HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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This results announcement, for which the directors (the "Directors") of Honbridge Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this results 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 results announcement misleading.

This results 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 2022 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 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Revenue	*4*	**137,656**	478,917
Cost of revenue		**(112,721)**	(363,791)
Gross profit		**24,935**	115,126
Other operating income, gains and losses	*6*	**(33,355)**	114,590
Selling and distribution costs		**(7,874)**	(12,995)
Administrative expenses		**(103,042)**	(92,824)
Other expenses	*7,20*	**(163,179)**	–
Impairment loss on trade receivables		**(799)**	(10)
Impairment loss on property, plant and equipment	*12*	**(30,022)**	(18,244)
Impairment loss on right-of-use assets		**(2,485)**	–
Gain on bargain purchase	*21*	**170**	–
Loss on changes in fair value of contingent consideration payables		**(3,123)**	(3,342)
Share of results of associates	*8*	**(1,385)**	(4,868)
Gain on re-measurement of pre-existing interests in an associate	*7,21*	**27,047**	–
Finance costs		**(8,749)**	(8,780)
(Loss)/profit before income tax	*7*	**(301,861)**	88,653
Income tax expense	*9*	**–**	–
(Loss)/profit for the year		**(301,861)**	88,653

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Other comprehensive income/(loss)			
Item that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(14,225)**	(1,238)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**234,313**	(289,019)
Share of other comprehensive income/(loss) of associates		**421**	(730)
Release of translation reserve		**(894)**	–
Other comprehensive income/(loss) for the year, net of tax		**219,615**	(290,987)
Total comprehensive loss for the year		**(82,246)**	(202,334)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(199,156)**	88,500
Non-controlling interests		**(102,705)**	153
		(301,861)	88,653
Total comprehensive loss attributable to:			
Owners of the Company		**17,512**	(200,754)
Non-controlling interests		**(99,758)**	(1,580)
		(82,246)	(202,334)
(Loss)/earnings per share	*11*		
— Basic		**(2.05) cents**	0.91 cents
— Diluted		**(2.05) cents**	0.91 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**174,194**	69,572
Exploration and evaluation assets	*13*	**6,859,393**	6,490,624
Right-of-use assets		**45,614**	45,462
Interests in associates	*8*	**5,829**	6,793
Financial assets at fair value through other comprehensive income		**4,954**	9,438
		7,089,984	6,621,889
Current assets			
Inventories		**23,790**	9,201
Trade receivables	*14*	**78,277**	61,322
Prepayments, deposits and other receivables	*15*	**53,536**	66,074
Financial assets at fair value through profit or loss	*16*	**82,185**	148,300
Tax recoverable		**471**	341
Restricted bank deposits		**37,054**	5,134
Cash and cash equivalents		**165,452**	396,387
		440,765	686,759
Current liabilities			
Trade and bill payables	*17*	**71,732**	27,203
Provision, other payables, accruals and deposits received		**92,473**	80,012
Contract liabilities		**314**	10,038
Borrowings	*18*	**16,508**	145,024
Lease liabilities		**3,105**	2,420
		184,132	264,697
Net current assets		**256,633**	422,062
Total assets less current liabilities		**7,346,617**	7,043,951

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Provision		**151,778**	–
Borrowings	*18*	**132,519**	139,380
Lease liabilities		**12,658**	5,230
Deferred income		**6,379**	13,255
Deferred tax liabilities		**2,215,014**	2,090,628
Other financial liabilities		**8,472**	–
Contingent consideration payables		**112,790**	109,667
		2,639,610	2,358,160
Net assets		**4,707,007**	4,685,791
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**9,855**	9,855
Reserves		**4,661,703**	4,644,191
		4,671,558	4,654,046
Non-controlling interests		**35,449**	31,745
Total equity		**4,707,007**	4,685,791

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital *(Note 19)* *HK$'000*	**Share premium*** *HK$'000*	**Treasury shares reserve*** *HK$'000*	**Share-based payment reserve*** *HK$'000*	**Translation reserve*** *HK$'000*	**Fair value through other comprehensive income reserve*** *HK$'000*	**Retained earnings*** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2021	9,855	3,563,686	(142,864)	9,958	(5,976,822)	(83,450)	7,489,983	4,870,346	(71,324)	4,799,022
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	89,103	89,103
Acquisition of non-controlling interests without a change to control	–	–	–	–	–	–	(15,546)	(15,546)	15,546	–
Transactions with owners	–	–	–	–	–	–	(15,546)	(15,546)	104,649	89,103
Profit for the year	–	–	–	–	–	–	88,500	88,500	153	88,653
Other comprehensive loss										
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(1,238)	–	(1,238)	–	(1,238)
Share of other comprehensive loss of associates	–	–	–	–	(730)	–	–	(730)	–	(730)
Currency translation	–	–	–	–	(287,286)	–	–	(287,286)	(1,733)	(289,019)
Total comprehensive loss	–	–	–	–	(288,016)	(1,238)	88,500	(200,754)	(1,580)	(202,334)
At 31 December 2021	9,855	3,563,686	(142,864)	9,958	(6,264,838)	(84,688)	7,562,937	4,654,046	31,745	4,685,791
At 1 January 2022	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,264,838)**	**(84,688)**	**7,562,937**	**4,654,046**	**31,745**	**4,685,791**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**103,462**	**103,462**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**103,462**	**103,462**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(199,156)**	**(199,156)**	**(102,705)**	**(301,861)**
Other comprehensive loss										
Changes of fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(14,225)**	**–**	**(14,225)**	**–**	**(14,225)**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**–**	**421**	**–**	**–**	**421**	**–**	**421**
Release of translation reserve	**–**	**–**	**–**	**–**	**(894)**	**–**	**–**	**(894)**	**–**	**(894)**
Currency translation	**–**	**–**	**–**	**–**	**231,366**	**–**	**–**	**231,366**	**2,947**	**234,313**
Total comprehensive loss	**–**	**–**	**–**	**–**	**230,893**	**(14,225)**	**(199,156)**	**17,512**	**(99,758)**	**(82,246)**
At 31 December 2022	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,033,945)**	**(98,913)**	**7,363,781**	**4,671,558**	**35,449**	**4,707,007**

* The aggregate amount of these balances of approximately HK$4,661,703,000 (2021: HK$4,644,191,000) is included as reserves in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

Honbridge Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of the Company's registered office is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands and the Company's principal place of business is Suite 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are engaged in mineral resources trading, lithium battery production, battery swapping services and online carmailing and related services. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company consider the ultimate holding company as Hong Bridge Capital Limited, a company incorporated in the British Virgin Islands with limited liability.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange.

The consolidated financial statements have been prepared under historical cost basis except for certain financial instruments which are measured at fair values.

The consolidated 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.

3. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 Adoption of amended HKFRSs

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

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020

None of these 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.

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 consolidated 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 HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies[1]
Amendments to HKAS 1, Non-current Liabilities with Covenants[2]
Amendments to HKAS 8, Definition of Accounting Estimates[1]
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

(a) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2022	2021
	HK$'000	*HK$'000*
Sale of lithium batteries	**95,727**	473,087
Battery testing service income	**13,370**	–
Delivery service income	**3,041**	–
Battery swapping service income	**4,124**	5,830
Platform service and riding service income	**19,079**	–
Advertising and related income	**372**	–
Revenue from contracts with customers	**135,713**	478,917
Motor vehicles rental income *(Note)*	**1,943**	–
	137,656	478,917
Timing of revenue recognition		
At a point in time	**99,445**	473,087
Over time	**36,268**	5,830
	135,713	478,917

There are no remaining performance obligations as at 31 December 2022 and 2021.

Note: Variable lease payments that do not depend on an index or rate amounted to HK$1,943,000 (2021: nil).

