HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Turnover	4	**34,045**	115,394
Cost of sales		**(33,160)**	(91,723)
Gross profit		**885**	23,671
Other operating income		**33,959**	15,028
Selling and distribution costs		**(1,457)**	(2,323)
Administrative expenses		**(102,175)**	(98,940)
Share-based payment expenses		**—**	(10,812)
Other operating expenses		**(2,884)**	—
Impairment of exploration and evaluation assets		**(270,826)**	(3,305,838)
Impairment of goodwill		**—**	(176,370)
Impairment of other intangible assets		**(85,964)**	(93,037)
Impairment of property, plant and equipment		**(37,643)**	(20,688)
Gain on full settlement of loans from ultimate holding company		**—**	3,358
Fair value gain on derivative financial liabilities		**9,892**	15,510
Gain on changes in fair value and terms of contingent consideration payables		**1,039,423**	564,740
Gain on disposals of subsidiaries		**—**	3,239
Finance costs		**(72,138)**	(66,556)
Profit/(Loss) before income tax		**511,072**	(3,149,018)
Income tax credit	6	**122,135**	1,154,011
Profit/(Loss) for the year		**633,207**	(1,995,007)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**326,139**	(1,982,118)
Release of translation reserve upon disposals of subsidiaries		**—**	(959)
Other comprehensive income for the year, net of tax		**326,139**	(1,983,077)
Total comprehensive income for the year		**959,346**	(3,978,084)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**700,010**	(1,984,984)
Non-controlling interests		**(66,803)**	(10,023)
		633,207	(1,995,007)
Total comprehensive income attributable to:			
Owners of the Company		**1,036,103**	(3,966,343)
Non-controlling interests		**(76,757)**	(11,741)
		959,346	(3,978,084)
Earnings/(Losses) per share	8		
— Basic		**HK9.04 cents**	HK (26.55) cents
— Diluted		**HK7.81 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**104,743**	109,551
Exploration and evaluation assets	*11*	**2,947,964**	2,716,000
Prepaid land lease payments		**84,928**	50,635
Other intangible assets		**65,536**	191,215
Goodwill	*12*	**—**	—
Other financial assets	*13*	**812,545**	—
Deposits for acquisition of land use rights		**—**	21,487
		4,015,716	3,088,888
Current assets			
Inventories		**36,653**	37,957
Trade and bill receivables	*9*	**101,137**	118,456
Prepayments, deposits and other receivables		**21,670**	11,491
Financial assets at fair value through profit or loss		**1,936**	—
Tax recoverable		**1,956**	—
Restricted bank deposits		**3,367**	—
Cash and cash equivalents		**669,052**	1,228,682
Total current assets		**835,771**	1,396,586
Current liabilities			
Trade and bill payables	*10*	**35,910**	56,103
Other payables, accrued expenses, deposits received and receipts in advance		**40,884**	8,496
Borrowings		**11,206**	35,811
Derivative financial liabilities		**58,297**	68,189
Convertible bonds		**623,433**	552,386
Current tax liabilities		**—**	1,328
Total current liabilities		**769,730**	722,313
Net current assets		**66,041**	674,273
Total assets less current liabilities		**4,081,757**	3,763,161

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	**112,061**	—
Deferred income	**95,708**	114,378
Deferred tax liabilities	**910,279**	881,478
Contingent consideration payables	**153,087**	1,215,829
	1,271,135	2,211,685
Net assets	**2,810,622**	1,551,476
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**7,862**	7,862
Reserves	**2,580,297**	1,499,409
	2,588,159	1,507,271
Non-controlling interests	**222,463**	44,205
Total equity	**2,810,622**	1,551,476

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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*	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 2015	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
Sales of treasury shares	—	—	60,268	—	—	—	—	222	60,490	—	60,490
Proceeds from placing and share subscription	1,200	1,342,800	—	—	—	—	—	—	1,344,000	—	1,344,000
Share issuance costs	—	(7,903)	—	—	—	—	—	—	(7,903)	—	(7,903)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	31,204	31,204
Shares issued under share option scheme	17	25,925	—	—	(7,490)	—	—	—	18,452	—	18,452
Equity-settled share-based transactions	—	—	—	—	10,812	—	—	—	10,812	—	10,812
Lapse of share options	—	—	—	—	(3,454)	—	—	3,454	—	—	—
Repayment of loans from ultimate holding company	—	—	—	(48,708)	—	—	—	48,708	—	—	—
Transactions with owners	1,217	1,360,822	60,268	(48,708)	(132)	—	—	52,384	1,425,851	31,204	1,457,055
Loss for the year	—	—	—	—	—	—	—	(1,984,984)	(1,984,984)	(10,023)	(1,995,007)
Other comprehensive income											
Currency translation	—	—	—	—	—	(1,980,400)	—	—	(1,980,400)	(1,718)	(1,982,118)
Release of translation reserve upon disposals of subsidiaries	—	—	—	—	—	(959)	—	—	(959)	—	(959)
Total comprehensive income	—	—	—	—	—	(1,981,359)	—	(1,984,984)	(3,966,343)	(11,741)	(3,978,084)
At 31 December 2015 and 1 January 2016	7,862	2,627,306	(142,864)	—	136,741	(4,869,117)	258,836	3,488,507	1,507,271	44,205	1,551,476
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	44,785	44,785	255,015	299,800
Transactions with owners	—	—	—	—	—	—	—	44,785	44,785	255,015	299,800
Profit for the year	—	—	—	—	—	—	—	700,010	700,010	(66,803)	633,207
Other comprehensive income											
Currency translation	—	—	—	—	—	336,093	—	—	336,093	(9,954)	326,139
Total comprehensive income	—	—	—	—	—	336,093	—	700,010	1,036,103	(76,757)	959,346
At 31 December 2016	7,862	2,627,306	(142,864)	—	136,741	(4,533,024)	258,836	4,233,302	2,588,159	222,463	2,810,622

* The aggregate amount of these balances of approximately HK$2,580,297,000 (2015: HK$1,499,409,000) 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 P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, 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 research, development, production and sales of lithium battery and battery system 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 change of shareholding of Shandong Forever New Energy Co., Ltd ("Shandong Forever New Energy"), a non-wholly owned subsidiary of the Group, there were no significant changes in the Group's operations during the year.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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.

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.

3. 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 results 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 — 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 ("FVTOCI") 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 FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL 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 FVTPL, 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 derecognition 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 2018. 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.

HKFRS 16 — Leases

The standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases “and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company anticipate that the application of the above standards in the future may have impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of these new pronouncements until the Group performs a detailed review.

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:

	2016	2015
	HK$’000	*HK$’000*
Sale of lithium batteries	**34,045**	113,989
Revenue from trading commodity contracts *(note)*	**—**	1,405
	34,045	115,394

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.

5. 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.

