HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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*This announcement, for which the directors of the Company (the "**Directors**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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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 2019 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 2019

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**341,270**	238,610
Cost of sales		**(336,947)**	(286,161)
Gross profit/(loss)		**4,323**	(47,551)
Other operating income		**196,640**	38,267
Selling and distribution costs		**(13,402)**	(3,108)
Administrative expenses		**(92,715)**	(132,762)
Other operating expenses		**(5,131)**	(25,414)
Reverse of impairment of exploration and evaluation assets	*14*	**853,360**	2,165,938
Reversal/(Recognition) of expected credit loss on trade receivables		**13,344**	(38,656)
Expected credit loss on prepayments, deposits and other receivables		**(2,322)**	(357,401)
Impairment of property, plant and equipment	*9*	**(331,909)**	(1,047)
(Loss)/Gain on changes in fair value of contingent consideration payables		**(4,598)**	2,584
Share of results of associate		**(1,096)**	–
Finance costs		**(19,395)**	(9,778)
Profit before income tax		**597,099**	1,591,072
Income tax expense	*6*	**(290,142)**	(736,419)
Profit for the year		**306,957**	854,653

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive income			
Items that will not reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(68,535)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(157,014)**	(400,213)
Other comprehensive income for the year, net of tax		**(225,549)**	(400,213)
Total comprehensive income for the year		**81,408**	454,440
Profit for the year attributable to:			
Owners of the Company		**415,609**	974,477
Non-controlling interests		**(108,652)**	(119,824)
		306,957	854,653
Total comprehensive income attributable to:			
Owners of the Company		**192,652**	574,756
Non-controlling interests		**(111,244)**	(120,316)
		81,408	454,440
Earnings per share	8		
— Basic		**4.27 cents**	10.1 cents
— Diluted		**4.27 cents**	10.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**215,260**	546,999
Exploration and evaluation assets	*14*	**6,316,882**	5,684,855
Prepaid land lease payments		**–**	82,630
Right-of-use assets		**85,741**	–
Interests in associate		**17,063**	–
Financial assets at fair value through other comprehensive income		**25,591**	–
Other intangible assets		**–**	–
Goodwill		**–**	–
Amount due from non-controlling interest of a subsidiary	*15*	**311,807**	298,720
		6,972,344	6,613,204
Current assets			
Inventories		**235,237**	154,136
Trade and bill receivables	*10*	**133,945**	116,586
Prepayments, deposits and other receivables	*11*	**83,953**	206,967
Financial assets at fair value through profit or loss	*12*	**139,611**	–
Tax recoverable		**278**	185
Restricted bank deposits		**660**	26,019
Cash and cash equivalents		**351,714**	577,259
Total current assets		**945,398**	1,081,152
Current liabilities			
Trade and bill payables	*13*	**87,116**	306,420
Other payables, accruals and deposit received		**143,615**	146,169
Borrowings		**452,593**	455,366
Lease liabilities		**2,812**	–
Total current liabilities		**686,136**	907,955
Net current assets		**259,262**	173,197
Total assets less current liabilities		**7,231,606**	6,786,401

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	**192,179**	113,842
Lease liabilities	**3,724**	–
Deferred income	**75,191**	1,253
Deferred tax liabilities	**2,032,823**	1,819,051
Contingent consideration payables	**161,094**	156,496
	2,465,011	2,090,642
Net assets	**4,766,595**	4,695,759
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**9,855**	9,855
Reserves	**4,690,975**	4,505,575
	4,700,830	4,515,430
Non-controlling interests	**65,765**	180,329
Total equity	**4,766,595**	4,695,759

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Treasury shares reserve*	Share-based payment reserve*	Translation reserve*	FVOCI reserve*	Retained earnings*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	9,855	3,563,686	(142,864)	136,741	(4,511,262)	–	4,884,518	3,940,674	297,484	4,238,158
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	3,161	3,161
Share options expired	–	–	–	(124,571)	–	–	124,571	–	–	–
Transactions with owners	–	–	–	(124,571)	–	–	124,571	–	3,161	3,161
Profit for the year	–	–	–	–	–	–	974,477	974,477	(119,824)	854,653
Other comprehensive income										
Currency translation	–	–	–	–	(399,721)	–	–	(399,721)	(492)	(400,213)
Total comprehensive income	–	–	–	–	(399,721)	–	974,477	574,756	(120,316)	454,440
At 31 December 2018	9,855	3,563,686	(142,864)	12,170	(4,910,983)	–	5,983,566	4,515,430	180,329	4,695,759
At 1 January 2019	**9,855**	**3,563,686**	**(142,864)**	**12,170**	**(4,910,983)**	**–**	**5,983,566**	**4,515,430**	**180,329**	**4,695,759**
Acquisition of non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**145**	**–**	**(7,397)**	**(7,252)**	**(3,320)**	**(10,572)**
Transactions with owners	**–**	**–**	**–**	**–**	**145**	**–**	**(7,397)**	**(7,252)**	**(3,320)**	**(10,572)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**415,609**	**415,609**	**(108,652)**	**306,957**
Other comprehensive income										
Changes of fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(68,535)**	**–**	**(68,535)**	**–**	**(68,535)**
Currency translation	**–**	**–**	**–**	**–**	**(154,422)**	**–**	**–**	**(154,422)**	**(2,592)**	**(157,014)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(154,422)**	**(68,535)**	**415,609**	**192,652**	**(111,244)**	**81,408**
At 31 December 2019	**9,855**	**3,563,686**	**(142,864)**	**12,170**	**(5,065,260)**	**(68,535)**	**6,391,778**	**4,700,830**	**65,765**	**4,766,595**

* The aggregate amount of these balances of approximately HK$4,690,975,000 (2018: HK$4,505,575,000) is included as reserves in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are research, development, production and sales of lithium battery system in the PRC, battery swapping service 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. 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 GEM of The Stock Exchange (the "GEM Listing Rules").

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

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

3.1 Adoption of new or amended HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Statement of financial position as at 1 January 2019	
Prepaid land lease payments	(82,630)
Right-of-use assets	91,722
Lease liabilities (non-current)	2,556
Lease liabilities (current)	6,536

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	10,815
Less: short term leases for which lease terms end within 31 December 2019	(765)
Less: future interest expenses	(958)
Total lease liabilities as of 1 January 2019	9,092

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.9%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

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

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

Lease liability

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

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

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

(iv) Accounting as a lessor

The Group has sub-leased out its offices to a number of tenants. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on these financial statements upon the adoption of HKFRS 16.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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 or 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 or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

4. REVENUE

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

	2019	2018
	HK$'000	*HK$'000*
Sale of lithium batteries	**340,297**	238,610
Battery swapping service income	**973**	–
	341,270	238,610

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 *HK$'000*	**Lithium battery production** *HK$'000*	**Battery swapping services** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2019				
Reportable segment revenue (external customers)	**–**	**340,297**	**973**	**341,270**
Reportable segment profit/(losses)	**845,099**	**(227,370)**	**(2,833)**	**614,896**
Reportable segment assets	**6,324,700**	**1,279,591**	**68,371**	**7,672,662**
Reportable segment liabilities	**167,405**	**936,442**	**4,465**	**1,108,312**
Capital expenditure	**3,286**	**46,368**	**7,612**	**57,266**
Reverse of impairment of exploration and evaluation assets	**(853,360)**	**–**	**–**	**(853,360)**
Impairment of property, plant and equipment	**–**	**331,909**	**–**	**331,909**
Reverse of impairment of trade receivables	**–**	**(13,344)**	**–**	**(13,344)**
Interest income	**(1,642)**	**(1,899)**	**(528)**	**(4,069)**
Interest expense	**–**	**18,950**	**–**	**18,950**
Depreciation	**108**	**41,108**	**163**	**41,379**
Amortisation charge	**–**	**1,803**	**–**	**1,803**
Write-down of inventories	**–**	**5,131**	**–**	**5,131**
Year ended 31 December 2018				
Reportable segment revenue (external customers)	–	238,610	–	238,610
Reportable segment profit/(losses)	2,148,171	(201,415)	–	1,946,756
Reportable segment assets	5,693,687	1,479,125	–	7,172,812
Reportable segment liabilities	165,536	1,010,514	–	1,176,050
Capital expenditure	8,353	189,233	–	197,586
Reverse of impairment of exploration and evaluation assets	(2,165,938)	–	–	(2,165,938)
Impairment of property, plant and equipment	–	1,047	–	1,047
Impairment of trade receivable	–	38,656	–	38,656
Interest income	(758)	(1,781)	–	(2,539)
Interest expense	–	9,778	–	9,778
Depreciation	170	24,472	–	24,642
Amortisation charge	–	1,884	–	1,884
Write-down of inventories	–	25,894	–	25,894