(b) Reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Mineral resources exploration and trading *HK$'000*	Lithium battery production *HK$'000*	Battery swapping services *HK$'000*	Online car-hailing and related services *HK$'000*	Total *HK$'000*
Year ended 31 December 2022					
Sale of lithium batteries	**–**	**95,727**	**–**	**–**	**95,727**
Battery testing services income	**–**	**13,370**	**–**	**–**	**13,370**
Delivery service income	**–**	**–**	**3,041**	**–**	**3,041**
Battery swapping service income	**–**	**–**	**4,124**	**–**	**4,124**
Platform service and riding service income	**–**	**–**	**–**	**19,079**	**19,079**
Advertising and related income	**–**	**–**	**–**	**372**	**372**
Revenue from contracts with customers	**–**	**109,097**	**7,165**	**19,451**	**135,713**
Motor vehicles rental income	**–**	**–**	**–**	**1,943**	**1,943**
	–	**109,097**	**7,165**	**21,394**	**137,656**

	Mineral resources exploration and trading *HK$'000*	Lithium battery production *HK$'000*	Battery swapping services *HK$'000*	Total *HK$'000*
Year ended 31 December 2021				
Sale of lithium batteries	–	473,087	–	473,087
Battery swapping service income	–	–	5,830	5,830
Revenue from contract with customers	–	473,087	5,830	478,917

5. SEGMENT REPORTING

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Company'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 People's Republic of China (the "PRC"), France and Brazil.

During the year ended 31 December 2022, the Group commenced the business engaging in online car-hailing and related services upon the completion of the acquisition of Jixing International Technology Co., Ltd ("Jixing International"), and it is considered as a new operating and reportable segment by the Company's executive directors.

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC, France and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its place 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$'000*	Online car-hailing and related services *HK$'000*	Total *HK$'000*
Year ended 31 December 2022					
Reportable segment revenue (external customers)	–	109,097	7,165	21,394	137,656
Reportable segment losses	(9,005)	(174,127)	(39,102)	(23,844)	(246,078)
Reportable segment assets	6,873,337	317,392	29,696	179,797	7,400,222
Reportable segment liabilities	113,366	420,622	28,428	38,549	600,965
Capital expenditure	2,924	15,801	1,219	287	20,231
Impairment loss on property, plant and equipment	–	19,060	10,962	–	30,022
Impairment loss on right-of-use assets	–	–	68	–	68
Impairment loss on trade receivables	–	799	–	–	799
Interest income	(256)	(7,210)	(475)	(1)	(7,942)
Interest expense	–	7,416	6	1,021	8,443
Other expenses	–	151,778	11,401	–	163,179
Depreciation	26	2,897	8,484	7,224	18,631
Amortisation	–	805	120	1,576	2,501
Write-down of inventories	–	12,832	–	–	12,832

	Mineral resources exploration and trading *HK$'000*	Lithium battery production *HK$'000*	Battery swapping services *HK$'000*	Total *HK$'000*
Year ended 31 December 2021				
Reportable segment revenue (external customers)	–	473,087	5,830	478,917
Reportable segment (losses)/profit	(8,035)	17,236	(15,261)	(6,060)
Reportable segment assets	6,504,929	467,067	68,589	7,040,585
Reportable segment liabilities	113,917	386,863	20,692	521,472
Capital expenditure	3,071	9,425	17,450	29,946
Impairment loss on property, plant and equipment	–	18,244	–	18,244
Impairment loss on trade receivables	–	10	–	10
Interest income	(520)	(2,533)	(895)	(3,948)
Interest expense	–	8,546	2	8,548
Depreciation	128	5,077	6,338	11,543
Amortisation	–	833	41	874
Write-down of inventories	–	26,266	–	26,266

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2022	2021
	HK$'000	*HK$'000*
Reportable segment revenue	**137,656**	478,917
Reportable segment losses	**(246,078)**	(6,060)
Other operating income	**5,143**	1,392
Administrative expenses	**(20,343)**	(18,034)
Share of results of associates	**(1,385)**	(4,868)
Fair value loss on contingent consideration payables	**(3,123)**	(3,342)
Net (loss)/gain on financial assets at fair value through profit or loss ("FVTPL")	**(62,986)**	119,797
Finance costs	**(306)**	(232)
Gain on re-measurement of pre-existing interests in an associate	**27,047**	–
Gain on bargain purchase	**170**	–
(Loss)/profit before income tax	**(301,861)**	88,653
Reportable segment assets	**7,400,222**	7,040,585
Right-of-use assets	**2,822**	7,567
Interests in associates	**5,829**	6,793
Financial assets at fair value through other comprehensive income	**4,954**	9,438
Prepayments, deposits and other receivables	**26,643**	28,602
Financial assets at FVTPL	**82,185**	148,300
Cash and cash equivalents	**8,094**	67,363
	7,530,749	7,308,648
Reportable segment liabilities	**600,965**	521,472
Other payables and accrued expenses	**2,598**	3,297
Lease liabilities	**5,165**	7,460
Deferred tax liabilities	**2,215,014**	2,090,628
	2,823,742	2,622,857

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

	2022	2021
	HK$'000	*HK$'000*
Revenue from external customers		
PRC	**33,785**	362,176
France	**21,394**	–
United Kingdom	**82,477**	1,048
Sweden	**–**	115,693
Reportable segment revenue	**137,656**	478,917
Non-current assets (excluding financial assets)		
Hong Kong	**8,651**	14,360
PRC	**69,960**	106,943
France	**146,494**	–
Brazil	**6,859,925**	6,491,148
Reportable segment non-current assets	**7,085,030**	6,612,451

Geographical location of customers is based on the location at which the goods and services 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 interests in associates).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2022	2021
	HK$'000	*HK$'000*
Customer A[1]	**98,557**	462,375

1 Revenue from lithium battery production segment

6. OTHER OPERATING INCOME, GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**8,057**	4,310
Government grants *(Note)*	**7,264**	7,622
Rental income	**180**	183
Sundry income	**15,934**	9,192
Gain on lease modification	**–**	112
Dividend income	**23**	59
Loss on disposal of property, plant and equipment	**(1,827)**	(419)
Net (loss)/ gain on financial assets at FVTPL	**(62,986)**	119,797
Write-down of inventories	**–**	(26,266)
	(33,355)	114,590

Note:

The balance represented government grant related to income of HK$1.3 million (2021: HK$0.9 million) and government grant related to assets of HK$6.0 million (2021: HK$6.7 million). These government grants were received and complied with all attached conditions and therefore recognised in profit or loss during the year.

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration	**2,885**	2,579
Cost of inventories recognised as expenses *(note (ii))*	**65,914**	322,168
Depreciation *(note (i))*	**18,631**	11,543
Amortisation of right-of-use assets *(note (iii))*	**4,829**	3,554
Short-term leases expenses	**1,221**	456
Net foreign exchange gain	**(1,699)**	(6,307)
Research and development costs *(note (iii))*	**24,080**	18,834
Loss on disposal of property, plant and equipment	**1,827**	419
Write off of property, plant and equipment	**1,041**	132
Gain on bargain purchase	**(170)**	–
Gain on re-measurement of pre-existing interests in an associate	**(27,047)**	–
Other expenses	**163,179**	–
Impairment loss on property, plant and equipment	**30,022**	18,244
Impairment loss on right-of-use assets	**2,485**	–

Notes:

(i) Depreciation of HK$15,569,000 (2021: HK$10,591,000), HK$246,000 (2021: HK$80,000) and HK$2,816,000 (2021: HK$872,000) have been included in cost of revenue, selling and distribution costs and administrative expenses respectively.

(ii) Write-down of inventories to net realisable value of HK$12,832,000 was included in cost of revenue (2021: HK$26,266,000 was included in other operating income, gains and losses).

(iii) Included in administrative expenses.

8. INTERESTS IN ASSOCIATES

	2022	2021
	HK$'000	*HK$'000*
Interests in associates:		
Cost of investment in unlisted associates	**110,922**	129,082
Share of post-acquisition losses and other comprehensive losses	**(105,093)**	(122,289)
Share of net assets	**5,829**	6,793

Movement of interests in associates are as follows:

	2022	2021
	HK$'000	*HK$'000*
As at 1 January	**6,793**	12,391
Share of results of associates	**(1,385)**	(4,868)
Share of other comprehensive income/(loss)	**421**	(730)
As at 31 December	**5,829**	6,793

Details of the Group's associate as at 31 December 2022 is as follows:

Name	**Place of incorporation/operation and principal activity**	**Percentage of ownership interests/voting rights/profit share**
Shandong Forever New Energy Company Limited	The PRC/research, production and sales of lithium battery	24.5% (indirectly)

During the year ended 31 December 2022, the Group further acquired 15.56% equity interests in Jixing International and Jixing International become the subsidiary of the Company.

9. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Income tax expense	**–**	–

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% (2021: 25%) is applicable to the Company's PRC subsidiaries.

During the year, corporate income tax rates in Brazil of 34% (2021: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Company's subsidiary established in Brazil.

Corporate income tax rates in France of 25% (2021: N/A) is applicable to the Company's subsidiaries in France.

