



HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司
(Stock Code: 8137)

ANNUAL 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*)
(Resigned on 28 March 2024)

Mr. Liu Wei, William (*Joint Chief Executive Officer*)
(Re-designated to Chief Executive Officer on
28 March 2024)

Mr. Dai Qing (Appointed on 28 March 2024)

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

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SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

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Hong Kong

STOCK CODE

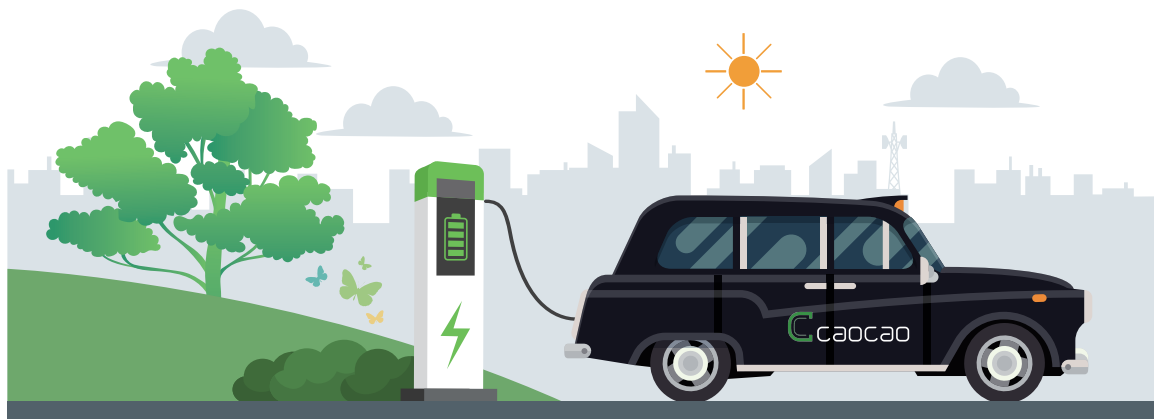
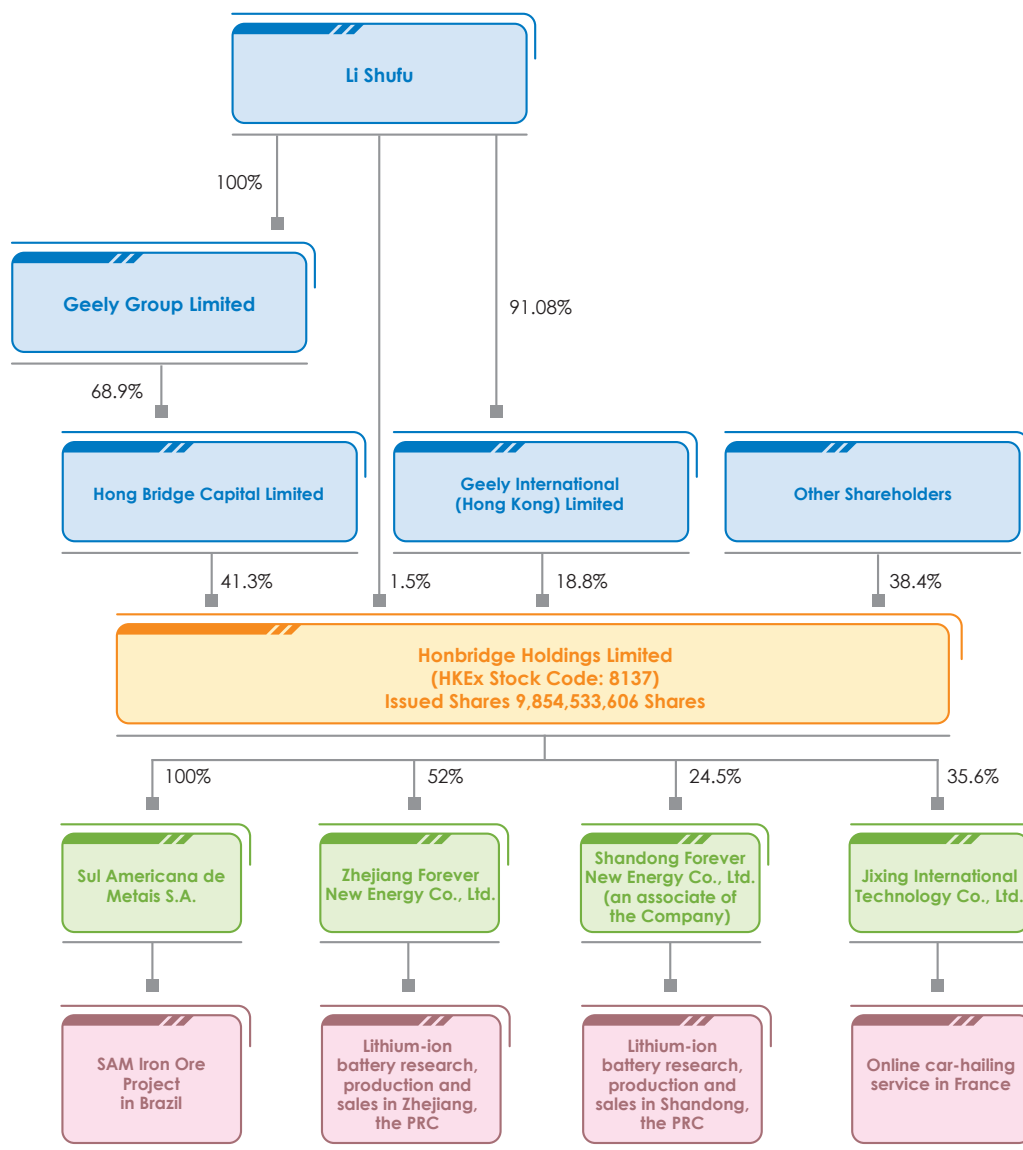
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COMPANY WEBSITE

www.8137.hk

CORPORATE STRUCTURE

(as at report date)



CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the 2023 annual report of Honbridge Holdings Limited to all shareholders.

BUSINESS REVIEW

For the year ended 31 December 2023 ("Year Ended 2023"), the Group recognised HK\$227.0 million in revenue, representing a 73.9% increase when compared to HK\$130.5 million revenue recognised for the year ended 31 December 2022 ("Year Ended 2022"). The loss for the Year Ended 2023 attributable to owners of the Company was approximately HK\$106.5 million (Year Ended 2022: loss of HK\$199.2 million).

Approximately HK\$173.9 million revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The revenue generated from selling lithium batteries has soared by approximately 59.4% from HK\$109.1 million due to the ramp-up of production volume of our major product in 2023.

The remaining revenue were generated by the online car-hailing business in France. In August 2022, the Group made a strategic move by acquiring the controlling interests of Jixing International Technology Co. Ltd ("Jixing International"), which engaged in online car-hailing services in France under the brand Caocao. The impact of this acquisition became evident for the Year Ended 2023 when Jixing International's full-year financial results fully integrated into the Group and contributed approximately HK\$53.0 million in revenue (August to December 2022: HK\$21.4 million).

The Group had been running the battery sharing business focusing on food delivery electric bicycle branded "GETI" in the PRC in Jiangsu Province since 2019. However, despite four years have elapsed since the establishment of such business and the diminished effects of COVID-19 on the market, the sales had been unsatisfactory and the business had been unprofitable since they were launched. It is not optimistic to turn the business around due to, among others high level of competition in the market. Furthermore, the business was capital intensive and require new working capital. Accordingly, the Group considered that the business prospects were uncertain and that further allocation of capital resources to the business no longer serve the best interests of the Group. The business was disposed for a total consideration of RMB 20 million and the disposal was closed in November 2023. For the Year Ended 2023, GETI has just recognised approximately HK\$1.9 million in revenue (Year Ended 2022: HK\$7.2 million). The financial results of GETI were listed as discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

For the Year Ended 2023, the loss attributable to the owners of the Company was approximately HK\$106.5 million (Year Ended 2022: loss of HK\$199.2 million). The significant reduction in losses was primarily due to the absence of a special provision of HK\$151.8 million for repayment of government grant that was present for the Year Ended 2022. Additionally, we have achieved an improved gross profit from HK\$31.6 million for the Year Ended 2022 to HK\$50.7 million for the Year Ended 2023, reflecting our successful efforts in enhancing the revenue. Furthermore, our results were positively impacted by a decrease in investment losses in listed securities, which enjoyed a relatively less share price drop for the Year Ended 2023. Their positive impact was partially set-off by the approximately HK\$66.8 million impairment on property, plant and equipment and right-of-use assets during the current year (Year Ended 2022: HK\$20.7 million). These major factors combined have contributed to our improved financial results.

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.

CHAIRMAN'S STATEMENT

PROSPECTS — CONTINUED

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)” (《新能源汽车产业发展规划(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 energy vehicle industry in China has grown robustly under the support of the PRC government and sales have achieved 37.9% growth to 9.5 million units for the Year Ended 2023, accounted for about 31.6% 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.

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 29% 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. Since 2022, the Group has shifted its focus to 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 has launched a brand-new parking and starting lithium battery for heavy truck (駐車電池) during the year.



In 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. As the world gears up for the Paris Olympic Games in 2024, Caocao which has a fleet of new energy taxi, could play an important role in this event, offering a swift, eco-friendly ride for local, tourists and athletes. As a long term business strategy, 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.



CHAIRMAN'S STATEMENT

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. In 2023, the progress was severely affected by the restructuring of Minas Gerais State government institutions, which started in April 2023. Because of the restructuring, the licensing organisation SUPPRI which was responsible for the licensing of SAM's project was replaced by Minas State Environmental Foundation (FEAM). In November 2023, SAM's licensing process for Block 8 Project was transferred to FEAM from SUPPRI.

As a result 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their continued support in 2023 and all staff for their hard work.

He Xuechu

Chairman

Hong Kong

26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS

The lithium-ion battery plant of 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 and the new parking and starting battery for heavy trucks, the Group also has 12V, 48V batteries and portable power station in the product list.

Parking and Starting Battery For Heavy Trucks

As the number of heavy trucks continues to increase and drivers’ pays more attention to pursue for comfort, more and more heavy truck drivers choose to install parking air conditioner to ensure cooling when the vehicles are stopped in summer. Heavy trucks have always used lead-acid batteries as power supply for parking and starting. Because lead-acid batteries have the disadvantages of low battery capacity and short life, truck owners need to replace the lead-acid batteries every year. Focusing on the need of the drivers, the Group has launched a brand-new parking and starting battery for heavy trucks in 2023.

Multi-function

-  Engine starting
-  Air conditioner
-  Water boiling
-  Cook

**Parking and Starting
Battery For Heavy Trucks**



Advantage

-  Ultra-safe protection
-  Original car replacement
-  Quick installation
-  Durable
-  Intelligent Cold Start
-  Fast Charging
-  Intelligent management
-  Strong protection
-  Lightweight

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS — CONTINUED

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 2023, Zhejiang Forever New Energy was granted 261 patents, among which 195 are utility model patents, 4 appearance design patents and 62 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 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. In 2023, Shandong Forever has focused on downsizing and operation simplification. At the same time, shareholders of Shandong Forever New Energy are actively looking for potential buyer or new investor for the company.

During the year ended 31 December 2023 (“Year Ended 2023”), the lithium-ion battery segment recorded a revenue of approximately HK\$173.9 million, which was increased by approximately 59.4% when compared to HK\$109.1 million revenue recognised last year. The reasons were discussed in the Business Review section in the Management Discussion and Analysis of this report.

