HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This Announcement, for which the directors (the " Directors") of Honbridge Holdings Limited (the " Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the " GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Announcement misleading; and (iii) all opinions expressed in this Announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This Announcement will remain on the " Latest Company Announcements" page of the GEM website www.hkgem.com for at least seven days from the date of its publication and on the website of the Company at www.8137.hk.

GROUP RESULTS

The board of directors (the "Board") of Honbridge Holdings Limited (the "Company") announced the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with the comparative audited figures for last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*4*	**73,481**	10,365
Cost of sales		**(51,996)**	(2,778)
Gross profit		**21,485**	7,587
Other operating income		**4,086**	6,971
Selling and distribution costs		**(959)**	(432)
Administrative expenses		**(78,912)**	(60,143)
Other operating expenses		**(3,008)**	(54,924)
Impairment of exploration and evaluation assets		**(4,474,063)**	–
Fair value gain on derivative financial liabilities		**8,812**	–
Fair value loss on contingent consideration payables		**(190,295)**	–
Gain on disposals of subsidiaries	*6*	**18,161**	73,188
Gain on bargain purchase		**–**	9,277,141
Finance costs		**(67,327)**	(69,539)
(Loss)/Profit before income tax		**(4,762,020)**	9,179,849
Income tax credit	*8*	**1,520,225**	–
(Loss)/Profit for the year		**(3,241,795)**	9,179,849
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(1,165,934)**	(1,754,454)
Release of translation reserve upon disposals of subsidiaries		**(1,920)**	123,560
Other comprehensive income for the year, net of tax		**(1,167,854)**	(1,630,894)
Total comprehensive income for the year		**(4,409,649)**	7,548,955
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(3,241,459)**	9,182,596
Non-controlling interests		**(336)**	(2,747)
		(3,241,795)	9,179,849
Total comprehensive income attributable to:			
Owners of the Company		**(4,409,313)**	7,562,432
Non-controlling interests		**(336)**	(13,477)
		(4,409,649)	7,548,955
(Losses)/Earnings per share	*10*		
— Basic		**HK(53.09) cents**	HK150.88 cents
— Diluted		**N/A**	HK124.71 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**141,615**	6,793
Exploration and evaluation assets	13	**8,900,720**	15,140,419
Prepaid land lease payments		**54,482**	22,184
Other intangible assets		**348,825**	–
Deferred tax assets		**896**	–
Goodwill	14	**186,166**	–
		9,632,704	15,169,396
Current assets			
Inventories		**31,268**	–
Trade and bill receivables	11	**359,480**	250,779
Prepayments, deposits and other receivables		**50,912**	7,662
Restricted bank deposits		**15,294**	–
Cash and cash equivalents		**57,080**	86,142
Total current assets		**514,034**	344,583
Current liabilities			
Trade and bill payables	12	**324,176**	237,032
Other payables, accrued expenses, deposits received and receipts in advance		**57,719**	75,295
Borrowings		**–**	2,691
Current tax liabilities		**67**	–
Loans from non-controlling interest of a subsidiary		**–**	6,800
Total current liabilities		**381,962**	321,818
Net current assets		**132,072**	22,765
Total assets less current liabilities		**9,764,776**	15,192,161

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Derivative financial liabilities	**83,699**	92,511
Loans from ultimate holding company	**220,138**	228,794
Deferred income	**133,279**	–
Convertible bonds	**489,436**	433,660
Deferred tax liabilities	**2,985,150**	5,044,761
Contingent consideration payables	**1,780,569**	1,590,274
	5,692,271	7,390,000
Net assets	**4,072,505**	7,802,161
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**6,645**	6,216
Reserves	**4,041,118**	7,805,250
	4,047,763	7,811,466
Non-controlling interests	**24,742**	(9,305)
Total equity	**4,072,505**	7,802,161

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to the owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium*	Treasury shares reserve*	Other reserve*	Share-based payment reserve*	Translation reserve*	Convertible bond equity reserve*	(Accumulated losses)/ Retained earnings*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	6,216	679,331	–	45,475	357,381	(99,740)	363,304	(1,047,228)	304,739	279,188	583,927
Arising from loans from ultimate holding company	–	–	–	3,788	–	–	–	–	3,788	–	3,788
Issue of convertible bonds	–	–	–	–	–	–	258,836	–	258,836	–	258,836
Disposals of subsidiaries	–	–	(276,332)	–	–	–	(41,997)	–	(318,329)	(275,016)	(593,345)
Lapse of share options	–	–	–	–	(220,508)	–	–	220,508	–	–	–
Transactions with owners	–	–	(276,332)	3,788	(220,508)	–	216,839	220,508	(55,705)	(275,016)	(330,721)
Profit for the year	–	–	–	–	–	–	–	9,182,596	9,182,596	(2,747)	9,179,849
Other comprehensive income											
Currency translation	–	–	–	–	–	(1,743,724)	–	–	(1,743,724)	(10,730)	(1,754,454)
Release of translation reserve upon disposals of subsidiaries	–	–	–	–	–	123,560	–	–	123,560	–	123,560
Total comprehensive income	–	–	–	–	–	(1,620,164)	–	9,182,596	7,562,432	(13,477)	7,548,955
Transfer of reserves	–	–	–	–	–	–	(321,307)	321,307	–	–	–
At 31 December 2013 and 1 January 2014	6,216	679,331	(276,332)	49,263	136,873	(1,719,904)	258,836	8,677,183	7,811,466	(9,305)	7,802,161
Sales of treasury shares	–	–	73,200	–	–	–	–	(15,172)	58,028	–	58,028
Acquisition of subsidiaries *(note 7)*	–	–	–	–	–	–	–	–	–	25,078	25,078
Disposals of subsidiaries *(note 6)*	–	–	–	(555)	–	–	–	555	–	9,305	9,305
Share issued for acquisition of subsidiaries *(note 7)*	429	587,153	–	–	–	–	–	–	587,582	–	587,582
Transactions with owners	429	587,153	73,200	(555)	–	–	–	(14,617)	645,610	34,383	679,993
Loss for the year	–	–	–	–	–	–	–	(3,241,459)	(3,241,459)	(336)	(3,241,795)
Other comprehensive income											
Currency translation	–	–	–	–	–	(1,165,934)	–	–	(1,165,934)	–	(1,165,934)
Release of translation reserve upon disposals of subsidiaries	–	–	–	–	–	(1,920)	–	–	(1,920)	–	(1,920)
Total comprehensive income	–	–	–	–	–	(1,167,854)	–	(3,241,459)	(4,409,313)	(336)	(4,409,649)
At 31 December 2014	6,645	1,266,484	(203,132)	48,708	136,873	(2,887,758)	258,836	5,421,107	4,047,763	24,742	4,072,505

* The aggregate amount of these balances of approximately HK$4,041,118,000 (2013: HK$7,805,250,000) is included as reserves in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are trading of copper and steel product in the PRC, research, production and sales of lithium battery in the PRC and research and exploration of iron ores in the Brazil. 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.

