HONBRIDGE HOLDINGS LIMITED
洪 橋 集 團 有 限 公 司
(Stock Code: 8137)

HALF YEAR REPORT 2023

NEW ENERGY AND DIVERSIFIED BUSINESSES

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CORPORATE INFORMATION

Board of Directors

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

Compliance Officer

Mr. Liu Wei, William

Company Secretary

Mr. Yeung Ho Ming, CPA (HK)

Authorised Representatives

Mr. Liu Wei, William
Mr. Yeung Ho Ming

Audit Committee

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Ma Gang
Mr. Ha Chun

Remuneration Committee

Mr. Ha Chun *(Committee Chairman)*
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

Nomination Committee

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Liu Wei, William
Mr. Ma Gang
Mr. Ha Chun

Auditor

BDO Limited

Principal Bankers

Nanyang Commercial Bank, Limited

Registered Office

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman
KY1–1205 Cayman Islands

Head Office and Principal Place of Business

Unit 5402, 54th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Stock Code

8137

Company Website

www.8137.hk

UNAUDITED CONSOLIDATED HALF YEAR RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023, together with the comparative unaudited figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — UNAUDITED

		Three months ended 30 June		Six months ended 30 June	
		2023	2022	**2023**	2022
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**57,765**	25,367	**135,921**	37,232
Cost of sales		**(48,325)**	(19,264)	**(114,448)**	(23,701)
Gross profit		**9,440**	6,103	**21,473**	13,531
Other operating expenses	*4*	**(7,700)**	(9,999)	**(1,346)**	(52,938)
Selling and distribution costs		**(1,293)**	(1,162)	**(3,111)**	(3,801)
Administrative expenses		**(26,246)**	(27,449)	**(59,005)**	(42,854)
Share of results of associates	*12*	**289**	(267)	**(459)**	(999)
Finance costs	*5*	**(2,421)**	(1,984)	**(4,908)**	(4,075)
Loss before income tax	*6*	**(27,931)**	(34,758)	**(47,356)**	(91,136)
Income tax	*7*	**–**	–	**–**	–
Loss for the period		**(27,931)**	(34,758)	**(47,356)**	(91,136)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		**239,620**	(477,457)	**458,735**	310,436
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity instruments at fair value through other comprehensive income		**(1,046)**	(1,768)	**(3,693)**	(3,154)
Other comprehensive income for the period, net of tax		**238,574**	(479,225)	**455,042**	307,282
Total comprehensive income for the period		**210,643**	(513,983)	**407,686**	216,146
Loss for the period attributable to:					
Owners of the Company		**(24,481)**	(32,815)	**(38,759)**	(89,621)
Non-controlling interests		**(3,450)**	(1,943)	**(8,597)**	(1,515)
		(27,931)	(34,758)	**(47,356)**	(91,136)
Total comprehensive income attributable to:					
Owners of the Company		**214,623**	(509,935)	**413,867**	219,179
Non-controlling interests		**(3,980)**	(4,048)	**(6,181)**	(3,033)
		210,643	(513,983)	**407,686**	216,146
Loss per share attributable to the owners of the Company during the period	*9*				
— Basic		**HK(0.25) cent**	HK(0.34) cent	**HK(0.40) cent**	HK(0.92) cent
— Diluted		**HK(0.25) cent**	HK(0.34) cent	**HK(0.40) cent**	HK(0.92) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		163,528	174,194
Exploration and evaluation assets	10	7,552,685	6,859,393
Financial assets at fair value through other comprehensive income	11	1,261	4,954
Interests in associates	12	5,370	5,829
Right-of-use assets	13	41,884	45,614
		7,764,728	7,089,984
Current assets			
Inventories		16,372	23,790
Trade receivables	14	68,707	78,277
Prepayments, deposits and other receivables		51,354	53,536
Financial assets at fair value through profit or loss	15	61,731	82,185
Tax recoverable		399	471
Restricted bank deposits		45,865	37,054
Cash and cash equivalents		144,706	165,452
Total current assets		389,134	440,765
Current liabilities			
Trade and bill payables	16	78,602	71,732
Provision, other payables, accruals and deposit received		86,166	92,787
Provision	17	144,986	–
Borrowings	18	15,773	16,508
Lease liabilities		3,248	3,105
		328,775	184,132
Net current assets		60,359	256,633
Total assets less current liabilities		7,825,087	7,346,617
Non-current liabilities			
Provision	17	–	151,778
Borrowings	18	120,677	132,519
Deferred income		5,660	6,379
Deferred tax liabilities	19	2,450,733	2,215,014
Contingent consideration payables	20	112,790	112,790
Lease liabilities		11,147	12,658
Other financial liabilities		9,387	8,472
		2,710,394	2,639,610
Net assets		5,114,693	4,707,007
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,855	9,855
Reserves		5,075,570	4,661,703
		5,085,425	4,671,558
Non-controlling interests		29,268	35,449
Total equity		5,114,693	4,707,007