The lithium-ion battery segment gain was approximately HK\$20.5 million for the Year Ended 2023 (for the year ended 31 December 2022 (“Year Ended 2022”) of: HK\$174.1 million loss). The segment turned to profit during the year because there was no provision of repayment to government in the current year (Year Ended 2022: HK\$151.8 million).

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 passengers and B2B business partners, affirming the quality of our service. Caocao also completed a round of funding in 2022, which demonstrate confidence our investors have in Caocao’s growth potential. In a strategic move, we have also begun cooperating with Uber, a market competitor, to explore synergies and enhance our service offerings. However, Caocao faces challenges, particularly in terms of high administrative, drivers and IT costs. We are actively working on strategies to optimise our operations and reduce these costs, while maintaining the high level of service our customers expect and put more efforts to develop B2B and advertising business, which have a better margin. For the Year Ended 2023, Caocao has completed over 120,000 B2C orders and 3,600 B2B orders and contributed approximately HK\$53.0 million revenue to the Group (August to December 2022: HK\$21.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

ONLINE CAR-HAILING BUSINESS — CONTINUED

Destination France International Travel and Tourism Summit

In January 2024, Caocao had the honor of being invited to the Destination France International Travel and Tourism Summit. This event provided an excellent platform for Caocao to introduce our online car hailing business to distinguished audience that included top management from Fortune 500 companies and France government officials including the president of France. We are optimistic about the potential partnerships and opportunities (B2B business) that may arise from this kind of exposure and Caocao is committed to play an important role in France tourism industry.

BATTERY SHARING BUSINESS

Under the brand "GETI", the Company was running a battery sharing business which target electric bicycles with business model include self-operation and franchising in the PRC since 2019. "GETI" has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. For the Year Ended 2023, GETI contributed approximately HK\$1.9 million revenue to the Group (Year Ended 2022: HK\$7.2 million).

Disposal of Battery Sharing Business

Reference is made to the announcement and circular of the Company dated 22 September 2023 and 27 October 2023 respectively and in relation to, among others, the equity transfer agreements dated 22 September 2023, pursuant to which GETI Energy Sharing Technology Company Limited, a direct non-wholly owned subsidiary of the Company, has conditionally agreed to transfer, and Zhejiang Farizon Intelligent Transportation Technology Co., Ltd. (a connected person of the Company) has conditionally agreed to acquire, the 100% equity interests in GETI (China) Energy Technology Co., Ltd. and Hangzhou GETI Industrial Co., Ltd. at the total consideration of RMB20.0 million (the "Equity Transfer Agreements").

The Company initially established GETI (China) Energy and Hangzhou GETI Industrial in 2019 for purposes of the provision of battery swapping services to the riders of electric bicycles. However, despite four years have elapsed since the establishment of such companies and the diminished effects of COVID-19 on the market, the sales of GETI (China) Energy have been unsatisfactory and the businesses of GETI (China) Energy and Hangzhou GETI Industrial have been unprofitable since they were launched. It was not optimistic to turn the business around due to, among others high level of competition in the market. Furthermore, the businesses of GETI (China) Energy and Hangzhou GETI Industrial were capital intensive and currently facing financial difficulties with only limited available working capital. Accordingly, the Directors considered that the business prospects of GETI (China) Energy and Hangzhou GETI Industrial were uncertain and that further allocation of capital resources to GETI (China) Energy and Hangzhou GETI Industrial may no longer serve the best interests of the Group.

In light of the aforesaid particularly the time already given to explore the potential of these companies, the high level of competition in the market and financial conditions of these companies, the Directors considered the Disposals at this stage would be a good opportunity for the Group to recover its earlier investments in GETI (China) Energy which would enable the Group to better reallocate its resources and also to simplify its corporate structure. The disposal was completed in November 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM IRON ORE PROJECT

Background

As of 31 December 2023, the Group had accumulatively provided US\$81.2 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\$159.62 million.

There has been no exploration and mining activity during the Year Ended 2023 and the measured and indicated resources for Block 8 Project are same as last year at 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 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.

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM IRON ORE PROJECT — CONTINUED

Project Development Plan — Continued

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 which is under construction by independent third parties will be the export port for the Block 8 Project. 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 has a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM IRON ORE PROJECT — CONTINUED

Project Development Plan — Continued

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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM IRON ORE PROJECT — CONTINUED

Project Development Plan — Continued

Environmental License — Continued

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 (SEMPI/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 SEMPI/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 then 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.

In July 2022, SUPPRI's technical team made a field technical inspection of the area of the Block 8 project.

Reasons for the further delay 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 modification of the project and the update of the laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF SAM IRON ORE PROJECT — CONTINUED

Project Development Plan — Continued

Environmental License — Continued

After that, the progress was severely affected by the restructuring of Minas Gerais State government institutions, which started in April 2023. As a result of the restructuring, the licensing organ SUPPRI which was responsible for the licensing of SAM's project was replaced by Minas State Environmental Foundation (FEAM). In November 2023, SAM's licensing process for Block 8 Project was transferred to FEAM from SUPPRI.

On 26 February 2024, SAM conducted its first meeting with FEAM. FEAM emphasised the imperative for complementary studies as outlined in the technical report of SUPPRI released in February 2023. Furthermore, FEAM referred to the Law 23.291/2019, which demand alternative studies on tailings disposal to demonstrate the absence of safer solutions beyond the chosen one, taking into account environmental, social, and economic sustainability criteria. In alignment with FEAM's perspective, there is an understanding of the necessity to conduct more studies for the project.

As of the date of this report, SAM is actively engaged in discussions with internal teams and consultants to optimise the project further, with a particular focus on tailings disposal alternatives.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

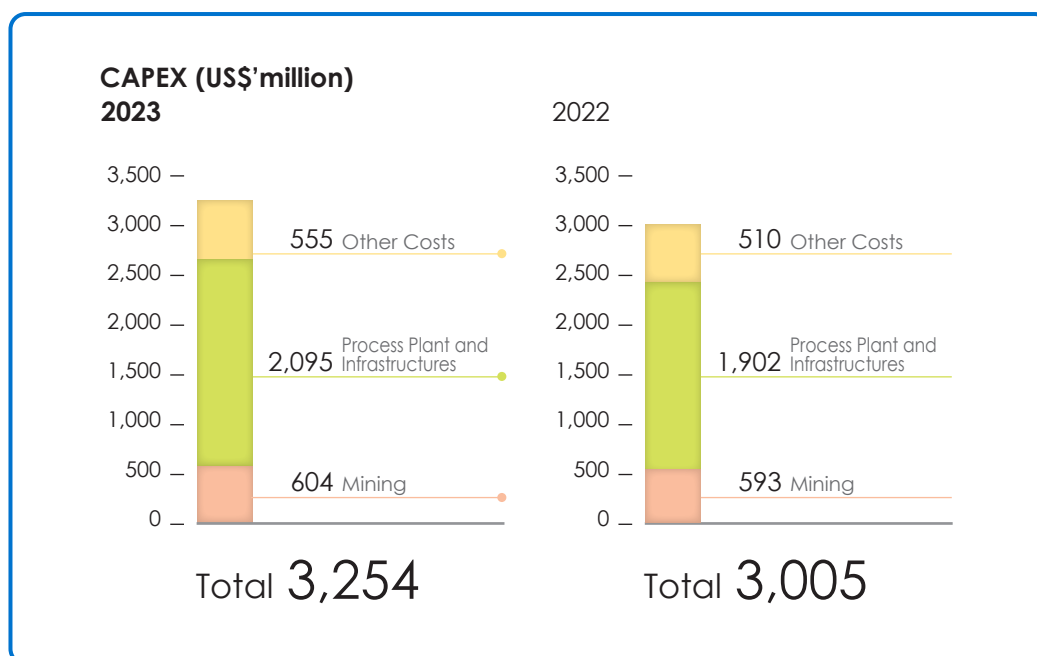
PROGRESS OF SAM IRON ORE PROJECT — CONTINUED

Expected Timetable

Many uncertainties, may affect the timetable, by assuming that the LP (preliminary license) is granted in fourth quarter of 2025, there is a chance to obtain the LI in the second quarter of 2027 and start trial production in the second half of 2030. The new operation commencement date is expected to be early 2031 (2022: early 2029).

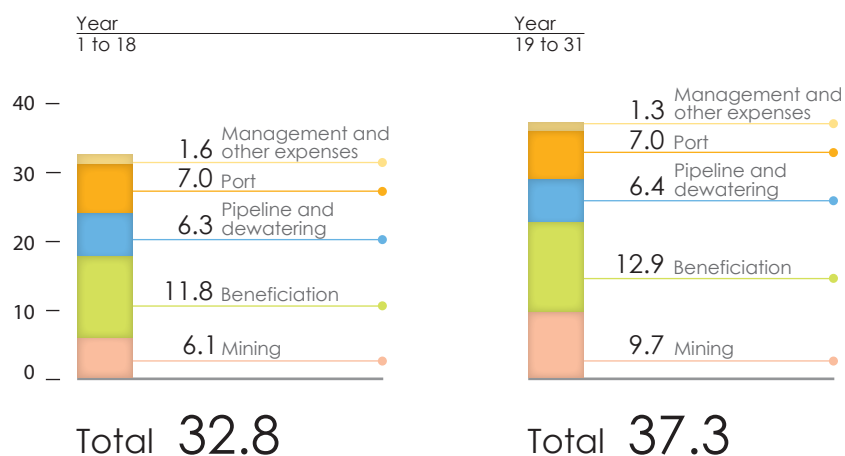
CAPEX AND OPEX

The total investment of Block 8 Project is estimated to be US\$3.25 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\$19.5 and thereafter will rise to approximately US\$23.9. 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\$32.8 per ton for the first 18 years and then increase to US\$37.3 per ton.

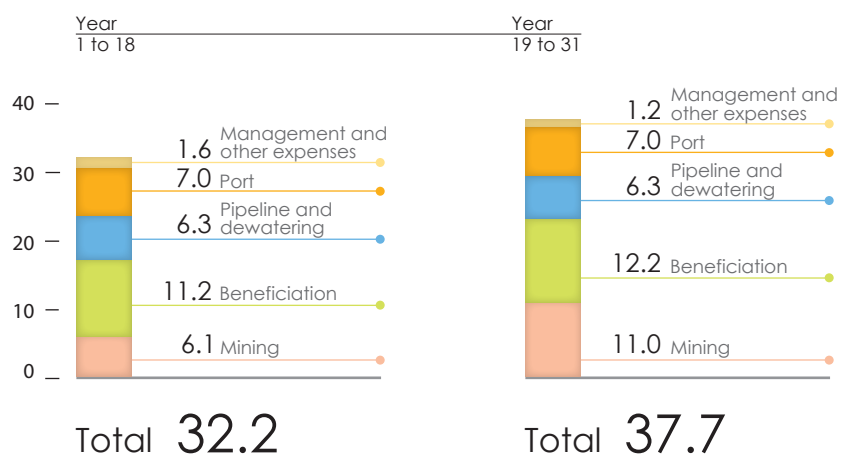


MANAGEMENT DISCUSSION AND ANALYSIS

OPEX/ton (US\$) 2023



OPEX/ton (US\$) 2022



MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, US\$3.25 billion CAPEX (2022: US\$3.01 billion) and US\$32.8 (2022: US\$32.2) (year 1 to 18) and US\$37.3 (2022: US\$37.7) (year 19 to 31) per ton of OPEX applied. CAPEX is expected to increase because of the increase in equipment and reinforced concrete price while the applied OPEX remained stable compared to last year.