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:

	2019	2018
	HK$'000	*HK$'000*
Reportable segment revenue	**341,270**	238,610
Reportable segment profit	**614,896**	1,946,756
Other operating income	**9,627**	17,839
Administrative expenses	**(18,963)**	(19,186)
Impairment on prepayments, deposits and other receivables	**(2,322)**	(357,401)
Share of results of associate	**(1,096)**	–
Fair value (loss)/gain on contingent consideration payables	**(4,598)**	2,584
Gain on financial assets at fair value through profit or loss	**–**	480
Finance cost	**(445)**	–
Profit before income tax	**597,099**	1,591,072
Reportable segment assets	**7,672,662**	7,172,812
Property, plant and equipment	**141**	389
Right-of-use assets	**6,295**	–
Interest in associate	**17,063**	–
Financial assets at fair value through other comprehensive income	**25,591**	–
Prepayments, deposits and other receivables	**700**	135,232
Financial assets at fair value through profit or loss	**139,611**	–
Cash and cash equivalents	**55,679**	385,923
	7,917,742	7,694,356
Reportable segment liabilities	**1,108,312**	1,176,050
Other payables and accrued expenses	**3,476**	3,496
Lease liabilities	**6,536**	–
Deferred tax liabilities	**2,032,823**	1,819,051
	3,151,147	2,998,597

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

	2019 *HK$'000*	2018 *HK$'000*
Revenue from external customers		
PRC	**285,945**	233,752
Belgium	**7,520**	3,920
Sweden	**47,805**	938
Reportable segment revenue	**341,270**	238,610
Non-current assets (excluding interests in associate and other financial assets)		
Hong Kong	**6,435**	389
PRC	**294,264**	628,816
Brazil	**6,317,184**	5,685,279
Reportable segment non-current assets	**6,617,883**	6,314,484

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 2019, over 87% (2018: 92%) of the Group's revenue was derived from 2 major customers (2018: 2) in lithium battery production segment and revenue generated from these customers are HK$156,916,000 and HK$178,438,000 respectively (2018: HK$131,761,000 and HK$88,661,000 respectively).

6. INCOME TAX EXPENSE

	2019 *HK$'000*	2018 *HK$'000*
Deferred tax — current year	**290,142**	736,419
Income tax expense	**290,142**	736,419

During the years ended 31 December 2019 and 2018, 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% (2018: 25%) is applicable to the Group's PRC subsidiaries.

During the year, corporate income tax rates in Brazil of 34% (2018: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

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

	2019 *HK$'000*	2018 *HK$'000*
Profit before income tax	**597,099**	1,591,072
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**226,063**	621,323
Tax effect of non-deductible expenses	**99,568**	76,698
Tax effect of non-taxable revenue	**(52,595)**	(6,539)
Tax effect of tax losses not recognised	**17,079**	44,911
Tax effect on temporary difference not recognised	**27**	26
Income tax expense	**290,142**	736,419

7. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$415,609,000 (2018: HK$974,477,000) and weighted average of 9,737,434,000 (2018: 9,737,434,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

For the year ended 31 December 2019, the calculation of diluted earnings per share attributable to the owners of the Company was based on the following data:

	2019 *HK$'000*	2018 *HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**415,609**	974,477

	2019 *'000*	2018 *'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,737,434**	9,737,434
Effect of dilutive potential ordinary shares:		
— share option	**–**	1,195
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,737,434**	9,738,629

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Leasehold buildings	Leasehold improvements	Plant and machinery	Furniture and office equipment	Motor vehicles	Computer software	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018									
Cost	127	47,483	3,168	100,740	4,892	1,800	1,351	407,288	566,849
Accumulated depreciation and impairment	–	(47,483)	(3,168)	(98,880)	(3,538)	(1,005)	(1,282)	–	(155,356)
Net book amount	127	—	—	1,860	1,354	795	69	407,288	411,493
Year ended 31 December 2018									
Opening net book amount	127	–	–	1,860	1,354	795	69	407,288	411,493
Additions	–	18,387	–	55,969	4,703	565	109	109,542	189,275
Transfers	–	97,009	–	306,621	–	–	–	(403,630)	–
Written off	–	–	–	–	(7)	–	–	–	(7)
Disposals	–	–	–	–	–	–	–	–	–
Depreciation	–	(1,843)	–	(22,003)	(706)	(299)	(41)	–	(24,892)
Impairment	–	(348)	–	(525)	(22)	(152)	–	–	(1,047)
Exchange realignment	(18)	(4,463)	–	(13,535)	(260)	(29)	23	(9,541)	(27,823)
Closing net book amount	109	108,742	–	328,387	5,062	880	160	103,659	546,999
At 31 December 2018									
Cost	109	154,334	2,896	439,374	8,962	2,172	1,292	103,659	712,798
Accumulated depreciation and impairment	–	(45,592)	(2,896)	(110,987)	(3,900)	(1,292)	(1,132)	–	(165,799)
Net book amount	109	108,742	–	328,387	5,062	880	160	103,659	546,999
Year ended 31 December 2019									
Opening net book amount	**109**	**108,742**	**–**	**328,387**	**5,062**	**880**	**160**	**103,659**	**546,999**
Additions	**–**	**8,321**	**–**	**4,059**	**1,376**	**217**	**2,138**	**37,869**	**53,980**
Transfers	**–**	**88,698**	**–**	**36,311**	**293**	**–**	**–**	**(125,302)**	**–**
Disposals	**–**	**–**	**–**	**(2,346)**	**(35)**	**(157)**	**–**	**–**	**(2,538)**
Depreciation	**–**	**(4,925)**	**–**	**(35,006)**	**(1,249)**	**(283)**	**(165)**	**–**	**(41,628)**
Impairment	**–**	**(121,550)**	**–**	**(198,198)**	**(3,019)**	**(324)**	**(1,275)**	**(7,543)**	**(331,909)**
Exchange realignment	**(4)**	**(3,169)**	**–**	**(5,745)**	**(98)**	**(9)**	**(30)**	**(589)**	**(9,644)**
Closing net book amount	**105**	**76,117**	**–**	**127,462**	**2,330**	**324**	**828**	**8,094**	**215,260**
At 31 December 2019									
Cost	**105**	**247,323**	**2,832**	**468,805**	**10,372**	**2,120**	**3,363**	**15,637**	**750,557**
Accumulated depreciation and impairment	**–**	**(171,206)**	**(2,832)**	**(341,343)**	**(8,042)**	**(1,796)**	**(2,535)**	**(7,543)**	**(535,297)**
Net book amount	**105**	**76,117**	**–**	**127,462**	**2,330**	**324**	**828**	**8,094**	**215,260**

Note:

The Group's land held as at 31 December 2019 and 2018, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2019 and 2018 are situated in the PRC and held under medium term leases.