Other than the disposal of Divine Mission Holdings Limited ("Divine Mission"), a 60% owned subsidiary of the Group (note 6) and the acquisition of Triumphant Glory Investments Limited ("Triumphant Glory") (note 7), there were no significant changes in the Group's operations during the year.

The financial statements 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"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market 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

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. The adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

At the date of this announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

HKFRS 9 (2014) — Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The standard is effective for accounting periods beginning on or after 1 January 2017. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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 consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group suffered a loss of HK$288,915,000 (excluding impairment of exploration and evaluation assets of HK$4,474,063,000 and the related deferred tax adjustment of HK$1,521,183,000) for the year ended 31 December 2014.

The going concern basis has been adopted on the following basis:

1. During the year, the holder of the convertible bonds has given its written confirmation that it will not call for redemption/repayment since 2016. Accordingly, the derivative and liability component of the convertible bonds of HK$83,699,000 and HK$489,436,000 were classified as non-current liabilities.

2. On 9 March 2015, the Company signed Memorandum of Understanding ("MOU") with an independent third party, New Hope Group Co., Limited ("New Hope"), a limited liability company incorporated in the People's Republic of China (the "PRC"). It is proposed that the Company will issue convertible bonds with aggregate principal amount of no less than HK$240,870,000 and no more than HK$1,379,730,000 and grant no more than 1,026,000,000 share options to New Hope. The aggregate number of the shares of the Company to be held by New Hope upon conversion of the convertible bonds and exercise of the share options shall not exceed 1,243,000,000 shares of the Company.

3. As stated in note 13, the estimated total capital expenditure for the mineral resources exploration business in Brazil, which is operated by Sul Americana de Metais S.A. ("SAM"), a subsidiary of the Group, is approximately US$3,959 million. The Company has signed certain MOU and framework agreement with its strategic partners to obtain funding for the future construction cost and operations of SAM, which will be commenced when mining licenses are granted by the Brazilian authorities. The directors of the Company reviewed the financial position of the Group, the estimated capital expenditure for the construction and operation of SAM and the signed MOU, the directors are satisfied that the Group will be able to provide sufficient financing to the operations of SAM.

4. In addition, the Company's ultimate holding company, Hong Bridge, and its two shareholders have undertaken to provide financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 March 2016.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. These adjustments have not yet been reflected in the financial statements.

4. TURNOVER

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

	2014	2013
	HK$'000	*HK$'000*
Sale of lithium batteries	**69,977**	–
Revenue from trading commodity contracts *(note)*	**3,504**	8,208
Sale of silicon products	**–**	2,157
	73,481	10,365

Note: Revenue from trading commodity contracts represented income on contracts to buy or sell copper and steel products by the Group, which were not entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements. Gross sale amount of these transactions was HK$2,970 million (2013: HK$2,923 million) during the year.

5. SEGMENT INFORMATION

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

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

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

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*	Silicon products *HK$'000*	Total *HK$'000*
Year ended 31 December 2014				
Reportable segment turnover (external customers)	**3,504**	**69,977**	**–**	**73,481**
Reportable segment losses	**(4,498,175)**	**(6,621)**	**–**	**(4,504,796)**
Reportable segment assets	**9,191,473**	**922,975**	**–**	**10,114,448**
Reportable segment liabilities	**1,909,423**	**381,842**	**–**	**2,291,265**
Capital expenditure	**64**	**549**	**–**	**613**
Impairment loss on exploration and evaluation assets	**4,474,063**	**–**	**–**	**4,474,063**
Write-down of inventories	**–**	**1,266**	**–**	**1,266**
Interest income	**(129)**	**(160)**	**–**	**(289)**
Interest expense	**–**	**208**	**–**	**208**
Depreciation	**1,410**	**3,191**	**–**	**4,601**
Amortisation charge	**–**	**10,671**	**–**	**10,671**
Year ended 31 December 2013				
Reportable segment turnover (external customers)	8,208	–	2,157	10,365
Reportable segment profit/(loss)	9,306,080	–	(6,741)	9,299,339
Reportable segment assets	15,415,311	–	22,219	15,437,530
Reportable segment liabilities	1,867,230	–	43,721	1,910,951
Capital expenditure	3,961	–	–	3,961
Impairment of trade receivables	12,782	–	38	12,820
Write-off of other receivables	–	–	3,215	3,215
Write-down of inventories	–	–	369	369
Gain on bargain purchase	(9,277,141)	–	–	(9,277,141)
Gain on disposals of subsidiaries	(73,188)	–	–	(73,188)
Interest income	(1,121)	–	–	(1,121)
Interest expense	2,657	–	–	2,657
Depreciation	1,115	–	–	1,115
Amortisation charge	–	–	500	500

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:

	2014	2013
	HK$'000	*HK$'000*
Reportable segment turnover	**73,481**	10,365
Reportable segment (loss)/profit	**(4,504,796)**	9,299,339
Other operating income	**703**	3,858
Administrative expenses	**(25,744)**	(18,325)
Other operating expenses	**(1,742)**	(38,141)
Fair value gain on derivative financial liabilities	**8,812**	–
Fair value loss on contingent consideration payables	**(190,295)**	–
Gain on disposals of subsidiaries	**18,161**	–
Finance costs	**(67,119)**	(66,882)
(Loss)/profit before income tax	**(4,762,020)**	9,179,849
Reportable segment assets	**10,114,448**	15,437,530
Property, plant and equipment	**679**	1,035
Prepayments and other receivables	**1,066**	5,320
Cash and cash equivalents	**30,545**	70,094
	10,146,738	15,513,979
Reportable segment liabilities	**2,291,265**	1,910,951
Other payables and accrued expenses	**4,545**	1,141
Derivative financial liabilities	**83,699**	92,511
Loans from ultimate holding company	**220,138**	228,794
Convertible bonds	**489,436**	433,660
Deferred tax liabilities	**2,985,150**	5,044,761
	6,074,233	7,711,818

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

	2014	2013
	HK$'000	*HK$'000*
Turnover from external customers		
PRC	**73,481**	10,365
Reportable segment turnover	**73,481**	10,365
Non-current assets (excluding deferred tax assets)		
Hong Kong	**679**	1,035
PRC	**726,941**	22,939
Brazil	**8,904,188**	15,145,422
Reportable segment non-current assets	**9,631,808**	15,169,396

Geographical location of customers is based on the location at which the goods are delivered whilst geographical location of non-current assets is determined based on (1) the physical location of the asset (for property, plant and equipment and prepaid land lease payments) and (2) location of operations (for exploration and evaluation assets, other intangible assets and goodwill).

During the year ended 31 December 2014, over 94% of the Group's turnover was derived from 1 major customer in lithium battery production segment and turnover generated from this customer is HK$69,448,000.

During the year ended 31 December 2013, over 57% of the Group's turnover was derived from 2 major customers in the mineral resources exploration and trading segment and 1 major customer in silicon products segment. Turnover generated from these 2 major customers in mineral resources exploration and trading segment were HK$2,586,000 and HK$1,862,000 and turnover generated from the major customer in the silicon products segment was HK$1,449,000.