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	Lithium battery production	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2016			
Reportable segment turnover (external customers)	**—**	**34,045**	**34,045**
Reportable segment losses	**(286,548)**	**(167,311)**	**(453,859)**
Reportable segment assets	**2,952,531**	**802,986**	**3,755,517**
Reportable segment liabilities	**156,795**	**288,612**	**445,407**
Capital expenditure	**48**	**55,695**	**55,743**
Impairment of exploration and evaluation assets	**270,826**	**—**	**270,826**
Impairment of other intangible assets	**—**	**85,964**	**85,964**
Impairment of property, plant and equipment	**—**	**37,643**	**37,643**
Interest income	**(159)**	**(2,303)**	**(2,462)**
Interest expense	**—**	**1,091**	**1,091**
Depreciation	**629**	**11,951**	**12,580**
Amortisation charge	**—**	**27,260**	**27,260**
Write-down of inventories	**—**	**2,319**	**2,319**
Year ended 31 December 2015			
Reportable segment turnover (external customers)	1,405	113,989	115,394
Reportable segment losses	(3,363,506)	(278,075)	(3,641,581)
Reportable segment assets	2,719,084	611,035	3,330,119
Reportable segment liabilities	1,219,078	209,067	1,428,145
Capital expenditure	13	11,409	11,422
Impairment loss on exploration and evaluation assets	3,305,838	—	3,305,838
Impairment loss on goodwill	—	176,370	176,370
Impairment loss on other intangible assets	—	93,037	93,037
Impairment of property, plant and equipment	—	20,688	20,688
Interest income	(214)	(437)	(651)
Interest expense	—	1,292	1,292
Depreciation	1,711	12,312	14,023
Amortisation charge	—	42,564	42,564

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:

	2016 *HK$'000*	2015 *HK$'000*
Reportable segment turnover	**34,045**	115,394
Reportable segment loss	**(453,859)**	(3,641,581)
Other operating income	**12,625**	662
Administrative expenses	**(25,397)**	(18,870)
Fair value gain on derivative financial liabilities	**9,892**	15,510
Gain on changes in fair value and terms of contingent consideration payables	**1,039,423**	564,740
Loss on financial assets at fair value through profit or loss	**(565)**	—
Share-base payment expenses	**—**	(10,812)
Gain on full settlement of loans from ultimate holding company	**—**	3,358
Gain on disposals of subsidiaries	**—**	3,239
Finance costs	**(71,047)**	(65,264)
Profit/(Loss) before income tax	**511,072**	(3,149,018)
Reportable segment assets	**3,755,517**	3,330,119
Property, plant and equipment	**861**	1,288
Loan receivable	**540,000**	—
Prepayments and other receivables	**3,751**	810
Financial assets at fair value through profit or loss	**1,936**	—
Cash and cash equivalents	**549,422**	1,153,257
	4,851,487	4,485,474
Reportable segment liabilities	**445,407**	1,428,145
Other payables and accrued expenses	**3,449**	3,800
Derivative financial liabilities	**58,297**	68,189
Convertible bonds	**623,433**	552,386
Deferred tax liabilities	**910,279**	881,478
	2,040,865	2,933,998

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

	2016 *HK$'000*	2015 *HK$'000*
Turnover from external customers		
PRC	**34,045**	115,394
Reportable segment turnover	**34,045**	115,394
Non-current assets (excluding other financial assets)		
Hong Kong	**861**	1,288
PRC	**253,303**	370,044
Brazil	**2,949,007**	2,717,556
Reportable segment non-current assets	**3,203,171**	3,088,888

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 and other intangible assets).

During the year ended 31 December 2016, over 86% (2015: 99%) of the Group's turnover was derived from 2 major customers (2015: 2) in lithium battery production segment and turnover generated from these customers are HK$24,882,000 and HK$4,507,000 respectively (2015: HK$89,996,000 and HK$23,852,000 respectively).

6. INCOME TAX CREDIT

	2016	2015
	HK$'000	*HK$'000*
Overseas tax		
Current year	**—**	4,796
Over provision in respect of prior years	**(2,128)**	—
Deferred tax	**(120,007)**	(1,158,807)
Income tax credit	**(122,135)**	(1,154,011)

During the years ended 31 December 2016 and 31 December 2015, 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% is applicable to the Group's PRC subsidiaries except that Shandong Forever New Energy is granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2015. It is subject to income tax rate of 15%.

During the year, corporate income tax rates in Brazil of 34% (2015: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

7. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

8. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company of HK$700,010,000 (2015: loss attributable to owners of HK$1,984,984,000) and weighted average of 7,744,722,000 (2015: 7,475,894,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

For the year ended 31 December 2016, 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	700,010
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds	71,047
Fair value gain on derivative financial assets	(9,892)
Earnings for the purposes of diluted earnings per share	761,165

Number of shares	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,744,722
Effect of dilutive potential ordinary shares:	
— convertible loan notes	2,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,744,722

For the year ended 31 December 2015, diluted loss per share attributable to owners of the Company was not presented because the impact of the exercise of share options and convertible bonds was anti-dilutive.

9. TRADE AND BILL RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**101,059**	113,789
Bill receivables	**78**	4,667
Trade and bill receivables	**101,137**	118,456

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

The Group allows a credit period from 0 day to 180 days (2015: 0 days to 180 days) to its trade customers. The following is ageing analysis of net trade and bill receivables at the reporting date:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**20,125**	60,289
31–90 days	**13,077**	13,864
91 to 180 days	**—**	7,803
Over 180 days	**67,935**	36,500
	101,137	118,456

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

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**—**	12,570
Disposals of subsidiaries	**—**	(11,908)
Exchange realignment	**—**	(662)
At 31 December	**—**	—

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.

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:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,212**	81,956
31–60 days	**1,990**	—
Over 180 days but not more than 1 year	**67,857**	36,500
Over 1 year past due	**78**	—
	101,137	118,456

Trade and bill receivables that were neither past due nor impaired related to 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.

10. TRADE AND BILL PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**32,552**	43,211
Bill payables	**3,358**	12,892
	35,910	56,103

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is ageing analysis of trade and bill payables at the reporting dates:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**5,211**	14,122
31–60 days	**5,122**	2,834
61–90 days	**5,949**	3,609
91–180 days	**5,151**	21,770
Over 180 days	**14,477**	13,768
	35,910	56,103

11. EXPLORATION AND EVALUATION ASSETS

	2016	2015
	HK$'000	*HK$'000*
At 1 January		
Cost	**9,044,536**	13,374,783
Accumulated impairment	**(6,328,536)**	(4,474,063)
Net book amount	**2,716,000**	8,900,720
For the year ended 31 December		
Opening net book amount	**2,716,000**	8,900,720
Additions	**5,502**	10,239
Exchange realignments	**497,288**	(2,889,121)
Impairment losses	**(270,826)**	(3,305,838)
Net book amount	**2,947,964**	2,716,000
At 31 December		
Cost	**10,705,546**	9,044,536
Accumulated impairment	**(7,757,582)**	(6,328,536)
Net book amount	**2,947,964**	2,716,000

As at 31 December 2016 and 2015, 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$270,826,000 (2015: HK$3,305,838,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment is mainly due to the increase in operating costs and capital expenditures, which are negatively affected by significant appreciation of Brazilian currency during the year.