As at 31 December 2019, leasehold buildings of HK$63,225,000 were pledged to secure the Group's bank borrowings (2018: Nil).

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

As at 31 December 2019, the Group's property, plant and equipment and land use rights are mainly related to CGU of lithium battery production segment, operated by Zhejiang Forever New Energy Company Limited ("Zhejiang CGU"). Property, plant and equipment and intangible assets related to CGU of lithium battery production segment, operated by Shandong Forever New Energy Company Limited ("Shandong Forever"), were fully impaired as at 31 December 2018.

As at 31 December 2019, the directors of the Company carried out a review of the recoverable amounts of relevant assets of Zhejiang CGU which is amounted to HK$243,386,000. As a result, impairment loss of HK$331,909,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount in view of the unexpected economic downturn in the PRC for the year ended 31 December 2019.

The recoverable amount had been determined based on value in use calculation using discounted cash flow technique, covering detailed five-year budget plans, followed by an extrapolation of expected cash flows without growth rate. The pre-tax discount rate used for value in use calculation is 19.84% per annum, which reflects specific risks relating to the relevant CGU.

The key assumptions for the value in use calculation were those regarding the discount rate, growth rate and budgeted gross margin, which had been determined based on the market comparables and budgeted revenue, which had been determined based on the management's expectation for the market development and the production capacity of the CGU.

Apart from the considerations described above in determining the recoverable amount of the CGU, the Group's management is not currently aware of any other probable changes that would necessitate changes in their key assumptions. However, the estimate of recoverable amount of the Group's CGU is particularly sensitive to the discount rate applied.

The recoverable amount has been determined by an independent professional valuer, Valtech Valuation Advisory Limited with the discount cash flow approach. The recoverable amount is classified as level 3 measurement.

10. TRADE AND BILL RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables — Gross	**158,965**	154,858
Less: Impairment losses	**(25,020)**	(38,841)
Trade receivables — Net	**133,945**	116,017
Bill receivables	**–**	569
Trade and bill receivables	**133,945**	116,586

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

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

	2019 *HK$'000*	2018 *HK$'000*
0–30 days	**88,033**	88,557
31–90 days	**44,035**	19,379
91 to 180 days	**2,431**	3,802
Over 180 days	**24,466**	43,689
	158,965	155,427

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

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	**38,841**	1,714
Impairment losses recognised during the year	**–**	38,656
Reversal of impairment recognised	**(13,344)**	–
Exchange alignment	**(477)**	(1,529)
At 31 December	**25,020**	38,841

A reversal of provision of HK$13,344,000 (2018: a provision of HK$38,656,000) was made against the gross amounts of trade receivables during the year.

As at 31 December 2019 and 2018, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Deposits	**2,588**	2,668
Loan and interest receivable *(note)*	**–**	134,216
VAT receivables	**74,242**	64,372
Other receivables	**6,448**	2,069
Advances to suppliers	**675**	3,642
	83,953	206,967

Note:

The balance represented loan receivable from an independent third party. This loan receivable is bearing interest at 3% per annum and repayable twelve months after the drawdown date, subject to an option to extend by the borrower for twelve 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.

During the year ended 31 December 2019, the borrower had defaulted in repaying the full amount of the loan receivables and the outstanding accrued interests. A default interest rate of 6% per annum was applied. The directors of the Company considered the possibility of realising the loan receivables and the fair values of the underlying securities of the loan receivables, which mainly comprising 450,357,200 shares of Yuxing Infotech Investment Holdings Limited, a company listed on the GEM, impairment loss of HK$2,322,000 was recognised in profit or loss during the year ended 31 December 2019.

During the year, the Company exercised its right under the loan agreement and completed the procedures for the enforcement of the security, 450,357,200 shares of Yuxing Infotech Investment Holdings Limited on 16 December 2019. The Company classified these shares as financial assets at fair value through profit or loss.

The movement of loan and interest receivable is as follows:

	Gross carrying amount *HK$'000*	**Loss allowance** *HK$'000*	**Amortised cost** *HK$'000*
Balance at 1 January 2018	542,804	(24,085)	518,719
Interest income	14,176	–	14,176
Impairment loss	–	(357,401)	(357,401)
Unwinding of discount on present value of expected credit losses	12,917	(12,917)	–
Repayments	(41,278)	–	(41,278)
Balance at 1 January 2019	528,619	(394,403)	134,216
Interest income	7,717	–	7,717
Impairment loss	–	(2,322)	(2,322)
Unwinding of discount on present value of expected credit losses	23,955	(23,955)	–
Enforcement of the security	(139,611)	–	(139,611)
Written off	(420,680)	420,680	–
Balance at 31 December 2019	–	–	–

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *HK$'000*	2018 *HK$'000*
Listed equity investments, at market value, in Hong Kong — held for trading	**139,611**	–

As at 31 December 2019, the balance represented the fair value of 21.72% equity interests in Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of The Stock Exchange of Hong Kong Limited. The Company is not accounted for an equity method as the Group does not have the power to participate in its operating and financial policies evidenced by the lack of any direct or indirect involvement at board level.

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

13. TRADE AND BILL PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**86,456**	280,401
Bill payables	**660**	26,019
	87,116	306,420

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**68,149**	245,642
31–60 days	**13,160**	20,198
61–90 days	**36**	6,331
91–180 days	**106**	25,252
Over 180 days	**5,665**	8,997
	87,116	306,420

14. EXPLORATION AND EVALUATION ASSETS

	2019	2018
	HK$'000	*HK$'000*
At 1 January		
Cost	**9,348,922**	10,918,374
Accumulated impairment	**(3,664,067)**	(6,814,498)
Net book amount	**5,684,855**	4,103,876
For the year ended 31 December		
Opening net book amount	**5,684,855**	4,103,876
Additions	**3,286**	8,323
Exchange realignments	**(224,619)**	(593,282)
Reverse of impairment	**853,360**	2,165,938
Net book amount	**6,316,882**	5,684,855
At 31 December		
Cost	**8,982,866**	9,348,922
Accumulated impairment	**(2,665,984)**	(3,664,067)
Net book amount	**6,316,882**	5,684,855

As at 31 December 2019 and 2018, 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, reverse of impairment loss of HK$853,360,000 (2018: HK$2,165,938,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income. The reverse of impairment loss during the year is mainly due to increase in the iron ore price during the year and decrease in discount rate.

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

Assumptions and parameters of the valuation as at 31 December 2019 are as follows:

Approval of all required licenses	The end of 2022 (2018: The end of 2021)
Commencement of production	2026 (2018: 2025)
Annual production capacity	27.5 million tonnes (2018: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2018: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2018: 1,556 million tonnes)(16.05%)
Price of iron concentrate	US$85–US$138 per tonnes (2018: US$84–US$113 per tonnes)
Operating costs:	
— First 18 years of mining	US$33.7 per tonnes (2018: US$34.9 per tonnes)
— Remaining period of mining	US$38.5 per tonnes (2018: US$43.5 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2018: same term)
Capital expenditures:	
— Construction of infrastructure	US$2,373 million (2018: US$2,000 million)
Discount rate	18.48% (2018: 20.46%)

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.

On 2 December 2019, SAM learned from the media that a Minas State Public Prosecutor and a Federal Public Prosecutor jointly initiated a public civil action ("ACP") against the Minas State Government, Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA"), Lotus Brasil comercio e Logistica Ltda ("Lotus Brasil") and SAM. The ACP claimed that SAM Project and the pipeline project of Lotus Brasil are dependent, and shall be licensed jointly in IBAMA. In another word, the ACP concerns if the Minas State Government is the legitimate authority to review and approve the environmental license application and whether SAM Project and Lotus Brasil should be licensed jointly in IBAMA, it does not involve environmental feasibility of the SAM Project. On 14 January 2020, the Federal Judge of the 3rd Federal Court of the Judicial Subsection of Montes Claros made a provisional decision about the ACP (the "Provisional Decision"). The Provisional Decision temporarily suspended SAM's and Lotus Brasil's licensing processes until the judge himself can hear the parties' reasons and decide the ACP.