6. DISPOSALS OF DIVINE MISSION

On 17 January 2014, the Company disposed its equity interests in Divine Mission, a 60% owned subsidiary of the Group (the "Disposal"), to an independent third party for a cash consideration of HK$3,600,000. Divine Mission beneficially owned 100% of Kailun Photovoltaic Materials Investments Limited, which indirectly owns 100% of the issued share capital of Jining Kailun SogSi Materials Co., Ltd. (collectively referred as to the "Divine Mission Group"). The Divine Mission Group engaged in the production and sale of silicon products in the PRC. Net liabilities of the Divine Mission Group at the date of Disposal were as follows:

	HK$'000
Prepaid land lease payments	22,184
Cash and cash equivalents	35
Trade payables	(10,917)
Other payables and receipts in advance	(23,064)
Loans from non-controlling interest of a subsidiary	(6,800)
Borrowings	(2,691)
Deferred tax liabilities	(693)
	(21,946)
Non-controlling interests	9,305
Release of translation reserve upon disposals of Divine Mission Group to profit or loss	(1,920)
Gain on disposals of subsidiaries	18,161
Total consideration	3,600
Satisfied by:	
Cash consideration	3,600

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

	HK$'000
Cash consideration received	**3,600**
Cash and cash equivalents disposed of	**(35)**
Net inflow of cash and cash equivalents in respect of the disposal of the Divine Mission Group	**3,565**

7. BUSINESS COMBINATION

On 2 July 2014, the Company entered into an acquisition agreement with Geely International (Hong Kong) Limited, Good Cheer Holdings Limited ("Good Cheer") (Mr. He Xuechu, a director and controlling shareholder of the Company, held 35% equity interests in Good Cheer) and Leads Top Limited ("Vendors") to acquire 90.68% of the equity interests in Triumphant Glory and amounts due to Vendors of HK$157,922,000 for a total consideration of HK$634,760,000 (the "Acquisition"). The consideration was settled by the issue of 428,891,890 shares of the Company. Triumphant Glory beneficially owned 100% of the equity interest in Shandong Forever (collectively referred as to the "Triumphant Glory Group"). The Triumphant Glory Group is principally engaged in the production and sale of lithium batteries in the PRC. The Acquisition was completed on 26 September 2014. Details of the Acquisition were set out in the Company's circulars dated 1 September 2014. The Acquisition was made with the aims to explore the Group's new investment and cooperation opportunities in the new energy and resources section for electric vehicles in the PRC.

The fair value of identifiable assets and liabilities of the Triumphant Glory Group as at the date of Acquisition were:

	HK$'000	*HK$'000*
Property, plant and equipment	140,195	
Other intangible assets	359,168	
Prepaid land lease payments	54,810	
Deferred tax assets	4,277	
Inventories	42,589	
Trade receivables	71,817	
Prepayments, deposits and other receivables	19,938	
Restricted bank deposits	24,279	
Cash and cash equivalents	47,353	
Bank borrowings	(25,200)	
Trade and bill payables	(75,073)	
Other payables, accrued expenses, deposits received and receipts in advance	(9,282)	
Amounts due to Vendors	(157,420)	
Deferred income	(136,080)	
Deferred tax liabilities recognised upon fair value adjustments	(92,297)	269,074
Less: Non-controlling interests		(25,078)
		243,996
Amounts due to Vendors assigned		157,420
Goodwill *(note 14)*		186,166
Consideration satisfied by shares of the Company		587,582
Cash and cash equivalents acquired		47,353
Cash inflow arising from the acquisition of the Triumphant Glory Group		47,353

The goodwill is attributable to the significant future prospect and the business value of the acquired production and sale of lithium battery business.

Since the Acquisition, the Triumphant Glory Group has contributed revenue of approximately HK$69,977,000 to the Group's turnover and loss of approximately HK$6,621,000 to the Group's loss for the year. Had the Acquisition been completed on 1 January 2014, total Group's turnover for the year would have been increased by approximately HK$102,842,000 and loss for the year would have been decreased by approximately HK$10,882,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results. The Acquisition's related costs of approximately HK$1,722,000 have been expensed and are included in other operating expenses.

The fair value of trade receivables, prepayments, deposits and other receivables at the date of acquisition amounted to HK$91,755,000 which was also the gross contractual amounts of these receivables acquired. None of the contractual cash flows of the above amount was estimated to be uncollectible.

8. INCOME TAX CREDIT

	2014	2013
	HK$'000	*HK$'000*
Overseas tax		
Current year	**183**	–
Deferred tax	**(1,520,408)**	–
Income tax credit	**(1,520,225)**	–

During the years ended 31 December 2014 and 31 December 2013, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

During the year, the PRC corporate income tax rate of 25% (2013: 25%) is applicable to Shanghai Hongying Trading Co. Limited ("Shanghai Hongying") and Shandong Forever New Energy Co., Ltd. ("Shandong Forever"), being the Group's subsidiaries established in the PRC.

During the year, corporate income tax rates in Brazil of 34% (2013: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

10. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share is based on the loss attributable to owners of the Company of HK$3,241,459,000 (2013: profit of HK$9,182,596,000) and weighted average of 6,105,872,000 (2013: 6,085,985,000) ordinary shares in issue during the year.

For the year ended 31 December 2014, diluted losses per share attributable to owners of the Company were not presented because the impact of the exercise of share options and convertible bonds was anti-dilutive.

For the year ended 31 December 2013, the calculation of diluted earnings per share attributable to the owners of the Company was based on the following data:

	HK'000
Earnings for the purposes of basic earnings per share	9,182,596
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds	50,994
Fair value loss on derivative financial assets	2,626
Loss on de-recognition of liability component of convertible bond	12,684
Fair value loss on derivative financial liabilities	15,454
Earnings for the purposes of diluted earnings per share	9,264,354

Number of shares	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,085,985
Effect of dilutive potential ordinary shares:	
— options	21,000
— convertible loan notes	1,321,644
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,428,629

11. TRADE AND BILL RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables, gross	**367,010**	263,599
Less: Impairment	**(12,570)**	(12,820)
Trade receivables, net	**354,440**	250,779
Bill receivables	**5,040**	–
Trade and bill receivables	**359,480**	250,779

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

The Group allows a credit period from 0 day to 180 days (2013: 0 days to 180 days) to its trade customers. The following is ageing analysis of net trade and bill receivables at the reporting date:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**180,140**	77,399
31–90 days	**97,276**	120,036
91 to 180 days	**29,608**	–
Over 180 days	**52,456**	53,344
	359,480	250,779

The below table reconciled the impairment of trade receivables for the year:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**12,820**	–
Disposals of subsidiaries	**(38)**	–
Impairment of trade receivables	**–**	12,820
Exchange realignment	**(212)**	–
At 31 December	**12,570**	12,820

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2014, the Group determined trade receivables of approximately HK$12,570,000 (2013: HK$12,820,000) as impaired. The impaired trade receivables are due from the customer experiencing financial difficulties.