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$199,156,000 (2021: profit attributable to owners of the Company of HK$88,500,000) and weighted average of 9,737,434,000 (2021: 9,737,434,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2022 and 2021 is the same as basic (loss)/earnings per share because the impact of the exercise of share options was anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

	Land HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2021									
Opening net book amount	81	22,944	–	45,416	1,295	61	86	2,070	71,953
Additions	–	828	87	1,504	354	336	–	23,766	26,875
Transfers	–	–	132	24,634	50	–	–	(24,816)	–
Disposals	–	–	–	(843)	(200)	(523)	–	–	(1,566)
Write off	–	–	(132)	–	–	–	–	–	(132)
Depreciation	–	(802)	(35)	(10,307)	(324)	(58)	(17)	–	(11,543)
(Impairment)/reversal of impairment	–	(5,568)	–	(18,615)	(40)	473	(17)	5,523	(18,244)
Exchange difference	(5)	656	1	1,430	(13)	6	2	152	2,229
Closing net book amount	76	18,058	53	43,219	1,122	295	54	6,695	69,572
At 31 December 2021									
Cost	76	230,748	2,541	454,743	11,740	1,611	3,051	9,536	714,046
Accumulated depreciation and impairment	–	(212,690)	(2,488)	(411,524)	(10,618)	(1,316)	(2,997)	(2,841)	(644,474)
Net book amount	76	18,058	53	43,219	1,122	295	54	6,695	69,572
Year ended 31 December 2022									
Opening net book amount	**76**	**18,058**	**53**	**43,219**	**1,122**	**295**	**54**	**6,695**	**69,572**
Acquisition of subsidiaries	**–**	**–**	**930**	**49**	**392**	**138,977**	**541**	**–**	**140,889**
Additions	**–**	**4,796**	**–**	**517**	**97**	**581**	**18**	**11,298**	**17,307**
Transfers	**–**	**–**	**–**	**18,049**	**–**	**–**	**–**	**(18,049)**	**–**
Disposals	**–**	**–**	**–**	**(3,690)**	**(13)**	**–**	**–**	**–**	**(3,703)**
Write off	**–**	**–**	**–**	**(353)**	**–**	**(688)**	**–**	**–**	**(1,041)**
Depreciation	**–**	**(526)**	**(112)**	**(10,345)**	**(272)**	**(7,233)**	**(143)**	**–**	**(18,631)**
(Impairment)/reversal of impairment	**–**	**(8,191)**	**(7)**	**(22,630)**	**(223)**	**–**	**(15)**	**1,044**	**(30,022)**
Exchange difference	**4**	**(1,303)**	**26**	**(2,856)**	**(15)**	**4,321**	**7**	**(361)**	**(177)**
Closing net book amount	**80**	**12,834**	**890**	**21,960**	**1,088**	**136,253**	**462**	**627**	**174,194**
At 31 December 2022									
Cost	**80**	**217,289**	**2,726**	**424,253**	**9,785**	**191,007**	**4,267**	**4,495**	**853,902**
Accumulated depreciation and impairment	**–**	**(204,455)**	**(1,836)**	**(402,293)**	**(8,697)**	**(54,754)**	**(3,805)**	**(3,868)**	**(679,708)**
Net book amount	**80**	**12,834**	**890**	**21,960**	**1,088**	**136,253**	**462**	**627**	**174,194**

Note:

The Group's land held as at 31 December 2022 and 2021, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2022 and 2021 are situated in the PRC and held under long term leases.

As at 31 December 2022, leasehold buildings of HK$10,691,000 (2021: HK$14,976,000) were pledged to secure the Group's bank borrowings.

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

As at 31 December 2022, certain of the Group's property, plant and equipment and right-of-use assets of HK$93,115,000 (2021: HK$99,805,000) in total are mainly related to the CGU of lithium battery production segment, operated by Zhejiang Forever New Energy Company Limited ("Zhejiang CGU").

As at 31 December 2022, the directors of the Company carried out a review of the recoverable amounts of relevant assets of Zhejiang CGU, which is amounted to HK$72,390,000 (2021: HK$81,561,000). As a result, impairment loss of HK$20,725,000 (2021: HK$18,244,000) had been recognised in the consolidated statement of profit or loss and other comprehensive income. The significant impairment loss recognised was mainly due to downward adjustment in forecast sales amount in view of the unexpected economic downturn of manufacturing of battery industry in the PRC.

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 16.82% (2021: 24.33%) per annum, which reflects specific risks relating to the relevant CGU.

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

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

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

Impairment assessment of the relevant assets of CGU of battery swapping business

As at 31 December 2022, certain of the Group's property, plant and equipment and right-of-use assets of HK$13,487,000 (2021: HK$25,398,000) in total are mainly related to CGU of battery swapping segment, operated by GETI (China) Energy Technology Company Limited ("GETI CGU").

As at 31 December 2022, the directors of the Company carried out a review of the recoverable amounts of GETI CGU, which is amounted to HK$1,705,000. As a result, impairment loss of HK$10,962,000 on property, plant and equipment and HK$820,000 on right-of-use assets (2021: nil) had been recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment loss recognised was mainly due to the downward adjustment in forecast sales amount in view of the unexpected decrease in battery swapping subscribers in the PRC.

The recoverable amounts of GETI CGU have been determined based on the higher of fair values less costs of disposal and value in use calculation.

As at 31 December 2022, the recoverable amounts of GETI CGU have been determined based on fair value less costs of disposal, which is arrived at on the basis of valuation carried out by the management with reference to the recent market transactions of the similar assets of GETI CGU. The fair value measurement is categorised into Level 3 fair value hierarchy. The key assumptions to determine the fair value less costs of disposal under market approach based on the recent transaction prices for similar assets.

13. EXPLORATION AND EVALUATION ASSETS

	2022	2021
	HK$'000	*HK$'000*
At 1 January		
Cost	**6,490,624**	6,920,709
Accumulated impairment	**–**	–
Net book amount	**6,490,624**	6,920,709
For the year ended 31 December		
Opening net book amount	**6,490,624**	6,920,709
Additions	**2,924**	3,071
Exchange difference	**365,845**	(433,156)
Net book amount	**6,859,393**	6,490,624
At 31 December		
Cost	**6,859,393**	6,490,624
Accumulated impairment	**–**	–
Net book amount	**6,859,393**	6,490,624

As at 31 December 2022 and 2021, 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 ended 31 December 2022 and 2021, the directors of the Company reviewed the carrying amount of exploration and evaluation assets, no impairment had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Assumptions and parameters of the valuation as at 31 December 2022 are as follows:

Approval of all required licenses	Mid 2025 (2021: Mid 2024)
Commencement of production	1st quarter of 2029 (2021: 1st quarter of 2028)
Annual production capacity	27.5 million tonnes (2021: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2021: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2021: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US$122 per tonnes (2021: US$114 per tonnes)
Operating costs:	
— First 18 years of mining	US$32.19 per tonnes (2021: US$40.9 per tonnes)
— Remaining period of mining	US$37.72 per tonnes (2021: US$47.11 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2021: same term)
Capital expenditures:	
— Construction of infrastructure	US$3,005 million (2021: US$2,777 million)
Discount rate	25.93% (2021: 23.23%)

14. TRADE RECEIVABLES

	2022 *HK$'000*	2021 *HK$'000*
Trade receivables — Gross	**79,442**	61,746
Less: Impairment losses	**(1,165)**	(424)
Trade receivables — Net	**78,277**	61,322

Trade receivables are denominated in the following currencies:

	2022 *HK$'000*	2021 *HK$'000*
Renminbi ("RMB")	**74,826**	61,322
EURO	**3,451**	–
	78,277	61,322

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

	2022 *HK$'000*	2021 *HK$'000*
0–30 days	**28,777**	1,070
31–90 days	**1,019**	60,453
91 to 180 days	**49,053**	223
Over 180 days	**593**	–
	79,442	61,746

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

	2022 *HK$'000*	2021 *HK$'000*
At 1 January	**424**	399
Impairment recognised	**799**	10
Exchange difference	**(58)**	15
At 31 December	**1,165**	424

As at 31 December 2022 and 2021, the Group did not hold any collateral as security or other credit enhancements over the trade receivables.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Deposits	**9,294**	6,638
Value added tax receivables	**10,368**	29,780
Other receivables	**3,473**	2,318
Prepayments	**3,550**	487
Amount due from an associate	**26,851**	26,851
	53,536	66,074

The amount due from an associate of HK$26.9 million (2021: HK$26.9 million) is unsecured, bears no interest and is repayable on demand. The carrying amount of the amount due from an associate approximate their fair values.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK$'000	*HK$'000*
Listed equity investments, at market value,		
— in Hong Kong — held for trading	**81,987**	147,978
— in overseas — held for trading	**198**	322
	82,185	148,300

At 31 December 2022 and 2021, the Group holds 14.14% (2021: 14.14%) equity interests in a company listed in Hong Kong.