SAM is taking all available measures and legal options to defend and aiming to resume the licensing process or/and to conclude the ACP as soon as possible. After the consultation with the Group's legal adviser, based on the arguments presented by SAM and other defendants (Minas Gerais State, IBAMA and Lotus Brasil) as well as the meeting with the plaintiff, the Company is optimistic that the ACP will not cause significant impact to the SAM Project.

15. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY

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

As at 31 December 2019 and 2018, in the opinion of directors, the unpaid capital contribution will not be repaid within one year from the reporting date. Accordingly, such balance is classified as non-current assets. The non-controlling interests undertake that, pending full payment of their respective capital contribution, they shall use all dividend, distribution and payment received from Shandong Forever to satisfy their capital contribution obligation.

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

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**298,720**	285,632
Imputed interest income	**13,087**	13,088
At 31 December	**311,807**	298,720

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

16. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Contracted but not provided for Property, plant and equipment	**56,126**	63,990

As at 31 December 2019, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in Note 14.

MANAGEMENT DISCUSSION AND ANALYSIS

NEW ENERGY VEHICLES-RELATED BUSINESS

Following the procurement arrangement with Volvo Car, a famous brand in the world and also with the vehicle models including Lynk & Co under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely"), the Group is also promoting the product matching with Volvo XC40 Plug-in Hybrid Electric Vehicle (PHEV). London Electric Vehicle Company, 山東豐沃, 西安中力科技, etc. and also exploring new customers including major automobile enterprises and new energy vehicle enterprises. The Group has been constantly negotiating and conducting products matching with major and new automobile manufacturers and potential new customers in the energy storage field.

The car models installed with battery packs of the Group listed in the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products《道路機動車輛生產企業及產品公告》and the Catalogue of Recommended Models for the Popularization and Application of New Energy Automobiles《新能源汽車推廣應用推薦車型目錄》of Ministry of Industry and Information Technology of the PRC include the PHEV model "XC60" and "S90" of Volvo and "Lynk 01 PHEV", "Lynk 02 PHEV" and "Lynk 03 PHEV" model of Lynk & Co. Besides the sales of battery packs, the battery modules produced by the Group are also used in the battery packs of "Polestar 01 PHEV" and "XC90 PHEV" of Volvo. Other than the customers mentioned above, the Group also has customers such as Zhidou Electric Vehicle (知豆電動汽車), Ningbo Haoju (寧波浩聚) and Suzhou Pulaier (蘇州普萊爾).

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

Zhejiang Forever New Energy, a 52% owned subsidiary of the Group, is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion battery and battery system. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 2,000,000 kWh ternary lithium-ion battery annually. The first 500,000 kWh production line has commenced mass production since the second quarter of 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells. A product testing center was completed in December 2019. It is expected to strengthen the research and development and product testing and matching ability of Zhejiang Forever New Energy and may have a positive impact on future customer development. The time for installation of the new production line will be decided based on the market demand and development strategy.

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

Currently, the production plant of Shandong Forever New Energy, an indirect non-wholly owned subsidiary of the Company during the year ended 31 December 2019, 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.

On 20 January 2020, Triumphant Glory, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. (浙江吉利汽車有限公司) and Jiangsu Tiankai Energy Co., Ltd. (江蘇天開能源技術有限公司) ("Jiangsu Tiankai"), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US$20,408,100 (or its equivalent in RMB) into Shandong Forever New Energy.

Upon completion of the transaction, Jiangsu Tiankai will own 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory's equity interest in Shandong Forever New Energy will be diluted from 49% to 24.5%. Shandong Forever New Energy will be accounted for an associate of the Company. More details in relation to the reorganization agreement is set out in the "Subsequent Event" section in the Management Discussion and Analysis of this announcement.

LITHIUM-ION BATTERY BUSINESS

During the year ended 31 December 2019, the lithium-ion battery segment recorded a revenue of approximately HK$340 million (equivalent to approximately RMB299.7 million), which was increased by approximately 42.3% when compared to HK$239 million (equivalent to approximately RMB210.7 million) revenue recognised in last year. The reasons were discussed in the Business Review section in the Management Discussion and Analysis of this announcement.

The lithium-ion battery segment losses before non-cash items including impairment, depreciation, amortisation expenses and release of deferred income were approximately HK$12.6 million (2018: HK$109.5 million). The loss decreased during the year because Zhejiang Forever New Energy has taken several costs control measures and the gross profit of the segment has improved significantly.

Battery Sharing Business

Under the brand "GETI", the Company has launched a battery sharing business in mid-2019 which target electric motorcycles with business model include self-operation and franchising in the PRC. "GETI" has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By March 2020, GETI has approximately 230 battery swapping stations and 1,500 active users. The revenue and loss for the segment was approximately HK$1.0 million and HK$2.8 million respectively for the year ended 31 December 2019.

PROGRESS OF SAM

As of the date of this announcement, the Group has provided funding with principal amount of approximately US$74 million to the iron ore project in Brazil ("Block 8 Project" or "SAM Project"), through shareholders' loans and increase of registered capital in Sul Americana de Metais S.A. ("SAM"), an indirect wholly owned subsidiary of the Company in Brazil. Including the US$78 million consideration of acquisition and other expenses, the Company has invested approximately US$154 million into the SAM Project.

SAM is devoted to develop Block 8 Project as phase I operation with an annual production capacity of 27.5 million tons with an average grading of 66.2% Fe in the first 18 years' operation. The project will have an integrated system comprised an open — pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam. SAM has started licensing process for the mine and its facilities in the Secretariat of Environment and Sustainable Development ("SEMAD") in the state of Minas Gerais in Brazil since November 2017.

On 21 December 2018, Brandt, a consultant of SAM, finished the EIA (Environmental Impact Study) and RIMA (Environmental Impact Report) of the Block 8 Project. This EIA/RIMA contains 13 volumes,2953 pages, drafted by a multidisciplinary team of 39 professionals. The core contents include characteristic of the project, study area definition, physical environment diagnosis, biotic environment diagnosis, socio — economic environment diagnosis, environmental quality, environmental impact assessment, mitigation measures propositions, following and monitoring programs of environmental impact, influence area, environmental prognosis etc.

On 7 January 2019, SAM submitted the EIA/RIMA of Block 8 Project to Superintendency of Priority Projects ("SUPPRI").

On 8 January 2019, SUPPRI issued a new FOB (Basic Guidance Form) for Block 8 Project. The new FOB updated the documents necessary for the formalization of the environmental licensing process.

On 9 January 2019, according to the legal requirement, SAM published the information about the request of LP on two newspapers of great circulation, in which SAM informs that the EIA/RIMA have been presented and the RIMA is available in SUPPRI to those interested, and also informs that those interested in the Public Hearing shall formalize their request within 45 days.

On 10 January 2019, SUPPRI issued a receipt of SAM's delivery of documents and formalized the licensing process.

On 11 January 2019, SUPPRI published in the Official Gazette of the State about SAM's request of LP and the legal deadline (within 45 days from the date of this publication) for requesting the public hearing. Despite of the decent progress of the SAM project in 2018, unfortunately, on 25 January 2019, one inactive upstream tailings dam belonging to mining company Vale in Brumadinho collapsed. As this dam-breach happened again only 3 years after Samarco dam-breach disaster in November 2015, it caused a strong reaction of Brazilian society and concerns about the safety of tailings dams, especially about those tailings dams with upstream construction method. After Vale's dam — breach disaster, some laws, regulations, resolutions, bills regarding tailings dams have been published in 2019.