Regarding the project timeline, the new operation commencement date is expected to be early 2031 (2022: early 2029).

After the revaluation, the exploration rights, revaluated by an independent professional valuer, BonVision International Appraisals Limited, were valued at approximately US\$1,018 million (equivalent to approximately HK\$7,949 million) (2022: US\$1,227 million, equivalent to approximately HK\$9,522 million). The fair value of the exploration and evaluation assets decreased mainly because the price of iron concentrate per ton applied were decreased and the applied CAPEX were increased in the current year. More assumptions and parameters of the valuation has been set out in note 16 to the financial statements.

Impairment Assessment of Jixing International

During the year ended 31 December 2023, impairment of approximately HK\$66.8 million was recognised in relation to Jixing International cash generating unit (the "Jixing CGU") mainly because the forecast orders is expected to decrease, so that all the forecast revenue from 2025 up to the end of useful life of Jixing CGU at 30 September 2031, are adjusted downward compared to the forecast revenue last year.

The recoverable amount had been determined based on value in use calculation using discounted cash flow technique and determined by an independent professional valuer, Valtech Valuation Advisory Limited.

The recoverable amount 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 forecast from 1 January 2024 to 30 September 2031 (the end of useful life of Online car-hailing and related services CGU), the revenue is expected to increase in 2024 compared to the actual revenue in 2023 mainly because of the positive impact of Paris Olympic Games, which expects to draw millions of tourists and stimulate advertising and commercial activities. After the Olympic year, revenue is expected to decrease in 2025 and high single digit growth in revenue is expected from 2026 to 2028, considering the forecast ride-hailing market size. From 2029 to September 2031, low single digit growth in revenue is expected, reference to the forecast inflation rate of France.

Other key assumptions and inputs:

- The post-tax discount rate of 14.00% (2022: 14.00%) which is based on the weighted average cost of capital.
- The pre-tax discount rate of 15.21% (2022: 16.42%) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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. PLASA was preparing to set up a 50,000 tonnes LCE (modified to 30,000 tonnes LCE in February 2024) 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 50,000-ton LCE 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 actual annual production capacity, process route and related costs.

MANAGEMENT DISCUSSION AND ANALYSIS

POTENTIAL LITHIUM BRINE PROJECT INVESTMENT — CONTINUED

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.

The Exclusivity Period in the Letter of Intent was expired on 22 August 2023, no formal agreement has been entered into between the Company and Tibet Summit regarding the investment and cooperation arrangement in Tibet Summit Hong Kong yet, but both parties are still in the negotiation process. In addition, the Company has basically completed the business and financial due diligence of Tibet Summit Hong Kong and its subsidiaries and is finalising the legal due diligence in Argentina.

In addition, according to the announcement of Tibet Summit dated 2 August 2023, PLASA has submitted supplemental information to relevant organisation in Argentina regarding the environmental license application of the project with annual production capacity of 50,000 tonnes LCE. Subsequently on 28 February 2024, Tibet summit announced that the annual production capacity of the Angeles Project was modified to 30,000 tonnes LCE following the advice of relevant licensing organisation in Argentina. If environmental license is granted, the means of direct financing will increase for the project and the Company may not be required to provide shareholder’s loan for the CAPEX alone. The Company is negotiating a new proposal with Tibet Summit for the acquisition of 49.9% equity interests of Tibet Summit Hong Kong through acquisition of existing shares and subscription of new shares under an appropriate valuation. Under this arrangement, Tibet Summit Hong Kong may have enough internal resources for the CAPEX of partial production capacity, the CAPEX for the remaining production capacity can be fulfilled by bank loans or other financing facilities or can be built later as a second phase of the project.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS

The Sales Framework Agreement with Zhejiang Geely Holding Group Company Limited (“Zhejiang Geely”)

Zhejiang Geely is a controlling shareholder of one of the substantial shareholders of the Company and therefore a connected person of the Company.

On 28 September 2020 and 10 August 2021, the Company entered into a sales framework agreement and supplemental sales framework agreement respectively with Zhejiang Geely, pursuant to which the Group will supply ternary lithium-ion battery pack to Zhejiang Geely and its subsidiaries (“Zhejiang Geely Group”) in accordance with the terms and conditions thereunder (the “Sales Framework Agreement”). Principal terms of the Sales Framework Agreement are set out below:

Term	:	From 23 October 2020 or the date on which the independent shareholders approve the Sales Framework Agreement, the annual caps and the transactions contemplated therein (whichever is later) to 22 October 2023
Subject matters	:	Pursuant to the Sales Framework Agreement, the Group shall supply high-performance ternary lithium-ion battery pack and related products to Zhejiang Geely and its subsidiaries but excluding Geely Automobile Holdings Limited and its subsidiaries. The exact model and volume of goods purchased by Zhejiang Geely from the Group and the dates of delivery will be provided in separate purchase orders.
Pricing basis	:	The price of goods under the Sales Framework Agreement will be negotiated on an arm’s length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in separate purchase orders.
Payment terms	:	All transactions contemplated under the Sales Framework Agreement are satisfied in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Annual Caps for the Sales Framework Agreement

Extraordinary general meetings of the Company were convened and passed the resolution in relation to the Sales Framework Agreements. The annual caps are shown below.

	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	460,000,000	300,000,000	350,000,000

On 11 September 2023, the Company entered into a sales framework agreement (the “2023 Sales Agreement”) with Zhejiang Geely, pursuant to which the Group will supply lithium-ion battery pack and related products to Zhejiang Geely Group in accordance with the terms and conditions thereunder.

Reasons for and Benefits of the 2023 Sales Agreement

The Group has been engaged by Zhejiang Geely Group to supply lithium-ion battery pack and related products since 2017. It is expected that the Group will continue to do so in its ordinary and usual course of business upon expiry of the Sales Framework Agreement. The Directors are of the view that securing such renowned customers can effectively improve the Group’s financial performance and deliver a stable income to the Group given there will be different vehicle brands under Zhejiang Geely Group using the powered batteries. Furthermore, the Directors consider that entering into the 2023 Sales Agreement which sets out the proposed Sales Annual Caps is constructive for the Group to sell the products and services thereunder, thereby benefiting the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Reasons for and Benefits of the Continuing Connected Transactions — Continued

Principal terms of the 2023 Sales Agreement are set out below:

Term	:	From 23 October 2023 to 22 October 2026
Subject matters	:	Pursuant to the 2023 Sales Agreement, the Group shall supply lithium-ion battery pack and related products to Zhejiang Geely Group. The exact model and volume of goods purchased by Zhejiang Geely Group from the Group and the dates of delivery will be provided in separate purchase orders.
Pricing basis	:	The price of goods under the 2023 Sales Agreement will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered or available to independent third parties and will be specified in separate purchase orders.
Payment terms	:	Payments for the products under the 2023 Sales Agreement shall be settled within 75 days from the date of receipt of the invoice and are satisfied in cash. The payment terms under the 2023 Sales Agreement are determined in the ordinary course of business and are on normal commercial terms or on terms no less favourable to the Company than those offered or available to independent third parties.

For other details in relation to the 2023 Sales Agreement, please refer to the circular of the Company dated 19 October 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Sales Annual Caps for the 2023 Sales Agreement

An extraordinary general meeting of the Company was held on 6 November 2023 and passed the resolution in relation to the Sales Framework Agreement with the following annual caps.

	For the period from 23 October 2023 to 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the period from 1 January 2026 to 22 October 2026 <i>RMB'000</i>
Sales Annual Caps	50,000	235,000	155,000	97,000

Should the actual annual sales 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 Purchase Framework Agreement with Zhejiang Yaoning Technology Co. Ltd. (“Zhejiang Yaoning”)

Mr. Li Xingxing is indirectly interested in 85% of the equity interests in Zhejiang Yaoning and is also the son of Mr. Li Shufu, the controlling shareholder of the Company. Thus, Zhejiang Yaoning is an associate of Mr. Li Shufu and is a connected person of the Company.

On 11 September 2023, the Company entered into a purchase framework agreement with Zhejiang Yaoning, pursuant to which the Group will purchase lithium-ion battery cells, modules and related products from Zhejiang Yaoning Group (the “Purchase Framework Agreement”).

The transactions contemplated under the Purchase Framework Agreement between the Group and Zhejiang Yaoning Group will be conducted in the ordinary and usual course of business of the Group. The products purchased from Zhejiang Yaoning Group are a component part of the lithium-ion battery pack, and through the Purchase Framework Agreement, the Group will be able to leverage on this advantage and utilise these supply chain resources to secure a sizable and stable supply of lithium-ion battery cells, modules and related products. The Purchase Framework Agreements will also allow the Group to capture the synergy between Zhejiang Yaoning Group and the Group, and contribute to the operational and business development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

The Purchase Framework Agreement with Zhejiang Yaoning Technology Co. Ltd. (“Zhejiang Yaoning”) — Continued

Principal terms of the Purchase Framework Agreement are set out below:

Term	:	From 11 September 2023 to 10 September 2026
Subject matters	:	Pursuant to the Purchase Framework Agreement, the Group shall purchase lithium-ion battery cells, modules and related products from Zhejiang Yaoning Group. The exact model and volume of goods sold by Zhejiang Yaoning Group to the Group and the dates of delivery will be provided in separate purchase orders.
Pricing basis	:	The price of goods under the Purchase Framework Agreement will be negotiated on an arm’s length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable than those offered by independent third parties and will be specified in separate purchase orders.
Payment terms	:	Payments for the products under the Purchase Framework Agreement shall be settled within 60 days from the date of receipt of the invoice and are satisfied in cash. The payment terms under the Purchase Framework Agreement are determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered by independent third parties.

For other details in relation to the Purchase Framework Agreement, please refer to the circular of the Company dated 19 October 2023.

Purchase Annual Caps for the Purchase Framework Agreement

An extraordinary general meeting of the Company was held on 6 November 2023 and passed the resolution in relation to the Purchase Framework Agreement with the following annual caps.

	For the period from 11 September 2023 to 31 December 2023 <i>RMB’000</i>	For the year ending 31 December 2024 <i>RMB’000</i>	For the year ending 31 December 2025 <i>RMB’000</i>	For the period from 1 January 2026 to 10 September 2026 <i>RMB’000</i>
Purchase Annual Caps	42,000	103,000	129,000	72,000

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING 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

For the period ended 31 December 2022, for the year ended 31 December 2023 and for the period ending 30 June 2024, the 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 RMB	For the year ended 31 December 2023 RMB	For the period from 1 January 2024 to 30 June 2024 RMB
Annual caps	9,000,000	18,000,000	9,000,000

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING 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 Operation Agreement

Zhejiang Geely Holding Group Company Limited ("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.

In 2023, the Operation Agreement was transferred from Ningbo Geely to Zhejiang Geely Powertrain Company Limited (浙江吉利動力總成有限公司), an indirect subsidiary under Zhejiang Geely, with all the terms of the Operation Agreement remain unchanged.

Should the 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. New continuing connected transactions' agreement (if required) 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 year ended 31 December 2023 was approximately RMB142.4million (equivalent to approximately HK\$157.7 million).