The recoverable amount of exploration and evaluation assets were valued by an independent valuer, Roma Appraisals Limited and based on the fair value less cost of disposal. The valuation was based on the income-based approach and the excess earnings method was adopted. This method estimates the cash flow derived from the exploration and evaluation assets after deducting portions of the cash flow that attributed to tangible assets and other intangible assets employed. The fair value of exploration and evaluation assets is 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 2016 are as follows:

Approval of all major required licenses	The first half of 2020 (2015: The first half of 2019)
Commencement of production	2023 (2015: 2022)
Annual production capacity	27.5 million tonnes (2015: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 1,135 million tonnes (2015: 1,135 million tonnes) (20.57%) Indicated resources of 1,479 million tonnes (2015: 1,479 million tonnes) (19.64%)
Dilution rate	0% (2015: 0%)
Mining loss rate	6.66% (2015: 6.66%)
Processing recovery	87% (2015: 87%)
Average price of iron concentrate	US$56 per tonnes (2015: US$45 per tonnes)
Operating costs	US$29.4 per tonnes (2015: US$24.8 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2015: same term)
Capital expenditures	US$3,025 million (2015: US$2,932 million) for the construction of infrastructure
Discount rate	16.80% (2015: 18.13%)

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.

12. GOODWILL

As at 31 December 2016 and 2015, the balance represented goodwill which arose from the acquisition of Triumphant Glory Investment Limited ("Triumphant Glory") and its subsidiary, namely Shandong Forever New Energy, which are engaged in the production and sales of lithium batteries during the year ended 31 December 2016. The net carrying amount of goodwill can be analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January		
Gross carrying amount	**176,370**	186,166
Accumulated impairment	**(176,370)**	—
Net carrying amount	**—**	186,166
Carrying amount at 1 January	**—**	186,166
Exchange realignment	**—**	(9,796)
Impairment losses	**—**	(176,370)
Net carrying amount at 31 December	**—**	—
At 31 December		
Gross carrying amount	**165,569**	176,370
Accumulated impairment	**(165,569)**	(176,370)
Net carrying amount	**—**	—

As at 31 December 2016 and 2015, goodwill allocated to the cash generating unit ("CGU") of lithium battery production segment was fully impaired.

Impairment assessment of the relevant assets of cash generating unit ("CGU") of lithium battery production segment

As at 31 December 2016, the relevant assets of CGU of lithium battery production segment, operated by Shandong Forever New Energy, included property, plant and equipment of HK$88,452,000 (2015: HK$119,823,000), prepaid land lease payments of HK$46,635,000 (2015: HK$50,635,000), other intangible assets of HK$151,500,000 (2015: HK$284,252,000) and goodwill of Nil (2015: HK$176,370,000)(before current year impairment).

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 without growth rate (2015: 3%). The post-tax discount rate used for fair value less cost of disposal calculation is 17.36% (2015: 16.44%) per annum, which reflects specific risks relating to the relevant CGU.

The key assumptions for the fair value less cost of disposal calculation are 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 and the production capacity of the CGU.

Apart from the considerations described above in determining the fair value less cost of disposal 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 based on fair value less cost of disposal estimated by an independent professional valuer, Greater China Appraisal Limited with the discount cash flow approach. The fair value less cost of disposal of the CGU is classified as level 3 measurement.

Based on the assessment, the recoverable amount of the CGU was HK$145,125,000 (2015: HK$309,837,000) as at 31 December 2016, which was below the total carrying amounts of the relevant assets of the CGU. Accordingly, impairment losses of HK$37,643,000 (2015: HK$20,688,000) and HK$85,964,000 (2015: HK$93,037,000) on property, plant and equipment and other intangible assets that relates to this CGU, respectively, have been recognised in the profit or loss for the year. The impairment is mainly due to the adverse impact of the delay in subsidies distribution to the Group's major customers engaged in the manufacturing of electric motor vehicles, which resulted in the significant decrease in the sales of lithium battery to these customers by the Group during the year.

13. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2016 ***HK$'000***	2015 *HK$'000*
Loan and receivables		
— Amounts due from non-controlling interests of a subsidiary *(note (a))*	**272,545**	—
— Loan receivable *(note (b))*	**540,000**	—
	812,545	—

Note:

(a) According to the capital contribution agreement for Shandong Forever New Energy on 9 May 2016, the non-controlling interests of Shandong Forever New Energy agreed to contribute capital of US$44.77 million to Shandong Forever New Energy and US$4.215 million was paid immediately while the remaining balances will be paid on demand by the board of directors of Shandong Forever New Energy but not later than 31 October 2022. The transaction was completed on 26 July 2016.

As at 31 December 2016, in the opinion of directors, the unpaid capital contribution is not expected to be realised within twelve months after the reporting period. Accordingly, such balance is classified as non-current assets. The non-controlling interests undertake that, pending full payment of their respective capital contribution, they shall use all dividend, distribution and payment received from Shandong Forever New Energy to satisfy their capital contribution obligation.

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

	2016	2015
	HK$'000	*HK$'000*
Upon the date of capital contribution agreement	**299,800**	—
Repayment	**(32,708)**	—
Imputed interest income	**5,453**	—
	272,545	—

The fair value of the liability on 26 July 2016 of HK$299,800,000 was calculated using cash flows discounted at an estimate discount rate of 4.9%, which is reference to market interest rate.

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

(b) The balance represented loan receivable from an independent third party. This loan receivable is bearing interest at 3% per annum and repayable 12 months after the drawdown date, subject to an option to extend by the borrower for 12 months. The loan is secured by the share charges provided by two of the shareholders of the borrower over all of their shareholdings in the borrower and a debenture consisting of fixed and floating charge over all of the assets of the borrower in favour of the Company.

In the opinion of directors, such balance is not expected to be realised within twelve months after the reporting period. Accordingly, it is classified as non-current assets.

As at 31 December 2016, the loan receivable is within the maturity date. The directors assessed the collectability of loan receivable at the end of the reporting period individually with reference to the borrower's past collection history and current creditworthiness, together with value of the underlying security. In the directors' opinion, there was no indication of deterioration in the collectability of the loan receivable and no impairment was considered necessary.

14. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for		
Property, plant and equipment	**90,530**	14,505

In addition, as at 31 December 2016, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 11 of this results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

NEW ENERGY VEHICLES-RELATED BUSINESS

The Company acquired Shandong Forever New Energy Co., Ltd. ("Shandong Forever New Energy") in September 2014 and established Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy") in December 2015. In order to fulfill one of the pre-requisite (i.e. foreign shareholding should not be higher than 50%) to be listed in the catalog according to the Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件) (the "Catalog"), a shareholding change has been completed in July 2016 which the shareholding of Triumphant Glory Investments Limited ("Triumphant Glory"), a British Virgin Islands (BVI) incorporated and a 90.68% owned subsidiary of the Company, in Shandong Forever New Energy was diluted from 100% to 49%. Shandong Forever New Energy was successfully listed in the Catalog on 13 July 2016.