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

17. TRADE AND BILL PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**46,079**	25,137
Bill payables	**25,653**	2,066
	71,732	27,203

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

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**13,708**	5,676
31–60 days	**21,222**	18,839
61–90 days	**13,847**	491
91–180 days	**16,637**	1,538
Over 180 days	**6,318**	659
	71,732	27,203

18. BORROWINGS

	2022	2021
	HK$'000	*HK$'000*
Government loans *(Note (a))*	**–**	122,694
Bank loans *(Note (b))*	**149,027**	161,710
	149,027	284,404
Represented by:		
Current liabilities	**16,508**	145,024
Non-current liabilities	**132,519**	139,380
	149,027	284,404

Notes:

(a) The government loans has been repaid in full during the year ended 31 December 2022.

As at 31 December 2021, the balance represented the unsecured and interest free loan of RMB100 million granted by the local government in the PRC in relation to the establishment of the manufacturing factory of new energy motor vehicle battery in Zhejiang, the PRC. The loans were repayable within two years after the drawdown (i.e. 18 January 2018). According to the agreement with the local government in the PRC, the local government would provide government grant to the Group after the commencement of production of the manufacturing factory and these grant is solely used for the repayment of government loan. If there is any delay in the distribution of government grant, the Group can repay overdue government loan once the related government grant is received. As there is delay in the distribution of government grant as at 31 December 2021, the Group can repay the overdue government loan once the related government grant is received (repayable on demand). Therefore the loans were classified as current liabilities as at 31 December 2021.

(b) As at 31 December 2022, bank loans of RMB132 million (2021: RMB132 million) are secured by the Group's right-of-use assets and property, plant and equipment of HK$33,947,000 and HK$10,691,000 (2021: HK$37,684,000 and HK$14,976,000) respectively and the corporate guarantee from Zhejiang Geely Holding Group Co., Ltd, a related party of the Company. Bank loans were repayable by instalments up to 3 June 2029 and were interest bearing at 4.9% per annum. Based on the repayment date, the Group's bank loans are due for repayments as at 31 December 2022 and 2021 as follows:

	2022	2021
	HK$'000	*HK$'000*
Within one year	**16,508**	22,330
In the second year	**20,579**	22,330
In the third to fifth year	**61,737**	66,990
Over five years	**50,203**	50,060
	149,027	161,710

19. SHARE CAPITAL

	Number of shares	**Total**
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each at 1 January, 31 December 2021 and 2022	1,000,000,000	1,000,000

	Number of shares	
	'000	*HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.001 each at 1 January, 31 December 2021 and 2022	9,854,534	9,855

20. OTHER EXPENSES

The following table shows the movements in each class of provision during the year:

	Provision for litigation *(Note a)* *HK$'000*	Provision for repayment of government grant *(Note b)* *HK$'000*	Total *HK$'000*
At 1 January 2021	–	–	–
Additional provision in the year	11,401	151,778	163,179
At 31 December 2022	**11,401**	**151,778**	**163,179**

(a) Provision of HK$11,401,000 was recognised on 2 lawsuits in which GETI (China) Energy Technology Company Limited ("GETI"), a subsidiary of the Company and is a defendant. The claims has arisen from the same supplier alleging GETI from failing to pay for products supplied to them. The court has reached judgements on these cases on 22 April 2022 and 2 June 2022 to freeze the Group's cash and bank balances of HK$5,367,000 and HK$6,034,000 for one year. Such balances have been classified as restricted bank balances during the year. The provision amount recognised represents the undiscounted amount of present obligations that the Group is required to pay.

(b) On 31 December 2022, Zhejiang Forever New Energy Company Limited ("Zhejiang Forever"), a subsidiary of the Company, entered into an agreement with certain local government entities in Zhejiang, PRC (the "Government"), pursuant to which, Zhejiang Forever shall repay the Government (a) by 31 December 2022, the government loan in the principal amount of RMB100 million (which Zhejiang Forever had already fully repaid in December 2022); and (b) by 29 February 2024, the government grants (the "Grants") received by Zhejiang Forever in relation to its production facilities in the aggregate amount of around RMB208.4 million, net of 20% to 30% of Zhejiang Forever's accumulated qualified plant and equipment investment as at 31 January 2024 (the percentage being subject to the category classification of the production facilities as at 31 January 2024) (the "Deductible Amount"). The maximum of the Deductible Amount shall not exceed the amount of the Grants received of around RMB208.4 million and if the maximum of Deductible Amount is reached as at 31 January 2024, no repayment of the Grants shall be made. Based on the directors' best estimate, anticipated repayment amount of approximately RMB134.2 million (equivalent to approximately HK$151.8 million) has been recognised for this obligation as provision and included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

21. BUSINESS COMBINATION

On 10 June 2022, the Group entered into a sale and purchase agreement with Hangzhou UGO Technology Company Limited, a company owned by Mr. Li Shufu, a substantial shareholder of the Company, for acquisition of additional 15.56% equity interest of Jixing International (the "Step Acquisition"). Jixing International and its subsidiaries are engaged in online car-hailing and related services in Europe. The Step Acquisition was made as part of the Group's strategy to develop online car-hailing business and related services in Europe.

The cash consideration of the Step Acquisition amounted to HK$29,877,000. The Step Acquisition was completed on 10 August 2022 (the "Step Acquisition Date"). The acquisition has been accounted for as acquisition of business using the acquisition method. Upon the completion of the transaction, the Group hold 35.56% equity interests of Jixing International and Jixing International became a subsidiary of the Company as in the opinion of the directors of the Company, the Group has the practical ability to direct the relevant activities of Jixing International unilaterally after consider the Group's absolute size of holding in Jixing International and the arrangements with the party acting in concert. The financial results of Jixing International is consolidated into the Group's consolidated financial statements.

The fair value of the Group's 20% equity interest in Jixing International as at the Step Acquisition Date was HK$27,047,000 and the carrying amount of the Group's interest in the associate was zero. The Group recognised a gain on the re-measurement of the Group's pre-existing interest in the associate of HK$27,047,000 and presented as "gain on re-measurement of pre-existing interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

The fair value of identifiable assets and liabilities assumed as at the Step Acquisition Date were as follows:

	HK$'000
Property, plant and equipment	140,889
Right-of-use assets	7,340
Trade receivables	3,393
Other receivables, deposits and prepayments	3,451
Cash and cash equivalents	34,084
Trade payables	(5,878)
Other payables, accruals and deposit received	(7,549)
Lease liabilities	(7,340)
Other financial liabilities	(7,834)
Total identifiable net assets acquired	160,556
Non-controlling interests	(103,462)
Satisfied by:	
Cash consideration	29,877
Fair value of previous interests in an associate	27,047
Fair value of net identifiable assets acquired	(160,556)
Non-controlling interests	103,462
Gain on bargain purchase	(170)
Net cash inflow arising from the Step Acquisition:	
Cash and cash equivalents	34,084
Cash consideration	(29,877)
Net cash inflow	4,207

The fair value of trade and other receivables is approximately HK$6,844,000 is considered as fully recoverable.

The Group elected to measure the non-controlling interests in Jixing International at its proportionate share of the acquired net identifiable assets. The amount of non-controlling interests at the Step Acquisition Date amounted to approximately HK$103,462,000

Jixing International has contributed revenue and loss of approximately HK$21,394,000 and HK$23,844,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

If the acquisition had been completed on 1 January 2022, total Group's revenue for the year would have been approximately HK$167,817,000 and loss for the year would have been approximately HK$370,182,000 (assumed that the financial impact on gain on remeasurement of pre-existing interests in an associate and gain on bargain purchase arose from the step acquisition from an associate to a subsidiary remain unchanged). The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is intended to be a projection of future results.