Ageing analysis of trade and bill receivables that were past due as at the reporting date but not impaired, based on the due date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**307,024**	197,435
Over 180 days past due	**52,456**	53,344
	359,480	250,779

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

12. TRADE AND BILL PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**308,882**	237,032
Bill payables	**15,294**	–
	324,176	237,032

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:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**34,344**	52,824
31–60 days	**46,562**	119,948
61–90 days	**32,678**	–
91–180 days	**110,249**	–
Over 180 days	**100,343**	64,260
	324,176	237,032

13. EXPLORATION AND EVALUATION ASSETS

	2014	2013
	HK$'000	*HK$'000*
At 1 January		
Cost	**15,140,419**	–
Accumulated impairment	**–**	–
Net book amount	**15,140,419**	–
For the year ended 31 December		
Opening net book amount	**15,140,419**	–
Acquired through business combination	**–**	17,688,504
Additions	**25,366**	37,904
Exchange realignments	**(1,791,002)**	(2,585,989)
Impairment losses	**(4,474,063)**	–
Net book amount	**8,900,720**	15,140,419
At 31 December		
Cost	**13,374,783**	15,140,419
Accumulated impairment	**(4,474,063)**	–
Net book amount	**8,900,720**	15,140,419

As at 31 December 2014 and 2013, exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais and Bahia, Brazil and the expenditures incurred in the search for mineral resources.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is less than its recoverable amount.

During the year, the Directors reviewed the carrying amount of exploration and evaluation assets, impairment loss of HK$4,474,063,000 had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment is mainly due to (1) continuous drop in the selling price of iron ores for the year; (2) delay in the estimated commencement date of production and (3) increase in discount rate.

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.

Assumptions and parameters of the valuation as at 31 December 2014 are as follows:

Approval of all required licenses	The first half of 2016 (2013: The first half of 2015)
Commencement of production	2019 (2013: 2018)
Annual production capacity	25 million tonnes (2013: 25 million tonnes) of iron concentrate
Resource estimates	Measured resources of 1,135 million tonnes (2013: 1,135 million tonnes) (20.57%) Indicated resources of 1,479 million tonnes (2013: 1,479 million tonnes) (19.64%)
Dilution rate	0% (2013: 0%)
Mining loss rate	6.66% (2013: 6.66%)
Processing recovery	87% (2013: 87%)
Average price of iron concentrate	US$85 per tonnes (2013: US$105 per tonnes)
Operating costs	US$38.8 per tonnes (2013: US$32.5 per tonnes)
Income tax rate	11–15% for the first ten years of operation 34% afterwards
Capital expenditures	US$3,959 million (2013: US$3,800 million) for the construction of infrastructure
Discount rate	19.26% (2013: 17.93%)

For illustrative purpose, should there be (1) delay in commencement of production by 1 year or (2) decrease in price of iron concentrate, operating costs and capital expenditures by 10%, there will be a decrease of the fair value of the exploration and evaluation assets by 15% and 8% respectively, assuming there are no changes in other parameters.

The Group had entered into various co-operation agreements, memorandum of understanding and framework agreement for funding and co-operation in the development of SAM. The Group is also under negotiations with various third parties for financing activities. Same as prior years, Hong Bridge, the ultimate holding company of the Company, and its two shareholders continue to undertake that they will render adequate financial support to the Group for the operations of SAM.

14. GOODWILL

During the year, goodwill arose from the acquisition of Triumphant Glory Investment Limited and its subsidiary, namely Shangdong Forever, which are engaged in the production and sales of lithium batteries during the year. Details please refer to note 7. The net carrying amount of goodwill can be analysed as follows:

	2014	2013
	HK\$'000	*HK\$'000*
At 1 January		
Gross carrying amount	**35,686**	66,737
Accumulated impairment	**(35,686)**	(66,737)
Net carrying amount	**–**	–
Carrying amount at 1 January	**–**	–
De-recognition upon disposals of subsidiaries	**(35,686)**	(31,051)
Accumulated impairment written back upon disposals of subsidiaries	**35,686**	31,051
Acquired through business combination *(note 7)*	**186,166**	–
Net carrying amount at 31 December	**186,166**	–
At 31 December		
Gross carrying amount	**186,166**	35,686
Accumulated impairment	**–**	(35,686)
Net carrying amount	**186,166**	–

As at 31 December 2014, goodwill is allocated to CGUs of lithium battery production segment. The recoverable amount for this CGU is determined based on fair value less cost of disposal calculation using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows with growth rate of 3%. The post-tax discount rate used for fair value less cost of disposal calculation is 18.46% per annum, which reflects specific risks relating to the relevant CGU. As at 31 December 2013, goodwill is allocated to CGU of silicon business segment operated by Divine Mission, which was disposed of during the year.

15. CAPITAL COMMITMENTS

	2014	2013
	HK\$'000	*HK\$'000*
Contracted but not provided for		
Property, plant and equipment	**3,164**	1,940
Exploration and evaluation assets	**–**	6,978
	3,164	8,918

As at 31 December 2014, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 13.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded a turnover of HK$73.5 million which comprised HK$3.5 million from mineral resources and steel metal trading and HK$70.0 million from the sale of lithium-ion batteries. Group results changed from profit of HK$9,180 million to loss of HK$3,242 million in current year. This is mainly due to the recognition of HK$9,277 million bargain purchase gain in acquisition of SAM and HK$73.2 million gain on disposal of Hill Talent Group in 2013. Besides, HK$4,474 million impairment loss on exploration and evaluation assets was recorded in 2014 while no such loss and expenses in last year. Excluding impairment of exploration and evaluation assets of HK$4,474 million and the related deferred tax adjustment of HK$1,521 million, a loss of HK$288.9 million was recorded by the Group for the year ended 31 December 2014.

NEW ENERGY VEHICLES-RELATED BUSINESS

In order to cope with the worsening environmental pollution and global climate change, governments of different countries have launched a series of regulations and policies to stimulate the development and consumption of new energy vehicles industry.

In the past, as various complicated factors such as costs, security, driving range, consumer psychology and investment, especially the factors of cost and weight of battery, new energy vehicles have been in the experimental stage without launching into the market in large-scale. With the encouraging investment and subsidies from the government in the early stage, new energy vehicles industry is expected to enter into a massive development stage. Core cost will significantly decrease when scaling up and new energy vehicles will gradually occupy the market share of traditional fuel vehicles and eventually replacing the vast majority of traditional fuel vehicles.

Based on the above background, the Group is determined to enter the field of new energy vehicles and intended to acquire all the core technology such as battery, battery pack, battery management system (“BMS”), electric motor, inverter, high power charger, energy regeneration system and vehicle control module by acquisition. Through integration of technology and innovation, ultimately, produce new energy vehicles and following this direction, a series of industrial layout were set out below.