Following the termination of the proposed acquisition of a North America based company which is engaged in the research and development, manufacture and sale of electric vehicle power system, the Group will focus on the expansion of the lithium-ion batteries business in the current stage. As a long term business strategy, the Group is still determined to further develop in the field of new energy vehicles and intended to acquire all the core technology such as battery management system, electric motor system and vehicle control module by acquisition. Through the integration of technology and innovation, ultimately, manufacture and sell new energy vehicles and following this direction to seek for merger and acquisition opportunities.

Formation of the Zhejiang Forever New Energy

On 16 December 2015, Honbridge Power Limited, a wholly owned subsidiary of the Company, Shanghai Maple Automobile Company Limited ("Shanghai Maple"), a subsidiary of Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely") and Jiaxing Jiale Investment Partnership Corporation (limited partnership) ("Jiaxing Jiale") established a joint investment named Zhejiang Forever New Energy in Jinhua New Energy Automobile Industrial Park. The headquarters of Zhejiang Geely is established in Zhejiang Province and is principally engaged in manufacturing and sales of automobile. Zhejiang Geely owns and control the automobile brand "Geely" in the PRC and luxury European automobile brand "Volvo", and Zhejiang Geely is also one of the Fortune Global 500 companies.

Zhejiang Forever New Energy is owned as 49%, 48% and 3% by Honbridge Power Limited, Shanghai Maple and Jiaxing Jiale respectively. As the Company will be able to appoint the majority of the board of directors of Zhejiang Forever New Energy and the Board considers that the Group will be able to exercise control, Zhejiang Forever New Energy is an indirect non-wholly owned subsidiary of the Company and its financial performance and results are consolidated into the results of the Company.

Zhejiang Forever New Energy will develop a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion battery and battery system. Zhejiang Forever New Energy will occupy an area of approximately 130,000 square meters. Construction work has been commenced in mid-2016 and the plant is designed to produce approximately 1,500,000 kWh ternary lithium-ion battery for new energy vehicles annually. The construction work and installation of production facilities are scheduled to complete in the third quarter of 2017. The total investment is approximately RMB1,500 million (including the cost of acquiring the land use rights for constructing production site, equipment and working capital) which will be funded by equity capital and loan.

LITHIUM-ION BATTERIES BUSINESS

Currently, the production plant of Shandong Forever New Energy Co., Ltd. ("Shandong Forever New Energy") covers a total area of approximately 130,000 square meters and its current factory and office facilities cover a floor area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually.

During the year ended 31 December 2016, Shandong Forever New Energy, recorded a revenue of approximately HK$34.0 million (equivalent to approximately RMB29.1 million), which decreased by 70.2% when compared to HK$114.0 million (equivalent to approximately RMB91.7 million) revenue recognised in last year. The decrease is mainly due to the policy change of the PRC government. In around April 2016, there was news reported that only new energy vehicle models using vehicle power battery listed in the Catalog according to the "Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件)" will be approved to list in the Car Catalog and enjoy the relevant government subsidies. Shandong Forever New Energy was only listed in the Catalog on 13 July 2016 which negatively affected the performance of the company. The decrease was also due to the investigation carried out by the PRC Government on the misappropriation of the government subsidies by the automobile enterprises for new energy vehicle. Since the investigation began in late 2015, the PRC Government has not distributed subsidies to the automobile enterprises in a timely manner. The automobile enterprises have occupied a large amount of their own working capital as they are unable to receive the government subsidies. This also reduced working capital of the batteries manufacturing enterprise as the automobile enterprises may delay their payment to suppliers. Under these uncertainties, the production volume of the automobile enterprises decreased substantially. 康迪電動車 and 新大洋電動車, the major customers of Shandong Forever New Energy have also taken a conservative approach and control their production plan, hence reducing their demand for lithium-ion batteries. The Company also takes a more cautious approach before accepting new orders in order to mitigate the potential credit risk. The overall gross profit percentage of the Group has changed from last year's 20.5% to 2.6% mainly because of the decrease in production in the current year, results in a higher average unit cost of products.

During the year ended 31 December 2016, the lithium-ion batteries business loss before impairment, depreciation and amortisation was approximately HK$4.5 million (equivalent to approximately RMB3.8 million). However, the net loss for the lithium-ion batteries business was approximately HK$167.3 million (equivalent to approximately RMB143.0 million) during the year mainly due to the non-cash amortisation and depreciation expenses of HK$39.2 million (equivalent to approximately RMB33.5 million) charged. In addition, an HK$123.6 million (equivalent to approximately RMB105.6 million) impairment loss on other intangible assets and property, plant and equipment was recognised in the current year. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount after a disappointing performance of Shandong Forever New Energy for the year ended 31 December 2016.

Subject to various factors such as technology, crafts, investment and sales of products, the Company is re-valuating the expansion plan in Zou Cheng, Shandong and exploring the possibilities of massive expansion in areas other than Jinhua in Zhejiang. Nevertheless, Shandong Forever New Energy will continue to improve and optimise its production facilities.

SHANDONG FOREVER NEW ENERGY CAPITAL CONTRIBUTION AGREEMENT AND JOINT INVESTMENT AGREEMENT

Capital Contribution Agreement

On 9 May 2016, Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the capital contribution agreement with Zhejiang Geely Automobile Co., Ltd. ("Zhejiang Geely Auto") and Jiaxing Jiale, whereby Zhejiang Geely Auto and Jiaxing Jiale have conditionally agreed to contribute capital into Shandong Forever New Energy, which was a direct wholly-owned subsidiary of Triumphant Glory (the "Capital Contribution Agreement"). According to the terms of the Capital Contribution Agreement, Zhejiang Geely Auto and Jiaxing Jiale shall contribute approximately US$42.15 million and US$2.62 million into Shandong Forever New Energy respectively. Geely Auto has paid the 10% of its capital contribution amount (i.e. US$4.215 million) according to the Capital Contribution Agreement and up to the date of this results announcement, no further capital contribution has been paid by Geely Auto and Jiaxing Jiale. After the completion of the capital contribution, the registered capital of Shandong Forever New Energy will be increased from US$10 million to approximately US$20.41 million. After the Capital Contribution Agreement became effective, Triumphant Glory, Zhejiang Geely Auto and Jiaxing Jiale hold 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

Joint Investment Agreement

Triumphant Glory appointed the majority of the directors to the board of directors of Shandong Forever New Energy pursuant to the joint investment agreement dated 9 May 2016 (the "Joint Investment Agreement"), and the Group is able to exercise control over Shandong Forever New Energy, Shandong Forever New Energy remains as a subsidiary of the Company and its financial performance and results will continue to be consolidated into the financial results of the Group. More details on the Capital Contribution Agreement, Supplement Agreement and Joint Investment Agreement has been disclosed in the circular of the Company dated 11 July 2016. They have been approved by the independent shareholders of the Company in the extraordinary general meeting on 26 July 2016.