Acquisition-related costs of approximately HK$1,011,000 have been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS

Since its mass production in 2018, our lithium-ion battery plant has supplied batteries to several premium car models, the car models installed with battery packs of the Group include the PHEV model "XC90", "XC60", "S60" and "S90" of Volvo and "Lynk 01 PHEV", "Lynk 02 PHEV" and "Lynk 03 PHEV" model of Lynk & Co. Besides the sale of battery packs, the battery modules produced by the Group are also used in the battery packs of "Polestar 01 PHEV" of Volvo.

Although the Group has full research and development ability (including lithium battery and battery management system design) and the batteries produced are top quality, reliable and safe technically, large vehicle manufacturers are not willing to place large orders due to the small production capacity which results in low utilisation rate of the battery plant and lead to a higher average costs when compared to the other competitors. In the PRC, the top ten powered battery manufacturers accounted for over 90% of the market share. As batteries for new energy vehicles are products that typically require long term development and testing to cater for a vehicle manufacturer's specific requirements for specific vehicle model, it is not easy to break off an established relationship between a battery manufacturer (supplier) and new energy vehicle manufacturer (customer), given the efforts and resources required by both the supplier and customer to develop a compatible battery product. Customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with automobile, commercial vehicle or electric bicycle manufacturers and potential new customers in the energy storage field. Expect for lithium ion battery for PHEVs, the Group also has 12V, 48V batteries and portable power station in the product list.

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

Zhejiang Forever New Energy, a 52% owned subsidiary of the Group, is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 2,000,000 kWh ternary lithium-ion battery annually. The first 500,000 kWh production line which produce pouch type cells has commenced mass production since 2018.

Zhejiang Forever New Energy's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As of 31 December 2022, Zhejiang Forever New energy was granted 255 patents, among which 192 are utility model patents, 4 appearance design patents and 59 innovation patents.

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

The production plant of Shandong Forever New Energy, 24.5% owned associate of the Company, covers a total area of approximately 130,000 square meters and its current factory and office facilities cover a floor area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually. There was no production in Shandong Forever New Energy during the year. In 2023, Shandong Forever will focus on downsizing and operation simplification. Shareholders of Shandong Forever New Energy will continue to review its status before making the next commercial decision.

During the year ended 31 December 2022, the lithium-ion battery segment recorded a revenue of approximately HK$109.1 million, which was decreased by approximately 76.9% when compared to HK$473.1 million revenue recognised 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 loss was approximately HK$174.1 million (2021 of: HK$17.2 million profit). The change from profit to loss during the year was mainly because of the decreased in revenue and approximately HK$151.8 million provision in relation to government grant in the current year.

BATTERY SHARING BUSINESS

Under the brand "GETI", the Company is running a battery sharing business 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 2022, GETI has 448 battery swapping stations and 960 package users and has completed nearly 1.4 million times battery swapping service on aggregate since its launch in 2019. The revenue and loss for the segment was approximately HK$7.2 million (2021: HK$5.8 million) and HK$39.1 million (2021: HK$15.3 million) respectively for the year ended 31 December 2022. The widened loss was mainly contributed by the HK$11.4 million provisions in relation to two lawsuits and HK$11.0 million impairment of property, plant and equipment and right-of-use assets during the year.

PROGRESS OF SAM IRON ORE PROJECT

Background

As of 31 December 2022, the Group had accumulatively provided US$80.5 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$158.92 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.

Updates on the Project Development Plan

In order to reduce the impact on the environment by SAM Project, improve its safety, maximize its social benefits to the local communities, and build a sustainable green mining project, SAM has been optimizing, adjusting, and updating its project development plan in accordance with changing legal requirements and based on the rapid advances in technological innovation in the global mining sector and the specific situation of Block 8 Project.

Smart Mining

In order to maximize the safety of open-pit mining operators and reduce costs, the Company will conduct in-depth discussion with HUAWEI in 5G-powered unmanned mining. The project may adopt a large number of new technologies and new equipment, including autonomous drills, remote control excavators, autonomous trucks, BeiDou satellite- or GPS-enabled truck dispatch systems, real-time slope displacement monitoring, and cluster management and dispatch systems.

Beneficiation

After being crushed in the open pit, the ore will go through the comminution process of "primary screening — secondary crushing — high-pressure grinding roll — wet screening — ball milling" and then go through processes such as high-intensity magnetic roughing concentration, regrinding, reverse flotation, and high-intensity magnetic scavenging etc. The final product will be pellet feed (Fe 66.2%).

Tailings Treatment

The company has conducted a large number of tailings backfilling studies. Due to the very slight dip angle of the ore body, the project can realize backfilling of waste and tailings during the open-pit mining operation. It is expected that waste and tailings will be backfilled, making the project the first open-pit iron ore project in Brazil to adopt backfilling during mining operation. In addition, a study on the reuse of tailings shows that the tailings of the project are very suited for the construction of base, sub-base, and reinforcement in the subgrade of highways. The company plans to cooperate with the local highway management authority in reusing tailings to improve and widen highway facilities in the region of the project after obtaining the relevant LP. The tailings dams of the project will be built with centreline construction technique, which is completely different from the dam construction method (upstream method) adopted in the recent two tailings dam failure cases in Brazil. Meanwhile, there will be an internal vertical septum filter constructed along with the dam body which could avoid the occurrence of liquefaction. In addition to the extremely safe tailings dam construction method, there will be a dike in the downstream of the project area to further hold the tailings in case of dam-breach. The results of the new dam-breach study show that, under the worst situation with all different extreme worst scenarios happen at the same time, all tailings will be blocked within the project area without affecting any community in the case of a dam collapse, which brings double safety guarantee for the tailings dams of Block 8 Project.

Pipeline Transportation

The final product, pellet feed will be transported from the mine site to Porto Sul port in southern Bahia via a pipeline of approximately 480 kilometers long and will be dewatered in the port and then loaded on ships for export. Lotus Brasil is responsible for environmental licensing, financing, construction and operation of the pipeline. SAM has a 5% interest in this company.

Port

Porto Sul has renewed its LI (installation license) in 2020. It will be constructed and operated by independent third parties. SAM has negotiated with Porto Sul's developers to include the annual cargo volume of 30 million tons (wet basis) of pellet feed in Porto Sul's development plan.

Water Supply

In 2012, the National Water Agency of Brazil granted SAM a water use right that allows SAM to have an annual water consumption of 51 million cubic meters from the Irape Dam for 20 consecutive years. In order to solve water concerns in the region of the project, SAM has also promised to construct a water dam named Vacaria, which has been included in the environmental licensing process of Block 8 Project. If its environmental feasibility is confirmed, the Vacaria dam will become the water source of Block 8 Project. The Vacaria dam is around 39m tall and 253m long with a water storage capacity of approximately 80 million cubic meters. Nearly half of the water will be provided to communities and for flow regulation of the downstream river.

Irrigation Project

The company will carry out an irrigation project near the Vacaria dam together with the Government of the State of Minas Gerais. SAM plans to relocate households in the area directly affected by the mine project to places near the Vacaria dam to make them the main beneficiaries of the irrigation project. As Block 8 Project needs starch as one of flotation reagents with an annual consumption of approximately 50,000 tons for its flotation process, the company will encourage these beneficiaries of the irrigation project to plant crops for starch production, thereby promoting the development of family agriculture in the region of the project.

Power Supply

In 2014, SAM was authorized by the Ministry of Mines and Energy (MME) of Brazil to connect the main substation of SAM Project to the most appropriate connection point in the basic grid of the National Integrated System, as being in the Irapé UHE (Hydroelectric Plant) Substation, via a 67km power transmission line with a nominal voltage of 345 kV. The region of the project has huge potential for renewable energy. It is one of the best region for solar energy in Brazil, in recent years, the installed solar photovoltaic capacity in this region has increased rapidly. It also has huge potential for wind energy as the strongest wind belt (with the wind speed of 8-11m/s) in the State of Minas Gerais is only approximately 40km away from Block 8 Project. In addition, the project region is covered by endless eucalyptus forests, which is a traditional area for producing eucalyptus wood, making it a great place for biomass energy generation. In view of the above, to reduce carbon dioxide emissions, the company is also exploring the use of 100% renewable energy to power Block 8 Project within a certain period of time after the project is put into production.

Job Opportunities

The project is expected to create approximately 6,200 direct jobs during construction and approximately 1,100 direct jobs and 5,600 indirect jobs during operation.

Environmental License

The environmental license of the Block 8 project in Brazil involves three types of 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.