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Treasury shares reserve HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Fair value reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
2023										
At 1 January 2023	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
Lapse of share options	–	–	–	(9,958)	–	–	9,958	–	–	–
Transactions with owners	–	–	–	(9,958)	–	–	9,958	–	–	–
Loss for the period	–	–	–	–	–	–	(38,759)	(38,759)	(8,597)	(47,356)
Other comprehensive income										
Currency translation	–	–	–	–	456,319	–	–	456,319	2,416	458,735
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(3,693)	–	(3,693)	–	(3,693)
Total comprehensive income	–	–	–	–	456,319	(3,693)	(38,759)	413,867	(6,181)	407,686
At 30 June 2023	9,855	3,563,686	(142,864)	–	(5,577,626)	(102,606)	7,334,980	5,085,425	29,268	5,114,693
2022										
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
Loss for the period	–	–	–	–	–	–	(89,621)	(89,621)	(1,515)	(91,136)
Other comprehensive income										
Currency translation	–	–	–	–	311,954	–	–	311,954	(1,518)	310,436
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(3,154)	–	(3,154)	–	(3,154)
Total comprehensive income	–	–	–	–	311,954	(3,154)	(89,621)	219,179	(3,033)	216,146
At 30 June 2022	9,855	3,563,686	(142,864)	9,958	(5,952,884)	(87,842)	7,473,316	4,873,225	28,712	4,901,937

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(1,922)**	7,256
Net cash from (used in) investing activities:		
Purchases of property, plant and equipment	**(2,915)**	(9,261)
Interests received	**2,385**	4,780
Proceeds from disposal of financial assets at fair value through profit or loss	**1,100**	3,298
(Increase)/decrease in restricted bank deposits	**(8,811)**	1,844
Other investing cash flows	**–**	(622)
	(8,241)	39
Net cash used in financing activities:		
Repayment of borrowings	**(5,942)**	–
Interests paid on borrowings	**(3,531)**	(3,913)
Other financing cash flows	**(2,608)**	(1,398)
	(12,081)	(5,311)
Net increase/(decrease) in cash and cash equivalents	**(22,244)**	1,984
Cash and cash equivalents, at beginning of period	**165,452**	396,387
Effect of foreign exchange rate changes	**1,498**	(12,616)
Cash and cash equivalents, at end of period	**144,706**	385,755
Analysis of cash and cash equivalents		
Cash at banks and in hand	**144,706**	385,755

Notes:

1. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated financial statements for the six months ended 30 June 2023 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

These financial statements should be read, where relevant, in conjunction with the 2022 annual report.

The accounting policies adopted in the 2022 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
Amendments to HKAS 8, Definition of Accounting Estimates
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group's accounting policies. The Group has not applied any new or amended HKFRSs that are not yet effective.

2. REVENUE

Revenue represents total invoiced value of goods supplied and income from provision of services.

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Sale of lithium batteries	**101,333**	34,614
Battery testing service income	**4,831**	–
Battery swapping service income	**2,450**	2,618
Online car-hailing service and related income	**27,307**	–
	135,921	37,232

3. SEGMENT INFORMATION

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

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

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC, France and Brazil.

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*
Six months ended 30 June 2023					
Reportable segment revenue (external customers)	–	106,164	2,450	27,307	135,921
Reportable segment (losses)/profit	(4,326)	13,223	(7,598)	(22,048)	(20,749)
Reportable segment assets	7,562,076	305,165	22,915	166,276	8,056,432
Reportable segment liabilities	113,785	394,029	30,494	43,075	581,383
Capital expenditure	–	1,919	–	–	1,919
Depreciation	375	1,596	540	9,869	12,380

	Mineral resources exploration and trading *HK$'000*	Lithium battery production *HK$'000*	Battery swapping services *HK$'000*	Total *HK$'000*
Six months ended 30 June 2022				
Reportable segment revenue (external customers)	–	34,614	2,618	37,232
Reportable segment losses	(6,099)	(1,870)	(6,900)	(14,869)
Reportable segment assets	6,982,081	429,962	54,010	7,466,053
Reportable segment liabilities	114,975	353,232	14,723	482,930
Capital expenditure	–	171	6,094	6,265
Depreciation	329	1,735	4,172	6,236

3. SEGMENT INFORMATION — CONTINUED

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Reportable segment revenue	**135,921**	37,232
Reportable segment loss	**(20,749)**	(14,869)
Other operating (expenses)/income	**252**	(1,304)
Administrative expenses	**(6,941)**	(7,424)
Loss on financial assets at fair value through profit or loss	**(19,353)**	(66,378)
Share of results of associate	**(459)**	(999)
Finance costs	**(106)**	(162)
Loss before income tax	**(47,356)**	(91,136)

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reportable segment assets	**8,056,432**	7,400,222
Prepayments, deposits and other receivables	**26,598**	26,643
Financial assets at fair value through profit or loss	**61,731**	82,185
Financial assets at fair value through other comprehensive income	**1,261**	4,954
Right-of-use assets	**1,807**	2,822
Interest in associates	**5,370**	5,829
Cash and cash equivalents	**663**	8,094
	8,153,862	7,530,749
Reportable segment liabilities	**581,383**	600,965
Other payables and accrued expenses	**2,817**	2,598
Lease liabilities	**4,236**	5,165
Deferred tax liabilities	**2,450,733**	2,215,014
	3,039,169	2,823,742

3. SEGMENT INFORMATION — CONTINUED

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Revenue from external customers		
PRC	**9,780**	13,265
United Kingdom	**98,834**	23,967
France	**27,307**	–
Reportable segment revenue	**135,921**	37,232

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets (excluding financial assets)		
Hong Kong	**7,177**	8,651
PRC	**63,362**	69,960
France	**139,323**	146,494
Brazil	**7,553,605**	6,859,925
Reportable segment non-current assets	**7,763,467**	7,085,030

