current assets	**6,793**	4,546	**81,560**	20,875	**25,397**	12,713
Current liabilities	**(111,052)**	(111,052)	**(234,229)**	(417,077)	**(25,627)**	(82,782)
Non-current liabilities	**–**	–	**(152,635)**	(201,874)	**(68,624)**	–
Net (liabilities)/assets	**(72,031)**	(74,278)	**60,096**	(125,533)	**(25,662)**	(11,988)
Accumulated non-controlling Interests	**–**	(15,402)	**34,318**	(54,716)	**(2,573)**	(1,206)

35. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31 December 2021 and 2020.

36. RESERVES

Share-based payment reserve of the Company and the Group arose from the recognition of the share-based payment expenses in consolidated statement of profit or loss and other 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"), former subsidiaries of the Company, 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 2021, the Company held 117,100,000 (2020: 117,100,000) ordinary shares as treasury shares.

Exchange translation 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 2020	3,563,686	(142,864)	12,170	(68,535)	(2,296,497)	1,067,960
Loss for the year and total comprehensive loss 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 and 1 January 2021	3,563,686	(142,864)	9,958	(83,450)	(2,380,664)	966,666
Profit for the year and total comprehensive income for the year	–	–	–	–	99,296	99,296
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	(1,238)	–	(1,238)
At 31 December 2021	3,563,686	(142,864)	9,958	(84,688)	(2,281,368)	1,064,724

37. DEEMED DISPOSAL OF A SUBSIDIARY

As referred to in note 17, 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	1,395
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	293,295
Non-controlling interests	(155,638)
Release of translation reserve upon disposal	32,032
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)

38. CAPITAL COMMITMENTS

	2021 ***HK$'000***	2020 *HK$'000*
Contracted but not provided for Property, plant and equipment	**85,496**	57,674

As at 31 December 2021, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 15.

39. CONTINGENT CONSIDERATION PAYABLES

	2021 **HK$'000**	2020 HK$'000
At 1 January	**106,325**	161,094
Loss/(gain) on changes in fair value and terms of contingent consideration	**3,342**	(54,769)
At 31 December	**109,667**	106,325

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, Roma Appraisal Limited. As at 31 December 2021, the fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 20.62% (2020: 22.31%) and the probability of occurrence of certain events as stated in the settlement agreement such as occurrence of disposal event or the commencement of mining. The higher the discount rate, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets measured at fair value through profit or loss:		
Current assets		
Listed equity securities held for trading	148,300	89,621
Financial assets measured at fair value through other comprehensive income:		
Non-current assets		
Listed equity securities	9,438	10,676
Financial assets measured at amortised cost:		
Current assets		
Trade receivables	61,322	102,863
Other receivables	2,318	3,127
Amount due from an associate	26,851	26,851
Restricted bank deposits	5,134	–
Cash and bank balances	396,387	372,651
	492,012	505,492
Financial liabilities		
Financial liabilities measured at fair value through profit or loss:		
Non-current liabilities		
Contingent consideration payables	106,325	106,325
Financial liabilities measured at amortised cost:		
Current liabilities		
Trade and bill payables	27,203	78,273
Other payables and accrued expenses	78,877	65,363
Borrowings	145,024	242,990
Non-current liabilities		
Borrowings	139,380	182,421
	496,809	675,372
Lease liabilities		
Current liabilities	2,420	2,950
Non-current liabilities	5,230	774
	7,650	3,724

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

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

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

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

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

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

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

As at 31 December 2021	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Listed equity securities for strategic purpose *(note 18)*	**9,438**	–	–	**9,438**
Listed securities held for trading *(note 22)*	**148,300**	–	–	**148,300**
	157,738	–	–	**157,738**
Liabilities				
Contingent consideration payables	–	–	**109,667**	**109,667**

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 22)*	89,621	–	–	89,621
	100,297	–	–	100,297
Liabilities				
Contingent consideration payables	–	–	106,325	106,325

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

41.1 Foreign currency risk

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

41.2 Interest rate risk

The Group's exposure to cash flow interest rate risk is minimal as the Group has no financial assets or liabilities of material amounts with floating interest rates except for deposits held in banks as at 31 December 2021 and 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.

41.3 Equity price risk

The Group is exposed to equity price risk through its investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of the investments.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

41.3 Equity price risk — Continued

If the quoted prices of the listed equity securities (included in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), had been 5% (2020: 5%) higher/lower, the loss before tax and other comprehensive loss for the year ended 31 December 2021 would decrease/increase by HK$7,415,000 and HK$472,000 (2020: HK$4,481,000 and HK$534,000) respectively.

41.4 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 97% (2020: 89%) of the Group's revenue for the year was derived from 1 major customer (2020: 2 major customers) and as at reporting date, 100% (2020: 100%) of the Group's trade receivables was due from these customers. The Group continuously and actively evaluates the credit risk of these debtors.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, 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 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 receivables:

	Weighted average lifetime ECL	Gross carrying amount *(HK$'000)*	Loss allowance *(HK$'000)*
As at 31 December 2021			
Current (not past due)	**0.68%**	**61,523**	**419**
1–90 days past due	**1.84%**	**193**	**4**
Over 90 days past due	**2.33%**	**30**	**1**
		61,746	**424**
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

41.4 Credit risk — Continued

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 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 90 days past due.