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

The Company has been negotiating with the major shareholder of a target company (the "Target Company") for a possible acquisition for more than a year. 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 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. As the parties could not reach consensus on certain trading conditions, the negotiation has been terminated during the year.

CONTINUING CONNECTED TRANSACTIONS

To secure long-term customer and improve the Group's financial performance, Shandong Forever New Energy entered into a sales agreement with Ninghai Zhidou Electric Vehicles Company Limited ("Ninghai Zhidou", 寧海知豆電動汽車有限公司) in relation to the sales of lithium-ion battery modules (the "Sale Agreement") on 2 September 2016.

Ninghai Zhidou

Ninghai Zhidou is a limited liability company incorporated in the PRC. It is principally engaged in the research and production of automobile parts, components and engines, electric vehicles and the provision of related after-sale services in the PRC.

Zhejiang Geely Auto is a substantial shareholder of Shandong Forever New Energy as it holds 48% equity interest in Shandong Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Zhejiang Geely Auto is held as to 90% by Zhejiang Geely Holding Group Co., Ltd. ("Zhejiang Geely", 浙江吉利控股集團有限公司), and Zhejiang Geely holds 45% interest in Ninghai Zhidou. As such, both Zhejiang Geely and Ninghai Zhidou are associates of Zhejiang Geely Auto in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

Sales of lithium-ion battery modules from Shandong Forever New Energy to Ninghai Zhidou under the Sales Agreement constitute continuing connected transactions of the Company pursuant to Chapter 20 of the GEM Listing Rules.

Proposed annual caps

The total proposed Annual Caps in respect of the Sales Agreement for the financial years ending 31 December 2016 and 31 December 2017 are RMB35,000,000 and RMB40,000,000 respectively and the proposed cap for six months ending 30 June 2018 is RMB25,000,000.

PROGRESS OF SAM

As of the date of this results announcement, the Group has provided funding with principal amount of approximately USD66.6 million to SAM through shareholders' loans and increase of registered capital in SAM.

SAM is devoted to develop Block 8 as phase I of operation with an annual production capacity of 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. According to local topographic features, Block 8 was named as Vale do Rio Pardo.

1. Environmental Licensing Progress of the Project

The environmental licensing process in Brazil has three distinct steps: Preliminary License ("LP"), Installation License ("LI") and Operation License ("LO").

LP is the most important license for a project in the preliminary stage as it confirms the environmental feasibility of the project and authorizes its location and engineering design. It is also the prerequisite for LI, LO and other necessary licenses or permits for the implementation of a project.

To obtain LP, Environmental Impact Study ("EIA") and an Environmental Impact Report ("RIMA") are the two key documents required by the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA") for analysing the environmental feasibility. EIA/RIMA should be prepared in compliance with Terms of Reference ("TR") approved by IBAMA. If IBAMA's technical team issues a positive conclusive technical opinion, then IBAMA will issue the LP for the project.

In July 2012, SAM submitted the EIA/RIMA, which was officially accepted by IBAMA in August 2012. Three public hearings were held in January 2013 in different cities. In 2014, further development of studies and engineering about waste and tailings disposal shows the original concept of backfill technology in the EIA/RIMA was infeasible. SAM soon 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. In May 2015, IBAMA requested SAM to procure Compliance Certificates from 22 cities in the directly affected area of the project. The Compliance Certificate states that the location, project type and activity of Vale do Rio Pardo Project is in conformity with the municipal law of the city regarding to land use and occupation. Since SAM always sees social communications and relations as an important part of the project, SAM had procured all the 22 Compliance Certificates in around one month time. On 13 July 2015, SAM received a report of technical opinions from IBAMA, in which some minor points need further supplemental information and clarifications. In October 2015, SAM filed the clarification documents for IBAMA further review.

However, on 5 November 2015, a tailing dam located in the region of Mariana, Minas Gerais State of Brazil broke and caused significant damages and pollution in the surrounding area. It raised unprecedented serious safety concern on tailing dams from the public and soon paralysed the environmental licensing in the entire mining sector of Brazil. Although this most serious accident in Brazilian mining history was not related to the SAM project, but SAM was indirectly affected by the disaster.

On 29 March 2016, IBAMA issued a negative conclusive technical opinion: "based on the current engineering design mode, IBAMA technical staff are not allowed to certify environmental viability".

On 7 April 2016, SAM made an administrative appeal with a robust technical defense to IBAMA, requesting IBAMA to reconsider the conclusion and declare the environmental feasibility of the Project and issue LP with conditions. On 26 April 2016, IBAMA agreed with SAM's administrative appeal and keep the licensing administrative process open for a period of four months, which could be extended later with justification. After the consolidation of all proposals from consultant companies, SAM estimated that the necessary complementary studies would take around 12 months.

On 13 July 2016, SAM made a presentation to IBAMA regarding the working plan with details of technical studies to be done, and then applied for an extension of 12 months.

However, on 5 October 2016, IBAMA distributed an official letter to SAM concluding that the complementary studies proposed by SAM is a reformulation of design of the Project. According to the applicable law and rules, in case that there are changes in the original concept of the project which was used for environmental licensing, the applicant has to open a new licensing administrative process in the competent environmental institution (herein refers to IBAMA) for the project to be redesigned.

During the environmental licensing process of the Vale do Rio Pardo Project, important authorizations and favorable opinions were granted to SAM, which also demonstrate the interest of the States, Municipalities, communities and diverse institutions in the viability of the Project, highlighting:

- Conformity Certificates of the 22 Municipal cities whose territories will be influenced by the project;
- Authorization of Water Use Right granted by ANA — National Water Agency;
- Favorable manifestation of IPHAN — Institute of National Historical and Artistic Heritage;
- Consent of the Palmares Cultural Foundation (the project is not in areas with the presence of recognised traditional communities);
- Favorable manifestation of IBAMA regarding the issues of protection of the Speleological Heritage.

In addition, on 29 June 2016, the Institute of Environment and Water Resources ("INEMA") responsible for the management of conservation units of Bahia State issued a preliminary consent to SAM for the project activities in the Environmental Protection Area of Encantada Lake and Almada River, which is the only conservation unit to be impacted by the Project. By then, SAM had all institutions' and municipal consents and certificates necessary for LP.

Considering the above achievements and the history of the Project, the Company believe that the Project will be environmental feasible through making some complementary studies and engineering adjustments, especially regarding to the disposal of waste and tailings.

In November 2016, as IBAMA suggested, SAM decided to reopen a new environmental licensing administrative process and hired Brandt Meio Ambiente ("Brandt") to prepare the Reference Term ("TR") for the new Environmental Impact Study ("EIA") and Environmental Impact Report ("RIMA"). IBAMA agreed that SAM could use most of the studies finished in the previous EIA/RIMA. On 12 January 2017, SAM submitted the proposed Reference Term to IBAMA. By the date of this results announcement, the new TR is under analysis by IBAMA.