SAM remained committed to applying for the LP in compliance with laws and regulations in Brazil over the past few years. When and after the Group was notified of the pending granting of the LP for the first time in 2015, two tailings dam failures occurred at mines operated by other companies in Brazil, resulting in a severe delay in the granting LP for the SAM project. Details and impact of the two tailings dam failures and other events which negatively affected the licensing process of SAM was disclosed in annual report 2021.

In August 2021, SAM's Block 8 Project was selected as a priority project of Brazilian federal government by the Inter-ministerial Committee for the Analysis of Strategic Minerals Projects (CTAPME). CTAPME was established in 2021 to select projects considered highly important for the development of Brazil and it coordinates government agencies to implement and expand production of strategic minerals on an environmentally sustainable basis. CTAPME comprises the Ministry of Mines and Energy (MME), the Ministry of Science, Technology and Innovation (MCTI), the Institutional Security Office of the Presidency (GSI/PR), the Special Secretariat of the Investment Partnerships Program of the Ministry of Economy (SEPPI/ME) and the Special Secretariat of Strategic Affairs of the Presidency (SAE/PR). To minimise risks and solve conflicts that may be identified, the projects that are selected will be supported by the SEPPI/ME in monitoring the environmental licensing processes which are carried out by the relevant environmental bodies.

On 10 and 11 May 2022, the Superintendence of Priority Projects (SUPPRI) of the Secretariat of Environment and Sustainable Development (SEMAD), the licensing organisation responsible for SAM's project, held two public hearings for the environmental licensing process for Block 8 Project in the cities of Grão Mogol and Fruta de Leite. The public hearing is a fundamental instrument of an environmental licensing process, whose purpose is to present the results of environmental studies to the public, resolve doubts and collect criticisms and suggestions from those present. Around 1,150 people in total registered and attended the two public hearings. Those present including representatives of important institutions in the northern region of Minas Gerais, the mayors and councillors of the municipalities in the project area, people from the communities, all manifested their support for Block 8 project and made it clear that they are looking forward to the installation of the project in the region.

From 18 to 22 July 2022, SUPPRI's technical team made a field technical inspection of the area of the Block 8 project.

In February 2023, SAM received the technical report from SUPPRI. The technical report requests some gap studies because of the change of the project and the updating of the laws and regulations. By the date of this announcement, SAM`s consultants have been analysing the details of technical report with SUPPRI about the gap studies requested.

Mining Concession

Due to significant optimisations and changes in the engineering and the development model of the project in the past few years, SAM updated the Integrated Economic Utilisation Plan ("PIAE"). PIAE is an essential document for any mining project, being a fundamental requirement for the Mining Concession. On 7 January 2022, SAM submitted the updated PIAE to the National Mining Agency ("ANM").

On 22 May 2022, ANM approved SAM's PIAE, which means that once SAM obtains the Installation License ("LI") from the licensing organisation, ANM will issue the Mining Concession for Block 8 Project to SAM. The approval of the PIAE is a very important step for the project.

Others

The China-Brazil International Service Trade Innovation Seminar was held on 20 June 2022 in Belo Horizonte, the capital city of Minas Gerais. More than 90 representatives of governments, enterprises, business associations and media from China and Brazil participated in the seminar.

The seminar was co-organised by the Consulate-general of the PRC in Rio de Janeiro and the government of Minas Gerais. The participants carried out in-depth discussion on three topics, including the sustainable development of mining projects, intelligent transformation of infrastructure and the promotion of industry development with technological innovation.

The SAM Project received high attention and expectation from the participants in the seminar. Jin Yongshi, the Chief Executive Officer of SAM, was invited to deliver a speech in the seminar and introduced the company's innovative and sustainable mining projects in northern Minas Gerais, such as the company's application of 5G technology in the mining operation, the plan of promoting renewable energy for power supply of the projects after the commencement of operation, the promotion of construction of water dam facilities in the region to provide water supply solution for the surrounding communities, etc.

On 27 September 2022, SAM and CGN Brasil Energia e Participações S.A ("CGN") signed a protocol of intent with the Minas Gerais State Secretariat for Economic Development (SEDE) for the development, construction and operation of a new solar park with installation capacity of 800MW in the northern region of the State. Through the partnership, SAM will be able to supply solar energy for the Block 8 Project to reduce electricity costs.

Expected Timetable

Many uncertainties, may affect the timetable, by assuming that the LP (preliminary license) is obtained between the fourth quarter of 2023 and the first quarter of 2024, there is a chance to obtain the LI in the second quarter of 2025 and start trial production in the second half of 2028.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$3.01 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$18.9 and thereafter will rise to approximately US$24.4. 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$32.2 per ton for the first 18 years and then increase to US$37.7 per ton.

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 2022, US$3.01 billion CAPEX (2021: US$2.78 billion) and US$32.2 (2021: US$40.9) (year 1 to 18) and US$37.7 (2021: US$47.1) (year 19 to 31) per ton of OPEX applied. CAPEX is expected to increase because of the increase in equipment and reinforced concrete price. The applied OPEX decreased in the current year mainly due to the decrease in expected steel and energy costs.

Regarding the project timeline, the new operation commencement date is expected to be early 2029 (2021: early 2028).

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$1,227 million (equivalent to approximately HK$9,522 million) (2021: US$840 million, equivalent to approximately HK$6,518 million). The fair value of the exploration and evaluation assets increased mainly because price of iron concentrate applied were increased and OPEX applied were decreased in the current year. But their impact was partly compensated due to the increase in discount rate.

Impairment Assessment of Zhejiang Forever New Energy

During the year ended 31 December 2022, impairment of approximately HK$20.7 million was recognised in relation to Zhejiang Forever New Energy cash generating unit (the "Zhejiang CGU") mainly because of the economic uncertainty in Europe, the demand of orders from the major customer which is based in United Kingdom is expected to decrease, so the forecast revenue for the year 2023 and 2024, that is year one and year two respectively in the five year forecast, are expected to decrease compared to the year one and year two forecast revenue last year.

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

For the five years forecast from year 2023 to 2037, the revenue is expected to increase in 2023 compared to the actual revenue in 2022 and reach the peak in 2024. After 2024, the product cycle of one major product is expected to end and the revenue is expected to decrease significantly in 2025 and no double digit changes in revenue is expected in 2026 and 2027.

Other key assumptions and inputs:

- The post-tax discount rate of 14.50% (2021: 14.00%) which is based on the weighted average cost of capital.

- The pre-tax discount rate of 16.82% (2021: 24.33%) determined by an iterative computation so that the value in use determined by the pre-tax cash flows and a pre-tax discount rate equals value in use determined by the post-tax cash flows and a post-tax discount rate.

- The revenue growth rate beyond the five-year budget plans was 0% (2021: 0%).

Impairment Assessment of Battery Swapping Business

For the year ended 31 December 2022, impairment loss of approximately HK$11.8 million had been recognised in relation to the battery swapping business (the "GETI CGU"). The impairment loss recognised was mainly due to the downward adjustment in forecast sales amount in view of the unexpected decrease in battery swapping subscribers in the PRC in late 2022 mainly due to the keen competition in the industry, the anti-COVID measured imposed in China, which riders could not deliver their service normally and GETI has received some defected products from suppliers, which affected the overall service experience of GETI.

The recoverable amounts of GETI CGU have been determined under market approach based on fair value less costs of disposal, which is arrived at on the basis of valuation with reference to the recent market transactions of the similar assets of GETI CGU.

CONTINGENT CONSIDERATION AND LIABILITIES

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SAM 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 SAM SPA.

Conditional additional payment

If, however:

(i) the Group disposes of any or all of its interests in direct or indirect interests of SAM;

(ii) 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 Group company;

(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 Group 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 2022, the additional loans and capital invested was approximately US$14,790,000.

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 2022, the contingent consideration payable was approximately HK$112.8 million (equivalent to approximately US$14.5 million) (2021: HK$109.7 million, equivalent to approximately US$14.1 million).

STRATEGIC COOPERATION AGREEMENT WITH NEW GONOW

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

SHAREHOLDING IN YUXING INFOTECH

As at 31 December 2022, the Group owned 351,867,200 shares of Yuxing InfoTech Investment Holdings Limited ("Yuxing InfoTech") (stock code: 8005), represented 14.14% equity interests in Yuxing InfoTech. The shares could be disposed for working capitial of the Company or if the appropriate opportunity or market conditions arrived.

ACQUISITION OF JIXING INTERNATIONAL TECHNOLOGY CO., LTD.

