HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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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.*

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

GROUP RESULTS

The board of directors (the "Board") of Honbridge Holdings Limited (the "Company") announced the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 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 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*4*	**297,065**	341,270
Cost of sales		**(204,077)**	(336,947)
Gross profit		**92,988**	4,323
Other operating income		**81,540**	196,640
Selling and distribution costs		**(20,149)**	(13,402)
Administrative expenses		**(86,159)**	(92,715)
Other operating expenses		**(129,376)**	(5,131)
Loss on deemed disposal of a subsidiary	*6*	**(58,767)**	–
Reverse of impairment of exploration and evaluation assets	*12*	**2,053,773**	853,360
Reversal of expected credit loss on trade receivables		**277**	13,344
Expected credit loss on prepayments, deposits and other receivables		**–**	(2,322)
Impairment of property, plant and equipment	*11*	**(139,058)**	(331,909)
Gain/(Loss) on changes in fair value of contingent consideration payables		**54,769**	(4,598)
Share of results of associate	*7*	**(50,628)**	(1,096)
Finance costs		**(16,785)**	(19,395)
Profit before income tax		**1,782,425**	597,099
Income tax expense	*8*	**(698,283)**	(290,142)
Profit for the year		**1,084,142**	306,957

	Notes	**2020** *HK$'000*	2019 *HK$'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		**(14,915)**	(68,535)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(944,130)**	(157,014)
Share of other comprehensive income of associates		**1,862**	–
Exchange reserves released upon deemed disposal of a subsidiary		**32,024**	–
Other comprehensive income for the year, net of tax		**(925,159)**	(225,549)
Total comprehensive income for the year		**158,983**	81,408
Profit for the year attributable to:			
Owners of the Company		**1,156,593**	415,609
Non-controlling interests		**(72,451)**	(108,652)
		1,084,142	306,957
Total comprehensive income attributable to:			
Owners of the Company		**230,116**	192,652
Non-controlling interests		**(71,133)**	(111,244)
		158,983	81,408
Earnings per share	*10*		
— Basic		**11.88 cents**	4.27 cents
— Diluted		**11.88 cents**	4.27 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**71,953**	215,260
Exploration and evaluation assets	12	**6,920,709**	6,316,882
Right-of-use assets		**40,795**	85,741
Interests in associates	7	**12,391**	17,063
Financial assets at fair value through other comprehensive income		**10,676**	25,591
Other intangible assets		**–**	–
Goodwill		**–**	–
Amount due from non-controlling interest of a subsidiary	13	**–**	311,807
		7,056,524	6,972,344
Current assets			
Inventories		**92,759**	235,237
Trade receivables	14	**102,863**	133,945
Prepayments, deposits and other receivables	15	**88,505**	83,953
Financial assets at fair value through profit or loss	16	**89,621**	139,611
Tax recoverable		**282**	278
Restricted bank deposits		**–**	660
Cash and cash equivalents		**372,651**	351,714
Total current assets		**746,681**	945,398
Current liabilities			
Trade and bill payables	17	**78,273**	87,116
Other payables, accruals and deposit received		**133,096**	143,615
Borrowings		**242,990**	452,593
Lease liabilities		**2,950**	2,812
Total current liabilities		**457,309**	686,136
Net current assets		**289,372**	259,262
Total assets less current liabilities		**7,345,896**	7,231,606

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Borrowings		**182,421**	192,179
Lease liabilities		**774**	3,724
Deferred income		**19,453**	75,191
Deferred tax liabilities		**2,237,901**	2,032,823
Contingent consideration payables		**106,325**	161,094
		2,546,874	2,465,011
Net assets		**4,799,022**	4,766,595
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*18*	**9,855**	9,855
Reserves		**4,860,491**	4,690,975
		4,870,346	4,700,830
Non-controlling interests		**(71,324)**	65,765
Total equity		**4,799,022**	4,766,595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 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
At 1 January 2020	**9,855**	**3,563,686**	**(142,864)**	**12,170**	**(5,065,260)**	**(68,535)**	**6,391,778**	**4,700,830**	**65,765**	**4,766,595**
Expiry of share option	**–**	**–**	**–**	**(2,212)**	**–**	**–**	**2,212**	**–**	**–**	**–**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**95,910**	**95,910**
Deemed disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(155,638)**	**(155,638)**
Share of movement of other reserves of associate	**–**	**–**	**–**	**–**	**–**	**–**	**(60,600)**	**(60,600)**	**(6,228)**	**(66,828)**
Transactions with owners	**–**	**–**	**–**	**(2,212)**	**–**	**–**	**(58,388)**	**(60,600)**	**(65,956)**	**(126,556)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,156,593**	**1,156,593**	**(72,451)**	**1,084,142**
Other comprehensive income										
Changes of fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(14,915)**	**–**	**(14,915)**	**–**	**(14,915)**
Currency translation	**–**	**–**	**–**	**–**	**(945,448)**	**–**	**–**	**(945,448)**	**1,318**	**(944,130)**
Share of movement of other comprehensive income of associates	**–**	**–**	**–**	**–**	**1,862**	**–**	**–**	**1,862**	**–**	**1,862**
Deemed disposal of a subsidiary	**–**	**–**	**–**	**–**	**32,024**	**–**	**–**	**32,024**	**–**	**32,024**
Total comprehensive income	**–**	**–**	**–**	**–**	**(911,562)**	**(14,915)**	**1,156,593**	**230,116**	**(71,133)**	**158,983**
At 31 December 2020	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(5,976,822)**	**(83,450)**	**7,489,983**	**4,870,346**	**(71,324)**	**4,799,022**

* The aggregate amount of these balances of approximately HK$4,860,491,000 (2019: HK$4,690,975,000) 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 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. Apart from the deemed disposal of a subsidiary (note 6), there were no other 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:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

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

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16, Proceeds before Intended Use[2]
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17 — Insurance Contracts[4]
Amendments to HKFRS 3, Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKFRS 16, Covid-19-Related Rent Concession[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] Effective for annual periods beginning on or after 1 June 2020.
[6] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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:

	2020	2019
	HK$'000	*HK$'000*
Sale of lithium batteries	**290,805**	340,297
Battery swapping service income	**6,260**	973
	297,065	341,270

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 2020				
Reportable segment revenue (external customers)	**–**	**290,805**	**6,260**	**297,065**
Reportable segment profit/(losses)	**2,046,697**	**(130,533)**	**(11,253)**	**1,904,911**
Reportable segment assets	**6,927,567**	**572,754**	**70,794**	**7,571,115**
Reportable segment liabilities	**110,768**	**575,355**	**14,258**	**700,381**
Capital expenditure	**1,205**	**4,403**	**8,208**	**13,816**
Reverse of impairment of exploration and evaluation assets	**(2,053,773)**	**–**	**–**	**(2,053,773)**
Impairment of property, plant and equipment	**–**	**139,058**	**–**	**139,058**
Reverse of impairment of trade receivables	**–**	**(277)**	**–**	**(277)**
Interest income	**–**	**(1,537)**	**(333)**	**(1,870)**
Interest expense	**–**	**16,463**	**–**	**16,463**
Depreciation	**54**	**15,690**	**2,493**	**18,237**
Amortisation charge	**–**	**954**	**–**	**954**
Write-down of inventories	**–**	**79,386**	**–**	**79,386**
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