The purchase under the Purchase Framework Agreement for the year ended 31 December 2023 was approximately RMB3.6 million (equivalent to approximately HK\$3.9 million).

The transaction amount under the Operation Agreement for the year ended 31 December 2023 was approximately RMB13.4 million (equivalent to approximately HK\$14.9 million).

Save as disclosed in this annual report, there was no other continuing connected transaction entered into by the Company during the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

SHAREHOLDING IN YUXING INFOTECH

As at 31 December 2023, the Group owned 351,867,200 shares of Yuxing InfoTech Investment Holdings Limited (“Yuxing InfoTech”), represented 14.14% equity interests in Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited. The shares could be disposed for working capital of the Company or if the appropriate opportunity or market conditions arrived.

BUSINESS REVIEW

For the year ended 31 December 2023 (“Year Ended 2023”), the Group recognised HK\$227.0 million in revenue, representing a 73.9% increase when compared to HK\$130.5 million revenue recognised for the year ended 31 December 2022 (“Year Ended 2022”). The loss for the Year Ended 2023 attributable to owners of the Company was approximately HK\$106.5 million (Year Ended 2022: loss of HK\$199.2 million).

Approximately HK\$173.9 million revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The revenue generated from selling lithium batteries has soared by approximately 59.4% from HK\$109.1 million due to the ramp-up of production volume of our major product in 2023.

The remaining revenue were generated by the online car-hailing business in France. In August 2022, the Group made a strategic move by acquiring the controlling interests of Jixing International Technology Co. Ltd (“Jixing International”), which engaged in online car-hailing services in France under the brand Caocao. The impact of this acquisition became evident for the Year Ended 2023 when Jixing International’s full-year financial results fully integrated into the Group and contributed approximately HK\$53.0 million in revenue (August to December 2022: HK\$21.4 million).

The Group had been running the battery sharing business focusing on food delivery electric bicycle branded “GETI” in the PRC in Jiangsu Province since 2019. However, despite four years have elapsed since the establishment of such business and the diminished effects of COVID-19 on the market, the sales had been unsatisfactory and the business had been unprofitable since they were launched. It is not optimistic to turn the business around due to, among others high level of competition in the market. Furthermore, the business was capital intensive and require new working capital. Accordingly, the Group considered that the business prospects were uncertain and that further allocation of capital resources to the business no longer serve the best interests of the Group. The business was disposed for a total consideration of RMB 20 million and the disposal was closed in November 2023. For the Year Ended 2023, GETI has just recognised approximately HK\$1.9 million in revenue (Year Ended 2022: HK\$7.2 million). The financial results of GETI were listed separately as discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

The Group recorded a gross profit of approximately HK\$50.7 million (gross profit ratio: 22.3%) for the Year Ended 2023 as compared with the gross profit of approximately HK\$31.7 million (gross profit ratio: 24.3%) last year. The lower gross profit ratio of the Company has been dragged down by the online car hailing business, which constitutes 23.4% of the total revenue (Year Ended 2022: 16.4%). This sector has a low gross profit margin of 6.0% due to high driver costs and vehicle depreciation. On the other hand, the lithium battery plant, which makes up 76.6% of the revenue, had a gross profit ratio of 27.3% for the Year Ended 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW — CONTINUED

Other operating expenses of approximately HK\$13.1 million (Year Ended 2022: expenses of HK\$33.7 million) was recognised during the year. The reduction was mainly due to the reduction in loss from investments in listed securities from HK\$63.0 million for the Year Ended 2022 to HK\$36.6 million for the Year Ended 2023 as the share price of Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited dropped less during the current year.

Because of the increased in revenue, the maintenance cost for the battery products increased during the current year and the selling and distribution costs for the Year Ended 2023 was approximately HK\$6.9 million (Year Ended 2022: HK\$5.9 million).

The administrative expenses increased by approximately HK\$10.6 million or 11.1% when compared to last year. The increase was mainly contributed by increase in staff costs and depreciation expenses.

Significant impairment loss of approximately HK\$66.8 million are recognised by our online-car hailing business in France, the decreased in projected revenue is expected to decrease the future cash flow of the project.

Approximately HK\$9.4 million finance costs were recognised during the Year Ended 2023 (Year Ended 2022: HK\$8.7 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC. There was no additional bank borrowing draw down for the current year and the interest rate has been consistently held at 4.9% per annum for both Year Ended 2022 and 2023.

For the Year Ended 2023, the loss attributable to the owners of the Company was approximately HK\$106.5 million (Year Ended 2022: loss of HK\$199.2 million). The significant reduction in losses was primarily due to the absence of a special provision of HK\$151.8 million for repayment of government grant that was present for the Year Ended 2022. Additionally, we have achieved an improved gross profit from HK\$31.7 million for the Year Ended 2022 to HK\$50.7 million for the Year Ended 2023, reflecting our successful efforts in enhancing the revenue. Furthermore, our results were positively impacted by a decrease in investment losses in listed securities, which enjoyed a relatively less share price drop for the Year Ended 2023. Their positive impact was partially set-off by the approximately HK\$66.8 million impairment on property, plant and equipment and right-of-use assets during the current year (Year Ended 2022: HK\$20.7 million). These major factors combined have contributed to our improved financial results.

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. The estimated repayment amount was approximately RMB134.2 million (equivalent to approximately HK\$151.8 million) and the same amount of provision was provided for the Year Ended 2022. No further provision was made for the Year Ended 2023. The Government is presently conducting an evaluation of Zhejiang Forever’s qualified plant and equipment investment. Currently, discussions are underway between Zhejiang Forever and the Government to establish a schedule for potential installment repayments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW — CONTINUED

Since March 2020, Shandong Forever New Energy became an associate of the Company. It has temporarily stopped production and approximately HK\$0.6 million share of loss was recognised by the Company for the Year Ended 2023 (Year Ended 2022: HK\$1.4 million). In 2023, it has been focusing on downsizing and operation simplification.

As at 31 December 2023, the cash and cash equivalent balance of the Group was approximately HK\$167.0 million (31 December 2022: HK\$165.5 million). As at 31 December 2023, the net current assets of the Group was approximately HK\$45.5 million (Year Ended 2022: HK\$256.6 million). The decrease was mainly due to a reclassification of a non-current liability related to a provision of repayment of government grant as a current liability. The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 31 December 2023, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 2.6% (31 December 2022: 3.2%). The gearing ratio of the Group has improved because the Company has repaid some bank borrowings during the Year Ended 2023.

Further details regarding the going concern of the Group are set out in note 3 of the consolidated financial statements.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

THE USE OF PROCEEDS FROM PLACING AND SHARE SUBSCRIPTION — CONTINUED

The below table sets out the applications of the net proceeds from Placing and Share Subscription as at 31 December 2023 and the use of proceeds for the Year Ended 2023:

Intended use of proceeds	Total net proceeds	Actual use of proceeds up to 31 December 2022	Use of proceeds during the year ended 31 December 2023	Actual use of net proceeds up to 31 December 2023	Remaining balance of net proceeds up to 31 December 2023
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million
Lent to the Borrower	540.0	540.0	–	540.0	Nil
New energy vehicle related business	456.7	456.7	–	456.7	Nil
Brazilian iron ore project	153.3	150.3	3.0	153.3	Nil
Repayment of loans from the ultimate holding company	109.1	109.1	–	109.1	Nil
General working capital of the Company	76.9	76.9	–	76.9	Nil
Total	1,336.0	1,333.0	3.0	1,336.0	Nil

CAPITAL COMMITMENTS

As at 31 December 2023, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK\$26.7 million.

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was 201 (2022: 328). Employee benefit expenses (including directors' emoluments) increased to HK\$82.0 million for the Year Ended 2023 (Year Ended 2022: HK\$76.2 million), mainly because full year employee expenses related to online car-hailing business were reflected in the financial results of the Group (only from August to December for the Year Ended 2022). The number of staff decreased substantially because of the reduction of headcount in China and France. In China, certain manufacturing processes and IT functions were outsourced resulting in a decrease in number of employees. In France, there was a change of human resources strategy to optimise headcount by reducing the number of driver employees during the Year Ended 2023.

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

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 28 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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 energy vehicle industry in China has grown robustly under the support of the PRC government and sales have achieved 37.9% growth to 9.5 million units for the year ended 31 December 2023, accounted for about 31.6% 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.

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 29% 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. Since 2022, the Group has shifted its focus to electric bicycle and commercial vehicle sectors and has achieved positive progress. The Group also aware that a switch from lead acid battery to lithium battery in vehicles is an unavoidable trend and the Group has launched parking and starting lithium battery for heavy truck (駐車電池) during the year.



In 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. As the world gears up for the Paris Olympic Games in 2024, Caocao which has a fleet of new energy taxi, could play an important role in this event, offering a swift, eco-friendly ride for local, tourists and athletes. As a long term business strategy, 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.



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. In 2023, the progress was severely affected by the restructuring of Minas Gerais State government institutions, which started in April 2023. Because of the restructuring, the licensing organ SUPPRI which was responsible for the licensing of SAM's project was replaced by Minas State Environmental Foundation (FEAM). In November 2023, SAM's licensing process for Block 8 Project was transferred to FEAM from SUPPRI.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS — CONTINUED

As a result 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.

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. The Group has launched a parking and starting lithium battery for heavy truck which target independent heavy truck fleets, and drivers. 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 acquired a France-based online car hailing business in August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR LITHIUM-ION BATTERIES SEGMENT — CONTINUED

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 overall costs structure of lithium-ion battery products by increasing the energy density, production passing ratio of our products, strengthening the management skill, promoting effective use of materials, streamlining the supply chain and outsource some manufacturing process to other parties, 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.

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 (details set out in the announcement of the Company dated 13 May 2016). 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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT CONSIDERATION AND LIABILITIES — CONTINUED

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 acquisition consideration and US\$420,000, an incentive payment previously paid to Votorantim (the seller);
- (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 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 2023, the additional loans and capital invested was approximately US\$15,560,000.

Conditional mining production payment to Votorantim

If, prior to the expiry of 10 years after the date of the Settlement Agreement (i.e. May 2026), 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 2023, the contingent consideration payable was approximately HK\$119.0 million (equivalent to approximately US\$15.2 million) (2022: HK\$112.8 million, equivalent to approximately US\$14.5 million).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 61, joined the Company in 2007, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he has worked in 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co. Ltd. During the period from 2001 to 2005, Mr. He was a director of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175). Mr. He is also a director of Infinite Sky Investments Limited, New Trinity Holdings Limited, Honbridge Technology Limited, Jixing International Technology Co., Ltd. and Triumphant Glory Investments Limited, all being subsidiaries of the Company.

Mr. Liu Jian (resigned on 28 March 2024), aged 50, joined the Company in June 2018, is the Vice-Chairman and Joint Chief Executive Officer of the Company. Mr. Liu has also accumulated over 15 years of experience in the fields of high-end medical equipment manufacturing, comprehensive health industry, automotive battery systems and control technologies, and advanced driving assistance products. He was previously employed by Neusoft Group Co., Ltd. (東軟集團股份有限公司), and was also the senior management of Philips and Neusoft Medical Systems Co., Ltd. (東軟飛利浦醫療系統有限公司), Xikang (Cayman) (熙康開曼), and Neusoft Reach Automotive Technology Co., Ltd. (東軟睿馳汽車技術有限公司), as well as the director of Neusoft Medical Systems Co., Ltd. (東軟醫療系統有限公司), Beijing Fuzhao Technology Co. Ltd. (北京福兆科技有限公司), Israel's Aerotel Medical Systems Co. Ltd. and many other companies. Mr. Liu holds a Master of Business Administration degree from HEC Business School, University of Montreal, Canada.