ACQUISITION OF TRIUMPHANT GLORY GROUP

On 2 July 2014, the Company (as purchaser) and Geely International (Hong Kong) Limited, Good Cheer Holdings Limited and Leads Top Limited (as Vendors) entered into an acquisition agreement pursuant to which the Company conditionally agreed to acquire and accept the assignment of, and the Vendors conditionally agreed to sell and assign, the Sale Shares and the Sale Loan at the consideration of HK$634,760,000. The Sale Shares represent 90.68% of the issued share capital of Triumphant Glory Investments Limited. The Sale Loan represents the aggregate amount owing by Triumphant Glory Investments Limited and its wholly owned subsidiary, Shandong Forever New Energy Co., Ltd. ("Shandong Forever New Energy") (collectively as "Triumphant Glory Group") to Vendors, which amounts to approximately HK$157,922,000. The acquisition was completed on 26 September 2014 and marks a milestone to the Group in entering new energy sector.

Shandong Forever New Energy is a company established in 2010 in Zoucheng, Shandong Province, the People's Republic of China (the "PRC"), trial production in mid-2012 and mass production from late 2013.

Currently, the production plant of Shandong Forever New Energy covers a total area of approximately 130,000 square meters and its current factory and office facilities covers a floor area of about 70,000 square meters. The current design 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. Subject to the availability of the necessary funding, the Company plans to build new production line in Shandong Forever New Energy to expand its annual production capacity from 150,000 kWh to about 300,000 kWh in or around mid-2015. It is expected that such new production line could commence production by mid-2016. It is estimated that the capital expenditure for building such new production line would amount to approximately RMB180 million.

The products of Shandong Forever New Energy mainly includes 10Ah, 20Ah, 22Ah, 50Ah, 66Ah and 100Ah lithium battery cells. By using its battery cells, Shandong Forever New Energy also provides battery pack assembly service in accordance with specifications and requirements set out by customers, and such products can be used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices. The production of Shandong Forever New Energy has attained consistency with scrap rate of less than 3%, and the battery products of Shandong Forever New Energy has reached 106 Wh/kg (for lithium iron phosphate battery) and 160 Wh/kg (for LiCoMnNi ternary battery) in terms of power density and 3,000 times in terms of life cycle. Shandong Forever New Energy will continue to focus on research and development to maintain the competitiveness of products.

The products of Shandong Forever New Energy are mainly sold to Kandi Electric Vehicles Group Co., Ltd. ("Zhejiang Kandi") and Jinhua Kandi New Energy Vehicle Co., Ltd. ("Kandi New Energy") for their production of electric and hybrid vehicles. Zhejiang Kandi is a joint venture company between the Geely Automobile Holdings Limited and the Kandi Group, and Zhejiang Kandi is principally engaged in the investment, research and development, production, marketing and sales of electric vehicles in the PRC with the "KANDI" brand. Kandi New Energy is a 50% owned company of Kandi Technologies Group, Inc., and is principally engaged in research and development, production and sales of electric vehicles in the PRC. Apart from Zhejiang Kandi and Kandi New Energy, Shandong Forever New Energy's products have also passed testing conducted by certain other automobile companies. In order to keep pace with the market and broaden the customer base, Shandong Forever will continue to work closely with other companies and provide potential customers samples. Shandong Forever New Energy has delivered 11,500 battery packs in 2014. Furthermore, Shandong Forever New Energy has received purchase orders for not less than 750,000 and 1,250,000 lithium iron phosphate battery cells for the years ending 31 December 2015 and 2016, respectively. The then contract values will be determined with reference to the prevailing market price after negotiation. Assuming the unit price in 2015 and 2016 is the same as that of purchase order in 2014, for indication purpose only, the contract values for the years ending 31 December 2015 and 2016 will be approximately RMB317 million (inclusive of 17% VAT amounting to RMB46.0 million) and approximately RMB528 million (inclusive of 17% VAT amounting to RMB76.7 million), respectively.

Shandong Forever New Energy has contributed HK$70.0 million revenue, HK$7.2 million profit before depreciation and amortisation and HK$6.6 million loss after tax to the Group during the period ended 31 December 2014 since acquisition.

POSSIBLE ACQUISITION OF A TARGET COMPANY BASED IN NORTH AMERICA WITH MASS PRODUCTION FACILITY LOCATED IN CHINA

In August 2014, the Company started negotiation with the major shareholder of a target company (the "Target Company") for a possible acquisition. The Target Company is principally engaged in the research and development, manufacture and sale of electric vehicle power system as well as provides electric vehicle integration solution for automobile manufacturers. The products of the Target Company include high power motors, inverters, high power chargers, energy regeneration system, vehicle control module and battery management system. The Target Company has a number of patented technologies (and a few pending patents) and the reliability of its advanced technology has been validated by a numbers of leading automobile manufacturers worldwidely. The research and development headquarter of the Target Company is located in North America and a mass production facility which is under construction will be located in China. The negotiation is still ongoing as at the date of this announcement.

COOPERATION FRAMEWORK AGREEMENT ON NEW ENERGY AUTOMOBILE PRODUCTION BASE

On 16 October 2014, the Company entered into a non-legally binding cooperation framework agreement (the "Cooperation Framework Agreement") with the New District Administrative Committee of Wuxi Municipal People's Government, Jiangsu Province of the PRC (the "Wuxi New District Administrative Committee") and Sunbase International (Holdings) Limited ("Sunbase Holdings"). According to the Cooperation Framework Agreement, the Company intends to establish a new energy automobile production base in the New District of Wuxi (the "Production Base") jointly with Sunbase Holdings. The initial annual production target of the Production Base is 200,000 new energy vehicles, 3,000,000 kWh power batteries, as well as around 200,000 sets of core components such as electric motor system and electronic vehicle control module. Wuxi New District Administrative Committee and Sunbase Holdings will be responsible for setting up a special industrial fund of approximately RMB5 billion to support the establishment of the Production Base and Wuxi New District Administrative Committee will proactively provide land, tax, subsidies and other supports according to the PRC national policy. Since the signing of the Cooperation Framework Agreement, the Company and the other two parties had conducted several discussions and negotiations. If consensus is reached on all major terms, the signing of a formal agreement will be arranged.

MEMORANDUM OF UNDERSTANDING ("MOU") FOR THE PROPOSED ACQUISITION OF PROTEAN HOLDINGS CORPORATION

On 23 January 2015, the Company signed a non legally-binding MOU with Protean Holdings Corporation ("Protean") and its major shareholder, Oak Investments Partners (the "Vendor"), for the proposed acquisition of Protean.

Protean is an award-winning technology company that has developed an in-wheel electric drive system for hybrid, plug-in hybrid and battery electric light-duty vehicles. The Protean Drive™ system can improve vehicle fuel economy, add torque, increase power and enable improved vehicle handling to both new and existing vehicles. The headquarter of the Protean is located in Michigan in the United States of America and conducts its research and development activities in its founding place at Farnham in England. Protean also set up its PRC headquarter in Shanghai. Protean has employed more than 40 engineers. Besides, 47 patents have been awarded with another 116 filings covering 55 inventions.