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:

	2020	2019
	HK$'000	*HK$'000*
Reportable segment revenue	**297,065**	341,270
Reportable segment profit	**1,904,911**	614,896
Other operating income	**1,209**	9,627
Administrative expenses	**(18,757)**	(18,963)
Impairment on prepayments, deposits and other receivables	**–**	(2,322)
Share of results of associate	**(50,628)**	(1,096)
Fair value gain/(loss) on contingent consideration payables	**54,769**	(4,598)
Loss on deemed disposal of a subsidiary	**(58,767)**	–
Loss on financial assets at fair value through profit or loss	**(49,990)**	–
Finance costs	**(322)**	(445)
Profit before income tax	**1,782,425**	597,099
Reportable segment assets	**7,571,115**	7,672,662
Property, plant and equipment	**–**	141
Right-of-use assets	**3,497**	6,295
Interest in associate	**12,391**	17,063
Financial assets at fair value through other comprehensive income	**10,676**	25,591
Prepayments, deposits and other receivables	**29,062**	700
Financial assets at fair value through profit or loss	**89,621**	139,611
Cash and cash equivalents	**86,843**	55,679
	7,803,205	7,917,742
Reportable segment liabilities	**700,381**	1,108,312
Other payables and accrued expenses	**62,177**	3,476
Lease liabilities	**3,724**	6,536
Deferred tax liabilities	**2,237,901**	2,032,823
	3,004,183	3,151,147

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from external customers		
PRC	**240,766**	285,945
Belgium	**78**	7,520
Sweden	**56,221**	47,805
Reportable segment revenue	**297,065**	341,270
Non-current assets (excluding interests in associates and other financial assets)		
Hong Kong	**3,497**	6,435
PRC	**109,251**	294,264
Brazil	**6,920,709**	6,317,184
Reportable segment non-current assets	**7,033,457**	6,617,883

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

During the year ended 31 December 2020, 89% (2019: 87%) of the Group's revenue was derived from 2 major customers (2019: 2) in lithium battery production segment and revenue generated from these customers are HK$180,242,000 and HK$84,032,000 respectively (2019: HK$156,916,000 and HK$178,438,000 respectively).

6. DEEMED DISPOSAL OF A SUBSIDIARY

On 20 January 2020, Triumphant Glory Investments Limited, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. and Jiangsu Tiankai Energy Co., Ltd. ("Jiangsu Tiankai"), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US$20.4 million into Shandong Forever, a 49% owned subsidiary of the Company (the "Deemed Disposal"). The Deemed Disposal was completed on 19 March 2020 and Triumphant Glory's equity interest in Shandong Forever has been diluted from 49% to 24.5% and Shandong Forever New Energy was accounted for as an associate of the Company. The net assets of Shandong Forever as at 19 March 2020 were as follows:

	HK$'000
Amount due from non-controlling interests of a subsidiary	315,079
Right-of-use assets	41,726
Trade and bills receivables	119
Prepayments, deposits and other receivables	1,403
Cash and cash equivalents	7,332
Tax receivable	13
Trade and bill payables	(2,692)
Other payables, accruals and deposits received	(41,822)
Amount due to holding company	(26,851)
Deferred income	(1,004)
Net assets disposed of	293,303
Non-controlling interests	(155,638)
Release of translation reserve upon disposal	32,024
Fair value of interests in associates	(110,922)
Loss on deemed disposal of a subsidiary	58,767
Net cash outflow arising on deemed disposal:	
Cash and cash equivalents disposed of	(7,332)
	(7,332)

7. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Interests in associates:		
Share of net assets	**12,391**	17,063

Movement of interests in associates are as follows:

	2020	2019
	HK$'000	*HK$'000*
As at 1 January	**17,063**	–
Additions *(note 1)*	**110,922**	18,159
Share of results of associates	**(50,628)**	(1,096)
Share of other comprehensive income of associates	**1,862**	–
Share of other reserve *(note 2)*	**(66,828)**	–
As at 31 December	**12,391**	17,063

Details of the Group's associates as at 31 December 2020 are as follows:

Name	**Place of incorporation/operation and principal activity**	**Percentage of ownership interests/ voting rights/ profit share**
吉行國際科技有限公司	People's Republic of China/Investment holding company	20% (directly)
Caocao Mobility Paris SAS	France/online car-hailing business in Europe	20% (indirectly)
Shandong Forever	People's Republic of China/research, production and sales of lithium battery	24.5% (indirectly) *(note 1)*

Notes:

1. On 20 January 2020, Triumphant Glory Investments Limited, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. and Jiangsu Tiankai Energy Co., Ltd. ("Jiangsu Tiankai"), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US$20.4 million into Shandong Forever, a 49% owned subsidiary of the Company (the "Deemed Disposal"). The Deemed Disposal was completed on 19 March 2020 and Triumphant Glory's equity interest in Shandong Forever has been diluted from 49% to 24.5% and Shandong Forever New Energy was accounted for as an associate of the Company. Management assessed that the fair value of the Group's interest in Shandong Forever as at 19 March 2020 is HK$110,922,000, determined based on the assets approach.

2. On 9 April 2020, pursuant to a resolution approved by shareholders of Shandong Forever, there is a capital reserve reduction of US$35 million without any change of shareholders of the existing shareholders of Shandong Forever. Accordingly, the interests in associates was reduced by the Group's share of capital reserve reduction of HK$66,828,000 and such balance was debited to the Group's retained earnings and non-controlling interests.

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

	吉行國際科技有限公司 and its subsidiary		Shandong Forever	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December				
Current assets	**82,113**	92,071	**6,223**	–
Non-current assets	**209,141**	203,080	**86,365**	–
Current liabilities	**(252,030)**	(209,837)	**(74,032)**	–
Net assets	**39,224**	85,314	**18,556**	–
Group's share of net assets of the associate	**7,845**	17,063	**4,546**	–
Year ended 31 December*				
Revenue	**6,227**	–	**2,711**	–
Expenses	**(56,781)**	(5,487)	**(168,083)**	–
Loss for the year/period	**(50,554)**	(5,487)	**(165,372)**	–
Other comprehensive income	**4,465**	–	**3,955**	–
Total comprehensive income	**(46,089)**	(5,487)	**(161,417)**	–
Dividends received from associates	**–**	–	**–**	–
Share of results of associates	**(10,112)**	(1,096)	**(40,516)**	–
Share of other comprehensive income of associates	**894**	–	**968**	–
Share of total comprehensive income of associates	**(9,218)**	(1,096)	**(39,548)**	–

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

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Deferred tax — current year	**698,283**	290,142
Income tax expense	**698,283**	290,142

During the years ended 31 December 2020 and 2019, 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% (2019: 25%) is applicable to the Group's PRC subsidiaries.