2. Others

On 12 May 2016, SAM's golden share was transferred from VNN to Infinite Sky Investments Limited, a subsidiary of the Company and SAM became an indirect wholly-owned subsidiary of the Company.

On 5 August 2016, the court of second instance of Minas Gerais Federal Courts made a decision to extinguish the Civil Action against SAM and IBAMA, which was filed by a prosecutor of Minas Gerais State Public Ministry in 2013 (details refers to previous reports). The Civil Action was now archived and completely terminated in favor of SAM and IBAMA.

In September 2016, SAM renewed the MOU with Bahia State government of Brazil, in which Bahia State committed to declare DUP (Decree of Public Utility) for SAM's pipeline within Bahia State after LP is obtained. DUP will declare the land that SAM's pipeline which 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. To be mentioned, SAM already had a DUP issued by Minas Gerais state government of Brazil for SAM's pipeline within Minas Gerais State on 22 January 2014.

To apply for Mining License ("PL") of the Project, Economic Development Plan report ("PAE") was first submitted to The National Department of Mineral Production ("DNPM") in 2013 and supplementary documents have been submitted in November 2014 and January 2015, which all submissions are currently under review by DNPM. To be mentioned, The LI issued by IBAMA and approval of PAE by DNPM are prerequisites to the PL.

Porto Sul, the port that SAM plans to use for export of iron ore in future has already obtained its LP, LI, DUP and ASV. Porto Sul is an important part of the Vale do Rio Pardo Project so SAM has been presence in the Porto Sul project since the very early stage, the Porto Sul team also sees SAM as one of the most important stakeholders of the port. Besides mutual status update, the Porto Sul team also invited SAM to join their functions such as China visit. By the date of this results announcement, the Bahia Government is negotiating with a Chinese company to build and operate the port. 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.

In January 2017, SAM finished the conceptual engineering of power supply line from Irape Dam substation to the mine site. The environmental licensing of the power line will be processed together with the Project. To be mentioned, on 21 October 2014, the Ministry of Mines and Energy of Brazil (MME) issued a permit that allow SAM to connect to the national power grid at the Irape Dam.

3. CAPEX and OPEX

For the year ended 31 December 2016, the estimated capital expenditure ("CAPEX") was approximately USD3.03 billion (2015: USD2.93 billion) while F.O.B. operating cost ("OPEX") (per ton of iron concentrate) was approximately USD29.4 (2015: USD24.8) for Vale do Rio Pardo. The estimated OPEX of the Vale do Rio Pardo project increased when compared to the year ended 31 December 2015 mainly because of the appreciation of the Brazilian Reais against USD in 2016. There was no material difference in CAPEX when compared to the year ended 31 December 2015.

The professional team engaged by the Group has analysed the CAPEX of a number of comparable mines and OPEX (per ton of iron concentrate) of over 300 operating iron ore mines. Relatively, construction phase I of Block 8 is competitive in terms of both estimated CAPEX and OPEX.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

During the period ended 30 June 2016, the Company reviewed the carrying amount of exploration and evaluation assets and the recoverable amount was valued by an independent valuer at US$270 million. Impairment loss of HK$1,248 million was identified and recognised. Despite the average price of iron concentrate increased to US$51 per tonnes (31 December 2015: US$45 per tonnes), the recoverable amount decreased mainly due to the increase in the estimated operating cost ("OPEX") to US$29.9/ton (31 December 2015: US$24.8/ton) and capital expenditure ("CAPEX") to US$3,082 million (31 December 2015: US$2,932 million) of the SAM iron ore project mainly because of the appreciation of Brazilian Reais against the US dollar.

The recoverable amount of exploration and evaluation assets were assessed again as at 31 December 2016. During the year, the average price of iron concentrate was on an upward trend and an average price of US$56 per tonnes iron concentrate was adopted for the year end revaluation, so the recoverable amount of the exploration and evaluation assets as at 31 December 2016 was higher and valued at US$380 million. After take into account the significant appreciation of Brazilian Reais against the US Dollar, an impairment loss of approximately HK$270.8 million (equivalent to approximately US$34.9 million) was recognised in the financial statements of the Company for the year ended 31 December 2016. Other major assumptions for the revaluation have been set out in note 11 of this results announcement.

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"), Infinite Sky, a subsidiary of the Company, has the right to terminate the SPA (as amended by the Supplemental SPA).

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 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 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. On 10 June 2015, the Group filed a request for arbitration against Lit Mining and VNN in relation to termination of the SPA (as supplemented by the Supplemental SPA) (the "Arbitration"). After that, the Group has put various efforts to discuss a commercial resolution with VNN which is beneficial for both sides.

On 12 May 2016 (Brazil time), the Company, Infinite Sky, New Trinity, SAM, Votorantim (for itself and as successor in interest to VNN, Lit Mining, Lit Quad, Esperento and Mineral Ventures) entered into the settlement agreement to settle and resolve the disputes presented in the Arbitration (the "Settlement Agreement") and otherwise arising under the Share Purchase Agreement and related agreements between the parties, without any admission of wrongdoing by any party.

The Settlement Agreement are entered into having considered the following:

(i) under the Settlement Agreement, Votorantim shall effect transfer of the Golden Share to Infinite Sky free and clear of any encumbrance. After such transfer, the Group shall own 100% of the issued share capital and equity interests of SAM;

(ii) under the Settlement Agreement, the Group and the Votorantim Parties would terminate and withdraw all claims and cross-claims asserted in the Arbitration, which would reduce the time and financial costs as well as other uncertainties associated with the Arbitration to the Group. Otherwise in the event the Group did not succeed in the Arbitration, the remaining instalments of Consideration would need to be paid;

(iii) the total payment under the Settlement Agreement, the maximum amount of which is US$63,000,000, is less than the aggregate amount of the remaining instalments of Consideration under the Amended Share Purchase Agreement (namely the Approvals Payment, the Port Operation Payment and the Mining Production Payment, amounting to US$315,000,000 in aggregate) which will be payable by the Group should the Group fail to succeed in the Arbitration in its entirety; and

(iv) the Company may at its discretion decide the pace of the Project's development according to the circumstances and may dispose of the relevant assets when opportunities arise.

Major terms of the Settlement Agreement are as follows:

(i) the Company shall pay to Votorantim a settlement payment of US$3,000,000 (the "Settlement Payment");

(ii) Votorantim and Infinite Sky shall execute SAM's share transfer book to effect transfer of the preferred share (the "Golden Share") to Infinite Sky free and clear of any encumbrance;

(iii) SAM shall execute SAM's share register to record Infinite Sky as owner of the Golden Share;

(iv) Votorantim and Infinite Sky shall execute a joint notice to the Custodian directing it to release and deliver the New Trinity Certificate to Infinite Sky; and

(v) Votorantim as successor to VNN and Lit Mining shall execute a release to effectuate and evidence the termination of the Brazilian Security Agreement.