For other receivables (including amount due from associate), 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 2021 and 2020, 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 68% (2020: 45%) of the bank balances and restricted bank deposits as at 31 December 2021 were deposited at a major bank, the credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

41.5 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 2021 and 2020, 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 2021					
Non-derivatives:					
Trade and bill payables	**27,203**	**–**	**–**	**27,203**	**27,203**
Other payables and accrued expenses	**78,877**	**–**	**–**	**78,877**	**78,877**
Lease liabilities	**2,732**	**5,515**	**–**	**8,247**	**7,650**
Borrowings	**152,778**	**109,260**	**53,511**	**315,549**	**284,404**
Contingent consideration payables	**–**	**158,768**	**–**	**158,768**	**109,667**
	261,590	**273,543**	**53,511**	**588,644**	**507,801**
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

42. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

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

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

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

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

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

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

	2021	2020
	HK$'000	*HK$'000*
Capital		
Total equity	**4,685,791**	4,799,022
Overall financing		
Borrowings	**284,404**	425,411
Capital-to-overall financing ratio	**16.48 times**	11.28 times

(i) Related party transactions

Save as disclosed in consolidated financial statements, there are no other significant related party transactions during the year ended 31 December 2021 and 2020.

43. RELATED AND CONNECTED PARTIES DISCLOSURES

(ii) Connected party transactions

Name of connected party	Nature of transactions	2021 HK$'000	2020 HK$'000
Volvo Car and its related companies	Sales of lithium battery	–	180,242
Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. and its related companies	Sales of lithium battery	–	25,320
Zhejiang Geely Holding Group Co. Ltd. and its subsidiaries, excluding Geely Automobile Holdings Limited and its subsidiaries	Sales of lithium battery	**462,375**	84,032
Zhejiang Geely Holdings Group Co., Ltd and its subsidiary	Borrowings	–	102,612
	Interest paid	**767**	3,280

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.

The annual cap amounts for the year ended 31 December 2021 has increased from RMB250 million to RMB460 million, while the annual cap amounts for the year ended 31 December 2022 and the period from 1 January 2023 to 22 October 2023 remains unchanged as set out in the circular of the Company dated 10 August 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Borrowings (Note 27)		Lease liabilities (Note 28)	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**425,411**	644,772	**3,724**	6,536
Changes from cash flows:				
Proceeds from new borrowings	**–**	59,328	**–**	–
Repayment of borrowings	**(152,257)**	(304,503)	**–**	–
Repayment of principal portion of lease liabilities	**–**	–	**(2,954)**	(2,812)
Interest paid	**(8,546)**	(16,463)	**(234)**	(322)
Total changes from financing cash flows	**(160,803)**	(261,638)	**(3,188)**	(3,134)
Other changes:				
Addition	**–**	–	**248**	–
Remeasurement of lease liabilities	**–**	–	**6,638**	–
Exchange difference	**11,250**	25,814	**(6)**	–
Interest expenses	**8,546**	16,463	**234**	322
At 31 December	**284,404**	425,411	**7,650**	3,724

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2021 were approved for issue by the Board of Directors on 30 March 2022.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONTINUING OPERATIONS					
Revenue	17,476	238,610	341,270	297,065	**478,917**
Direct operating expenses	(17,756)	(286,161)	(336,947)	(204,077)	**(363,791)**
Other operating revenue	144,403	38,267	196,640	81,540	**141,275**
Selling and distribution costs	(3,187)	(3,108)	(13,402)	(20,149)	**(12,995)**
Administrative expenses	(114,701)	(132,762)	(92,715)	(86,159)	**(92,824)**
Other operating expenses, net	(7,910)	(25,414)	(5,131)	(129,376)	**(26,685)**
Loss on deemed disposal of a subsidiary	–	–	–	(58,767)	**–**
(Impairment)/reversal of impairment of exploration and evaluation assets	1,131,284	2,165,938	853,360	2,053,773	**–**
Impairment of other intangible assets	(60,003)	–	–	–	**–**
Impairment of property, plant and equipment	(50,368)	(1,047)	(331,909)	(139,058)	**(18,244)**
(Impairment loss)/reversal of impairment loss of trade receivables	–	(38,656)	13,344	277	**(10)**
Impairment of prepayments, deposits and other receivables	–	(357,401)	(2,322)	–	**–**
Fair value gain on derivative financial liabilities	58,164	–	–	–	**–**
Fair value (loss)/gain on contingent consideration payables	(5,993)	2,584	(4,598)	54,769	**(3,342)**
Share of results of associates	–	–	(1,096)	(50,628)	**(4,868)**
Finance costs	(68,535)	(9,778)	(19,395)	(16,785)	**(8,780)**
Profit before income tax	1,022,874	1,591,072	597,099	1,782,425	**88,653**
Income tax credit/(expense)	(366,900)	(736,419)	(290,142)	(698,283)	**–**
Profit for the year	655,974	854,653	306,957	1,084,142	**88,653**
Attributable to:					
Owners of the Company	676,063	974,477	415,609	1,156,593	**88,500**
Non-controlling interests	(20,089)	(119,824)	(108,652)	(72,451)	**153**
Profit for the year	655,974	854,653	306,957	1,084,142	**88,653**

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	6,175,449	7,694,356	7,917,742	7,803,205	**7,308,648**
Total liabilities	(1,911,492)	(2,998,597)	(3,151,147)	(3,004,183)	**(2,622,857)**
Non-controlling interests	(296,436)	(180,329)	(65,765)	71,324	**(31,745)**
Equity attributable to owners of the Company	3,967,521	4,515,430	4,700,830	4,870,346	**4,654,046**