During the year, corporate income tax rates in Brazil of 34% (2019: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

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

	2020	2019
	HK$'000	*HK$'000*
Profit before income tax	**1,782,425**	597,099
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**649,881**	226,063
Tax effect of non-deductible expenses	**62,480**	99,568
Tax effect of non-taxable revenue	**(23,547)**	(52,595)
Tax effect of tax losses not recognised	**9,447**	17,079
Tax effect on temporary difference not recognised	**22**	27
Income tax expense	**698,283**	290,142

9. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$1,156,593,000 (2019: HK$415,609,000) and weighted average of 9,737,434,000 (2019: 9,737,434,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

Diluted earnings per share for the year ended 31 December 2020 and 2019 is the same as basic earnings per share because the impact of the exercise of share options was anti-dilutive.

11. 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 2019									
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
Year ended 31 December 2020									
Opening net book amount	**105**	**76,117**	**–**	**127,462**	**2,330**	**324**	**828**	**8,094**	**215,260**
Additions	**–**	**1,646**	**–**	**411**	**866**	**–**	**–**	**10,237**	**13,160**
Transfers	**–**	**3,745**	**–**	**12,038**	**174**	**–**	**–**	**(15,957)**	**–**
Disposals	**–**	**–**	**–**	**(799)**	**(191)**	**–**	**–**	**(274)**	**(1,264)**
Depreciation	**–**	**(2,549)**	**–**	**(16,844)**	**(533)**	**(134)**	**(544)**	**–**	**(20,604)**
Impairment	**–**	**(57,592)**	**–**	**(79,600)**	**(1,348)**	**(134)**	**(206)**	**(178)**	**(139,058)**
Exchange realignment	**(24)**	**1,577**	**–**	**2,748**	**(3)**	**5**	**8**	**148**	**4,459**
Closing net book amount	**81**	**22,944**	**–**	**45,416**	**1,295**	**61**	**86**	**2,070**	**71,953**
At 31 December 2020									
Cost	**81**	**222,541**	**2,452**	**415,372**	**11,359**	**1,866**	**3,006**	**2,258**	**658,935**
Accumulated depreciation and impairment	**–**	**(199,597)**	**(2,452)**	**(369,956)**	**(10,064)**	**(1,805)**	**(2,920)**	**(188)**	**(586,982)**
Net book amount	**81**	**22,944**	**–**	**45,416**	**1,295**	**61**	**86**	**2,070**	**71,953**

Note:

The Group's land held as at 31 December 2020 and 2019, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2020 and 2019 are situated in the PRC and held under medium term leases.

As at 31 December 2020, leasehold buildings of HK$15,401,000 (2019: HK$63,225,000) were pledged to secure the Group's bank borrowings.

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

As at 31 December 2020, 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").

As at 31 December 2020, the directors of the Company carried out a review of the recoverable amounts of relevant assets of Zhejiang CGU, which is amounted to HK$95,006,000 (2019: HK$243,390,000). As a result, impairment loss of HK$139,058,000 (2019: 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.

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 15.54% (2019: 19.4%) per annum, which reflects specific risks relating to the relevant CGU.

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

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

The recoverable amount has been determined by an independent professional valuer, Valtech Valuation Advisory Limited with the discount cash flow approach.

12. EXPLORATION AND EVALUATION ASSETS

	2020	2019
	HK$'000	*HK$'000*
At 1 January		
Cost	**8,982,866**	9,348,922
Accumulated impairment	**(2,665,984)**	(3,664,067)
Net book amount	**6,316,882**	5,684,855
For the year ended 31 December		
Opening net book amount	**6,316,882**	5,684,855
Additions	**656**	3,286
Exchange realignments	**(1,450,602)**	(224,619)
Reverse of impairment	**2,053,773**	853,360
Net book amount	**6,920,709**	6,316,882
At 31 December		
Cost	**6,920,709**	8,982,866
Accumulated impairment	**–**	(2,665,984)
Net book amount	**6,920,709**	6,316,882

As at 31 December 2020 and 2019, exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais Brazil and the expenditures incurred in the search for mineral resources.

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

During the year, the Directors reviewed the carrying amount of exploration and evaluation assets, reverse of impairment loss of HK$2,053,773,000 (2019: HK$853,360,000) 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.

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 2020 are as follows:

Approval of all required licenses	Mid 2023 (2019: The end of 2022)
Commencement of production	4th quarter of 2026 (2019: beginning of 2026)
Annual production capacity	27.5 million tonnes (2019: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2019: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2019: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US$111 per tonnes (2019: US$86 per tonnes)
Operating costs:	
— First 18 years of mining	US$33.7 per tonnes (2019: US$33.7 per tonnes)
— Remaining period of mining	US$39.0 per tonnes (2019: US$38.5 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2019: same term)
Capital expenditures:	
— Construction of infrastructure	US$2,236 million (2019: US$2,373 million)
Discount rate	19.84% (2019: 18.48%)

13. 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, in the opinion of directors, the unpaid capital contribution will be 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:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**311,807**	298,720
Imputed interest income	**3,272**	13,087
Deemed disposal of a subsidiary	**(315,079)**	–
At 31 December	**–**	311,807

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

14. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables — Gross	**103,262**	158,965
Less: Impairment losses	**(399)**	(25,020)
Trade receivables — Net	**102,863**	133,945

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

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

	2020	2019
	HK$'000	*HK$'000*
0 — 30 days	**68,099**	88,033
31 — 90 days	**35,163**	44,035
91 to 180 days	**–**	2,431
Over 180 days	**–**	24,466
	103,262	158,965

In general, the Group allows a credit period from 60 to 75 days (2019: 60 to 75 days) to its customers.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**25,020**	38,841
Deemed disposal of a subsidiary *(see Note 6)*	**(23,825)**	–
Reversal of impairment recognised	**(277)**	(13,344)
Exchange alignment	**(519)**	(477)
At 31 December	**399**	25,020

A reversal of provision of HK$277,000 (2019: reversal of provision of HK$13,344,000) was made against the gross amounts of trade receivables during the year.

As at 31 December 2020 and 2019, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Deposits	**3,390**	2,588
VAT receivables	**55,049**	74,242
Other receivables	**3,127**	6,448
Advances to suppliers	**88**	675
Amount due from an associate	**26,851**	–
	88,505	83,953

The amount due from an associate of HK$26.9 million (2019: Nil) is unsecured, bears no interest and is repayable on demand. The carrying amount of the amount due from an associate approximate their fair values.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Listed equity investments, at market value, in Hong Kong		
— held for trading	**89,621**	139,611

As at 31 December 2020 and 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 Hong Kong Stock Exchange Limited. This company is not accounted for on an equity method as the Group does not have the power to participate in its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

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

17. TRADE AND BILL PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**78,273**	86,456
Bill payables	**–**	660
	78,273	87,116

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:

	2020	2019
	HK$'000	*HK$'000*
0 — 30 days	**65,543**	68,149
31 — 60 days	**6,435**	13,160
61 — 90 days	**194**	36
91 — 180 days	**21**	106
Over 180 days	**6,080**	5,665
	78,273	87,116

18. SHARE CAPITAL

	Number of shares *'000*	Total *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2019 and 2020	1,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.001 each at 31 December 2019 and 2020	9,854,534	9,855

Pursuant to the strategic cooperation agreement in relation to the provision of technical support (the "Strategic Cooperation Agreement") by Xinwen Mining Group Co. Ltd ("Xinwen"), an aggregate of 30,000,000 ordinary shares of the Company were to be issued to Xinwen in three tranches since 2010. Each tranche represented 10,000,000 ordinary shares, being consideration for the services provided by Xinwen to the Company. The first and second tranches of 10,000,000 ordinary shares of the Company each were issued to Xinwen in 2010 and 2012. The remaining 10,000,000 ordinary shares will be unconditionally issued to Xinwen in accordance with terms of the Strategic Cooperation Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY 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 etc. Although the batteries produced by the Group feature top quality technically, the low production capacity and utilisation rate of the battery plant lead to a higher average costs when compared to the main competitors, customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with automobile manufacturers and potential new customers in the energy storage field.