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

4. OTHER OPERATING (EXPENSES) INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**2,385**	4,780
Government grants	**1,220**	5,778
Rental income	**–**	90
Net loss on financial assets at fair value through profit or loss	**(19,353)**	(66,378)
Exchange gain/(loss)	**6,825**	(1,763)
Sundry income	**7,577**	4,555
	(1,346)	(52,938)

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interest charges on borrowings wholly repayable within five years	**3,531**	3,913
Finance costs on lease liabilities	**462**	162
Imputed interest on other financial liabilities	**915**	–
	4,908	4,075

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Loss before income tax are arrived at after charging:		
Depreciation and amortisation	**14,405**	7,668

7. INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Overseas tax		
Current period	**–**	–
Deferred tax	**–**	–
Income tax	**–**	–

During the six months ended 30 June 2022 and 2023, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

The PRC corporate income tax rate of 25% is applicable to the Group's PRC subsidiaries during the period.

Corporate income tax rates in France of 25% is applicable to the Company's subsidiaries in France.

8. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2023 are based on the loss attributable to the owners of the Company of approximately HK$24,481,000 and loss of HK$38,759,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury shares held by the Company. (For the three months and six months ended 30 June 2022, loss attributable to the owners of the Company was HK$32,815,000 and HK$89,621,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury shares held by the Company.)

Diluted loss per share figure are the same as basic earnings per share for the three months and six months ended 30 June 2022 and 2023 because the impact of the exercise of share options was anti-dilutive.

10. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represented the rights to explore and identify prospective deposits of iron ore resources in the states of Minas Gerais, Brazil and the expenditures incurred in the search for mineral resources.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2023 *HK$'000* (Unaudited)	As at 31 December 2022 *HK$'000* (Audited)
List:		
Equity instruments measured at FVOCI	**1,261**	4,954

The balance represented the Group's strategic investments in LuoKung Technology Corp. (Nasdaq: LKCO). The equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

12. INTERESTS IN ASSOCIATES

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Interest in associates:		
Cost of investment in unlisted associates	110,922	110,922
Share of post-acquisition losses and other comprehensive loss	(105,552)	(105,093)
Share of net assets	5,370	5,829

Movement of interests in associates are as follows:

	2023 HK$'000 (Unaudited)	2022 HK$'000 (Unaudited)
As at 1 January	5,829	6,793
Share of results of associates	(459)	(999)
As at 30 June	5,370	5,794

Details of the Group's associates as at 30 June 2023 are as follows:

Name	Place of incorporation/operation and principal activity	Percentage of ownership interests/voting rights/profit share
Shandong Forever	People's Republic of China/research, production and sales of lithium battery	24.5% (indirectly)

13. RIGHT-OF-USE ASSETS

	HK$'000 **(Unaudited)**
As at 1 January 2023	**45,614**
Amortisation	**(2,025)**
Exchange difference	**(1,705)**
At 30 June 2023	**41,884**

The right-of-use assets represent the Group's prepaid land lease payments and lease of properties and offices for its operations. Prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC. The leases of properties and offices run for an initial period ranged from one to ten years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

14. TRADE RECEIVABLES

The following is the breakdown and ageing analysis of net trade receivables at the reporting dates.

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
Trade receivable — Gross	**69,872**	79,442
Less: Impairment losses	**(1,165)**	(1,165)
Trade receivables — Net	**68,707**	78,277

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

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
0 to 30 days	**15,489**	28,777
31 to 90 days	**32,280**	1,019
91 to 180 days	**19,394**	49,053
Over 180 days	**2,709**	593
	69,872	79,442

As at 30 June 2023 and 31 December 2022, the Group did not hold any collateral as security or other credit enhancements over trade receivables.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
Listed equity investments, at market value,		
— in Hong Kong — held for trading	**61,577**	81,987
— in overseas — held for trading	**154**	198
	61,731	82,185

The balance mainly represented the fair value of 14.14% equity interests (31 December 2022: 14.14%) in Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of Hong Kong Stock Exchange Limited. The Company is not accounted for an equity method as the Group does not have the power to participate in its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

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

16. TRADE AND BILL PAYABLES

The following is ageing analysis of trade and bills payables at the reporting dates:

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
Trade payables	**34,972**	46,079
Bill payables	**43,630**	25,653
	78,602	71,732
0–30 days	**19,792**	13,708
31–60 days	**14,127**	21,222
61–90 days	**14,352**	13,847
91–180 days	**14,284**	16,637
Over 180 days	**16,047**	6,318
	78,602	71,732

17. PROVISION

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$145.0 million).

18. BORROWINGS

	Original currency	As at 30 June 2023 *HK$'000* (Unaudited)	As at 31 December 2022 *HK$'000* (Audited)
Bank loans *(Note (a))*	RMB	136,450	149,027
Represented by:			
Current liabilities	RMB	15,773	16,508
Non-current liabilities	RMB	120,677	132,519
		136,450	149,027

(a) The bank loans are secured by the Group's right-of-use assets and property, plant and equipment and the corporate guarantee from Zhejiang Geely Holding Group Co., Ltd. Bank loans were repayable by instalments up to 3 June 2029 and were interest bearing at 4.9% per annum.

19. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The amount was mainly arising from the fair value adjustment of exploration and evaluation assets.

20. CONTINGENT CONSIDERATION PAYABLES

Under the settlement agreement related to the acquisition of SAM, the Company is committed to pay a maximum aggregate amount of US$60,000,000 contingent additional payment and conditional mining production payment to the sellers upon occurrence of certain events. Details of the settlement agreement are set out in the Company's announcement dated 13 May 2016.