According to the MOU, two weeks after satisfactorily completing the due diligence by the Company, at least USD 3 million bridge loan (the "Bridge Loan") will be provided to Protean. The Bridge Loan will be convertible into equity interest of Protean and other terms of the Bridge Loan shall be subject to further negotiation between the Company and Protean. Protean and the Vendor agreed to offer favorable terms to the Company in return for accepting such Bridge Loan, including but not limit to conversion to preferred shares, warrant to acquire common shares as a result of winning potential businesses. As more time is required for the Company to perform data analysis, the due diligence has not been completed at the date of this announcement. The consideration for the proposed acquisition, including the consideration amount and the way of settlement, shall be subject to further negotiation between the Company and the Vendor and the terms and conditions of a formal agreement.

POSSIBLE COOPERATION WITH NEW HOPE GROUP CO. LTD ("NEW HOPE GROUP")

The Company and New Hope Group have entered into preliminary negotiations in relation to the cooperation on new energy vehicle related businesses, including but not limited to, the research and development, and production and sales of electric batteries, motors and vehicle management systems.

The details, mode, and terms of the possible cooperation shall be subject to further negotiations between the Company and New Hope Group. By applying the lithium-ion battery technology of Shandong Forever New Energy, the Company and New Hope Group intend to conduct a feasibility study on further and actual cooperation of certain models. The scale of production, investment and the proportion of investment have not yet been determined.

MEMORANDUM OF UNDERSTANDING WITH NEW HOPE GROUP

In order to strengthen the relationships between the Company and New Hope Group, on 9 March 2015, the Company and New Hope Group entered into a memorandum of understanding (the "New Hope MOU") pursuant to which, it is proposed that the Company will issue a convertible bonds and grant an options to New Hope Group.

Pursuant to the New Hope MOU, the Company shall (i) issue convertible bonds with aggregate principal amount of no less than HK$240,870,000 and no more than HK$1,379,730,000; and (ii) grant options to New Hope Group pursuant to which no more than 1,026,000,000 option shares to be allotted and issued to New Hope Group. In any event, the aggregate number of the share of the Company to be held by New Hope Group upon conversion of the convertible bonds and exercise of the options shall not exceed 1,243,000,000 shares of the Company, which represents (i) approximately 18.7% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.8% of the total issued share capital of the Company as enlarged by the issuance of shares upon full conversion of the convertible bonds and the issuance of option shares upon exercise of the options.

According to the New Hope MOU, in the event the Company and New Hope Group or its affiliate enter into formal agreements in respect of the possible cooperation pursuant to which both parties agree to establish a lithium-ion battery joint venture, and the establishment and operations of such joint venture have successfully received approvals from relevant government and regulatory authorities, New Hope Group will be subject to compulsory conversion of all outstanding convertible bonds into shares of the Company.

Prospects for new energy vehicles-related business

The Group is already a lithium battery company and will become an electric vehicle systems company if the proposed acquisition is completed. If further acquire an electric vehicle manufacturer and the complete construction of Production Base, the Group will become an electric vehicles company that owns all high-end core technology. The initial target is a production capacity with annual production of 3 million kWh lithium battery cells, 200,000 sets of electric motor system and electronic vehicle control module and 200,000 new energy vehicles.

PROGRESS OF SAM

SAM is devoted to develop Block 8 as phase I of operation with an annual production capacity of 25 million tons (with a possibility to expand it to 27.5 million tons) of 66.5% or above iron concentrate. The project will have an integrated system comprised an open-pit mine, a beneficiation plant, a 480km underground slurry pipeline, filtering plant and port for product export. The measured and indicated iron ore reserves of Block 8 are estimated at 2.6 billion tons with average 19.7% Fe at a Fe cut-off of 14% based on JORC Code. The ore body is shallow buried, outcrops on the present surface and inclines slightly with an average dip angle of not more than 15° which translates into approximately 640 million tons of iron concentrate for a lifespan of around 26 years. The Initial Scope of Work in Block 8 includes obtaining the required licenses and approvals for starting the construction and preparation of a bankable feasibility study ("BFS") in accordance with the relevant requirement. According to local topographic features, Block 8 was named as Vale do Rio Pardo.

The detailed exploration work for three exploration rights of Block 7 was completed and the final exploration report was submitted to DNPM on 17 May, 28 May 2013 and 7 March 2014 respectively. It is estimated that measured and indicated iron ore resources of Block 7 could be up to approximately 4.5 billion tons in accordance with the Brazilian mining standards (non-JORC standard).

1. Licenses and Approvals for Commencement of Construction

Construction of the project shall obtain 8 major approvals according to the Brazilian laws, including:

Vegetation Suppression License ("ASV"): SAM will be granted by Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA") together with Installation License if land owners across the underground pipeline route and mine area agree the pipeline to pass through their properties. SAM is in preliminary negotiations with land owners and will start the agreement signing procedures after Preliminary License ("LP") for Block 8 is granted and the pipeline route is confirmed.

Preliminary License (LP): Environmental impact assessment ("EIA") has been submitted to IBAMA, the government agency responsible for environmental licensing of the SAM project, on 3 July 2012 and was accepted on 21 August 2012. Three public hearings were held in January 2013. On 12 December 2013, IBAMA issued technical opinions requesting further clarification/detailing about the EIA. On 27 February and 24 October 2014, SAM submitted IBAMA some supplementary documents and further elaborations. At the request and under supervision of IBAMA, SAM has hosted the forth public hearing session on 5 February 2015. Pending final review and granting of license.

On 23 May 2014, SAM received a summons from Minas Gerais Federal Courts in relation to a civil action against SAM and IBAMA, claiming SAM environmental licensing application is not supported with sufficient details and analysis and does not comply with relevant laws. The Group appointed a Brazilian legal representative who is experienced in the area to defence SAM. According to the legal opinion of a Brazilian legal firm, SAM application is in accordance with relevant laws and the civil action against SAM is not supported with concrete evidence. IBAMA also issued a document which confirmed the licensing process of SAM is in accordance with the Brazilian environmental legislation and defended against the civil action along with SAM. The plaintiff has submitted supplemental information to the court on 15 October 2014 according to the solicitation of the judge. On February 2015, Minas Gerais Federal Courts requested the Federal Public Ministry to express its opinion on the civil action. As at the date of this announcement, Federal Public Ministry is yet issued its opinion but the Group believe this civil action does not have material impact on the overall plan and progress of the Vale do Rio Pardo project.

Installation License ("LI"): SAM is still in the process of preparing the basic environment plan ("PBA"), which is one of the documents required for LI application.

Mining License ("PL"): Economic development plan report was first submitted in 2013 and supplementary documents have been submitted on 26 November 2014 and 27 January 2015, which all submissions are currently under review by DNPM.

Landowners Expropriation Authorization: The Minas Gerais state government in Brazil has issued a public utility decree ("DUP") on 22 January 2014, which declares the land including attachments and young crops above the cities, which SAM iron ore project pipeline under phase one construction will pass through, as land for public facilities and creating easements. The decree also authorises the relevant bodies to perform land acquisition and creating easements by claiming the urgency of project as stipulated in the decree when necessary. As part of the pipeline needs to pass through Bahia state, SAM is seeking Bahia state to issue similar DUP. On 6 September 2013, Bahia state signed a Memorandum of Understanding with SAM, in which Bahia state committed to issue the "DUP" once SAM's Vale do Rio Pardo project is granted LP.