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 sale 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.

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 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells.

The Group embraces an enterprise culture of "integrity, practicality, meritocracy, creativity" and its after-sales services adhere to the principle of "quality comes first and commitment of outstanding service to customer's satisfaction".

Zhejiang Forever New energy has been conducting in-depth improvement tests on Lithium Ion Battery and applying the technological achievements into production from time to time so as to improve the current products and develop a new generation of products. The Group's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As of 31 December 2020, Zhejiang Forever New energy was granted 244 patents, among which 184 are utility model patents, 4 appearance design patents and 56 innovation patents. At present, 3 patents are under application.

R&D Achievement in Relation to Lithium Solid State Battery

Zhejiang Forever focused on the solid state battery direction for continuous research and selected oxide solid electrolyte (LLZO) route to produce LLZO and polymeric composite films which has high conductivity and can go into mass production and application satisfactorily. This significant technological achievement has been granted an invention patent (patent number 201910074271.4). The patent invents a producing method of composite cathode films to lithium solid state battery and has the following advantages as compared to current methods:

- It can effectively improve the interface densification, decrease interface impedance and decrease the interface charge transfer resistance of cathode;

- It can effectively avoid adding sintering aid and polymer electrolyte, and can work more effectively under a high voltage greater than 5V to improve the performance of the material.

The miniature battery sample produced by that method has passed a prick test.

The Group will continue to devote on R&D to expand our pool of technologies and provide more quality products for customers.

Shandong Forever New Energy Company Limited ("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) 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 (a lithium-ion battery enterprise). More details of the reorganisation agreement was set out in the circular of the Company dated 24 February 2020.

The transaction was completed on 19 March 2020, since then Jiangsu Tiankai controls 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory's equity interest in Shandong Forever New Energy was diluted from 49% to 24.5%. Shandong Forever New Energy is accounted for an associate of the Company. Shandong Forever New Energy suspended its production temporarily and aimed for reorganisation in 2020.

During the year ended 31 December 2020, the lithium-ion battery segment recorded a revenue of approximately HK$291 million (equivalent to approximately RMB259 million), which was decreased by approximately 14.4% when compared to HK$340 million (equivalent to approximately RMB300 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 were approximately HK$131 million (2019: HK$227 million). The loss decreased during the year mainly because the impairment of property, plant and equipment was decreased in the current year. The decrease was partially set-off by the HK$79 million impairment of inventories (2019: HK$5 million) in the current year.

BATTERY SHARING BUSINESS

Under the brand "GETI", the Company has launched a battery sharing business in mid-2019 which target electric bicycles with business model include self-operation and franchising in the PRC. "GETI" has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By December 2020, GETI has approximately 230 battery swapping stations and 3,200 package users. The revenue and loss for the segment was approximately HK$6.3 million and HK$11.3 million respectively for the year ended 31 December 2020.

PROGRESS OF SAM

Background

As of 31 December 2020, the Group had accumulatively provided US$76.1 million to Sul Americana de Metais S.A. ("SAM"), an indirect wholly owned subsidiary of the Company in Brazil, for preliminary work of the iron ore project in Brazil ("Block 8 Project" or "SAM Project"). In addition to the acquisition consideration of US$78.42 million, the cumulative investment had reached approximately US$154.52 million.

SAM is devoted to develop Block 8 Project as phase I operation in the state of Minas Gerais with an annual production capacity of 27.5 million tons of iron concentrate (on dry basis) with an average grading of 66.2% Fe in the first 18 years' operation. The project will have an integrated system comprising of an open-pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam.

The license application procedure of the mine project in Brazil involves three most important licenses: Preliminary License ("LP"), Installation License ("LI") and Operation License ("LO"). Among them, the LP is the most important to the project as it confirms environmental feasibility and approves the location and design of the project, and establishes basic requirements and conditions to be met in the next phases of the implementation of the project. The LP is also a prerequisite for obtaining the LI, LO, and other necessary approvals or implementing the project.

Expected Timetable

Assuming that the LP is obtained in the fourth quarter of 2021, there is a chance to obtain the LI in the second quarter of 2023 and start trial production in the second quarter of 2026. Many uncertainties, however, may affect the timetable.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$2.24 billion, excluding the pipeline project led by Lotus Brasil and the port project led by Bahia State Government. The Opex per ton of pellet feed for the first 18 years is approximately US$20.4 and thereafter will rise to approximately US$25.7. Taking into account the pipeline transportation and concentrate dewatering service fees payable to Lotus Brasil, as well as fees payable to the port, FOB costs are expected to be approximately US$33.7 per ton for the first 18 years and then increase to US$39.0 per ton.

LP Application

SAM remained committed to applying for the LP in compliance with laws and regulations in Brazil over the past few years. When and after the Group was notified of the pending granting of the LP for the first time in 2015, two tailings dam failures occurred at other mines in Brazil, resulting in a severe delay in the granting LP for the SAM project. Although being aware of many mines worldwide that were put into operation or even failed after more than one or two decades of preliminary work, the delay in SAM's obtaining necessary licenses for the construction is still frustrating.

The collapse of a tailings dam at the Samarco mine in the state of Minas Gerais in Brazil in November 2015 caused damage to residents in surrounding areas and polluted the environment downstream. As a result of this disaster, environmental licensing processes were suspended for all projects involving tailings dams and the government also formulated more stringent laws and regulations, substantially delaying the LP application for all mining projects with tailings dam facilities in Brazil. The SAM project was therefore halted for two years during which SAM had been negotiating with the environmental licensing authority on optimization of the project and necessary complementary studies.

At the end of 2017, after two years of interruption of environmental licensing process of the project, the Company decided to restructure the SAM project by spinning off the pipeline logistics business to a third-party company so that SAM would focus more on the optimization of the mine project.

In 2018, to reduce the environmental impact and risks of the project and build a safe, sustainable green mine, SAM fully optimized the engineering design of the project in accordance with new laws and regulations governing tailings dams, such as optimizing the mining plan to reduce the volume of tailings, changing the tailings dam construction method by adopting centreline instead of upstream, and carrying out a dam breach studies, emergency plan, and a lot of additional environmental studies. Finally, SAM completed a new Environmental Impact Study (EIA-RIMA) at the end of 2018 and submitted it to SEMAD (the Secretariat of Environment and Sustainable Development) of the state of Minas Gerais at the beginning of January 2019.