The contingent consideration payables represent the fair value of the obligation for the contingent payable in accordance with the settlement agreement.

21. CAPITAL COMMITMENTS

	At 30 June 2023 ***HK$'000***	At 31 December 2022 *HK$'000*
Contracted but not provided for property, plant and equipment	**71,113**	84,177

FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments that are measured at fair value in the statements of financial position:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets or liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Financial assets/liabilities measured at fair value through profit or loss

As at 30 June 2023	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
— financial assets measured at FVOCI:				
Listed shares	1,261	–	–	1,261
— financial assets measured at FVTPL:				
Listed shares	61,731	–	–	61,731
	62,992	–	–	62,992
Liabilities				
Contingent consideration payables	–	–	112,790	112,790

As at 31 December 2022	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
— financial assets measured at FVOCI:				
Listed shares	4,954	–	–	4,954
— financial assets measured at FVTPL:				
Listed shares	82,185	–	–	82,185
	87,139	–	–	87,139
Liabilities				
Contingent consideration payables	–	–	112,790	112,790

During the six months ended 30 June 2023, there was no transfer between different levels of fair value hierarchy.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. Management identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's exposure to cash flow interest rate risk is minimal as the Group has no financial assets or liabilities of material amounts with floating interest rates except for deposits held in banks. The exposure to fluctuations in interest rates for the Group's bank deposits, bank and other borrowing are considered immaterial.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Directors are of the opinion that sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the interest rates are assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

Equity price risk

The Group is exposed to equity price risk through its investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of the investments.

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 also with potential new customers in the energy storage field and manufacturers which are planning to make a switch from lead acid battery to lithium battery for their vehicles. 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.

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.

Online Car-hailing Business

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. Despite the COVID pandemic posed severe challenges, Caocao has received positive feedback from the market and has established both B2C and B2B business models. By June 2023, there were approximately 500,000 downloaded users and 150,000 registered users respectively.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

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. GETI faced keen competition and the number of users has been decreasing in the past few months. By June 2023, GETI has 448 battery swapping stations and 286 package users.

Progress of SAM

Background

As of 30 June 2023, the Group had accumulatively provided US$80.85 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$159.27 million.

There has been no exploration activity during the period under review and the measured and indicated resources for Block 8 Project are 3,583 million tonnes (16.63%) and 1,556 million tonnes (16.05%) respectively.

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 grade 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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

Environmental License — Continued

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. Only recently have there been some positive progress in the environmental licensing process.

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.

Over a thousand of people has attended the two public hearings regarding the Block 8 Project.

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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

Environmental License — Continued

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. Since February 2023, SAM and consultants have been analysing the details of technical report from SUPPRI, addressing SUPPRI's comments and offer counter proposals regarding the gap studies requested based on the applicable rules and laws.

Mining Concession

Due to significant optimisations and changes in the engineering and the development model of the project, 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.

For more details regarding the SAM project, please refer to annual report 2021 and 2022 of the Company.

Potential Lithium Brine Project Investment

Entering into a Letter of Intent Regarding the Investment in Lithium Brine Project

On 6 April 2023, the Company has entered into a letter of intent (the"Letter of Intent") with Tibet Summit Resources Co., Ltd. (西藏珠峰資源股份有限公司) ("Tibet Summit") (Shanghai Stock Exchange stock code: 600338).

According to the Letter of Intent, the Company intends to acquire approximately 38.75% equity interests of Tibet Summit Resources Hongkong Limited (西藏珠峰資源(香港)有限公司) ("Tibet Summit Hong Kong") at a total consideration of approximately US$350 million through acquisition of existing shares and/or subscription of new shares, and Tibet Summit owns the remaining 61.25%. Tibet Summit Hong Kong indirectly holds 100% interest in POTASIO Y LITIO DE ARGENTINA S.A. ("PLASA") (controlling the Sal de Los Angeles lithium brine project ("Angeles Project")) and TORTUGA DE ORO S.A. ("TOSA") (controlling the Arizaro lithium brine project ("Arizaro Project")).

In order to develop the Angeles Project with an annual capacity of 50,000 tons of battery-grade lithium carbonate equivalent ("LCE"), Tibet Summit is responsible to obtain the environmental and all other licenses and approvals in relation to the installation, mining, production and sales of products of the Angeles Project, and secure the supply of brine in the cooperation period. The Company intends to provide an additional interest-bearing loans of with a maximum amount of US$600 million for project construction and operation (the "Project Loans"). The positive cash flow generated after the Angeles Project commenced production will be used to repay the principal and interest of the Project Loans first. Afterwards, Tibet Summit and the Company will distribute the profits or products generated by the Angeles Project through Tibet Summit Hong Kong in proportions of 50.1% and 49.9%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Potential Lithium Brine Project Investment — Continued

Exclusivity

Tibet Summit agrees to grant the Company an exclusivity period of 4.5 months unconditionally and irrevocably from the date of the Letter of Intent ("Exclusivity Period"). During the Exclusivity Period, Tibet Summit guarantees that it will not directly or indirectly make an investment, development or other cooperation offer for the proposed cooperation under the Letter of Intent with anyone other than the Company, and will not sign or enter into any agreement related to the cooperation arrangement under the Letter of Intent.