The Company has settled the Settlement Payment on 13 May 2016 and terms (ii) to (v) have been executed before mid-June 2016. After that, SAM become a wholly-owned subsidiary of the Group. The Group may at its discretion decide the pace of the SAM iron ore project's development according to the circumstances and may dispose of the relevant assets when opportunities arise.

The Settlement Agreement also has a conditional additional payment clause and a conditional mining production payment clause to Votorantim. Their details have been set out in the "Contingent Consideration and Liabilities" section.

CONTINGENT CONSIDERATION AND LIABILITIES

Pursuant to the SPA, the total consideration of US$390.0 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$75.0 million were settled. The third, fourth and fifth instalment payment amount to US$115.0 million, US$100.0 million and US$100.0 million were required to be settled according to certain milestones.

After execution of the Settlement Agreement (details set out in the "Termination of the Share Purchase Agreement in Relation to Acquisition of SAM"), the Group shall no longer be liable to pay third, fourth and fifth instalment payment with the total amount of US$315.0 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;

(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”), provided that the Group shall present documentation reasonably satisfactory to Votorantim of such additional loans and capital contributions, 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 the date of this results announcement, the additional loans and capital invested was approximately US$2,400,000.

Conditional mining production payment to Votorantim

If, prior to the expiry of 10 years after the date of the Settlement Agreement, the New Mining Production Commencement Date occurs and all Additional Payments made by the Group to Votorantim in the aggregate prior to that date are less than US$30,000,000, then the Group shall pay US$30,000,000 to Votorantim (“New Mining Production Payment”) within 10 Business Days after the New Mining Production Commencement Date.

The contingent consideration payables of US$19,700,000 (equivalent to approximately HK$153,087,000) represent the fair value of the obligation for the contingent additional payment and conditional mining production payment in accordance with the Settlement Agreement and are estimated by independent professional valuers.

As at 31 December 2016, saved as disclosed above the Group did not have any significant contingent liabilities.

LOAN AGREEMENT ENTERED INTO WITH CLOUDRIDER LIMITED

Upon completion of the Placing and the Subscription in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$950 million of which was then intended to be applied to in the new energy vehicle related field, but the Company has yet to identify suitable investment and acquisition targets in the new energy vehicle related field. Whilst the Company will continue to explore and identify suitable targets in the new energy vehicle related field, the Company has 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. On 11 April 2016, the Company entered into a loan agreement with Cloudrider Limited (the "Borrower"), pursuant to which the Company granted to the Borrower the loan with principal amount of HK$540 million (the "Loan") with an interest rate of 3% per annum (the "Loan Agreement") for funding Borrower's merger and acquisitions. HK$251,100,000 and HK$288,900,000 were lent to the Borrower on 22 April 2016 and 12 May 2016 respectively. The Borrower shall repay the outstanding amount of the Loan and the unpaid interest accrued 12 months after the drawdown date unless the Borrower exercise its option to extend the Loan for 12 months. The Borrower has exercised its option to extend the repayment date by 12 months. The Loan is secured by the share charges provided by two of the shareholders of the Borrower over all of their shareholdings in the Borrower and a debenture consisting of a fixed and floating charge over all of the assets of the Borrower in favour of the Company. During the year ended 31 December 2016, the Borrower has settled HK$8.1 million loan interest in accordance with the Loan Agreement and a loan interest income of approximately HK$10.9 million was recognised by the Company in accordance with the Loan Agreement. Other details of the Loan Agreement have been disclosed in the circular of the Company dated 24 May 2016.

Business review

For the year ended 31 December 2016, the Group recorded a HK$34.0 million turnover which decreased by approximately 70.5% when compared to HK$115.4 million revenue recognised last year. Group results changed from loss of HK$1,995.0 million for the year ended 31 December 2015 to profit of HK$633.2 million in current year.

Other than the decrease in trading income of HK$1.4 million due to the disposal of trading business in December 2015, the decrease in turnover in lithium-ion batteries business was mainly due to the policy change of the PRC government. In around April 2016, there was news reported that only new energy vehicle models using vehicle power battery listed in the Catalog according to the "Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件)" will be approved to list in the Car Catalog and enjoy the relevant government subsidies. Shandong Forever New Energy was only listed in the Catalog on 13 July 2016 which negatively affected the performance of the company. The decrease was also due to the investigation carried out by the PRC Government on the misappropriation of the government subsidies by the automobile enterprises for new energy vehicle. Since the investigation began in late 2015, the PRC Government has not distributed the subsidies to the automobile enterprises in a timely manner. The automobile enterprises have occupied a large amount of their own working capital as they are unable to receive the government subsidies. This also reduced the working capital of the batteries manufacturing enterprise as the automobile enterprises delayed their payment to suppliers. Under these uncertainties, the production volume of the automobile enterprises in this year decreased substantially. 康迪電動車 and 新大洋電動車, the major customers of Shandong Forever New Energy have also taken a conservative approach and control their production plan, hence reducing their demand for lithium-ion batteries. The Company also takes a more cautious approach before accepting new orders in order to mitigate the potential credit risk.

Despite the weak performance in the lithium-ion batteries sector, the Company recorded a HK$633.2 million profit for the year. This was mainly due to the Settlement Agreement entered into with Votorantim during the year which made the Company no longer be liable to pay the third, fourth and fifth instalment payment with a total amount of US$315 million. Instead, the Company has committed to pay a maximum of US$60 million conditional contingent payment. The decrease in the contingent payment generated a HK$1,039 million non-cash fair value gain to the Company during the year. But the gain was substantially decreased by the impairment loss of HK$270.8 million on exploration and evaluation assets recognised during the year. After netting HK$92 million deferred tax credit associated with the impairment, the impairment in relation to the exploration and evaluation assets decreased the profit for the year for approximately HK$178.8 million. In addition, an impairment loss of HK$123.6 million in relation to lithium-ion business was recognised in the current year. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount after a disappointing performance of Shandong Forever New Energy for the year ended 31 December 2016.

The loss for the Group before depreciation, amortisation, impairment, fair value gain, share-based payment expenses and income tax was approximately HK$100.3 million (31 December 2015: HK$65.4 million) for the year ended 31 December 2016. The difference was mainly due to the increase in research and development expenses, decrease in sales and profit of lithium-ion batteries business and increase in imputed interest expense on convertible bonds during the year ended 31 December 2016.

During the year ended 31 December 2016, the operation of the Group was mainly financed by the proceeds received from Placing and Share Subscription completed in June 2015 as well as by the loan interests received from Cloudrider Limited.

As at 31 December 2016, the gearing ratio of the Group which is measured by total loans and borrowings (including convertible bonds) to total equity was 0.27 (31 December 2015: 0.38).

LIQUIDITY AND 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") under the Company's circular dated 29 May 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$950 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company has yet to identify suitable investment and acquisition targets in the new energy vehicle-related field and the Company has 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, 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.