Mr. Liu Wei, William, aged 59, joined the Company in 2007, was the Joint Chief Executive Officer of the Company (re-designated to Chief Executive Officer on 28 March 2024). Mr. Liu has over 30 years of experience in corporate banking, (accumulated from his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group) and corporate finance. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. Mr. Liu holds a master's degree in business administration from the University of San Francisco. Mr. Liu is also a director of Infinite Sky Investments Limited, New Trinity Holdings Limited, Sul Americana de Metais S.A, Honbridge Power Limited, Honbridge Technology Limited, Triumphant Glory Investments Limited, Zhejiang Forever New Energy Co., Ltd. and Jixing International Technology Co., Ltd., all being subsidiaries of the Company.

Mr. Dai Qing (appointed on 28 March 2024), aged 40, has over 20 years of experience in the automotive industry and related businesses. He joined Zhejiang Geely Holding Group Company Limited* (浙江吉利控股集團有限公司) ("Geely Holding Group") (a company incorporated in the People's Republic of China and is ultimately owned by Mr. Li Shu Fu, the controlling shareholder of the Company, and his associate) in 2000 and currently serves as a Senior Vice President and Chief Operating Officer of Geely Holding Group. Geely Holding Group is the ultimate holding company of Geely Automobile Holdings Limited, the shares of which are listed on the Stock Exchange with stock code: 175, where Mr. Dai has served as a member of its senior management. Mr. Dai has served as finance head of subsidiary, director of group financial management department, general manager of group financial management center, deputy chief financial officer of group and the senior director of the group operation management of Geely Holding Group and Senior Vice President and Chief Financial Officer of Geely Automobile Group Company Limited* (吉利汽車集團有限公司). Since 2022, Mr. Dai has been a non-independent director of Lifan Technology (Group) Co. Ltd.* (力帆科技(集團)股份有限公司), the shares of which are listed on the Shanghai Stock Exchange with stock code: 601777. Mr. Dai graduated from Huaibei Finance School of Anhui Province in 2000 and graduated from the China Central Radio and Television University in 2007 with a Bachelor's Degree in Accounting. Mr. Dai graduated from The Chinese University of Hong Kong in 2022 with a Degree of Master of Professional Accountancy. He is also a senior economist.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Yan Weimin, aged 56, joined the Company in 2010, graduated from Central South University in 1989 majoring in automation. He also holds an EMBA degree of United Business Institutes (UBI) in Belgium. Mr. Yan has 20 years of experience in the trading of mineral products. He has served in Shanghai Guohong Trading Co. Ltd. as the general manager and Shanghai Yingyue International Group Co. Ltd as the chairman. Mr. Yan was a former director of Xi'an Haitiantian Holdings Co., Ltd. (stock code: 8227), the shares of which are listed on the Hong Kong Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Wai, Tony, aged 52, joined the Company in 2007, is a Certified Public Accountant in Hong Kong and owns a CPA practice. He has extensive experience in audit assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master's degree in Business Administration from the Manchester Business School. Mr. Chan is currently an independent non-executive director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Hong Kong Stock Exchange. He was also a former director of Wai Chun Bio-Technology Limited (stock code: 660), Wai Chun Group Holdings Limited (stock code: 1013), the shares of which are listed on the Hong Kong Stock Exchange.

Mr. Ma Gang, aged 67, joined the Company in 2007, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. From 2004 to 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Real Estate Development Co. Ltd. which is principally engaged in properties development business.

Mr. Ha Chun, aged 54, joined the Company in 2015, graduated from the University of Hong Kong in 1994 with a bachelor degree in law and was admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Supreme Court of England and Wales. He has extensive experience in corporate finance, cross-border merger and acquisitions as well as general commercial transactions. Mr. Ha is one of the founding partners of Messrs. Ha and Ho Solicitors and also a China-Appointed Attesting Officer. Mr. Ha is also the sponsoring body manager of Ju Ching Chu Secondary School (Yuen Long, Kwai Chung and Tuen Mun).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Yeung Ho Ming, aged 40, is a Certified Public Accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants (ACCA). Mr. Yeung has extensive listed companies assurance and advisory experience in an international accounting firm before joining the Company in March 2013 as chief financial officer and company secretary. He also has over 10 years extensive experience in mergers and acquisitions as well as corporate compliance.

Dr. Eder de Silvio, aged 61, graduated from The Polytechnic School of the University of Sao Paulo with an engineering degree in 1984 and was awarded a doctorate degree on mineral engineering in 2001, based on a process research and engineering for a heavy mineral project (tin, tantalum, niobium, and rare earth).

Dr. Eder de Silvio is experienced in process research, mineral project engineering design, equipment selection and acquisition, plant and infrastructure construction. He has worked for several years in two mines in the Amazon region, involved on engineering, construction and operation. He also worked as process engineering leader in a major Brazilian engineering company, served some of the world largest companies in the mining industry such as Vale, BHP Billiton, RTZ Mining and Exploration Limited, Anglo American plc, Manabi and others, being involved in some of the large projects such as Brucutu, Mirabela, Anglo's Minas Rio, Ferro Amapá, Itabiritos de Conceição and Samarco P4P which some had commenced production recently while some will start production soon.

Dr. Eder de Silvio also worked in Ferrous Resources Limited as an chief operating officer focusing on engineering, construction and production increase.

Dr. Eder de Silvio has been SAM's director of engineering since 2012, worked on process research and engineering concepts design.

Mr. Jin Yongshi, aged 44, holds a Bachelor's degree in Mineral Processing Engineering and a Master's degree in Ferrous Metallurgy Engineering from the School of Mineral Processing and Bioengineering of Central South University in China. Mr. Jin has over 20 years experience in participating varieties of mine projects in China and abroad. Prior to joining the Group, he worked in China ENFI Engineering Corporation (formerly China Nonferrous Engineering and Research Institute) as a design manager of mine projects and also a senior engineer in Mineral Processing, he once provided consulting and engineering design service for lots of large-scale mine projects. He joined the Company in March 2014 and since March 2015, Mr. Jin became an executive director of SAM. He is currently an International Advisory Council member in Fundação Dom Cabral (Brazil) and a Scientific Council member of the Brazil-China Studies Center of FGV Direito Rio. In 2023, he was appointed the head of secretary of the China-Bahia State Mining Committee in Brazil.

DIRECTORS' REPORT

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities, place of operation and issued share capital of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" section of this annual report. There was no exploration, installation and production activity for our iron ore project in Brazil, while relevant resources details are set out in note 16 to financial statements.

The environmental policies and performance, and relationships with employees, customers and suppliers, supply chain management are set out in the Environmental, Social and Governance Report of this annual report.

The principal risks and uncertainties facing the Company are set out in the "Management Discussion and Analysis" section in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 181 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND EQUITY-LINKED AGREEMENTS

Details of movements in the Company's share capital during the year are set out in note 33 to the consolidated financial statements.

Saves as disclosed in the section headed "Share Option Schemes", no equity-linked agreement was entered into by the Group, or subsisted during the year ended 31 December 2023.

DIRECTORS

The Directors of the Company:

Executive Directors:

Mr. He Xuechu (*Chairman*)

Mr. Liu Jian (*Vice Chairman and Joint Chief Executive Officer*) (resigned on 28 March 2024)

Mr. Liu Wei, William (*Joint Chief Executive Officer*) (re-designated to Chief Executive Director on 28 March 2024)

Mr. Dai Qing (appointed on 28 March 2024)

Non-Executive Director:

Mr. Yan Weimin

DIRECTORS' REPORT

Independent Non-Executive Directors:

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

In accordance with Article 116 of the Articles of Association of the Company, Mr. Dai Qing, Mr. Yan Weimin, Mr. Chan Chun Wai, Tony and Mr. Ha Chun will retire as Directors by rotation at the annual general meeting. All other remaining Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 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

Name of director	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 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.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of the Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all of the Independent Non-Executive Directors to be independent.

SHARE OPTION SCHEME

During the year 2023, the Company operated a share option scheme adopted on 26 May 2022 (the "Scheme") respectively. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

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 31 December 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 31 December 2023.

No share option was granted, exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2023.

DIRECTORS' REPORT

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.

DIRECTORS' REPORT

(ii) Details of options granted

Save as disclosed below, the Company has no outstanding Share options as at 31 December 2022 and 2023. Particulars of the outstanding share options granted under the 2012 share option scheme, which was approved on 21 May 2012 and has expired on 20 May 2022, (details of principal terms of the scheme were summarised in 2022 and previously annual reports of the Company) 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 HK\$	Price immediately preceding the grant date of share options (Note a) HK\$
	Outstanding as at 01/01/2023	Granted exercised, cancelled and lapsed during the year	Outstanding as at 31/12/2023				
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.

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.

DIRECTORS' REPORT

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

As at 31 December 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:

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
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 31 December 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

Details of the three continuing connected transactions are set out in the "Management Discussion and Analysis" section in this annual report.

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

DIRECTORS' REPORT

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

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

- (1) in the ordinary and usual course of its business;
- (2) on normal commercial terms or better;
- (3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole; and
- (4) within the relevant cap amounts as disclosed in previous announcements.

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

Save as disclosed above and the disposal of battery sharing business as disclosed in the Management Discussion and Analysis section in this report, there was no other connected transaction entered into by the Company during the year ended 31 December 2023.

The Company has complied with the applicable requirements under Chapter 20 of the GEM Listing Rules with respect to the connected transaction and continuing connected transactions during the year ended 31 December 2023.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 40 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVE OF THE COMPANY

The share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend payment the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Memorandum and Articles of Association, dividends can be distributed out of the profits and share premium of the Company. The Company's reserve available for distribution to shareholders as at 31 December 2023 amounted to approximately HK\$1,131,462,000 (2022: HK\$1,177,581,000).

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 year ended 31 December 2023.

DIRECTORS' REPORT

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 year or at any time during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 3.17 to the consolidated financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the largest and five largest customers of the Group accounted for 68.9% and 75.9% of the Group's total revenue respectively and the largest and five largest suppliers of the Group accounted for 69.0% and 84.5% of the Group's total purchases respectively.

Except as disclosed in the Connected Transactions section under the Directors' Report, none of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2023.

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

During the year ended 31 December 2023, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2023 and up to the date hereof.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

He Xuechu
Chairman

Hong Kong
26 March 2024

CORPORATE GOVERNANCE REPORT

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 C1 to the GEM Listing Rules throughout the Year Ended 2023 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.

BOARD COMPOSITION

Executive Directors

He Xuechu (*Chairman*)

Liu Jian (*Vice Chairman and Joint Chief Executive Officer*) (resigned on 28 March 2024)

Liu Wei, William (*Joint Chief Executive Officer*) (re-designated to Chief Executive Officer on 28 March 2024)

Dai Qing (appointed on 28 March 2024)

Non-Executive Director

Yan Weimin

Independent Non-Executive Directors

Chan Chun Wai, Tony

Ma Gang

Ha Chun

The Board of Directors (the "Board") of the Company composed of seven Directors, including the Chairman, the Vice Chairman and Joint Chief Executive Officer and the Joint Chief Executive Officer who are Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Over one third of the Board are Independent Non-Executive Directors who have appropriate professional qualifications in accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section of this annual report.