Unfortunately, at the end of January 2019, half a month after the Company submitted the new EIA-RIMA, one inactive upstream tailings dam belonging to mining company Vale in Brumadinho collapsed. As this dam-breach happened again only 3 years after Samarco dam-breach disaster in November 2015, it caused a strong reaction of Brazilian society and concerns about the safety of tailings dams, especially about those tailings dams with upstream construction method. Laws and regulations governing tailings dams were amended again, and environmental licensing process for the SAM project had to be suspended again for seven months.

In May 2020, the National Mining Agency (ANM) published a new resolution No. 32 to alter Ordinance No. 70.389 which is about the safety of dams of the mining industry. Resolution No. 32 totally changed the criteria and method for dam-breach study.

In October 2020, a new Law No. 14.066 was published in Brazil to amend Law No. 12.334, which establishes the National Dam Safety Policy.

In March 2021, SAM has finished a new dam-breach study in accordance with the said new laws and regulations governing tailings dams. The results of the new dam-breach study show that, under the worst situation with all different extreme worst scenarios happen at the same time, all tailings will be blocked within the project area without affecting any community in the case of a dam collapse,

The project has not only been affected by the aforementioned two dam failures but also by litigations.

In March 2011, public prosecutors from the Public Ministry of the Minas Gerais State ("MPMG") issued a "letter of advice" to the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA"). The letter of advice recommends IBAMA: a) promote the interruption of the environmental licensing process of the "mining complex" of the then SAM's project and hand over the licensing process of the "mining complex" to the environmental licensing authority of the state of Minas Gerais; b) refrain from granting any authorization or license regarding the analysis of the environmental feasibility of the pipeline project, until the possible granting of the LP for the "mining complex" by the State before the environment policy committee of the state grants the LP for the mine Council for Environmental Policy (COPAM/MG). In other words, MPMG requests SAM to apply environmental license for the mine and the pipeline separately in the state of Minas Gerais and at IBAMA. In April 2011, IBAMA rejected the public prosecutors' advice in its reply to the "letter of advice" as it thought environmental licensing process for the then SAM's project was legally compliant.

In May 2014, the public prosecutor of MPMG filed a public civil action (ACP) against SAM and IBAMA, alleging that SAM should apply environmental license for SAM`s mining rights of Block 7 and Block 8 together as one project and should complement and submit environmental impact studies related to the area of Block 7. IBAMA defended and affirmed that environmental licensing process conducted for the SAM project complied with Brazilian environment legislation. In August 2015, at the first instance, the court judged that it was illegitimate for the public prosecutors of MPMG to file the lawsuit for affairs within the federal jurisdiction and declared to extinguish the ACP process without having ruled on the merits of the discussion. The public prosecutors of MPMG did not revoke the case until May 2016.

In December 2019, public prosecutors of MPMG and the Federal Public Ministry (MPF) jointly filed a public civil action ("ACP") against the Government of the State of Minas Gerais, IBAMA, Lotus Brasil and SAM. The ACP claimed that SAM's mine project and the pipeline project of Lotus Brasil are dependent, and shall be licensed jointly in IBAMA. In January 2020, the judge granted a temporary injunction for the environmental licensing processes of the SAM project and the pipeline project of Lotus Brasil until the final decision was made to ACP. In July 2020, the judge repealed the temporary injunction and provisionally establish IBAMA as the competent organ for the environmental licensing of the SAM project, and allowed IBAMA to delegate its competency to the State of Minas Gerais so that the Government of the State of Minas Gerais can continue with the analysis of the LP application of the SAM project. Currently, the delegation procedure is drawing to a close, SAM expects to resume the environmental licensing process in the first half of 2021.

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

In April 2017, the strategic affairs committee of the state of Minas Gerais made a decision to include SAM's iron ore project as the priority project of the state. Therefore, the SAM project would enjoy a faster LP application procedure than other projects.

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

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

Public Welfare Activities

In addition to the promotion of the SAM project, the Group has also been actively participating in public welfare events in Brazil. Since the COVID-19 broke out in Brazil, SAM has followed all WHO guidelines to take care of the health of our employees and the community where we operate. The company donated 70,000 medical surgical masks to 6 municipalities in the north region of Minas Gerais State to combat the COVID-19 at the early stage of pandemic when Brazilian market was severely short of masks. In June 2020, SAM received a letter of thanks from the Governor of Minas Gerais State because of SAM's donation.

In July 2020, SAM signed a non-legal binding Memorandum of Understanding ("MOU") with HUAWEI BRAZIL to cooperate in developing unmanned mining technology and effectively applying 5G in mining operation of Block 8 Project. SAM and HUAWEI also commit to cooperate in carrying out social responsibility actions in the region where SAM operates. The parties will cooperate in human resources training at technical level in 5G, artificial intelligence and Cloud solutions, creating more opportunity for the people of the region to learn and access high technology, and promoting educational cooperation with local universities and schools. Once Block 8 Project goes into operation, SAM and HUAWEI will co-found and implement a Technology Innovation Center in the North region of Minas Gerais.

In 2020, SAM and HUAWEI had opened online courses on 5G, artificial intelligence and Cloud technology for free in many local universities and vocational schools and SAM helped HUAWEI donate 200 HUAWEI tablets to primary and secondary schools in the area whether the SAM project operates to support their online education during the pandemic.

Besides, SAM, as always, continued to sponsor events hosted by local schools and traditional activities organized by communities near the project area in 2020. SAM has maintained a very good relationship with local communities. People in the Northern region of Minas Gerais have high expectation from the implementation of the SAM project.

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 2020, US$2.24 billion CAPEX (2019: US$2.37 billion) and US$33.7 (2019: US$33.7) (year 1 to 18) and US$39.0 (2019: US$38.5) (year 19 to 31) per ton of OPEX applied.

Regarding the project timeline, the new operation commencement date is expected to be late 2026 (2019: early 2026) because due to the public civil action (ACP), SAM licensing process is temporarily suspended.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$981 million (equivalent to approximately HK$7,613 million) (2019: US$811 million, equivalent to approximately HK$6,317 million). A reverse of impairment of US$265 million (equivalent to approximately HK$2,054 million) on exploration and evaluation assets has been recognised in current year. Despite the discount rate adopted (19.84%) was increased (2019: 18.48%), the fair vaule of the exploration and evaluation assets increased mainly due to the increase in forecast iron ore price. More assumptions and parameters of the valuation has been set out in note 12 of this results announcement.

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 31 December 2020, the additional loans and capital invested was approximately US$10,400,000.

Conditional mining production payment to Votorantim

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

As at 31 December 2020, the contingent consideration payable was approximately HK$106.3 million (equivalent to approximately US$13.7 million). The amount of contingent consideration payable decreased for the year ended 31 December 2020 because according to the latest timetable of the SAM Project, the conditions for the New Mining Production Payment are not expected to be met. Saved as disclosed above the Group did not have any significant contingent liabilities.

Impairment Assessment of Zhejiang Forever New Energy

During the year ended 31 December 2020, impairment of approximately HK$139.1 million was recognised in relation to Zhejiang Forever New Energy cash generating unit (the "Zhejiang CGU") because of the downward adjustment in forecast sales amount for the Zhejiang CGU in view of the slow down of economic growth in the PRC for the year ended 31 December 2020.