On 29 January 2019, the Presidency of the Republic/Civil House published a resolution (RESOLUÇÃO Nº 2, DE 28 DE JANEIRO DE 2019) to establish a legislative subcommittee to elaborate a draft of update and revision of the National Policy on Dams Security which was established by Law No. 12,334, of 20 September, 2010.

On 30 January 2019, SAM suspended its licensing process of Block 8 Project for at least 3 months in order to wait for the aforementioned update and revision of the National Policy on Dams Security.

On 22 February 2019, the Legislative Assembly of Minas Gerais approved a Bill which deals with environmental licensing and supervision of dams in the State. On 25 February 2019, the Minas Gerais State Governor signed it and thus became a State law (law No.23.291, of 25 February 2019), which was published on 26 February 2019. One of the most important articles is that upstream method for dam construction is forbidden.

On 29 April 2019, SAM applied for an extension of 45 days of the suspension of the licensing process in order to wait for the release of new regulation, resolution, policy that were in discussion.

On 13 June 2019, the National Mining Agency (ANM) published a draft resolution about the safety of dams for public opinion on its website. The final version of the Resolution No.13 (RESOLUÇÃO Nº 13, DE 8 DE AGOSTO DE 2019) was published by ANM on 12 August 2019. SAM's project is totally compliance with this resolution.

On 17 June 2019, SAM applied for an extension of another 45 days of the suspension of the licensing process.

On 25 June 2019, the Plenary of the Chamber of Deputies approved the Bill 2791/19, which changes several rules of the National Dams Policy (Law No. 12.334/10) and the Mining Code (Decree 227/67) to make mining projects safer, increase fines, specify obligations of entrepreneurs and prohibit the type of dam "upstream dam" that caused the Brumadinho disaster. This matter will be sent to the Senate for further approval. SAM's project is also compliance with this Bill 2791/19.

SAM studied the abovementioned new State Law No.23.291, Resolution No.13 of ANM and Bill 2781/19 and concluded that it won't affect its environmental licensing process since SAM adopted center line method for tailings dams' construction and very strict technical and environmental criterions for the project, which make the project is in conformity with the new law/resolution/bill.

On 2 August 2019, considering that Block 8 Project complies with the environmental legislation, SAM sent an official letter to SUPPRI and requested resumption of analyzing the environmental licensing process.

Although the Block 8 Project is in conformity with all updated law/resolution/bill, in order to reduce the environmental risk in case of dam-breach and to make the society more comfortable with the Project, at the end of July 2019, SAM hired WALM to design a "Tailings Flood Wave Containment Structure"(a type of "dike") and review the corresponding dam-breach studies. By the middle of September 2019, WALM finished the studies and reached a very positive conclusion that, with the dike, all the tailings could be contained in the area of the project in case of dam-breach under the extreme worst scenario, none of communities will be affected. To be mentioned, the Auto Rescue Zone ("ZAS") is also located in the project area. ZAS is an area defined below a dam that is at least 30 minutes from the arrival of a wave (in the event of a dam-breach), or at 10km. Block 8 Project won't have facilities for administrative, living, health and recreation activities in its ZAS, which already followed the updated legislation. Based on the updated engineering information and the new dam-breach study, Brandt re-analyzed the environmental risk of the tailing dam and reclassified SAM's tailing dam as "low risk".

On 12 September 2019, SAM together with the Consulate-general of the People's Republic of China in Rio de Janeiro co-organized "1st China-Brazil Service Trade Innovation Seminar" in Montes Claros, the biggest city in north of Minas Gerais State which is close to Block 8 Project. The Governor of Minas Gerais State Romeu Zema, the Consul-general Li Yang, the Commercial Consul Xu Yuansheng, and around 28 Chinese institutions/companies such as China Development Bank, State Grid, HUAWEI, CITIC Construction, China Power, CTG, CGN, Sinosteel etc. attended this seminar. SAM's CEO made a presentation titled "Block 8 Project, a Platform of Development and Service Trade Promotion".

Right before the seminar, SAM and the Minas Gerais State government signed an investment MOU, the State committed to finish analyzing the licensing process as soon as possible and give full support to the project.

As some communities in the project area received "self-definition certificate" of traditional community in July 2018, SAM already included some new special environmental programs in its EIA-RIMA aiming to protect and cultivate their traditional culture and characteristics. On 26 November 2019, SAM had a meeting with the State Secretariat for Social Development (SEDESE) to discuss the prior consultation hearings with traditional communities, based on State Law No. 21.147/2014 and its regulatory decree 47.289/2017, inspired by the International Labor Organization Convention No. 169.

On 27 November 2019, SAM made a full presentation of Block 8 Project to SUPPRI's technical team, including the updated result about the new dam-breach study. Preparation of new public hearings was also discussed during this meeting. On 18 December 2019, SAM submitted the updated studies to SUPPRI.

On 2 December 2019, SAM learned from the media that a Minas State Public Prosecutor and a Federal Public Prosecutor jointly initiated a public civil action ("ACP") against the Minas State Government, Brazilian Institute of Environment and Renewable Resource ("IBAMA"), LOTUS BRASIL, and SAM. The ACP claimed that SAM's Block 8 Project and the pipeline project of LOTUS BRASIL are dependent, and shall be licensed jointly in IBAMA. In another word, the ACP concerns if the Minas State Government is the legitimate authority to analyse and approve the LP application and whether Block 8 Project and Lotus Brasil should be licensed jointly in IBAMA, it does not involve environmental feasibility of the Block 8 Project.

On 14 January 2020, the Federal Judge of the 3rd Federal Court of the Judicial Subsection of Montes Claros made a provisional decision about the ACP (the "Provisional Decision"). The Provisional Decision temporarily suspended SAM's and LOTUS BRASIL's licensing processes until the judge himself can hear the parties' reasons and decide the ACP. Again, this decision does not deal with the environmental feasibility of the project.

On 21 January 2020, SAM appealed in the Fifth Panel of the Federal Regional Court of the 1st Region (TRF1) in Brasília, requested to cancel the Provisional Decision. Beside the aforementioned arguments, we believe this Provisional Decision is unreasonable for this case considering Block 8 Project is still at the status of environmental licensing, which does not offer risk of direct impacts on the environment immediately.

In March 2020, Minas Gerais State, IBAMA and LOTUS BRASIL all made interlocutory appeals to the ACP respectively, and their arguments are consistent with SAM's. Additionally, the Minas Gerais State and IBAMA emphasised that the Provisional Decision violated the Art 2 of the Law no. 8.437 (i.e. without hearing the opinion from public authorities) and should be withdrawn as soon as possible.

By the date of this announcement, no decision has yet been rendered by the TRF1's Judge. If the Provisional Decision is withdrawn, SAM could resume the environmental licensing process immediately.

SAM is taking all available measures and legal options to defend the company aiming to resume the licensing process or/and to conclude the ACP as soon as possible. ACP is not unusual for mining industry in Brazil and based on the arguments presented by SAM and other defendants (Minas Gerais State, IBAMA and LOTUS BRASIL), legal opinion of the legal advisor of SAM as well as the meeting with the plaintiff, the Company is optimistic that the ACP will not cause significant impact to the Block 8 Project.

After Vale's dam-break disaster, SAM has been communicating and having meetings with government institutions, environmental organs, State and Federal deputies, senators, municipals and associations to present SAM's new tailings disposal technology. The new tailings disposal technology as well as the Block 8 Project is highly appreciated and acknowledged. After learning that SAM's environmental licensing process was affected by the Provisional Decision, lots of institutions and associations are manifesting their support to SAM. SAM has received support letters from 5 Mayors of the municipalities in the area directly influenced by SAM's project and other 15 local institutions/associations.