On 10 June 2022, Honbridge Technology Limited, a wholly-owned subsidiary of the Company and holding 20% of the equity interest of Jixing International Technology Co., Ltd. 吉行國際科技有限公司 (the "Target Company"), entered into a sale and purchase agreement with Hangzhou UGO Technology Company Limited 杭州優行科技有限公司 ("Hangzhou UGO") and Hangzhou Hexijiao Technology Company Limited 杭州禾曦嬌科技有限公司 ("Hangzhou Hexijiao") (the "Sale and Purchase Agreement"), pursuant to which Honbridge Technology Limited has conditionally agreed to acquire and Hangzhou UGO has conditionally agreed to dispose 32% equity interest of the Target Company at the consideration of RMB25,600,000 (equivalent to approximately HK$30,000,000). On 10 June 2022, Mr. Li shufu ("Mr. Li"), together with companies controlled by him, was interested in 1,953,739,675 Shares of the Company, representing approximately 19.83% of the issued share capital of the Company, while Hangzhou UGO is a close associate of Mr. Li pursuant to the GEM Listing Rules. Accordingly, Hangzhou UGO is a core connected person of the Company under the GEM Listing Rules.

On the same date of the signing of the Sale and Purchase Agreement, Zheijiang Geely New Energy Commercial Vehicles Group Co., Ltd., 浙江吉利新能源商用車集團有限公司 ("Geely Commercial Vehicles"), the Target Company, Honbridge Technology Limited, Hangzhou UGO and Hangzhou Hexijiao entered into a capital increase agreement ("Capital Increase Agreement"). Geely Commercial Vehicles is a wholly-owned subsidiary of 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Limited). Geely Commercial Vehicles is a close associate of Mr. Li, a substantial shareholder of the Company, and is therefore a core connected person of the Company under the GEM Listing Rules.

Geely Commercial Vehicles has advanced a loan in the principal amount of RMB200,000,000 (equivalent to approximately HK$234,000,000) to the Target Company (the "Loan"). Geely Commercial Vehicles agreed to fully capitalise the Loan in order to subscribe for the registered capital of RMB37,000,000 (equivalent to approximately HK$43,300,000) of the Target Company. Of such capitalisation of RMB200,000,000 (equivalent to approximately HK$234,000,000), (i) RMB37,000,000 (equivalent to approximately HK$43,300,000) shall constitute registered capital of the Target Company; and (ii) RMB163,000,000 (equivalent to approximately HK$190,700,000) shall constitute capital reserve (資本公積) of the Target Company.

The Sale and Purchase Agreement is inter-conditional with the Capital Increase Agreement. Upon closing of the two agreements, the capital contribution and shareholding percentage of the Target Company will be as follows.

Parties	**Form of contribution**	**Amount**	**Shareholding**
Honbridge Technology Limited	Cash	RMB41,600,000	35.56%
Hangzhou UGO	Cash	RMB6,400,000	5.47%
Hangzhou Hexijiao	Cash	RMB32,000,000	27.35%
Geely Commercial Vehicles	Cash	RMB37,000,000	31.62%
Total:		RMB117,000,000	100%

The Concert Party Agreement

On 10 June 2022, to shorten the decision making process and strengthen the strategy implementation of the Target Company which can facilitate the development and operation of the Target Company and its subsidiaries (the "Target Group"), Honbridge Technology Limited and Hangzhou Hexijiao have entered into a concert party agreement ("Concert Party Agreement"). The Concert Party Agreement shall become effective upon Honbridge Technology Limited and Hangzhou Hexijiao having become the Target Company's shareholders holding 35.56% and 27.35% respectively.

Under the Concert Party Agreement, Hangzhou Hexijiao agrees to exercise its voting rights or to approve any written resolutions as a shareholder of the Target Company in the same manner as Honbridge Technology Limited may decide, save for those resolutions relating to alteration of the Articles of Association, increase or reduction of registered capital of the Target Company, the merger, segregation, dissolution or change of company type of the Target Company. During the term of the Concert Party Agreement, Hangzhou Hexijiao agrees, before proposing any resolutions at general meetings or exercising its voting rights at general meetings, to coordinate with Honbridge Technology Limited regarding voting. Honbridge Technology Limited's decision shall be final.

Consolidation of the Target Group

Upon registration of the Sale and Purchase Agreement and the Capital Increase Agreement with the State Administration for Industry and Commerce of the PRC, Honbridge Technology Limited and Hangzhou Hexijiao shall become the Target Company's shareholders holding 35.56% and 27.35% respectively. As (i) Honbridge Technology Limited has the right to nominate the majority of directors on the board of the Target Company; (ii) Honbridge Technology Limited will hold 35.56% equity interest in the Target Company; and (iii) Hangzhou Hexijiao holding 27.35% equity interest in the Target Company will vote in the same manner as Honbridge Technology Limited may decide pursuant to the Concert Party Agreement, the Target Company will be treated as a subsidiary of the Company for accounting purpose as the Board considers the Company will be able to control the Target Group. Accordingly, the results of the Target Group will be consolidated into the financial statements of the Company so long as the Concert Party Agreement is in force.

On 10 August 2022, Honbridge Technology Limited has closed the Sale and Purchase Agreement and the Capital Increase Agreement and the results of the Target Group have been consolidated into the financial statements of the Company since 10 August 2022.

More details of the Sale and Purchase Agreement, the Capital Increase Agreement and the Concert Party Agreement were disclosed in the announcement of the Company dated 10 June 2022.

BUSINESS REVIEW

For the year ended 31 December 2022, the Group recognised HK$137.7 million in revenue, representing a 71.3% decrease when compared to HK$478.9 million revenue recognised in the last corresponding year. The loss for the year ended 31 December 2022 attributable to owners of the Company was approximately HK$199.2 million (31 December 2021: profit of HK$88.5 million).

Approximately 79.3% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were mainly generated by the online car-hailing service recently acquired by the Group in France (15.5% of revenue) and our electric bicycle battery swapping service in China (5.2% of revenue). The substantial decrease in revenue of the Group was due to the substantial decrease in lithium-ion batteries orders from our major customer Volvo Car. While the new battery product has commenced mass production ahead of the schedule, delivery to a car model under a connected person of the Company was only started in mid-June 2022.

On 10 August 2022, the Group closed the acquisition of controlling interests of Jixing International Technology Co. Ltd ("Jixing International"), which engaged in online car-hailing services in France under the brand Caocao. The service was launched in Paris in January 2020 and Caocao has received positive feedback from the market. By December 2022, there were approximately 500,000 downloaded users and 147,000 registered users respectively. From 10 August 2022 (acquisition closing date) to 31 December 2022, the revenue recognised by Caocao was approximately HK$21.4 million. However, COVID-19 control measures such as quarantine requirement imposed by some countries for returning citizens during the year, war in Europe and strikes in France are affecting the economy and tourism industry of Paris (tourist is one of the key target customer group) and a loss was recognised by Caocao during the year.

The Group is running the battery sharing business focusing on food delivery electric bicycle branded "GETI" in the PRC in Jiangsu Province. By December 2022, GETI has 448 battery swapping stations (December 2021: 676) and 960 package users (December 2021: 2,242). The sharp decline in package users was mainly due to the keen competition in the industry, the anti-COVID measured imposed in China, which riders could not deliver their service normally and GETI has received some defected products from suppliers, which affected the overall service experience of GETI. In 2023, GETI is planning reverse the dropping trend by using the franchising model. For the year ended 31 December 2022, GETI has recognised approximately HK$7.2 million revenue (31 December 2021: HK$5.8 million).

The Group recorded a gross profit of approximately HK$24.9 million (gross profit ratio: 18.1%) for the year ended 31 December 2022 as compared with the gross profit of approximately HK$115.1 million (gross profit ratio: 24.0%) last year. Gross profit ratio was lower in the current year mainly because only single digit gross profit was recognised by the online-car hailing service segment acquired in August 2022, because of the high depreciation of vehicles and drivers salaries while larger gross loss was recognised by the battery sharing business during the year.

Other operating expenses of approximately HK$33.4 million (31 December 2021: income of HK$114.6 million) was recognised during the year. The change from income to expense was mainly due to the net loss of approximately HK$63.3 million (31 December 2021: gain of HK$119.6 million) recognised on financial assets at fair value through profit or loss as the share price of Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited dropped during the current year.

Because of the decreased in revenue, the maintenance cost for the battery products decreased during the current year and the selling and distribution costs during the year ended 31 December 2022 was approximately HK$7.9 million (31 December 2021: HK$13.0 million).