Mr. Dai Qing obtained the legal advice referred to in Rule 5.02D of the GEM Listing Rules on 8 March 2024 and he has confirmed that he understood his obligations as a director of the Company.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies of the Company, monitoring the financial performance and internal control, compliance with laws and regulations (including the GEM Listing Rules) as well as overseeing the risk management system of the Company and monitoring the performance of senior executives.

PERMITTED INDEMNITY PROVISION

Every Director is entitled to be indemnified by the Company against all costs, charges, losses, expenses, and liabilities incurred by him in the execution and discharge of his or her duties or in relation thereto.

CORPORATE GOVERNANCE REPORT

There is in place a directors liabilities insurance cover in respect of legal action against directors. The relevant provisions in the directors liabilities insurance were in force during the financial year ended 31 December 2023 and as at the date of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance, control and standard of conduct, as well as ensure that the interests of all shareholders are taken into account and take the lead where potential conflicts of interests arise. All Independent Non-Executive Directors possess appropriate academic, professional qualifications or related financial management experience.

Mr. Ha Chun entered into a term of service of two years with the Company under a formal letter of appointment and is subject to retirement by rotation at least once every three years and offer himself/herself for re-election at the annual general meeting of the Company.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The roles of the Chairman and the Chief Executive Officers are exercised by separate individuals with a view to reinforce their independence and accountability.

The Chairman ensures that Directors receive clear, complete and adequate information and are properly briefed prior to Board meetings. He also ensures that good corporate governance practices and procedures are established, and that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman has also delegated the Company Secretary to draw up and approve the agenda for each Board meeting with the recommendation of other Directors.

The Chairman encourages the Directors to fully and actively participate in the Board's affairs, taking the lead to assure that the Board acts in the best interests of the Company. The Chairman also promotes a culture to facilitate effective contribution and encourages the Directors to express dissenting views and concerns and allow sufficient discussion of issues before decisions are made.

The Chief Executive Officers focus on implementing objectives, policies and strategies approved and delegated by the Board. They are in charge of the Company's day-to-day management and operations and are also responsible for developing strategic plans, formulating and reviewing the organisational structure, control systems and internal procedures and processes for the Board's approval.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

CORPORATE GOVERNANCE REPORT

MEETINGS OF THE BOARD

The following meetings were held during the financial year ended 31 December 2023 and the attendance records of the Directors are as follows:

	Extraordinary General Meeting	Annual General Meeting	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting
Executive Directors						
He Xuechu (<i>Chairman</i>)	2/2	1/1	4/4	N/A	N/A	1/1
Liu Jian (<i>Vice Chairman and Joint Chief Executive Officer</i>) (resigned on 28 March 2024)	2/2	1/1	4/4	N/A	N/A	N/A
Liu Wei, William (<i>Joint Chief Executive Officer</i>) (re-designated to Chief Executive Officer on 28 March 2024)	2/2	1/1	4/4	N/A	1/1	1/1
Non-Executive Director						
Yan Weimin	2/2	1/1	2/4	N/A	N/A	N/A
Independent Non-Executive Directors						
Chan Chun Wai, Tony	2/2	1/1	4/4	7/7	1/1	1/1
Ma Gang	2/2	1/1	4/4	7/7	1/1	1/1
Ha Chun	2/2	1/1	4/4	7/7	1/1	1/1

Formal notice of at least 14 days are given to the Directors for regular board meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Director shall have full access to information of the Group and are able to obtain independent views and inputs according to the mechanism below:

- Three Directors are independent non-executive directors (“INEDs”) and INEDs will be appointed to all Board committees as far as possible to ensure independent views are available. Currently, all the audit committee, remuneration committee and nomination committee are chaired by INED.
- All Directors shall have full access to information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the company secretary and, where deemed necessary, independent advice from independent professional advisers, including but not limited to financial advisor, valuer, lawyer, etc. at the Company’s expense.
- A Director (including INED) who has material interest in the subject transaction or arrangement shall abstain from voting on the relevant Board resolution.

CORPORATE GOVERNANCE REPORT

- Where a substantial shareholder or a director has a conflict of interest in a matter considered to be material by the Board, the matter would be considered and discussed in a physical board meeting rather than a written resolution, with INEDs who have no conflicting interests present in the meeting.

The Board will review the implementation and effectiveness of the mechanisms annually.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

A formal written procedure and policy has been adopted by the Board for the appointment of new directors. Newly appointed Directors would receive induction on the occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of his/her responsibilities under applicable laws, rules and regulations and the Group's various governance and internal control policies. According to the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company may by ordinary resolution at any time remove a Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.

DIVERSITY POLICY

In order to enhance the effectiveness of the Board, the Company has adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Board. The Company reviews the implementation and effectiveness of the Policy on an annual basis, and seeks to achieve Board diversity through the consideration of a number of measurable objectives or factors, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge.

The Board will review such objectives from time to time and at least annually to ensure their appropriateness and ascertain the progress made towards achieving those objectives. For example, the Board will review the gender of employees every year and monitor if fair opportunities are given without regard for their gender and try to achieve a more balanced ratio. The Nomination Committee will review the Policy from time to time and at least annually to ensure its continued effectiveness. Despite all the seven Directors of the Company are male, the existing Board members are coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business. Nevertheless, Board gender diversity allows the Board to benefit from having one more different points of view which could further improve the Company, and the Board targets to appoint at least one director of a different gender no later than 31 December 2024. The Nomination committee will monitor the progress of this target and introduce appropriate candidate for the Board's consideration. The Board Diversity policy has been updated to ensure the potential successors to the board can achieve gender diversity.

The breakdown of employees according to gender, age group, employment type, and geographical region and recruitment policy are disclosed in the environmental, social and governance report of the Company in this annual report.

CORPORATE GOVERNANCE REPORT

TRAINING

To ensure Directors' contribution to the Board remains informed and relevant, all directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended 31 December 2023, the Company has provided briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices. Records of the Directors' participation in other continuous professional development or training sessions provided, if any, are maintained by the Company Secretary of the Company.

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 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and maintaining proper accounts to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks (including ESG risks) that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Company has in place an internal control system which is compatible with The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The COSO framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The five key components of the COSO framework are shown as follows:

- **Control Environment:** Serves as an umbrella for the other 4 components which is the set of standards, processes, and structures that provide the basis for carrying out internal control across the Company.
- **Risk Assessment:** Identify what the relevant risks are that could form potential barriers to the completion of the company's objectives. Using this information, the Board and management should form basic plans on how these obstacles can be managed or avoided.
- **Control Activities:** Help ensure that necessary actions are taken to address risks to the achievement of the Company's objectives.
- **Information and Communication:** Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- **Monitoring:** Ongoing and separate evaluations to ensure all component of internal control is present and implemented.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out in 2023 by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Company's audit committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2023 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

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.

WHISTLEBLOWING POLICY AND ANTI-CORRUPTION POLICY

The Company has in place a whistleblowing policy and anti-corruption policy and they are disclosed on the website of the Company.

CORPORATE GOVERNANCE REPORT

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a Policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Hong Kong Exchanges and Clearing Limited's website and the Company's website.

COMPANY SECRETARY

Being an employee of the Company, the company secretary reports to the Chairman and the two Co-Chief Executive Officers and assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising the Board on corporate governance matters. As an employee of the Company, the company secretary has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

The Directors were provided with major financial information and the related explanation and information of the Company that would enable them to make an informed assessment. The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. For the purpose of assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements, the Directors have prepared a cash flow forecast covering a period from the end of the reporting period to 31 March 2025 ("Cash Flow Forecast"). In the preparation of the Cash Flow Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group, and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Based on the Cash Flow Forecast, the Directors are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

CORPORATE GOVERNANCE REPORT

The statement of the Auditor of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 91 to 95 of this annual report.

DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia: (i) the general operational and financial condition of the Group; (ii) the latest capital and debt level of the Group; (iii) future cash requirements, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's creditors (if any); (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Dividend Policy will continue to be reviewed by the Board from time to time.

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, the Company's auditor, BDO Limited, shall receive approximately HK\$2.4 million for audit and non-audit services.

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 2022 annual results, 2023 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 report for the year ended 31 December 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.

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.

RELATIONSHIP WITH THE EXTERNAL AUDITOR

Apart from meeting with the Company's external auditor for approving the annual results, the Audit Committee also meets with the external auditor in the absence of the management team of the Company, including executive Directors, whenever necessary to discuss any issues related to the audit (e.g. nature and scope of the audit, key audit matters, reporting obligations, audit fee, nature and scope of non-audit service provided, those arising from the audit (e.g. judgment used in the financial reporting, compliance with financial reporting and auditing standards), etc.) so as to review and monitor the independence and objectivity of the Company's external auditor, and the effectiveness of the audit process in accordance with applicable standards.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Committee members comprise Mr. Ha Chun (Chairman of the Committee), Mr. Ma Gang, Mr. Chan Chun Wai, Tony, Mr. He Xuechu and Mr. Liu Wei, William. The Committee had one meeting in 2023 which was attended by all Committee members.

The role and function of the Remuneration Committee is to determine the policy for the remuneration package of executive Directors and senior management; to assess the performance of executive Directors and senior management; to approve the terms of service contracts of executive Directors and senior management; to make recommendations to the Board on the remuneration of executive Directors and senior management, and to make recommendations to the Board on the remuneration of non-executive Directors. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee and recommendations will be made to the Board on the terms and remuneration packages of individual executive directors and senior management. Remuneration packages, including basic salary, performance bonus, grant of share options, if any, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Sufficient resources is provided and reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including but not limited to attendance at board meetings and committee meetings. The details of remuneration payable to directors of the Company is set out in Note 13 to the financial statements.

The terms of reference of the Remuneration 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.

NOMINATION COMMITTEE

Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. MA Gang and Mr. HA Chun. The Committee meets at least once every year and additional meetings shall be held as the work of the Committee demands. The Committee had one meeting in 2023 which was attended by all Committee members.

The primary duties of nomination committee is to (i) review the structure, size and composition (including the skills, knowledge, experience, age, gender and length of service) of the Board at least annually; and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy; (ii) consider the selection of Directors; (iii) identify and nominate candidates to the Board for it to recommend to Shareholders for election as Directors. Sufficient biographical details of nominated candidates shall be provided to the Board and Shareholders to enable them to make an informed decision; (iv) consider the skill mix needed in respect of the Directors, and make recommendations to the Board; (v) identify and nominate candidates to fill casual vacancies of Directors for the Board's approval; (vi) assess the independence of Independent Non-executive Directors and review the Independent Non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report; (vii) to review annually the time commitment required of directors and to evaluate whether directors have committed adequate time to discharge their responsibilities; (viii) make recommendations to the Board on relevant matters relating to the succession planning for the Chairman, the Chief Executive as well as the senior management; (ix) do any such things to enable

CORPORATE GOVERNANCE REPORT

the Committee to discharge its powers and functions conferred on it by the Board; and (x) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation. (xi) to review the board diversity policy, as appropriate, to ensure its effectiveness; and review the measurable objectives that the board has set for implementing the board diversity policy and the progress on achieving these objectives.