As disclosed previously, SAM will export its mineral products through Porto Sul (the "Port") in Bahia State which has been granted all environmental licenses for construction. In September 2017, a Chinese Consortium led by China Railway Group Limited (中國中鐵股份有限公司) and including China Communications Construction Company Ltd. (中國交通建設股份有限公司), Dalian Huarui Heavy Industry Group Co., Ltd (大連華銳重工集團股份有限公司) signed a MOU with Bahia State government and intends to lead and participate in an investment group to finance the development of Porto Sul, including equity investment and procurement of debt financing. SAM will be a pure user of the Port and will coordinate with Lotus Brasil to monitor the progress and development of the Port.

REVALUATION OF EXPLORATION AND EVALUATION ASSETS

A revaluation on SAM's exploration and evaluation assets has been performed as at year end date 31 December 2019 with the latest mining plan, US$2.37 billion CAPEX (2018: US$2.00 billion) and US$33.7 (2018: US$34.9) (year 1 to 18) and US$38.5 (year 19 to 31) (2018: US$43.5, year 19 to 31) per ton of OPEX applied.

Regarding the project timeline, the new operation commencement year is expected to be 2026 (2018: year 2025) due to the public civil action (ACP), SAM licensing process is temporarily suspended. Other major assumptions used have been set out in the note 14.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$811 million (equivalent to approximately HK$6,317 million) (2018: US$726 million, equivalent to approximately HK$5,685 million). A reverse of impairment of US$109 million (equivalent to approximately HK$853 million) on exploration and evaluation assets has been recognised in current year accordingly. The increase in fair value of the exploration and evaluation assets was mainly due to the decrease in discount rate adopted in the valuation model and the increase in forecast iron ore price, especially for higher grade iron ore that SAM Project planned to produce (iron ore price ranged between US$85 to US$138 per ton during the forecast period in 2019 valuation (2018: US$84 to US$113 per ton)).

CONTINGENT CONSIDERATION AND LIABILITIES

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

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

Conditional additional payment

If, however:

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

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

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

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

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

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

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

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

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

(5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), with the aggregate of items (1) to (5) above in no event exceeding US$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US$60,000,000 (the "Additional Payment"). As at the date of this announcement, the additional loans and capital invested was approximately US$9,800,000.

Conditional mining production payment to Votorantim

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

As at 31 December 2019, the contingent consideration payable was approximately HK$161 million (equivalent to approximately US$20.7 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the reporting period are set out below:

Volvo Car Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Volvo Car (as the purchaser)
Date	:	23 October 2017
Term	:	From 23 October 2017 to 22 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
Pricing basis	:	The price of goods under the Volvo Car Sales Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.
Payment term	:	All transactions contemplated in the under the Volvo Car Sales Agreement are satisfied in cash. A credit period of 75 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.
2019 annual cap	:	RMB278 million
2020 cap for the period from 1 January 2020 to 22 October 2020	:	RMB251 million
Sales for the year ended 31 December 2019	:	approximately RMB157 million (HK$178.4 million)

Zhejiang Geely Components Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Zhejiang Geely Components (as the purchaser)
Date	:	25 October 2017
Term	:	From 25 October 2017 to 24 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
Pricing basis	:	The price of goods under the Zhejiang Geely Components Sales Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.
Payment term	:	All transactions contemplated in the under the Zhejiang Geely Components Sales Agreement are satisfied in cash. A credit period of 75 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.
2019 annual cap	:	RMB739 million
2020 cap for the period from 1 January 2020 to 24 October 2020	:	RMB951 million
Sales for the year ended 31 December 2019	:	approximately RMB138 million (HK$156.9 million)

The two continuing connected transactions mentioned above were reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as whole.

On 29 June 2018, independent Shareholders of the Company approved the revision on annual caps of the Volvo Car Sales Agreement and the Zhejiang Geely Components Sales Agreement in an extraordinary general meeting (the "EGM"). Further details of the EGM are disclosed in the circular of the Company dated 13 June 2018.

The Company will comply in full with applicable reporting, disclosure and if applicable, independent shareholders' approval requirements under Chapter 20 of GEM Listing Rules if the Company entered into any transactions with the connected persons or its associates.

LOAN AGREEMENT WITH CLOUDRIDER LIMITED

Pursuant to the Loan Agreement entered into with Cloudrider Limited (the "Borrower") on 11 April 2016, an aggregate principal amount of HK$540,000,000 was drawn down in two tranches on two respective dates (Tranche A: HK$251,100,000 (the "Tranche A Loan") on 22 April 2016 and Tranche B: HK$288,900,000 (the "Tranche B Loan") on 12 May 2016). The initial maturity date for each of the Tranche A Loan and the Tranche B Loan was 21 April 2017 and 11 May 2017, respectively, which was further extended by the Borrower to 21 April 2018 and 11 May 2018, respectively.

Despite numerous communication between the Company and the Borrower, the Company did not receive any repayment since 6 November 2018 and the Borrower also failed to propose a proper repayment plan. On 15 July 2019, the Company issued a notice letter to notify the Borrower that the Company decided to exercise its right under the Loan Agreement and would start the procedures for the enforcement of the Security, including the enforcement of 450,357,200 shares of Yuxing InfoTech Investment Holdings Limited (stock code: 8005) ("Yuxing InfoTech"). On 16 December 2019, the Company has exercised its right under the Loan Agreement and completed the procedures for the enforcement of a Security, the transfer procedures of 450,357,200 shares of Yuxing InfoTech have been fully completed. According to the latest number of issued shares, 450,357,200 shares represents approximately 21.72% of the issued shares of Yuxing InfoTech with a market value of approximately HK$139.6 million as at 31 December 2019.

Although the Company has completed the enforcement procedures, the Company will continue to reserve all its rights under the Loan Agreement. The Company is trying to dispose of the 450,357,200 shares of Yuxing InfoTech held by it and has communicated with a few potential buyers, however, no agreement has been reached. In light of the share price performance of Yuxing InfoTech and various factors, even with the completion of the disposal, it is estimated that the Company will not be able to recover the principal amount of Tranche A Loan and Tranche B Loan in full and the Company will update the Shareholders on any material development as and when appropriate.

BUSINESS REVIEW

For the year ended 31 December 2019, the Group recorded a HK$341.3 million revenue, representing a 43% increase when compared to HK$238.6 million revenue recognised in the last year. The profit for the year ended 31 December 2019 attributable to owners of the Company was approximately HK$415.6 million (2018: HK$974.5 million).

Over 98% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The revenue of the Group increased because the customers of our Zhejiang factory, Volvo Car and the Lynk & Co increased their demand for lithium-ion battery for the year end 31 December 2019 after new vehicle models were launched.

The Group recorded a gross profit of approximately HK$4.3 million (gross profit ratio: 1.3%) for the year ended 31 December 2019 as compared with the gross loss of approximately HK$47.6 million (gross profit ratio: -19.9%) in the last corresponding year. Gross profit ratio improved because the upgraded product of our Zhejiang battery plant has a better profit margin. On the other hand, 2018 was the first year of operation for our Zhejiang battery plant. After the initial ramp up period, the Group has successfully improved the overall operating efficiency of the plant. For example, the production efficiency for battery cell and battery pack have improved by approximately 38% and 42% respectively. Without compromise of the battery quality, the Group also optimised the human resources structure of the battery plant, the number of staff of Zhejiang battery plant has decreased by more than 40% to approximately 240 staffs during the year ended 31 December 2019. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

The compulsory "Technical Specifications for Safety of Electric Bicycles"《電動自行車安全技術規範》national standard (the "New National Standard") was effective from 15 April 2019 in the PRC. It regulates electric bicycles' safety performance, speed limit, production quality and pedal riding performance, etc., these policies will accelerate the transition of lead-acid battery in electric bicycles to lithium battery. To seize this opportunity, in mid-2019 the Group has launched the battery sharing business focusing on food delivery electric motorcycle branded "GETI" in the PRC in Jiangsu Province and Zhejiang Province. In March 2020, GETI has approximately 230 battery swapping stations and 1,500 active users. The Group will initially focus on serving the customers in the two Province and expand the service to other region in the PRC based on the future business strategy. Ultimately, it is the vision of the Group to provide safety, convenient and reliable battery swapping service to customers all over China. For the year ended 31 December 2019, GETI has recognised approximately HK$1 million revenue.