The Valuation was performed by an independent professional valuer, Valtech Valuation Advisory Limited, with the discount cash flow method under the income approach on the basis of value in use in accordance with the Hong Kong Accounting Standard 36 — Impairment of Assets ("HKAS 36") published by Hong Kong Institute of Certified Public Accountants. The valuation for the impairment assessment was based on the following key assumptions and inputs:

For the forecast revenue growth rate from 2021 to 2025, it is estimated using the sales quantity growth rate of a major customer in PRC in 2020 as a base. Although the sales quantity growth rate of a major customer in PRC has slowed down in 2020 when compared to 2019, it is expected the major customer can maintain sales growth in the coming years because it has performed well in the PRC market recently and has announced a global electrification strategy that every new car launch from 2019 onwards will have an electric motor and there are two major targets: 50% of sales volume to be fully electric by 2025 and committed to putting one million electrified cars on the road by 2025. To fulfil the strategy, the major customer of the Company needs substantial amount of lithium batteries. Zhejiang Forever New Energy has supplied lithium batteries to popular car models of the major customer and has maintain a good business relationship so more sales order is expected. Other than that, the sales of new energy vehicle is also expected to increase in the coming years, mainly because the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which target new car sales of new energy vehicles will account for about 20% of the overall new car sales in the PRC, which is expected to reach 5 million units in 2025. Globally, the tightening of vehicles gas emission requirements imposed by the government of different counties, provision of government grants or tax exemption also promote the sales of new energy vehicles.

In 2021 and 2022, the forecast sales quantities are adjusted by an expected decrease in sales to another customer in 2021 and 2022. The sales quantity to another customer is expected to decrease because the customer is expected to launch new car models in 2021 and onwards, and orders from certain existing car models is expected to decrease in 2021 and no further orders is expected in 2022.

Other key assumptions and inputs:

- The post-tax discount rate of 14.09% which is based on the weighted average cost of capital.

- The pre-tax discount rate of 15.54% determined by an iterative computation so that the value in use determined by the pre-tax cash flows and a pre-tax discount rate equals value in use determined by the post-tax cash flows and a post-tax discount rate.

- The growth rate beyond the five-year budget plans was 0%, considering the expected sale quantity growth and decreasing trend in unit price of batteries.

CONTINUING CONNECTED TRANSACTIONS

The Sales Framework Agreement with Zhejiang Geely Holding Group Co. Ltd. ("Zhejiang Geely")

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International (Hong Kong) Limited. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company.

On 28 September 2020 (after trading hours), the Company entered into a sales framework agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder (the "Sales Framework Agreement"). Principal terms of the Sales Framework Agreement are set out below:

Term	:	From 23 October 2020 or the date on which the Independent Shareholders approve the Sales Framework Agreement, the annual caps and the transactions contemplated therein (whichever is later) to 22 October 2023
Subject matters	:	Pursuant to the Sales Framework Agreement, the Group shall supply high-performance ternary lithium-ion battery pack and related products to Zhejiang Geely and its subsidiaries but excluding Geely Automobile Holdings Limited and its subsidiaries. The exact model and volume of goods purchased by Zhejiang Geely from the Group and the dates of delivery will be provided in separate purchase orders.
Pricing basis	:	The price of goods under the Sales Framework 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 separate purchase orders.
Payment terms	:	All transactions contemplated under the Sales Framework Agreement are satisfied in cash.

Proposed Annual Caps for the Sales Framework Agreement

It is expected that for the period ending 31 December 2020, for the year ending 31 December 2021 and 2022 and for the period ending 22 October 2023, the Group supplying high performance ternary lithium-ion battery pack and related products to Zhejiang Geely will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the Sales Framework Agreement accordingly:

	For the period from 23 October 2020 to 31 December 2020 *RMB*	**For the year ending 31 December 2021** *RMB*	**For the year ending 31 December 2022** *RMB*	**For the period from 1 January 2023 to 22 October 2023** *RMB*
Proposed annual caps	76,000,000	250,000,000	300,000,000	350,000,000

Should the actual annual purchase amount exceed the above proposed annual caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The annual caps after the period ending 22 October 2023 will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

An extraordinary general meeting of the Company was held on 16 November 2020 and passed the resolution in relation to the Sales Framework Agreement. The sales under the Sales Framework Agreement for the period from 23 October to 31 December 2020 was approximately RMB74.8 million (HK$84.0 million).

Volvo Car Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Volvo Car Corporation ("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.
2020 annual cap	:	RMB251 million
Sales for the year ended 31 December 2020	:	approximately RMB160.4 million (HK$180.2 million)

Zhejiang Geely Components Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Zhejiang Geely Automobile Parts & Components Stock Co., Ltd ("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.
2020 annual cap	:	RMB951 million
Sales for the year ended 31 December 2020	:	approximately RMB22.5 million (HK$25.3 million)

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International (Hong Kong) Limited. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. Given each of Volvo Car and Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely, each of Volvo Car and Zhejiang Geely Components is an associate of the connected person of the Company.

CONNECTED TRANSACTIONS

On 16 March 2018, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely provided a loan with the principal amount of RMB100 million (approximately HK$114 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company and has a fixed interest rate of 4.75% per annum. The loan was fully repaid during the year ended 31 December 2020.

On 27 March 2019 and 16 May 2019, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely provided loans with the principal amount of RMB52.8 million (approximately HK$60.1 million) and RMB100 million (approximately HK$114 million) to Zhejiang Forever New Energy respectively. The loans are not secured by the assets of the Company and have a fixed interest rate of 4.35% per annum. The loans were fully repaid during the year ended 31 December 2020.

On 20 September 2019, for the working capital requirement of Zhejiang Forever New Energy, Shanghai Maple Automobile Company Limited, a subsidiary of Zhejiang Geely, provided a loan with the principal amount of RMB33.6 million (approximately HK$36.85 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company, repayable 6 months after the drawdown date and has a fixed interest rate of 4.35% per annum. The loan agreement was extended on 20 March 2020 with a new repayment date on 20 March 2021. The loan was fully repaid on 2 March 2021.

On 13 May 2020, for the working capital requirement of Zhejiang Forever New Energy, Shanghai Maple Automobile Company Limited provided a loan with the principal amount of RMB52.8 million (approximately HK$57.9 million) to Zhejiang Forever New Energy. The loan is not secured by the assets of the Company, repayable 12 months after the drawdown date and has a fixed interest rate of 4.35% per annum. The loan was fully repaid on 2 March 2021.

During the year ended 31 December 2020, a finance costs of approximately HK$6.2 million was recognised by the Company in relation to the above short term loans. The Board considers the above loan arrangements were conducted on normal commercial terms or better.

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) (“Zhejiang 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 a lithium-ion battery enterprise. More details of the reorganisation agreement was set out in the circular of the Company dated 24 February 2020.

The transaction was completed on 19 March 2020, since then Jiangsu Tiankai controls 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory's equity interest in Shandong Forever New Energy was diluted from 49% to 24.5%. Shandong Forever New Energy is accounted for an associate of the Company.

As Zhejiang Geely Auto owns 51% equity interest in Shandong Forever New Energy immediately prior to the Completion and is therefore a substantial shareholder of Shandong Forever New Energy. Zhejiang Geely Auto, which is a 71.05% owned subsidiary of Zhejiang Geely, is a connected person of the Company. The reorganisation agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2020, the Group has sold approximately HK$84.0 million, HK$180.2 and HK$25.3 million lithium-ion batteries to Zhejiang Geely, Volvo Car and Zhejiang Geely Components respectively.