Priority Right

After the completion of the detailed exploration of the Arizaro Project, if Tibet Summit intends to cooperate with a third party to develop the project, the Company has the priority of cooperation under the same terms.

The Angeles Project

The Angeles Project is owned by PLASA, a wholly-owned subsidiary of Tibet Summit Hong Kong. Angeles Project holds a total of 39 mining concessions. The project exploration work has been completed, and the NI43-101 resource report has been submitted, the lithium resource is 2.05 million tons of LCE, which is a world-class lithium resources. The average lithium concentration of the deposit is about 490mg/L, and the average magnesium-lithium ratio is 3.8:1. The resource is better than average brine resources. PLASA is preparing to set up a 50,000-ton LCE project in the Sal de Los Angeles lithium brine, and is in a stage of preparing supplementary information in relation to the environmental licensing ("EIA") application. According to the feasibility study report of a consulting company, the total investment of the project is about US$700 million, and the cost per ton of lithium carbonate is approximately US$5,000. The actual cost can only be estimated more accurately depending on the process route and related costs.

The Arizaro Project

The Arizaro Project is owned by TOSA, a wholly-owned subsidiary of Tibet Summit Hong Kong, is located in the core area of the "Lithium Triangle" in South America, which is rich in lithium ore. Covering an area of 1970 square kilometers, the Arizaro brine is one of the largest lithium brines in South America. Arizaro Project has 12 mining concessions in the lake, covering an area of 365.78 square kilometers. At present, Arizaro Project is still in the preliminary exploration stage, and the environmental impact assessment report for in-depth exploration has recently been approved by the local approval agency in Argentina. According to the preliminary research of a consulting company, the resource of the Arizaro Project may reach more than 10 million tons of LCE. TOSA is preparing to implement the detailed exploration of the Arizaro Project, as well as preparing for the construction of a project with an annual production capacity of 100,000 tons of LCE.

Business Review

For the period ended 30 June 2023, the Group recognised HK$135.9 million in revenue, representing over 260% increase when compared to HK$37.2 million revenue recognised in the last corresponding period. The loss for the period ended 30 June 2023 attributable to owners of the Company was approximately HK$38.8 million (30 June 2022: HK$89.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

Approximately 78.1% 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 acquired by the Group in August 2022 in France (20.1% of revenue) and our electric bicycle battery swapping service in China (1.8% of revenue). The substantial increase in revenue of the Group was due to the substantial increase in lithium-ion batteries orders for our major product which only commenced mass production in mid-June 2022. In addition, there was no online car-hailing service income in the last corresponding period.

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. Despite COVID pandemic posed severe challenges, Caocao has received positive feedback from the market and has established both B2C and B2B business models. By June 2023, there were approximately 500,000 downloaded users and 150,000 registered users respectively. For the period ended 30 June 2023, the revenue recognised by Caocao was approximately HK$27.3 million. However, war in Europe and strikes in France (some countries have issued safety alert for travellers in France in mid-2023) are affecting the economy and tourism industry of Paris (tourist is one of the key target customer group) and a loss of approximately HK$22.0 million was recognised by Caocao during the period.

The Group is running the battery sharing business focusing on food delivery electric bicycle branded "GETI" in the PRC in Jiangsu Province. By June 2023, GETI has 448 battery swapping stations (December 2022: 448) and 286 package users (December 2022: 960). The sharp decline in package users was mainly due to the keen competition in the industry. Despite various efforts, the prospect of this business is highly uncertain. For the period ended 30 June 2023, GETI has recognised approximately HK$2.4 million revenue (30 June 2022: HK$2.6 million).

The Group recorded a gross profit of approximately HK$21.5 million (gross profit ratio: 15.8%) for the period ended 30 June 2023 as compared with the gross profit of approximately HK$13.5 million (gross profit ratio: 36.3%) last corresponding period. Gross profit ratio was lower in the current period mainly because low gross profit was recognised by the online-car hailing service segment acquired in August 2022, attributed by the high depreciation expense of vehicles and drivers salaries. On the other hand, gross profit ratio for the period ended 30 June 2022 was exceptionally high because certain long ageing inventories which were written-down previously were sold.

Other operating expenses of approximately HK$1.3 million (30 June 2022: expense of HK$52.9 million) was recognised during the period. The significant decrease in expenses was mainly due to the net loss recognised on financial assets at fair value through profit or loss decreased significantly during the current period to approximately HK$19.4 million (30 June 2022: HK$66.4 million) as the share price of Yuxing InfoTech Investment Holdings Limited ("Yuxing InfoTech"), a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited was relatively stable. The Group owned 351,867,200 shares of Yuxing InfoTech, representing 14.14% equity interests in Yuxing InfoTech during the period.

The maintenance and repairment cost for the battery products decreased during the current period so the selling and distribution costs during the period ended 30 June 2023 was decreased to approximately HK$3.1 million (30 June 2022: HK$3.8 million).

The administrative expenses increased by approximately HK$59.0 million or 37.7% when compared to last corresponding period. The increase was mainly contributed by increase in depreciation expense and staff costs.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

Approximately HK$4.9 million finance costs were recognised during the period ended 30 June 2023 (30 June 2022: HK$4.1 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC.

For the period ended 30 June 2023, the loss attributable to the owners of the Company was approximately HK$38.8 million (30 June 2022: loss of HK$89.6 million). Loss was significantly reduced mainly because the share price of the listed investments owned by the Group are relatively stable during the current period. For the last period ended 30 June 2022, loss on financial assets at fair value through profit or loss was HK$66.4 million mainly attributed by the decrease in share price of Yuxing InfoTech. On the other hand, loss on financial assets at fair value through profit or loss was reduced to HK$19.4 million in the current period.