Other operating income of approximately HK$196.6 million (2018: HK$38.3 million) was recognised during the current year. It consists of government grants income of HK$163.0 million (2018: HK$0.2 million), interest income from loan receivable of HK$7.7 million (2018: HK$14.2 million), imputed interest income of amounts due from non-controlling interests of HK$13.1 million (2018: HK$13.1 million) and bank interest income of HK$5.4 million (2018: $5.5 million). The increase in other operating income was mainly due to increase in government grants income in relation to Zhejiang Forever New Energy.

The administrative expenses for the year ended 31 December 2019 mainly consists of research and development expenses of approximately HK$13.5 million (2018: HK$59.0 million), staff costs of approximately HK$30.2 million (2018: HK$31.0 million) and depreciation and amortisation expenses of HK$11.3 million (2018: HK$3.5 million). The research and development expenses decreased because an upgraded lithium-ion battery was launched in 2019 and Shandong Forever New Energy has substantially decreased its operation in the current year.

Impairment loss on trade receivables of HK$38.7 million were provided in the current year ended 31 December 2018 because certain customers have encountered financial difficulties amid decrease in sales. However, the Company has successfully recovered some bad debt in the current year and HK$13.3 million reversal of expected credit loss on trade receivables are recognised.

Impairment loss of HK$331.9 million has been provided on property, plant and equipment during the year ended 31 December 2019 because of the downward adjustment in forecast sales amount for Zhejiang Forever New Energy after it failed to meet the sales target in 2019.

The actual sales of Zhejiang Forever New Energy during the year ended 31 December 2019 did not meet the sales target due to the reasons as follow: A revised subsidy policy for new energy vehicles was introduced in late March 2019 with a transition period ended in late June. Generally, under the new policy, the total government subsidies enjoyed by a new energy vehicle will be decreased by more than 50%; In addition, due to the implementation of "China VI" vehicle emission standards in the PRC in the second half of 2019, major customers of the Group proactively reduce the aggregate inventories of its dealers in the second quarter of 2019, resulting in a slower production of new energy vehicle models, the launched of new vehicle models was also delayed; Finally, the arising trade barriers and increasing geopolitical tensions caused economic uncertainty and the total annual sales of new energy vehicles in the PRC decreased first time since 2013.

The finance costs of HK$19.4 million (2018: HK$9.8 million) recognised during the year ended 31 December 2019 were mainly related to the interests bearing loans from Zhejiang Geely, a substantial shareholder of the Company and loans from a commercial bank in the PRC. The amount of interest bearing loans were increased from HK$227.7 million last year to HK$532.9 million as at 31 December 2019.

For the year ended 31 December 2019, the profit attributable to the owners of the Company was HK$415.6 million (31 December 2018: HK$974.5 million), decreased by 57% compared with the year ended 31 December 2018. The decrease in profit was mainly due to the decrease in non-cash reverse of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project (2019: HK$563.2 million; 2018: HK$1,429.5 million).

As at 31 December 2019, the cash and cash equivalent balance of the Group was approximately HK$351.7 million with a net current assets of HK$259.3 million. The current ratio of the Group which is measured by current assets to current liabilities was 1.38 (31 December 2018: 1.19). Despite the increase in current ratio, the cash and cash equivalents of the Group was decreased by HK$225.5 million. The Company will prudently control its costs and monitor its expenditure in the year 2020.

During the year ended 31 December 2019, the operation of the Group was mainly financed by the proceeds received from the Placing and Share Subscription completed in June 2015.

THE USE OF PROCEEDS FROM PLACING AND SHARE SUBSCRIPTION

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") of the Company in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$410 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company had yet to identify suitable investment and acquisition targets in the new energy vehicle-related field in 2016 and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, 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.

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 31 December 2019:

Intended use of proceeds	**Total net proceeds**	**Actual use of net proceeds up to 31 December 2019**	**Remaining balance of net proceeds up to 31 December 2019**
	HK$' million	*HK$' million*	*HK$' million*
Lent to the Borrower	540.0	540.0	Nil
New energy vehicle related business	410.0	410.0	Nil
Brazilian iron ore project	200.0	112.3	87.7
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	42.8	34.1
Total	1,336.0	1,214.2	121.8

As at 31 December 2019, the unutilised portion of approximately HK$121.8 million were expected to be utilised in the following specific uses:

Brazilian iron ore project

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

General working capital

The unutilised proceeds of HK$34.1 million are expected to be utilised to maintain the headquarter in Hong Kong. Major expenditures include director and staff costs, rental expenses and various professional fees. Subject to the change based on the future development of the operations of the Group, the amount is expected to be utilised on or before 30 June 2021.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR LITHIUM-ION BATTERIES SEGMENT

Regulatory Environment and Policies in Relation to NEV Industry in the PRC

To promote the development of NEV industry, the PRC government has actively introduced requirements such as more stringent fuel efficiency, NEV output ratio requirement starting from 2019 as well as provision of different types of subsidies. However, the NEV industry is still in its infant stage and is highly affected by the regulatory environment and policies in the PRC, any material change in the regulatory environment and policies which is not positive for the NEV industry could negatively affect the industry and the financial results of the Group. The management of the Group will continue to pay attention to any proposed and new policies related to the NEV industry and take the appropriate actions to maximize the return of the Group.

Customer Concentration Risk

The total annual caps in respect of the two sales agreements entering into between Zhejiang Forever New Energy and Volvo Car and Zhejiang Geely Components are RMB1,017 million and RMB1,202 million for the financial years ending 31 December 2019 and 2020 respectively. Although the two sales agreements represent a very positive start for our brand new factory plant in Zhejiang and it is not unusual for customer concentration in the lithium-ion batteries industry, the management is aware of the business risk to rely on limited key customer. Should Volvo Car and Zhejiang Geely Components reduce substantially the size of their purchase orders placed with the Group or terminate their business relationship with the Group entirely, the results of operations and financial performance of the Group may be adversely affected.

The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New Energy. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other mainstream automobile manufacturers to reduce the sales concentration risk.

Except that our supply to Zhejiang Geely and Volvo is a connected transaction and may lead to concentration of customers, the Group also attaches great importance to the exploration of independent customers. The Group is constantly negotiating and conducting products matching with major automobile enterprises, new energy vehicles enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with the key customers.

Increasing Raw Materials and Purchase Costs

There is a general lack of supply of key raw materials of lithium-ion battery such as cobalt and lithium, if there is any significant increase in the price of raw materials, the Group profitability and financial results will be adversely affected. The Group will continue to control and improve the costs structure of lithium-ion battery products by increasing the energy density and production passing ratio of our products, strengthening the management skill, promoting effective use of materials and streamlining the supply chain, etc. However, the high cost was also attributable to the small production capacity of the project, and hence it would be relatively difficult to reduce the cost.

Others

Moreover, technological advancement, innovation and even revolution requires continuous improvement, or even obsolescence, of battery production lines. The delay in receiving government grants experienced by automobile enterprises will also influence the upstream industries. Factors such as excessively large trade receivables will also result in certain risks. The Group has been adopting a prudent strategy in its expansion over the past two years to reduce the possible harmful impacts from such risks.

THE PRINCIPAL RISKS AND UNCERTAINITIES FOR THE SAM PROJECT

Iron ore price risk

The fair value of the Group's evaluation and exploration assets in the Brazil are exposed to fluctuations in the expected future iron ore price. The management will review the market condition from time to time and determine the best strategy to deal with the fluctuation of iron ore price.