Procedures and Process for Nomination of Director by the Nomination Committee

Upon identifying a director candidate, the Nomination Committee initially determines the need for additional or replacement Board members and evaluates the director candidate under a range of objective criteria based on the information the Nomination Committee receives with the recommendation or otherwise possesses, which may be supplemented by certain inquiries. If the Nomination Committee determines, in consultation with other Board members, including the Chairman, that a more comprehensive evaluation is warranted, the Nomination Committee may then obtain additional information about the director candidate's background and experience, including by means of interviews. The Nomination Committee will then evaluate the director candidate further, again using the evaluation criteria described above. The Nomination Committee receives input on such director candidates from other directors, including the Chairman, and recommends director candidates to the Board for nomination. The Nomination Committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate's background and experience. If such third party is engaged, the Company will pay for the services to enable the Nomination Committee discharging the duties.

The terms of reference of the Nomination 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.

EMOLUMENT POLICY

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.

REMUNERATION OF THE SENIOR MANAGEMENT

The remuneration of the senior management of our Group for the year ended 31 December 2023 and 2022 falls within the following band:

	Number of individuals	
	2023	2022
HK\$1,000,001 to HK\$1,500,000	3	3
Below HK\$1,000,001	0	0

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS AND INVESTORS RELATIONS

The Group continues to promote and strengthen its relationship with shareholders of the Company and potential investors. The chairman of the Board, members of audit committee and external auditor attended the annual general meeting held on 2 June 2023 to answer questions, if any, at the meeting. The Group also meets with analysts and participates in investor conferences. As a channel to further enhance communications, the Company will disseminate announcements, corporate notice, and other financial and non-financial information through the Company's website in a timely manner. Since the year ended 31 December 2016, an environmental, social and governance report has been incorporated in the annual report of the Company which further facilitates the communications between shareholders and the Company. The comments and suggestions of shareholders and stakeholders will be recorded and considered as appropriate.

The Company has reviewed the implementation and effectiveness of the shareholder communication policy during the year and conclude that it is effective because some minority shareholders have personally approached the company and ask for relevant news.

SHAREHOLDERS' RIGHTS

Annual report, interim report and quarterly reports offer comprehensive information to the Shareholders whereas annual general meetings provide a forum for the Shareholders to exchange views directly with the Board.

Pursuant to Articles 72 of the Company's Articles of Association, an extraordinary general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the shareholders, provided that such shareholders held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within twenty one days from the date of deposit of the requisition proceed duly to convene the meeting, the shareholders themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the shareholders as a result of the failure of the Board shall be reimbursed to them by the Company.

If shareholders would like to put forward proposals at the general meetings, they have to sign a written proposal specifying the details of the proposal and their contact details (e.g. name, telephone number, email address, etc.) and addressing it to the Board (copy to the Company Secretary) then deposit it at the Company's head office in Hong Kong.

Shareholders may at any time send their enquiries to the Board by sending the same to the Company at the head office of the Company in Hong Kong and for the attention of the Company Secretary.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

MEMORANDUM AND ARTICLES OF ASSOCIATION

On 9 May 2023, the Board proposed to amend the memorandum and articles of association of the Company (the "M&A") in order to, inter alia, (a) reflect and align with changes to the requirements under the amended Appendix 3 of the GEM Listing Rules with respect to core shareholder protection standards; and (b) align the M&A with the applicable laws of Cayman Islands and incorporate certain housekeeping amendments. The proposed amendments and the proposed adoption of the amended and restated M&A was approved by way of special resolution at the annual general meeting of the Company held on 2 June 2023. For details, please refer to the Company's announcements dated 9 May 2023, 2 June 2023 and Company's circular dated 9 May 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Honbridge Holdings Limited and its subsidiaries (the “Group” or “we”) mainly engages in (i) the research, production, and sales of lithium-ion batteries in the People’s Republic of China (the “PRC”), (ii) the car-hailing service in France, and (iii) the iron ore project in Brazil (“SAM Project”).

The Group believes sustainability is the key to achieving continued success and has integrated this concept into its business strategy. To strike a balance among business growth, social demands, and environmental impacts, we are committed to continuously monitoring the risks and opportunities that exist in our daily operations and embracing a transparent corporate culture to ensure our sustainability strategies are well communicated to our stakeholders.

This Environmental, Social and Governance Report (“ESG Report”) discloses the ESG initiatives, plans, and performance of the Group transparently and demonstrates its ongoing commitment towards sustainable development.

SCOPE OF REPORTING

To determine the scope of reporting, the Group considers the materiality principle, its core businesses and its main revenue source. In August 2022, the Group acquired Jixing International Technology Co., Ltd. and its subsidiaries, which is primarily engaged in the online car-hailing and related business in Europe. This ESG Report therefore includes the full year ESG data and performance of the car hailing business. In addition, the Group disposed GETI Energy Sharing Technology Company Limited, which is primarily engaged in the provision of battery swapping services in the PRC, in November 2023. Since the battery swapping business has been financially immaterial to the Group during the year, it is being excluded in the scope of reporting. The Group believes that the above changes in scope will better reflect the status of its current operations. The ESG data and performance presented in this ESG Report will therefore reflect such changes.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges, and measures taken by the Group for the year ended 31 December 2023 (“2023”).

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix C2 of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During 2023, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

Information related to the Group’s corporate governance structure and practices has been set out in the Corporate Governance Report of this annual report.

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REPORTING PRINCIPLES

During the preparation of this ESG Report, the Group has applied the reporting principles as stipulated in the aforementioned ESG Reporting Guide as follows:

Materiality	A materiality assessment was conducted to identify material issues during the reporting period, thereby acknowledging the material issues as the focus for preparation of this ESG Report. The materiality of the issues was reviewed and confirmed by the Group. Please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” for further details.
Quantitative	Supplementary notes are added along with quantitative data disclosed in this ESG report to explain any standards, methodologies, and sources of conversion factors used during the calculation of emissions and energy consumption.
Consistency	The preparation approach of this ESG report is substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure or calculation methodologies.

BOARD STATEMENT

This ESG Report has undergone the internal review process of the Group and was approved by the Board of Directors (“Board”).

CONTACT US

Our continuous improvements rely on your valuable opinions. If you have any enquires or recommendations regarding our ESG reports, you are welcome to email us at info@8137.hk.

ESG GOVERNANCE STRUCTURE

The Group has developed a core governance framework to ensure the alignment of ESG governance with its strategic growth. It aims to integrate ESG practices into its business operations. The structure of ESG governance is divided into two components, the Board and the ESG Taskforce.

The Board holds the overall responsibility for the Group’s ESG strategies and reporting, as well as overseeing and managing its ESG-related risks. The Board is responsible for setting ESG-related targets and goals. The Board discusses and reviews the Group’s ESG-related risks and opportunities, performance, progress, goals and targets annually with the assistance of the ESG Taskforce. The Board also examines the effectiveness of the Group’s risk management and internal controls through an annual assessment, and assures the precision and accuracy of the information disclosed in the ESG reports.

The ESG Taskforce consists of representatives from different functional departments of the Group. The ESG Taskforce facilitates the Board’s oversight of ESG issues and has the responsibility for collecting and analysing the ESG data, monitoring and evaluating the Group’s ESG performance, ensuring compliance with laws and regulations, as well as preparing the ESG reports. The ESG Taskforce arranges meetings annually to discuss and review ESG-related issues including but not limited to the effectiveness of current ESG policies and procedures, and its strategic goals in terms of sustainable development. The ESG Taskforce reports to the Board annually and assists the Board in discharging its oversight responsibility.

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STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. The Group maintains close ties with its stakeholders, including but not limited to management, employees, investors and shareholders, customers, suppliers, government and regulatory bodies, and the public and communities, in the hopes of creating greater value for the community through operational strategies and ESG measures, as well as improving performance through collaboration with stakeholders.

Stakeholders' expectations have been taken into consideration by utilising the diversified engagement methods and communication channels shown below:

Key Stakeholders	Engagement Channels	Expectations and Concerns
Management	<ul style="list-style-type: none"> Regular meetings Intranet and emails 	<ul style="list-style-type: none"> Employee health and safety Employee development and training Protection of employees' rights and interests Compliance with relevant laws and regulations
Employees	<ul style="list-style-type: none"> Regular meetings Intranet and emails 	<ul style="list-style-type: none"> Employee health and safety Remuneration and benefits Career development
Investors and shareholders	<ul style="list-style-type: none"> Annual general meetings Financial reports Press releases and announcements 	<ul style="list-style-type: none"> Compliance with relevant laws and regulations Disclosing timely information of the Group Financial results Corporate sustainability
Customers	<ul style="list-style-type: none"> Company website and social media Email and customer service hotline 	<ul style="list-style-type: none"> Assuming product and service responsibility Customer information and privacy protection
Suppliers	<ul style="list-style-type: none"> Site visits Supplier performance assessments Supplier management meetings and events Supplier audit management system 	<ul style="list-style-type: none"> Fair competition Business ethics and reputation Cooperation with mutual benefits
Government and regulatory bodies	<ul style="list-style-type: none"> Site visits and meetings Regular reporting 	<ul style="list-style-type: none"> Compliance with relevant laws and regulations Business ethics
Local communities	<ul style="list-style-type: none"> ESG reports Community investment program 	<ul style="list-style-type: none"> Giving back to the society Environmental protection Compliance with relevant laws and regulations

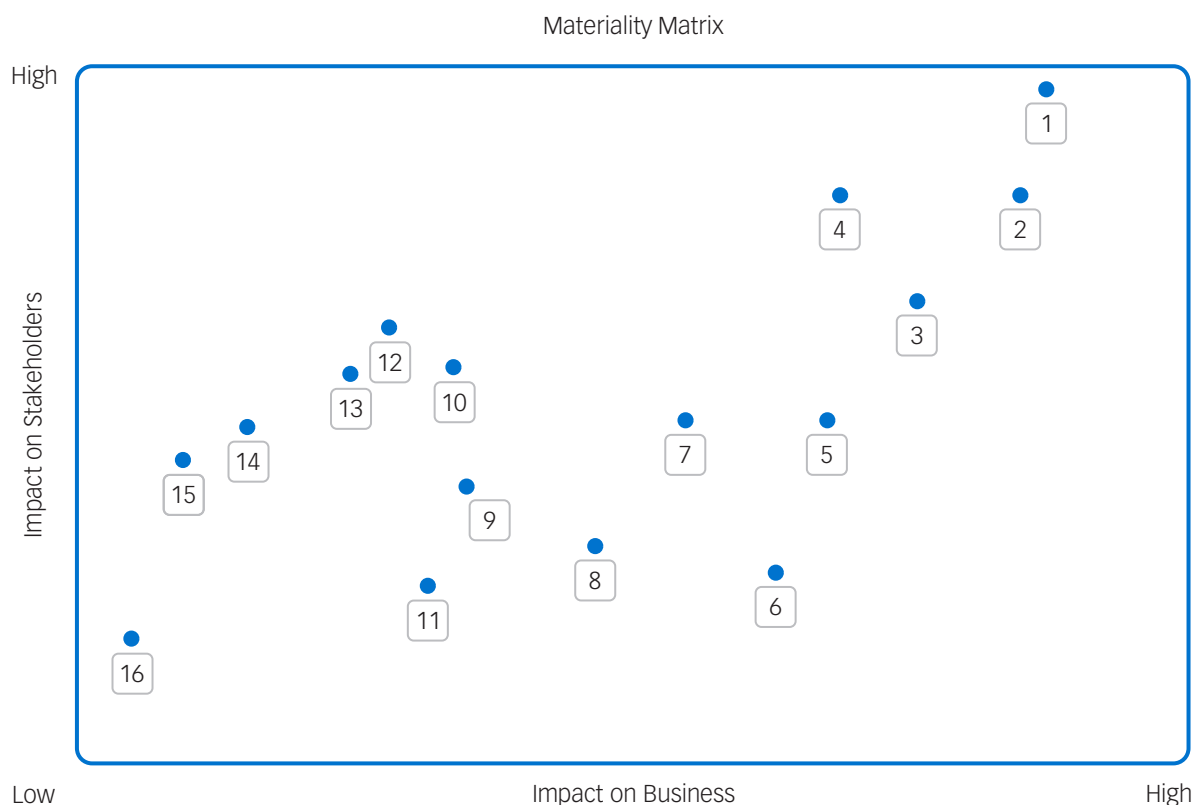
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MATERIALITY ASSESSMENT

Materiality assessment is the process of identifying, refining, and assessing ESG issues that may affect the Group’s business and its stakeholders. The results of materiality assessment are used to formulate strategy, set targets, and determine the focus of ESG reports.