Federal Water License and State Water License: The Brazilian Federal Water Authority has granted SAM a water right in March 2012, which allows SAM to have an annual water consumption of 51 million cubic meters from the Irape Dam for 20 consecutive years. The Irape Dam is approximately 50 kilometers from the beneficiation plant. Agreement was reached with the State of Minas to construct a dam in Vacaria, which is 17 kilometers from the beneficiation plant, with an annual water consumption of 60 million cubic meters. The environmental impact studies (EIA) for Vacaria dam is currently in the process.

ANTAQ Port Operating License: The LP and LI were granted to the Porto Sul by IBAMA in November 2012 and September 2014 respectively. According to the previous tender document, Porto Sul consists of a private port as well as a public port owned by the government of the State of Bahia ("Bahia Government") to transport iron ore, feed, soybeans, ethanol, fertilizer and other bulk cargo. The infrastructure of the project includes an on-shore area of approximately 1,224.9 hectares, a bridge of 3,500 meters long, a pier, a breakwater, a quarry and other facilities related to Porto Sul.

In view of the changes of Brazilian overall economic environment and the pressure from the falling down price of international iron ore, on 5 December 2014, Bahia Government published a public notice that the tender was suspended.

Bahia Government is now seeking to scale down the whole Porto Sul and give priority to build iron ore exclusive pier. Bahia Government is presently appointing a famous investment bank of Brazil, to optimize the Porto Sul scheme and financial model, which they believe will improve the port financially and bring the interested investors and users more confidence.

According to SAM's project timetable for mine, beneficiation plant and pipeline, SAM will actively participate in preparation stage studies for the new Porto Sul and dedicated to create advantages for being an operator and an user of Porto Sul in the future.

2. Feasibility Study Report

The Group has engaged China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") to prepare a feasibility study report on Vale do Rio Pardo's construction work based on the PRC industry standards and regulatory requirements. The report was prepared by China ENFI Engineering Corporation ("ENFI"), an affiliate of NFC. NFC and ENFI has reviewed the information and has conducted an on-site survey in Brazil. The feasibility study report has been completed during the period. The report has confirmed the feasibility of the SAM iron ore project and provided many important data which will be valuable for the project to move forward.

3. CAPEX and OPEX

Under the assumption 1USD = 2.25 Brazilian Reais, the latest estimated capital expenditure ("CAPEX") is approximately USD3.96 billion (2013: USD3.8 billion) while F.O.B. operating cost ("OPEX") (per ton of iron concentrate) is approximately USD38.8 (2013: USD32.5) for Vale do Rio Pardo.

The Brazilian Reais has been depreciated against USD in recent months. According to the preliminary analysis by ENFI and just for reference only, the CAPEX and OPEX will be decreased to USD3,727 million and USD33.2/ton respectively under the exchange rate 1USD = 3.1 Brazilian Reais.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

As disclosed in the Company's 2013 annual report, based on a JORC compliant iron mineral resources report of SAM, the valuation of SAM's exploration rights estimated by an independent professional valuer, Roma Appraisal Limited, was approximately USD2,279.0 million (equivalent to approximately HK$17,688.5 million) as at 31 December 2013.

A revaluation on SAM's exploration and evaluation assets has been performed as at year end date 31 December 2014 and the recent iron ore concentrate price in the market has been considered in the revaluation. Additionally, based on the latest studies, an updated USD3.96 billion CAPEX (2013: USD3.8 billion) and USD38.8 per tonnes OPEX (2013: USD32.5 per tonnes) were applied in the revaluation. Additionally, SAM is planned to produce iron concentrate at an average grading of 66.5% instead of 65%. Regarding the project timeline, the new operation commencement date is expected to be mid-2019 as it requires more time for relevant government authorities in reviewing applications. Other major assumptions used have been set out in the note 13 of the announcement.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately USD1,147.0 million (equivalent to approximately HK$8,900.7 million). An impairment loss of USD576.5 million (equivalent to approximately HK$4,474.1 million) on exploration and evaluation assets has been recognised in current year accordingly.

TERMINATION OF THE SHARE PURCHASE AGREEMENT IN RELATION TO ACQUISITION OF SAM (THE "SPA")

Pursuant to the SPA (as amended by the Supplemental SPA), if the Required Approvals have not been fully obtained by 11:59 p.m. New York City time on 5 September 2014 (the "Termination Date"), VNN, Lit Mining ("Sellers") or Infinite Sky ("Buyer"), a subsidiary of the Company, has the right to terminate the SPA (as amended by the Supplemental SPA), provided that the right to terminate shall not be exercisable by any party whose failure to comply with the SPA or the other Transaction Documents has materially contributed to, or resulted in, the failure of the transactions contemplated above to occur on or prior to the Termination Date (the "Termination Provisions").

On 5 September 2014 (New York City time), the Required Approvals had not been fully obtained. Accordingly, Infinite Sky issued a termination notice to VNN and Lit Mining pursuant to the Termination Provisions on 6 September 2014 (New York City time), requesting (i) VNN and Lit Mining's execution of the joint instructions to the Custodian to release the New Trinity Certificate to Infinite Sky; (ii) transfer of the Golden Share to New Trinity; and (iii) VNN and Lit Mining's execution of the release relating to the Brazilian Security Agreement.

Infinite Sky had received correspondence from VNN that the latter rejected the said termination and did not consider the SPA (as amended by the Supplemental SPA) had been terminated (and therefore did not intend to sign the joint instructions to the Custodians or transfer the Golden Share) unless and until the parties had reached a mutually agreeable commercial resolution regarding the foregoing, or an arbitration decision compels VNN and Lit Mining to do so. Since 6 September 2014, Infinite Sky and the Company had exchanged various correspondence with VNN and Lit Mining with a view of arriving at a commercial resolution. As at the date of this announcement, the parties have not yet reached a mutually agreeable commercial resolution and the Company is currently seeking the formal commencement of an arbitration to resolve the abovementioned disputes.

Formal dispute resolution is an inherently uncertain process and in the event if one of the parties were to initiate the arbitration, Infinite Sky would vigorously prosecute its claims or defences. If Infinite Sky were to prevail in the arbitration, a possible outcome would be that VNN would need to transfer the Golden Share, as well as return the other documents requested by Infinite Sky, and Infinite Sky would not need to pay the remaining USD315 million instalments consideration (namely the Approvals Payment, and those payable on Port Operation Commencement and Mining Production Commencement) under the SPA (as amended by the Supplemental SPA). In the event VNN were to prevail, a possible outcome would be that Infinite Sky would need to continue to perform the terms of SPA (as amended by the Supplemental SPA) as if no termination notice had been served.