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 report. 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$0.5 million share of loss was recognised by the Company during the period. In 2023, it will focus on downsizing and operation simplification while sale cannot be ruled out should suitable opportunities arise.

As at 30 June 2023, the cash and cash equivalent balance of the Group was approximately HK$144.7 million (31 December 2022: HK$165.5 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 30 June 2023, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 3.0% (31 December 2022: 3.2%).

Prospects

The world is undergoing an evolution of the replacement of combustion-engine cars by electric vehicles with low and even zero emission as several countries in Europe, certain provinces in China and certain states in the USA 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 long term "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. In June 2023, the Chinese government continued to promote new energy vehicles industry and announced certain tax benefits for purchasing new energy vehicles will be extended until the end of 2027. The Company expects the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospects — Continued

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 20% 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 and has achieved positive progress. The Group also awares that a switch from lead acid battery to lithium battery in vehicles is an unavoidable trend and the Group will launch products for this market.

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 expand its service and promote its core values (safe, reliable, low carbon, etc.) to other cities in France and other countries in Europe in a suitable time 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 June 2023, GETI has 448 battery swapping stations (December 2022: 448) and 286 package users (December 2022: 960). Despite various efforts, the number of package users decreased continuously in the past few months and the prospect of this business is highly uncertain.

For the iron ore project in Brazil, 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. 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 Company has identified an investment opportunity in relation to two lithium brine projects in Argentina and has entered into a letter of intent with potential transaction party, Tibet Summit Resources Co., Ltd., on 6 April 2023. The Company has basically completed the business and financial due diligence and is finalising the legal due diligence process in Argentina. Save for the aforesaid, the Group is also reviewing certain lepidolite and spodumene projects in Africa and Brazil to explore the possibility of mining subcontracting or cooperation, and at the same time look for long-term users of lithium carbonate and front-end lithium raw material products. As these potential projects may also have a sizable funding requirement, the Group is exploring the possibility of securing various financing facilities. The overall business strategy of the Group is the dual development of new energy vehicles related business and resources, creating value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

The Use of Proceeds from Placing and Share Subscription

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") of the Company in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$950 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company had yet to identify suitable investment and acquisition targets in the new energy vehicle-related field in 2016 and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, 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 and actual usage of the net proceeds from Placing and Share Subscription as at 30 June 2023:

Intended use of proceeds	Total net proceeds *HK$' million*	Actual use of net proceeds up to 30 June 2023 *HK$' million*	Remaining balance of net proceeds up to 30 June 2023 *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	153.3	Nil
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	1,336.0	Nil

As at 30 June 2023, the net proceeds from Placing and Share Subscription were fully utilised.

Employees and Remuneration Policies

As at 30 June 2023, the Group had 242 employees (31 December 2022: 328 employees). The number of headcount decreased during the period after implementation of strategic workforce alignment and cost optimisation measures. Remuneration of employees (including directors' emoluments) amounted to HK$44.6 million for the period ended 30 June 2023. The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to the Board's corporate goals and objectives. The emoluments of the Directors are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Consideration and Liabilities

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SPA"), the total consideration of US$390 million for the acquisition of SAM was to be satisfied in cash in five instalment payments.

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

As at 30 June 2023, the contingent consideration payable was approximately HK$112.8 million (equivalent to approximately US$14.5 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

Corporate Governance

Throughout the six months ended 30 June 2023, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of shares in the Company				
Name of director	Beneficial owner	Interest of spouse	Interest of controlled corporation	Total	Approximate percentage of shareholding *(%)*
HE Xuechu	57,939,189	22,460,000	–	80,399,189	0.82
LIU Wei, William	9,002,000	–	–	9,002,000	0.09
YAN Weimin	30,000,000	–	–	30,000,000	0.30
CHAN Chun Wai, Tony	1,000,000	–	–	1,000,000	0.01

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES — CONTINUED

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2023, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 26 May 2022 and became effective on the same date.

Details of the principal terms of the Scheme are summarised below:

1. Purpose of the Scheme

The purpose of the Scheme is to provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested Entity.

2. Participants of the Scheme

Participants are any Director, Eligible Employee, adviser, consultant, agent, contractor, customer and supplier of any member of the Group or any Invested Entity whom the Board in its sole discretion considers eligible for the Scheme on the basis of his/her contribution to the development and growth of the Group.

For the purposes of the Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

3. Total number of Shares available for issue under the Scheme

The total number of Shares available for issue under options which may be granted under the Scheme is 985,453,360 Shares, being 10% of the issued share capital immediately following adoption of the Scheme on 26 May 2022.

As at 30 June 2023, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 985,453,360, representing 10% of the issued share capital of the Company as at 30 June 2023 .

No share option was granted, exercised, cancelled or lapsed under the Scheme during the period ended 30 June 2023.

SHARE OPTION SCHEME — CONTINUED

4. Maximum entitlement of each participant

Unless approved by the Shareholders in general meeting in the manner prescribed in the GEM Listing Rules, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Group (including both exercised and outstanding options) to each qualified Participant in any 12-month period shall not exceed 1% of the total number of Shares in issue for the time being (the "Individual Limit"). Any further grant of Options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such Participant and his/her/its close associates (or his/her/its associate if the qualified Participant is a connected person) abstaining from voting.