As at 31 December 2016, out of the total net proceeds that have been raised from the Placing and the Share Subscription, HK$540.0 million has been lent to the Borrower, HK$109.1 million has been utilised to repay the loans from the ultimate holding company, approximately HK$36.2 million has been used for general working capital and approximately HK$57.9 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK$592.8 million, HK$410 million will be invested into the new energy vehicle related business, HK$142.1 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK$40.7 million will be used as working capital or/and the supplementary funding to the two investments mentioned above. Once the Loan is repaid by the Borrower, the whole amount will continue to be invested into the new energy vehicle related business or other identified business at that time.

As at 31 December 2016, the Group had net current assets of HK$66.0 million (31 December 2015: HK$674.3 million). Current assets mainly comprised of bank balances and cash of HK$669.1 million, trade and bill receivables of HK$101.1 million, prepayments, deposits and other receivables of HK$21.7 million and inventories of HK$36.7 million. Current liabilities mainly comprised of convertible bonds liabilities of HK$623.4 million and derivative financial liabilities of HK$58.3 million, trade and bill payables of HK$35.9 million, other payables and accrued expenses and receipts in advance of HK$40.9 million.

The net current assets of the Group decreased from HK$674.3 million to HK$66.0 million mainly due to HK$540 million Loan granted to Cloudrider Limited during the year ended 31 December 2016. The Loan was repayable in year 2018 and it was classified as non-current asset. The increase in convertible bonds liabilities by HK$71.0 million to HK$623.4 million during the year also had a significant impact on the amount of net current assets.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$90.5 million.

EMPLOYEES

As at 31 December 2016, the total number of employees of the Group was 352 (2015: 375). Employees' cost (including directors' emoluments) amounted to HK$35.2 million for the year (2015: HK$41.8 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.

LITIGATION

On 22 June 2016, the Company received a writ of summons (the "Writ") dated 18 June 2016 filed by Zhi Charles as the plaintiff (the "Plaintiff") (under High Court Action No. 1618 of 2016 ("HCA 1618 Action")) against 16 defendants which include the Company and the Company's auditor, some other companies listed on the Stock Exchange and their respective auditors.

The Plaintiff has been adjudicated a "vexatious litigant" in another legal action in Hong Kong on 20 June 2016. Although the Company did not understand the legal grounds of the Plaintiff to commence the HCA 1618 Action, the Company appointed a legal representative and attend several hearings to fulfill its legal responsibility.

Finally on 7 October 2016, the Plaintiff wholly withdrew his action against the Company in the HCA 1618 Action. The Plaintiff also agreed that after the withdrawal of the said claims against the Company, there shall be no claims whatsoever arising out of or in connection with any matter or issue raised in this action against the Company, all or any of the Company's directors and/or servants or agents whatsoever.

Other detail of the HCA 1618 Action has been disclosed in the 2016 interim report.

As at the date of this results announcement, no member of the Group was engaged in any litigation of material importance and no litigation or claim of material importance was known against any member of the Group.

PROSPECT

It is expected that the business environment in the lithium-ion batteries industry will remain difficult for a few months. First of all, the revised central government subsidies system for new energy vehicles was only released in late December 2016 and generally each vehicle sold this year will receive 20% less funding than it would have in 2016. This affect the sales strategies and pricing policy of new energy vehicles manufacturing enterprises. Moreover, the list of new energy vehicle models eligible for subsidies (新能源汽車推廣應用推薦車型目錄) (the "List") was re-examined in accordance to the new standards. Up to the date of this results announcement, only two batches of List were released with fewer than 400 new energy vehicles models included in the revised List, which is only around 20% of the number of models included in the superseded List. Since models not on the List are not eligible for subsidies, many new energy vehicles delayed their production plan and sales. Under this situation, along with the shortage of fund in the new energy vehicles manufacturing enterprises, it is expected that the sales performance of the lithium-ion batteries sector of the Group will continue to face a different level of impact for a few months.

In 2017, the Group will focus on developing Zhejiang Forever New Energy into a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion, battery and battery system. Zhejiang Forever New Energy will occupy an area of approximately 130,000 square meters. Construction work has commenced in mid-2016 and the plant is designed to produce approximately 1,500,000 kWh lithium-ion battery for new energy vehicles annually. The construction work and installation of production facilities are scheduled to complete in the third quarter of 2017.

Shandong Forever New Energy and Zhejiang Forever New Energy will focus on the research and development of ternary lithium battery as most of the sedan car manufacturing enterprises in China mostly prefer ternary lithium battery so as to achieve a better travel range for their new energy vehicles.

After Shandong Forever New Energy was listed in the Catalog for Batteries Manufacturing Enterprises on 13 July 2016, the Group will continue to make huge effort to achieve diversification of customers and obtain purchase order from customers other than 康迪電動車 and 新大洋電動車.

For the resource sector, after execution of the Settlement Agreement, SAM became a wholly-owned subsidiary of the Group. The Group may at its discretion decide the pace of the SAM iron ore project's development according to the circumstances and may dispose of the relevant assets when opportunities arise. On the other hand, there were still no breakthrough in the progress of the Group's efforts in obtaining necessary approvals for starting the construction in respect of the SAM iron ore project. As previously stated, the Group is experiencing difficulty in obtaining one of the licenses and approvals, i.e. the LP. The Brazilian team has been working on the new licensing process and will continue to evaluate the details, including how many studies and works finished in the old process could be reused, and time and costs required for the new licensing administrative process. The Group has also been keeping close contact with IBAMA, and has taken initiatives to meet the new requirements and guidances issued by the government. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

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 2016 with the exception of code Provision A.2.7, A.6.7 and C.2.5. Code Provisions A.2.7 requires that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Although the Chairman did not hold any formal meeting with the non-executive Directors without the presence of executive Directors during the year, he had frequent communications with the non-executive Directors. In addition, he delegated the Company Secretary to gather any opinions/questions that the non-executive Directors might have and report to him for follow up. As such, the non-executive Directors of the Company were given opportunities to voice their concerns to the Chairman directly. Code Provision A.6.7 stipulates that the Independent Non-Executive Directors and the Non-executive Directors should attend general meetings of the Company. However, due to other business commitments of other Independent Non-Executive Directors and Non-executive Directors, only Chan Chun Wai, Tony, who is also the chairman of the Audit Committee, was able to attend the AGM held on 18 May 2016. Chan Chun Wai, Tony communicated the views of the shareholders of the Company with the other Directors who are unable to attend in person whenever necessary. Views of the shareholders of the Company has been communicated to the Board as a whole. 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 and understand that there is no material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

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 2016.

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 2015 annual report, 2016 half-yearly report and quarterly reports 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 2016 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.

REVIEW OF RESULTS

The financial results for the year ended 31 December 2016 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary results announcement of the Group's results for the year ended 31 December 2016 have been compared by the Company's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by BDO Limited on this results announcement.

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 2016 and all staff for their hard work.

As at the date of this results 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. MA Gang
Mr. HA Chun

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

Hong Kong, 24 March 2017