Pursuant to GEM Listing Rule 20.54, the Board has engaged the auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed the continuing connected transactions in accordance with GEM Listing Rule 20.54 and issued an unqualified letter containing their findings and conclusions accordingly. The independent non-executive Directors have confirmed the continuing connected transactions in accordance with GEM Listing Rule 20.53.

Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, or on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

In the opinion of the independent non-executive Directors, these transactions entered into by the Group were:

(1) in the ordinary and usual course of its business;

(2) on normal commercial terms or better;

(3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole; and

(4) within the relevant cap amounts as disclosed in previous announcements.

Save as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the GEM Listing Rule.

There was no other connected transaction entered into by the Company during the year ended 31 December 2020.

Shareholding in Yuxing InfoTech

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

The principal terms of the Sale Shares Agreement are set out below:

Consideration

The consideration for the Sale Shares is HK$240,000,000, which represents HK$0.6 per Target Share subject to the adjustment as set out in the paragraph headed "Adjustment to the number of the Sale Shares" below. The consideration shall be payable in cash, check or cashier order in the following manner.

	Date	**Amount payable** *(HK$)*
First instalment	Before 20 July 2020	25,000,000
Second instalment	On or before 30 September 2020	95,000,000
Third instalment	On or before 30 June 2021	120,000,000

Adjustment to the number of the Sale Shares

If the Purchaser defaults in the payment of the second instalment, the Company may elect to forfeit the first instalment or increase the consideration per share from HK$0.6 per Sale Share to HK$0.66 per Sale Share, such that the number of shares to be transferred to the Purchaser upon completion of the disposal will be reduced to the number equal to the consideration received by the Company divided by HK$0.66 per share.

If the Purchaser defaults in the payment of the third instalment, the Company will increase the consideration per share from HK$0.6 per Sale Share to HK$0.66 per Sale Share.

The Company has entered into a supplemental agreement with the Purchaser on 22 February 2021. Please refer to the Subsequent Event paragraph in the Management Discussion and Analysis section.

BUSINESS REVIEW

For the year ended 31 December 2020, the Group recognised a HK$297.1 million in revenue, representing a 13.0% decrease when compared to HK$341.3 million revenue recognised in the last year. The profit for the year ended 31 December 2020 attributable to owners of the Company was approximately HK$1,156.6 million (2019: HK$415.6 million).

Over 97.9% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. Export sales to Europe increased to approximately HK$56.3 million (2019: HK$55.3 million) for the year ended 31 December 2020, representing 19.4% (2019: 16.3%) of total lithium-ion battery sales. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The total revenue of the Group decreased because the business of the Group was affected by the COVID-19 pandemic, especially in the first quarter of 2020.

The battery packs produced by Zhejiang Forever New Energy were supplied 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 supplied to Volvo Polestar 01 PHEV and XC90 PHEV.

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 since mid-2019 in the PRC. It regulates electric bicycles' safety performance, speed limit, production quality and pedal riding performance, etc., these policies has accelerated the transition of lead-acid battery in electric bicycles to lithium battery. To seize this opportunity, the Group is running the battery sharing business focusing on food delivery electric motorcycle branded "GETI" in the PRC. By December 2020, GETI has approximately 230 battery swapping stations and 3,200 active users and electric bicycles powered by GETI has travelled over 50 million km. The Group is currently one of the leading service providers in Jiangsu Province and is planning expand the service to other region in the PRC. Year 2020 marked GETI'S first full year of operation and has gained a lot of experience and knowledge regarding the battery sharing industry. GETI will continue to improve the quality and specifications of its batteries as well as enhance the overall user experience. Ultimately, it is the vision of the Group to provide safe, convenient and reliable battery swapping service to customers all over China. For the year ended 31 December 2020, GETI has recognised approximately HK$6.3 million revenue, 543% increase compared to the HK$1 million revenue in 2019.

The Group recorded a gross profit of approximately HK$93.0 million (gross profit ratio: 31.3%) for year ended 31 December 2020 as compared with the gross profit of approximately HK$4.3 million (gross profit ratio: 1.3%) in the last corresponding year. Gross profit ratio improved because of the general decrease in raw material costs and Zhejiang Forever New Energy also received an one-off purchase discount of approximately HK$26.8 million from a supplier. Zhejiang Forever New Energy has improved the overall operating efficiency of the plant and decreased the overhead costs, depreciation expenses also decreased from HK$32.1 million last year to HK$14.8 million for the year ended 31 December 2020 after impairment provision on property, plant and equipment during the last financial year. On the other hand, the upgraded product of our Zhejiang battery plant has a better profit margin. Without compromise of the battery quality, the Group also optimised the human resources structure of Zhejiang Forever New Energy. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, sourcing of raw materials from different suppliers, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

Other operating income of approximately HK$81.5 million (2019: HK$196.6 million) was recognised during the current year. It consists of government grants of HK$69.7 million (2019: HK$163 million), imputed interest income of amounts due from non-controlling interests of HK$3.3 million (2019: HK$13.1 million) and bank interest income of HK$2.0 million (2019: $5.4 million).

The selling and distribution costs during the year ended 31 December 2020 was approximately HK$20.1 million (2019: HK$13.4 million). The increase was mainly due to the increase in product maintenance costs.

The administrative expenses decreased by approximately HK$6.6 million or 7.1% when compared to the last corresponding year. The decreased was mainly due to the decrease in HK$6.0 million staff costs and HK$0.5 million deprecation expenses for the year ended 31 December 2020.

HK$129.4 million other operating expenses were recognised during the year ended 31 December 2020 (2019: HK$5.1 million), which approximately HK$79.4 million was impairment provision on long-ageing inventories and approximately HK$50.0 million was loss on financial assets at fair value through profit or loss due to the decrease in share price of a listed equity investments (i.e. Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of Hong Kong Stock Exchange Limited) of the Company.

HK$58.8 million non-cash loss on deemed disposal of a subsidiary was recognised during the year ended 31 December 2020 when Shandong Forever New Energy was disposed in March 2020.

Although there is improvement in gross profit margin and decrease in operating loss of Zhejiang Forever New Energy, impairment loss of HK$139.1 million has been provided on property, plant and equipment during the year ended 31 December 2020 because of the downward adjustment in forecasts sales amount for the current products of Zhejiang Forever New Energy.

Finance costs decreased because the amount of borrowings and loans decreased during the year. Approximately HK$16.8 million finance costs were recognised during the year ended 31 December 2020 (2019: HK$19.4 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC and loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary.

For the year ended 31 December 2020, the profit attributable to the owners of the Company was approximately HK$1,156.6 million (2019: HK$415.6 million). The significant increase in profit was mainly attributable to (1) a significant reverse of impairment of exploration and evaluation assets, which is due to the increase in the recoverable amount of the exploration and evaluation assets in relation to the Sul Americana de Metais S.A. ("SAM") project; (2) decrease in impairment loss on property, plant and equipment and (3) increase in gross profit for the year ended 31 December 2020. The increase in profit was partially set-off by the impairment loss on inventories in relation to the Zhejiang lithium-ion battery project, loss on deemed disposal of a subsidiary, increase in loss on financial assets at fair value through profit or loss and increase in share of loss of associates for the year ended 31 December 2020.