5. Time of acceptance and exercise of options

An Option may be accepted by Participant within 21 days from the date of the offer of grant of the Option. An Option may be exercised in accordance with the terms of the Scheme at any time during the option period which the Board may in its sole and absolute discretion determine, save that such period shall end in any event not later than ten years from the date of grant of the Option and subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of Options to a Grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

An offer shall be deemed to have been accepted by Participant when the duplicate letter comprising acceptance of the offer duly signed by the Participant together with a non-refundable consideration of HK$1.00 are received by the Company.

6. Basis of determining the exercise price of the option

The exercise price will be determined by the Board as its absolute discretion and notified to a grantee. The minimum exercise price shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date; and

(c) the nominal value of the Shares on the Offer Date.

7. Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 26 May 2022 and ending on 25 May 2032.

Details of the principal terms of the Scheme are summarised under the sub-section headed "SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME" in Appendix III to the Circular of the Company dated 3 May 2022.

SHARE OPTION SCHEME — CONTINUED

Details of options granted

Particulars of the outstanding share options granted under the share option scheme adopted by the Company on 21 May 2012 ("Share Option Scheme 2012") were as follows:

Category of participant	Number of share options				Date of grant of share options	Exercise period of share option	Exercise price per share option	Price immediately preceding the grant date of share options *(Note a)*
	Outstanding as at 01/01/2023	Granted, exercised, and cancelled during the period	Lapsed during the period	Outstanding as at 30/06/2023			HK$	HK$
Employee	8,750,000	–	(8,750,000)	–	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	8,750,000	–	(8,750,000)	–				

Note:

(a) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

As at 30 June 2023, no share options were outstanding under the Scheme and Share Option Scheme 2012.

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

On 12 January 2023, Geely Group Limited ("Offeror"), wholly-owned by Mr. Li Shufu, as the purchaser and Mr. He Xuechu and Mr. Li Xingxing ("Vendors") as the vendors entered into a sale and purchase agreement, pursuant to which (i) Mr. He Xuechu and Mr. Li Xingxing conditionally agreed to sell 38.09% and 30.77%, respectively, of the total issued share capital of Hong Bridge Capital Limited (the "Target Company"), which is the controlling shareholder of the Company, and (ii) the Offeror conditionally agreed to acquire from Mr. He Xuechu and Mr. Li Xingxing an aggregate of 68.86% of the total issued share capital of the Target Company as at the date of the sale and purchase agreement (the "Sale and Purchase Agreement").

Following the completion of the Sale and Purchase Agreement which took place on 16 January 2023, the Offeror has acquired a statutory control (as referred to under the Takeovers Code) over the Target Company, and the Offeror and the Offeror concert parties are interested in approximately 62.40% in the Company. The Offeror is required to make an unconditional mandatory general offer for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and the Offeror concert parties) pursuant to Note 8 to Rule 26.1 of the Takeovers Code and Practice Note 19 to the Takeovers Code at HK$0.08 per offer share. The Offer was closed on 16 March 2023.

Details of the change of controlling shareholder of the Company and the Offer were set out in the joint announcements dated 12 January 2023, 16 January 2023, 2 February 2023, 16 March 2023 and the composite document dated 22 February 2023 jointly issued by the Company and the Offeror.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2023, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

	Number of Shares in the Company				
Name of Shareholder	Beneficial owner	Interest of spouse	Interests of controlled corporation	Total number of shares held	Approximate percentage of shareholding
Li Shufu *(Note 1)*	103,064,000	50,000,000	5,918,504,675	6,071,568,675	61.61%
Geely Group Limited *(Note 2)*	2,829,000	–	4,065,000,000	4,067,829,000	41.28%
Hong Bridge Capital Limited	4,065,000,000	–	–	4,065,000,000	41.25%
Geely International (Hong Kong) Limited	1,850,675,675	–	–	1,850,675,675	18.78%
Zhejiang Geely Holding Group Company Limited *(Note 3)*	–	–	1,850,675,675	1,850,675,675	18.78%

Notes:

1. Mr. LI Shufu holds 91.08% equity interest of Zhejiang Geely Holding Group Company Limited and 100% equity interest of Geely Group Limited.
2. Geely Group Limited is the controlling shareholder holding 68.86% equity interest of Hong Bridge Capital Limited.
3. Zhejiang Geely Holding Group Company Limited holds 100% equity interest of Geely International (Hong Kong) Limited.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

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

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

Annual Caps for the Sales Framework Agreement

An extraordinary general meeting of the Company was held on 16 November 2020 and passed the resolution in relation to the Sales Framework Agreement with the following annual caps.

	For the year ended 31 December 2021 *RMB*	For the year ended 31 December 2022 *RMB*	For the period from 1 January 2023 to 22 October 2023 *RMB*
Annual caps	250,000,000	300,000,000	350,000,000

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

The sales under the Sales Framework Agreement for the period ended 30 June 2023 was approximately HK$100.0 million.

CONNECTED TRANSACTIONS — CONTINUED

The Operation Agreement for Battery Pilot Line Project

On 2 December 2022 (after trading hours), Zhejiang Forever New Energy, a non-wholly owned subsidiary of the Company, entered into an operation agreement with 寧波吉利羅佑發動機零部件有限公司, transliterated as Ningbo Geely Luoyou Engine Components Co., Ltd. ("Ningbo Geely") which is an associate of Zhejiang Geely and therefore a connected person of the Company, pursuant to which Zhejiang Forever New Energy will provide certain support such as sites, equipment, power supply, personnel and other support to assist Ningbo Geely to install a battery pilot line and conduct testing of batteries in accordance with the terms and conditions thereunder (the "Operation Agreement").