The administrative expenses increased by approximately HK$10.2 million or 11.0% when compared to last year. The increase was mainly contributed by increase in staff costs and research and development costs.

On 31 December 2022, Zhejiang Forever New Energy Company Limited ("Zhejiang Forever", being the Group's 52% owned subsidiary) entered into an agreement with certain local government entities in Zhejiang, PRC (the "Government"), pursuant to which, Zhejiang Forever shall repay the Government (a) by 31 December 2022, the Government Loans in the principal amount of RMB100 million (which Zhejiang Forever had already fully repaid in December 2022); and (b) by 29 February 2024, the government grants (the "Grants") received by Zhejiang Forever in relation to its production facilities in the aggregate amount of around RMB208 million, net of 20% to 30% of Zhejiang Forever's accumulated qualified plant and equipment investment as at 31 January 2024 (the percentage being subject to the category classification of the production facilities as at 31 January 2024) (the "Deductible Amount"). The maximum of the Deductible Amount shall not exceed the amount of the Grants received of around RMB208 million and if the maximum of Deductible Amount is reached as at 31 January 2024, no repayment of the Grants shall be made. Based on the currently available information, it has estimated that the repayment amount is approximately RMB132.0 million (equivalent to approximately HK$151.8 million) which is recognised in profit or loss for the year ended 31 December 2022.

Upon closing of the acquisition of controlling interests of Jixing International (previously an associate of the Company), the Group accordingly remeasured the fair value of its pre-existing interest in Jixing International at the date of completion. The fair value of the Group's 20% equity interest in Jixing International on the completion date was HK$27,047,000 and the carrying amount of the Group's interest in the associate was zero, so the Group recognised a gain on the re-measurement of the Group's pre-existing interest in the associate of HK$27.0 million for the year ended 31 December 2022. A HK$0.2 million gain on bargain purchase was also recognised due to the acquisition.

Approximately HK$8.7 million finance costs were recognised during the year ended 31 December 2022 (31 December 2021: HK$8.8 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC.

For the year ended 31 December 2022, the loss attributable to the owners of the Company was approximately HK$199.2 million (31 December 2021: profit of HK$88.5 million). The change from profit to loss was mainly because there was HK$151.8 million provision in relation to government grant as mentioned above and net loss of HK$63.0 million on financial assets at fair value through profit or loss (31 December 2021: gain of HK$119.8 million), decrease in gross profit to HK$24.9 million (31 December 2021: HK$115.1 million) and approximately HK$30.0 million impairment on property, plant and equipment (31 December 2021: HK$18.2 million) during the year. Their negative impact was partially set-off by the approximately HK$27 million fair value gain on re-measurement of pre-existing interest in an associate recognised on the acquisition date of controlling interests of Jixing International (previously an associate of the Company), which provide online-car hailing service in France.

Since 19 March 2020, Shandong Forever New Energy became an associate of the Company. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement, Jiangsu Tiankai shall complete the Capital Increase by payment of the Capital Contribution Sum in cash into a designated account of Shandong Forever New Energy. However, despite repeated demands from the Company, Jiangsu Tiankai has not yet settled the unpaid capital contribution up to the date of this announcement. The Group is exploring the feasibility of retrieving equity or reverting the transaction through negotiation or legal proceedings. Shandong Forever New Energy has temporarily stopped production and approximately HK$1.4 million share of loss was recognised by the Company during the year. In 2023, it will focus on downsizing and operation simplification.

As at 31 December 2022, the cash and cash equivalent balance of the Group was approximately HK$165.5 million (31 December 2021: HK$396.4 million). In addition to the HK$37.8 million net cash used in operating activities, the decrease in cash and cash equivalent was mainly due to the repayment of approximately HK$123.8 million loans and reclassification of some cash and cash equivalent to restricted bank deposits. The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 31 December 2022, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 3.2% (31 December 2021: 6.1%). The gearing ratio of the Group has improved because the Company has repaid approximately HK$123.8 million loans during the year ended 31 December 2022.

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 at HK$1.12 per share, 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 2022:

Intended use of proceeds	**Total net proceeds**	**Actual use of net proceeds up to 31 December 2022**	**Remaining balance of net proceeds up to 31 December 2022**
	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	150.3	3.0
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	76.9	Nil
Total	1,336.0	1,333.0	3.0

As at 31 December 2022, the unutilised portion of approximately HK$3 million were expected to be utilised in the Brazilian iron ore project and the amount is expected to be utilised on or before 30 June 2023.

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.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$84.2 million.

EMPLOYEES

As at 31 December 2022, the total number of employees of the Group was 328 (2021: 198). Employee benefit expenses (including directors' emoluments) amounted to HK$76.2 million for the year (2021: HK$49.8 million). The number of staff increased substantially because of the acquisition of the online-car hailing business in France during the year ended 31 December 2022.

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.

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

During the year ended 31 December 2022, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 18 to this announcement.

PROSPECTS

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

Meanwhile in China, the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. The new car sales of new energy vehicles is expected to account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The new energy vehicle industry in China has grown robustly under the support of the PRC government and sales have already reached 6.9 million units for the year ended 31 December 2022, accounted for about 25.6% of the overall new car sales. The Company expects the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Our Zhejiang lithium-ion manufacturing plant has been focusing on producing lithium-ion batteries for PHEV models in the past few years. Nevertheless, PHEV is only a niche market for the battery segment in new energy vehicles, accounting for approximately 22% of the total new energy vehicles sales in the PRC, which more than half of the total sales were derived by a single manufacturer which is also a battery manufacturer. Also, the electric powered range for PHEV has been increasing, while 50-70KM range was the mainstream in the past few years, PHEV models with over 80-100KM range has become the norm from 2022 onwards. The keen competition and the new industry norm poses a challenge for the Group. Since 2022, the Group has also put efforts to explore customers in electric bicycle and commercial vehicle sectors has achieved positive progress.

On 10 August 2022, the Company has closed the acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France. After closing of the acquisition, Jixing International Technology Co., Ltd. will continue to expand its service and promote its core values (safe, reliable, low carbon, etc.) to other cities in France and other countries in Europe and the online car-hailing business will become an important revenue stream of the Company.

For the battery sharing business focusing on food delivery electric bicycle branded "GETI", by December 2022, GETI has 448 battery swapping stations (December 2021: 676) and 960 package users (December 2021: 2,242). In 2023, GETI is planning to reverse the dropping trend by using the franchising model.

For the resource sector, the recent positive progress of the Brazil SAM iron ore project such as completion of two public hearings and approval of Integrated Economic Utilization Plan by National Mining Agency were 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 mainly due the two tailing dam disasters in Brazil in November 2015 and January 2019 that all the licensing process of other projects with tailing dam has been badly affected, therefore the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility. Despite unexpected challenges and tests, the Group still proactively promoted the SAM project which was widely supported locally by general public as well as enterprises in Brazil and the PRC. The Company will continue to review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time.

The Group will continue to identify and review potential projects in the new energy and mining sectors which are suitable for the Group from time to time, to seek opportunities of mergers and acquisitions, investment, and collaboration in such two sectors to create value for Shareholders. The Company is currently studying and reviewing several independent third parties' projects in the lithium battery industry chain, one of which has been in the due diligence stage. The overall business strategy of the Group is the dual development of new energy vehicles related business and resources, creating value for shareholders.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR LITHIUM-ION BATTERIES SEGMENT

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

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

Customer Concentration Risk

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

The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue 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, electric bicycle and commercial vehicle enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with key customers. The Group is also actively investing and exploring opportunities other than lithium-ion battery business. For example, the Group has been providing battery swapping service for electric bicycle since 2019 and has acquired a France-based online car hailing business in August 2022.

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. Instead of expansion which requires large capital investment, the Group has been adopting a prudent strategy which includes outsourcing some production process to reduce the possible negative impacts from such risks. Factors such as excessively large trade receivables will also result in certain 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 2022 and up to the date hereof.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasises accountability and transparency and are adopted in the best interests of the Company and its shareholders.

The Company complied with the corporate governance code in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2022 with the exception of Code Provision D.2.5. Under Code Provision D.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 2022.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures, whistleblowing policy 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 2021 annual results, 2022 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 2022 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.

The terms of reference of the Audit Committee are published on the Company's website (http://www.8137.hk) and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

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 2022 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 Director:
Mr. YAN Weimin

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, 29 March 2023