Risk of SAM project will not be materialized

The risk is largely driven by various factors such as commodity prices, government regulations, legal litigation challenges, political factors, policies and approval of the relevant permits and licenses to conduct the mining activities in the Brazil. All these factors may affect the schedule of the project, or even result in the failure of the SAM project.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$56.1 million.

EMPLOYEES

As at 31 December 2019, the total number of employees of the Group was 481 (2018: 701). Employee benefit expenses (including directors' emoluments) amounted to HK$58.1 million for the year (2018: HK$78.7 million).

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

PROSPECTS

Despite the central government of China has announced that subsidies for new energy vehicles will be gradually decreased in the coming years, the Group and new energy vehicle industry both believe that the government of China will continue to introduce other measures to promote the development of new energy vehicle industry which is one of the national development strategies. In addition, in the post-subsidy period new energy vehicle manufacturers and customers are going to put more focus on the overall quality of the car models. This could be positive for premium and high-end car models, which are the target customer segment of our Group.

Nevertheless, the global economy continues to be weakened by rising trade barriers and increasing geopolitical tensions. The novel coronavirus (COVID-19) outbreak since the end of 2019 adds another significant challenge to the world, the economic uncertainty is expected to affect the sales of the Group in 2020. According to the latest estimation, more than 50% decrease in revenue of the Group is expected in the first quarter this year compared with the last corresponding period.

The battery packs produced by Zhejiang Forever New Energy were provided to Volvo Car and Zhejiang Geely Components and assembled in premium car models such as Volvo XC60 PHEV, S90 PHEV and Lynk & Co Lynk 01, 02, 03 PHEV. Batteries modules were also provided to Volvo Polestar 01 PHEV and XC90 PHEV. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world-famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other world's mainstream automobile manufacturers.

On 16 January 2019, the Company entered into a security purchase agreement with Luokung Technology Corp. (Nasdaq: LKCO) and agreed to subscribe 2 million ordinary shares of LKCO shares with a total consideration of USD12 million. During the year ended 31 December 2019, the Company has settled USD12 million and Luokung Technology Corp. has issued 2 million ordinary shares to the Company. Luokung Technology Corp. is one of the world's leading companies in spatial-temporal big data technology, a leading interactive location-based data services ("LBS") company in China, and a pioneer of the railway Wi-Fi market in China. Luokung Technology Corp. has developed business relationship with world famous entities such as Ford Motor Corporation, which has selected Luokung's subsidiary EMG as the provider of HD Map Service for Ford China's autonomous driving project.

During the year ended 31 December 2019, Honbridge Technology Limited ("Honbridge Tech"), a wholly-owned subsidiary of the Company, has set up a Joint Venture with 杭州優行科技有限公司 (Hangzhou UGO Tech Co., Ltd.) ("Hangzhou UGO") and 杭州禾曦嬌科技有限公司 (Hangzhou Hexijiao Technology Co., Ltd.) ("Hangzhou Hexijiao"). The Joint Venture is initially engaged in online car-hailing services in Paris, France and related services and will gradually extend its online car-hailing services to other cities in Europe depending on its business development progress. The service was launched in Paris in January 2020.

In the future, the Company may co-operate with Luokung Technology Corp. and the online car-hailing joint venture in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

In late 2019 and early 2020, the Company was in the course of preliminary negotiation in respect of a possible acquisition of the controlling equity interest of a company which is principally engaged in manufacturing industry in mainland China. However, the negotiation was temporarily terminated in March 2020. Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while proactively exploring the lithium-ion battery business in a prudent manner, the Group will continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as charging and swapping, electric motor, electric controlling, Internet of Vehicle, autonomous driving, shared mobility, high-definition map and light-weighting of vehicles.

For the resource sector, the latest progress of the SAM Project was covered in the Progress of SAM section in this announcement. Despite the exceptional time and efforts spent for the SAM iron ore project, it is disappointing and helpless that the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility, however, the Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

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

SUBSEQUENT EVENT

Negotiation of material acquisition

On 12 February 2020, the Company issued an announcement that it is in the process of evaluation and negotiation of an acquisition which may constitute a material acquisition. After taking into account various factors, the negotiation has been terminated temporarily.

DEEMED DISPOSAL OF EQUITY INTEREST IN SHANDONG FOREVER NEW ENERGY

On 20 January 2020, Triumphant Glory, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. (浙江吉利汽車有限公司) ("Geely Auto") and Jiangsu Tiankai Energy Co., Ltd. (江蘇天開能源技術有限公司) ("Jiangsu Tiankai"), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US$20,408,100 (or its equivalent in RMB) into Shandong Forever New Energy.

Upon completion of the Capital Increase in accordance with the Reorganisation Agreement, the registered capital of Shandong Forever New Energy will be increased from US$20,408,100 to US$40,816,200. Jiangsu Tiankai, Geely Auto and Triumphant Glory will hold 50%, 25.5% and 24.5% equity interest in Shandong Forever New Energy, respectively. As a result of the Capital Increase and the termination of the Company's right to appoint a majority of the board of directors of Shandong Forever New Energy, Shandong Forever New Energy will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Company. Shandong Forever will be accounted for an associate of the Company.

Technical co-operation

To promote the use of advanced technology and improve the product line of Shandong Forever New Energy, pursuant to the Reorganisation Agreement, Jiangsu Tiankai agreed to introduce its own NCM 622 and NCM 811 battery formula and technology to Shandong Forever New Energy for nil consideration which Shandong Forever New Energy is allowed to use for free indefinitely.

Basis of the Capital Contribution Sum

The Capital Contribution Sum was determined among the parties to the Reorganisation Agreement after arm's length negotiations with reference to the appraised value of Shandong Forever New Energy based upon its registered capital amount.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Directors consider that the Capital Increase contemplated under the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement would not only strengthen the financial resources but also improve the lithium-ion battery technological level of Shandong Forever New Energy. The Capital Contribution Sum will be mainly utilised to install new production line which can enhance business growth and competitiveness of Shandong Forever New Energy while technical co-operation with Jiangsu Tiankai can improve its products.

Except the Capital Contribution Sum, more importantly, the Directors consider Jiangsu Tiankai can also bring new battery technology, management skills as well as new customers to Shandong Forever New Energy, which are very important to solve the problems faced by Shandong Forever New Energy.

An extraordinary general meeting was held on 11 March 2020 and the Reorganisation Agreement, the Amended and Restated Joint Investment Agreement and the transactions contemplated were approved by independent shareholders. More details on the transaction has been set out in the circular of the Company dated 24 February 2020.

On 19 March 2020, all of the conditions precedent under the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement have been fulfilled and the transaction was completed.

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 2019 with the exception of code Provision A.2.7 and C.2.5. Code Provisions A.2.7 requires that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Although the Chairman did not hold any formal meeting with the non-executive Directors without the presence of executive Directors during the year, he had frequent communications with the non-executive Directors. In addition, he delegated the Company Secretary to gather any opinions/questions that the non-executive Directors might have and report to him for follow up. As such, the non-executive Directors of the Company were given opportunities to voice their concerns to the Chairman directly. Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the audit committee and the Board. In addition, the audit committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

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 2019.

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 2018 annual results, 2019 half-yearly results and quarterly results as well as the Company's internal control procedures and risk management system. Full attendance was recorded for the four meetings.

The Group's annual results for the year ended 31 December 2019 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.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary results announcement of the Group's results for the year ended 31 December 2019 have been compared by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited 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.

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

Executive Directors:
Mr. HE Xuechu *(Chairman)*
Mr. Liu Jian *(Vice Chairman and Co-Chief Executive Officer)*
Mr. Liu Wei, William *(Co-Chief Executive Officer)*

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

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

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

Hong Kong, 27 March 2020