Background

In April 2022, Zhejiang Forever New Energy and Ningbo Geely reached an initial framework agreement, pursuant to which, Zhejiang Forever New Energy would, upon the request of Ningbo Geely, provide certain battery testing services and certain support to assist Ningbo Geely to install a battery pilot line, develop and produce batteries. It was originally expected by the Company that the transactions were fully exempted from reporting, announcement and independent shareholders' approval requirements for the year ending 31 December 2022. After several months of experimental cooperation, Zhejiang Forever New Energy and Ningbo Geely decided to enter into a long-term agreement for the provision of services from Zhejiang Forever New Energy to Ningbo Geely to install a battery pilot line, develop and produce batteries and the Operation Agreement was arranged and signed.

Term: From 1 July 2022 to 1 July 2024

Subject matters: Pursuant to the Operation Agreement, Zhejiang Forever New Energy will provide certain support such as sites, equipment, power supply, personnel and other support to assist Ningbo Geely to install a battery pilot line and conduct testing of batteries.

Payment terms: Zhejiang Forever New Energy shall calculate the cost according to the actual quantity of equipment used, energy consumption, equipment consumables, and hourly consumption of personnel monthly and send a cost confirmation sheet to Ningbo Geely for confirmation. The fees shall be settled on a monthly basis.

Annual Caps for the Operation Agreement

It is expected that for the period ended 31 December 2022, for the year ending 31 December 2023 and for the period ending 30 June 2024, the proposed Annual Caps for the transactions contemplated under the Operation Agreement are set out as follows:

	For the period from 1 July 2022 to 31 December 2022	For the year ending 31 December 2023	For the period from 1 January 2024 to 22 June 2024
	RMB	*RMB*	*RMB*
Proposed Annual caps	9,000,000	18,000,000	9,000,000

CONNECTED TRANSACTIONS — CONTINUED

Pricing policies

The service amount for each individual service order shall be negotiated at arm's length by Zhejiang Forever New Energy and Ningbo Geely at the time when the individual service order is entered into and at a price determined upon the basis of the principle of "cost-plus" which is based on the cost arising from the provision of products or services to Ningbo Geely by Zhejiang Forever New Energy plus a margin in the range of approximately 5% to 8% as agreed after arm's length negotiations between Zhejiang Forever New Energy and Ningbo Geely. In determining the costs, the Company will take into account the actual costs incurred (including, among others, the cost of human resources, professional knowledge and other resources). In determining the margin, the Company will take into account the scope and type of the services to be provided by Zhejiang Forever New Energy and rates that are generally accepted by the market. The Company will refer to, among other things, the terms in relation to the provision of products or services of similar nature in the market and compare them with the terms for the provision of services by Zhejiang Forever New Energy to ensure that the fees payable by Ningbo Geely to Zhejiang Forever New Energy will not be less favorable than the fees receivable from an independent third party for the provision of products or services of similar nature.

Reasons for and Benefits of the Continuing Connected Transactions

Zhejiang Geely Holding Group Co. Ltd. ("Zhejiang Geely Group") is the key customer of Zhejiang Forever New Energy. The long-term relationship between Zhejiang Forever New Energy and Zhejiang Geely Group enables Zhejiang Forever New Energy to get familiar with the requirements of Ningbo Geely for provision of support for battery pilot line operation and can satisfy the demands of Ningbo Geely. The transaction between Zhejiang Forever New Energy and Ningbo Geely can enable Zhejiang Forever New Energy to better coordinate with Zhejiang Geely Group for its demand for ternary Lithium-ion battery packs in its normal production and operation, enhance the efficiency of development of new products (such as battery pilot line), provide high-quality services to Zhejiang Geely Group.

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

The transaction amount under the Operation Agreement for the period ended 30 June 2023 was approximately HK$4.8 million.

Except for the Sales Framework Agreement and the Operation Agreement covered above, there was no other connected transactions and continuing connected transactions which are required to be disclosed in accordance with the requirements of the GEM Listing Rules, during the period ended 30 June 2023.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

Reference is made to the Company's circular dated 9 May 2023, the Board proposed to amend the Company's memorandum and articles of association ("Memorandum and Articles of Association") in order to (i) bring them in line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and those relating to the amendments to the GEM Listing Rules, which took effect on 1 January 2022; and (ii) incorporate certain housekeeping improvements. At the Company's annual general meeting held on 2 June 2023, the amendments to the Memorandum and Articles of Association and the adoption of the amended and restated Memorandum and Articles of Association have been passed by the Shareholders as a special resolution.

The amended and restated Memorandum and Articles of Association is maintained on the Company's website (http://www.8137.hk) and on the website of the Stock Exchange (http://www.hkexnews.hk) for Shareholders' inspection.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the period ended 30 June 2023.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

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 six months ended 30 June 2023.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 of the GEM Listing Rules.

The Group's unaudited results for the six months ended 30 June 2023 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.

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

During the six months ended 30 June 2023, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors of the Company during the period and up to the date of this report were:

Executive Director:

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 Director:

Mr. Chan Chun Wai, Tony
Mr. Ma Gang
Mr. Ha Chun

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

Hong Kong, 9 August 2023