For the associate (20% owned by the Group) which initially engaged in online car-hailing services in Paris, France under the brand Caocao, the service was launched in Paris in January 2020 and although Caocao has received positive feedback from the market, city lockdown in Paris and other COVID control measures are affecting its operation and a share of HK$9.2 million loss of associate was recognised by the Group during the year.

Since 19 March 2020, Shandong Forever New Energy became an associate of the Company. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement, Jiangsu Tiankai shall complete the Capital Increase by payment of the Capital Contribution Sum in cash into a designated account of Shandong Forever New Energy within 30 days after the Industrial and Commercial Administration Bureau has completed the registration of increase in share capital of Shandong Forever New Energy and issued the corresponding Business License (issued on 19 March 2020). However, despite repeated demands from the Company, Jiangsu Tiankai has not yet settled the unpaid capital contribution up to the date of this announcement. Shandong Forever New Energy has made an impairment loss on such receivable in view of its long overdue status and the existence of uncertainty to receive the capital contribution sum from Jiangsu Tiankai. Approximately HK$39.5 million share of loss was recognised by the Company during the year. The Group is exploring the feasibility of retrieving equity or reverting the transaction through negotiation or legal proceedings, and is also constantly exploring the possibility of finding other partners or further developing equity structure and business.

As at 31 December 2020, the cash and cash equivalent balance of the Group was approximately HK$373.0 million (2019: HK$351.7 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and difficult economic situation.

As at 31 December 2020, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 8.9% (2019: 13.5%). The gearing ratio of the Group has improved significantly because the total loans and borrowings decreased during the year.

THE USE OF PROCEEDS FROM PLACING AND SHARE SUBSCRIPTION

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

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 31 December 2020:

Intended use of proceeds	**Total net proceeds**	**Actual use of net proceeds up to 31 December 2020**	**Remaining balance of net proceeds up to 31 December 2020**
	HK$' million	*HK$' million*	*HK$' million*
Lent to the Borrower	540.0	540.0	Nil
New energy vehicle related business	456.7	456.7	Nil
Brazilian iron ore project	153.3	123.0	30.3
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	63.4	13.5
Total	1,336.0	1,292.2	43.8

As at 31 December 2020, the unutilised portion of approximately HK$43.8 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$13.5 million are expected to be utilised to maintain the headquarter in Hong Kong. Major expenditures include 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 31 December 2021.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$57.6 million.

EMPLOYEES

As at 31 December 2020, the total number of employees of the Group was 261 (2019: 481). Employee benefit expenses (including directors' emoluments) amounted to HK$52 million for the year (2019: HK$61.6 million).

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

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 11 of this announcement.

PROSPECTS

The world is undergoing an evolution of the replacement of traditional petrol cars by low emission and electric vehicles as several countries in Europe have set out their timetable to phase out combustion-engine vehicles.

Meanwhile, the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. By 2025, the competitiveness of new energy vehicle market in the PRC will improve significantly with major breakthroughs achieved in terms of key technologies such as powered batteries, electric motors and vehicle operating systems, as well as comprehensively enhanced safety level. The new car sales of new energy vehicles will account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The PRC government will also deepen the research and development layout of "three-vertical-three-horizontal" (三縱三橫), under which pure electric vehicles, plug-in hybrid electric vehicles (including extended range models) and fuel cell electric vehicles serve as "three-vertical", which is the layout for vehicle technology innovation chain; while powered batteries and management systems, electric motors and power electronics, networking and intelligent technologies serve as "three-horizontal", which is the supply system for critical parts, components and technologies. The Company expected that with the launch of the latest policies, the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Nevertheless, the global economy continues to be influenced by trade barriers and geopolitical tensions. The novel coronavirus (COVID-19) outbreak since the end of 2019 adds another significant challenge to the world economy, the economic uncertainty is expected to possibly affect the sales of the Group. COVID-19 pandemic is also likely to accelerate the elimination and reorganisation in the new energy vehicle and lithium-ion battery industry. The Group will take a more prudent and progressive approach in business operation and development.

Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while proactively exploring the lithium-ion battery business in a prudent manner, the Group will continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as smart car cockpit, chips and parts for automobile, electric controlling, Internet of Vehicle, autonomous driving, shared mobility, high-definition map and light-weighting of vehicles.

For the resource sector, the latest progress of the Brazil SAM iron ore project was covered in the Progress of SAM section in this announcement. Despite the exceptional time and efforts spent for the SAM iron ore project, it is disappointing and disappointing that the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility, however, 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

Supplemental Agreement to the Sale Shares Agreement Dated 16 June 2020

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

Main terms of the Supplemental Agreement

On or before 30 June 2021, the Purchaser shall pay HK$175,000,000 (the "Final Payment") to the Company.

If the Purchaser has paid part of the Final Payment before 30 June 2021, by the request of the Purchaser, the Company may choose to transfer a portion of Sale Shares such that the number of Target Shares to be transferred to the Purchaser will be equal to the amount of Final Payment received by the Company divided by HK$0.66 per Target Share.

It is agreed that if the Purchaser settles the Final Payment in full before 30 June 2021, the transfer price of the Sale Shares previously transferred at a price of HK$0.66 per Target Share will be adjusted to HK$0.60 per Target Share.

It is also agreed that the Company will transfer 98,490,000 shares of the Target Company to the Purchaser at the price of HK$0.66 per Target Share for the HK$65,000,000 already received by the Company (the "Shares Transfer"). 98,490,000 shares of the Target Company were transferred to the Purchaser on 23 February 2021. After entering into the Supplemental Agreement, no additional consideration was received by the Company.

The Supplemental Agreement does not change the total consideration of the Sale Shares Agreement, which remains at HK$240,000,000.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR LITHIUM-ION BATTERIES SEGMENT

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

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

Customer Concentration Risk

The management is aware of the business risk to rely on limited key customer. Should Zhejiang Geely Group reduce substantially the size of their purchase orders placed with the Group or terminate their business relationship with the Group entirely, the results of operations and financial performance of the Group may be adversely affected.

The Group expects the sales to companies under Zhejiang Geely Group will count a significant portion of revenue of Zhejiang Forever New Energy. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other mainstream automobile manufacturers to reduce the sales concentration risk. The Group is constantly negotiating and conducting products matching with major automobile enterprises, new energy vehicles enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with key customers. The Group is also actively investing and exploring opportunities other than lithium-ion battery business. For example, the revenue from battery swapping service for electric bicycle has been increasing in the past two years.

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 to reduce the possible harmful impacts from such risks.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR THE SAM PROJECT

Iron ore price risk

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

Risk of SAM project will not be materialized

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules for the year ended 31 December 2020 and up to the date hereof.

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 2020 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 2020.

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 2019 annual results, 2020 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 2020 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 2020 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 Joint Chief Executive Officer)*
Mr. Liu Wei, William *(Joint 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 Joint Chief Executive Officer

Hong Kong, 24 March 2021