LIQUIDITY AND THE USE OF PROCEEDS FROM CONVERTIBLE BONDS

During the year ended 31 December 2014, the operation of the Group was mainly financed by the proceeds received from issuance of convertible bonds, the loans from the substantial shareholder of the Company and the proceeds received from sale of treasury shares. For the HK$740 million proceed raised from the convertible bonds issued on 6 June 2013, approximately HK$500 million was used to repay a short term loan which was borrowed to settle the HK$504.9 million second instalment payment for the acquisition of SAM. Besides, HK$52 million and HK$110 million was used as a working capital of the SAM iron ore project and repayment of loans from ultimate holding company respectively for the period ended 31 December 2013. For the current year ended 31 December 2014, an additional HK$59.3 million working capital was provided to SAM. Except the specific usage mentioned above, the remaining proceeds were used as general working capital of the Group for the years ended 31 December 2013 and 2014.

As at 31 December 2014, the Group had net current assets of HK$132.1 million (31 December 2013: HK$22.8 million). Current assets mainly comprised of bank balances and cash of HK$57.1 million, restricted bank deposits of HK$15.3 million, trade and bill receivables of HK$359.5 million, prepayments, deposits and other receivables of HK$50.9 million and inventories of HK$31.3 million. Current liabilities mainly comprised of trade and bill payables of HK$324.2 million, other payables, accrued expenses and receipts in advance of HK$57.7 million.

The increase in current assets was mainly due to the increase in trade and bill receivables for HK$108.7 million, increase in prepayments, deposits and other receivables for HK$43.3 million. Besides, from Shandong Forever New Energy which contributed to increase in inventories of HK$31.3 million. Besides, HK$23.1 million other payables and receipt in advance, HK$6.8 million loan from non-controlling interest of a subsidiary and HK$2.7 million borrowings was disposed along with Divine Mission Group. Their impact was mainly net-off by the increase in trade and bill payables of HK$87.1 million.

As at 31 December 2014, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.17 (31 December 2013: 0.09).

DISPOSAL OF DIVINE MISSION HOLDINGS LIMITED

On 17 January 2014, the Company disposed Divine Mission Holdings Limited, a wholly owned subsidiary, to an independent third party for a cash consideration of HK$3,600,000. Divine Mission Holdings Limited indirectly held 60% equity interest in Jining Kailun Sog-Si Materials Co., Ltd. which is engaged in production and research of highly purified silicon. Approximately HK$18.2 million gain on disposal was recognised for the year ended 31 December 2014.

SIGNIFICANT INVESTMENT PLANS

Save as disclosed above, as at 31 December 2014, the Group did not have any significant investment plans.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$3.2 million.

CONTINGENT CONSIDERATION AND LIABILITIES

On 5 March 2010, Lit Mining (as the seller), VNN (also as the seller), Esperento, Mineral Ventures, Infinite Sky (as the buyer), New Trinity, and the Company entered into the Share Purchase Agreement in relation to the Acquisition of SAM. Pursuant to the Share Purchase Agreement, the Consideration of USD390 million for the Acquisition was to be satisfied in cash in five instalment payments.

As at 31 December 2014, the first and the second instalment payment amount to USD75 million (equivalent to approximately HK$582 million) have been settled. The third instalment payment amount to USD115 million (equivalent to approximately HK$893 million) are to be settled on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained). The fourth instalment payment of USD100 million (equivalent to approximately HK$776 million) was agreed to pay on the tenth Business Day following the Port Operation Commencement Date, being the later of (a) the Closing Date; and (b) the date by which an aggregate of 100,000 metric tons of pellet feed have been shipped through the Port on a commercial basis; and the fifth instalment payment of USD100 million (equivalent to approximately HK$776 million) is required to settle on the tenth Business Day following the Mining Production Commencement Date.

The valuation of the contingent consideration as mentioned above for the third to fifth instalments payment were carried out by an independent valuer and their fair value as at 31 December 2014 was approximately USD229.0 million (equivalent to approximately HK$1,780.6 million).

As at 31 December 2014, saved as disclosed above the Group did not have any significant contingent liabilities.

PROSPECT

Benefited from the increasing public awareness of environmental protection and various incentive policies implemented by different governments from time to time, new energy vehicles, especially electric vehicles, are currently facing a historic opportunity for rapid development. The core technologies of electric vehicles include power battery system, motor drive system and vehicle electronic control module. The acquisition of the lithium battery project enables the Group to possess one of the core technologies of electric vehicles and secure return from this thriving industry by providing the power system to electric automobile enterprises.

The Company is determined to develop new energy vehicle related business. The strategy is to conduct business consolidation by mergers and acquisitions globally in order to obtain the cutting-edge techniques and to integrate creativity, and to industrialize the production of new energy vehicles and related core components in the PRC.

The Company will continue to manage the progress of SAM Iron Ore Project and will seek to obtain all licenses and approvals for commencement of construction in the first half of 2016. If all licenses and approvals for starting the construction are obtained in the first half of 2016, the mine is expected to commence operation by 2019. The FOB operating cost (per ton of iron concentrate) of Vale do Rio Pardo is estimated to be approximately USD38.8. Regardless of the trend in global iron ore demand, iron concentrate products of SAM is highly competitive in terms of costs. The Directors expect that SAM Iron Ore Project could enhance the growth potential of the Group.

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

EMPLOYEES

The number of employees increased significantly after acquisition of Shandong Forever New Energy in September 2014. As at 31 December 2014, the total number of employees of the Group was 428 (2013: 107). Employees' cost (including directors' emoluments) amounted to HK$34.3 million for the year (2013: HK$34.7 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.

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 2014 with the exception that the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment, and (c) deviation from code provision E.1.2. In view of good corporate governance practices, all Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

Under the Corporate governance code E.1.2, the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board did not attend the 2014 annual general meeting due to urgent business engagement. Other Directors and senior management were available to answer questions at 2014 annual general meeting.

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 2014.

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

During the year ended 31 December 2014, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 and internal control procedures 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. Fok Hon and Mr. Ma Gang, 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 2013 annual report, 2014 half-yearly report and quarterly reports as well as the Company's internal control procedures. Full attendance was recorded for the four meetings.

The Group's annual results for the year ended 31 December 2014 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 Remuneration Committee was set up in 2005. The Committee members comprise Mr. Fok Hon (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 2014 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.

NOMINATION COMMITTEE

Nomination Committee was set up in 2012. Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun, Lawrence, Mr. FOK Hon and Mr. MA Gang. 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 2014 and was attended by all Committee members.

The primary duties of nomination committee is to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated or directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and cooperative partners for their continued support during 2014 and all staff for their hard work.

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. HE Xuechu *(Chairman)*
Mr. LIU Wei, William *(Chief Executive Officer)*
Mr. SHI Lixin

Non-Executive Directors:
Mr. YAN Weimin
Mr. ANG Siu Lun, Lawrence

Independent Non-Executive Directors:
Mr. CHAN Chun Wai, Tony
Mr. FOK Hon
Mr. MA Gang

On behalf of the Board
LIU Wei, William
Executive Director and CEO

Hong Kong, 26 March 2015