With the assistance of the Group’s management and the ESG Taskforce, the Group identified the list of material ESG issues with consideration of its business operations and industry standards. To prioritise the identified material ESG issues, the Group conducted a materiality assessment survey. The results of the survey were reviewed and validated by the ESG Taskforce, and then approved by the Board.

The following matrix summarizes the results of the materiality assessment survey:



Materiality Issues

- | | |
|---|---|
| 1. Anti-corruption | 9. Climate change mitigation and adaptation |
| 2. Employee health and safety | 10. Supply chain management |
| 3. Prevention of child and forced labour | 11. Community investment |
| 4. Product safety | 12. Employee training and development |
| 5. Use of resources | 13. Employment practices |
| 6. Self-owned intellectual property right | 14. Wastewater discharge |
| 7. Customer service | 15. Waste management |
| 8. Air & GHG emissions | 16. Noise management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

It is noted that “Anti-corruption” has been escalated to the top priority, reflecting the stakeholders’ high expectations on the Group’s governance standards. The Group will continue to carry out its business operations in an ethical manner, and be alert to any misconduct or irregularities that may arise from its business. As “employee health and safety” remains as one of the key materiality issues for the Group, the Group will continue to focus on safeguarding employee well-being.

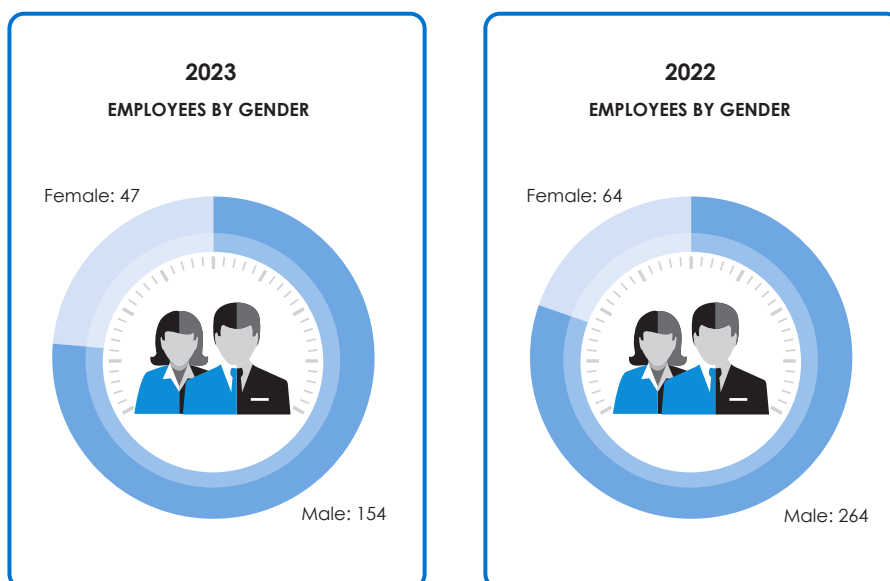
EMPLOYMENT PRACTICES

The Group believes that talent is one of its most important assets and serves as the basis for the sustainable development of an enterprise. While employees contribute time and wisdom to the Group, the Group also endeavours to build a fair and proper workplace for employees. The Group is committed to upholding the principle of fairness and justice to offer equal promotion opportunities to every employee in the Group.

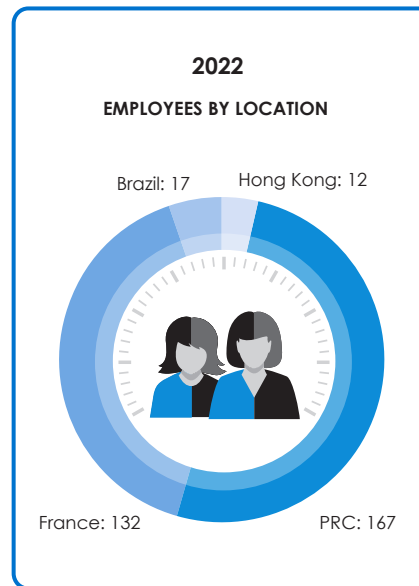
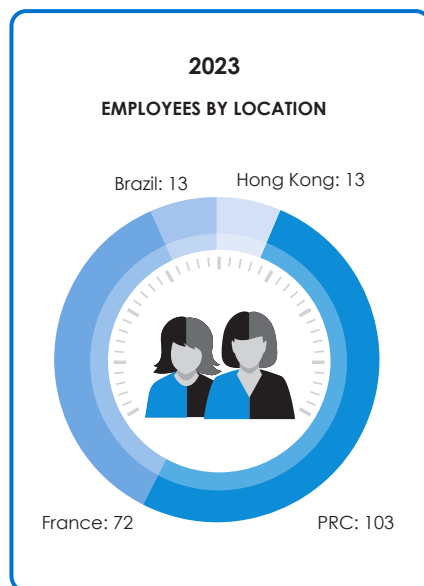
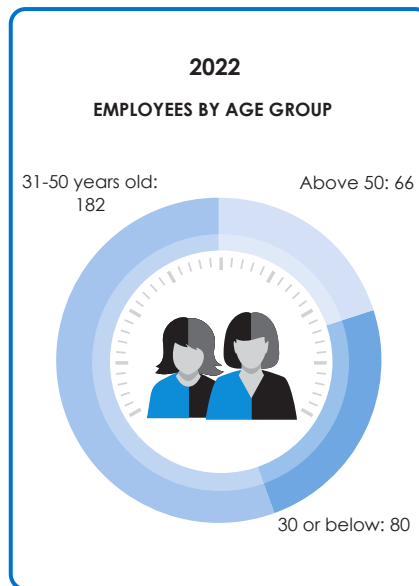
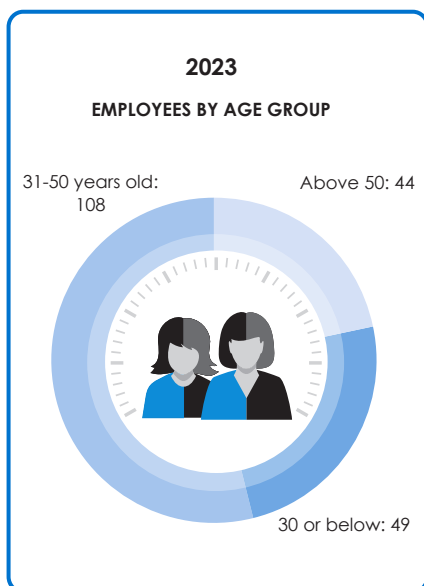
During 2023, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance and the Minimum Wage Ordinance of Hong Kong, the Consolidation of Labour Laws of Brazil, and The Labour Code of France.

Labour Structure

As at 31 December 2023, the total number of employees of the Group was 201 (as at 31 December 2022: 328). The decrease in number of employees was mainly due to reduction of headcount in China and France. In China, certain manufacturing processes and IT functions were outsourced resulting in a decrease in number of employees. In France, there was a change of human resources strategy to optimise headcount by engaging drivers as independent service providers instead of employees. The breakdown of employees according to gender, age group, and geographical region is as follows:

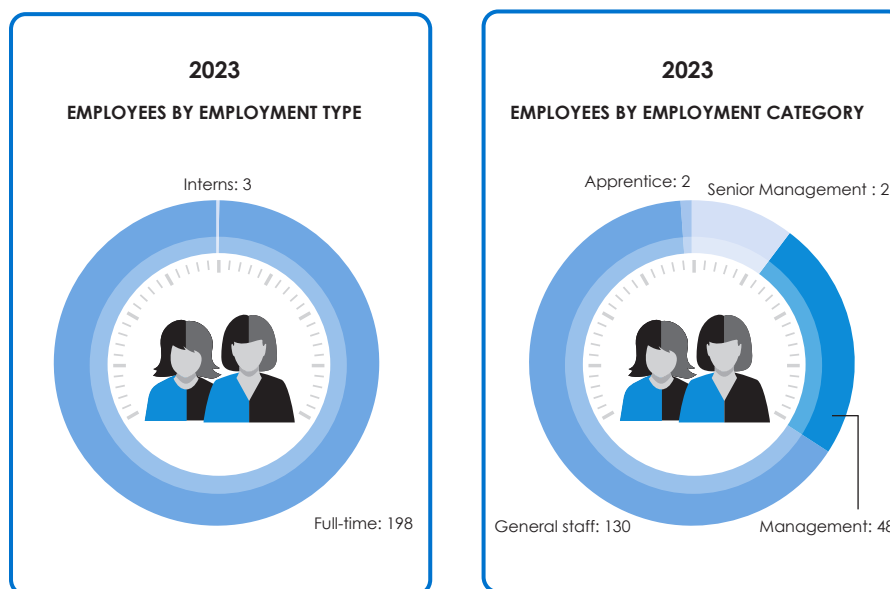


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The employee profile of the Group by employment type and employee category as of the end of 2023 is as follows:



During 2023, the Group's employee turnover rate¹ was 36.29% (2022: 37.26%). The details of employee turnover rate by gender, age group, and geographical region² are as follows:

Categories	2023	2022
By Gender		
Male	36.36%	39.52%
Female	36.04%	28.83%
By Age Group		
Below 30	46.51%	36.25%
30–50	39.31%	38.62%
Above 50	16.36%	34.21%
By Geographical Region		
Hong Kong	8.00%	8.00%
PRC	44.44%	22.16%
Brazil	26.67%	17.14%
France	30.39%	86.36%

Notes:

1. The employee turnover rate = Total number of employees leaving employment during 2023/Average number of employees in 2023.
2. The employee turnover rate by category = Number of employees in the specified category leaving employment during 2023/Average number of employees in the specified category in 2023.
3. The calculation of employee turnover rate includes all normal turnover, but excludes a one-off reduction in the number of employees in the car hailing business due to a change of human resources strategy to optimise the headcount.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Diversity and Equal Opportunities

The Group has formulated the Recruitment Management System (《招聘管理制度》) to regulate and standardise employment-related procedures. In line with the need for business development and the principles of fairness and justice, the Group's employees are recruited via a robust, transparent, and fair recruitment process based solely on their experience and expertise, without regard for their age, ethnicity, origin, gender identity, marital status, sexual orientation, or religion.

The Group adopts a combination of various recruitment channels based on different positions and rankings. The channels mainly include the following:

Referrals	Public Recruitment	Campus Recruitment
<ul style="list-style-type: none"> The Group encourages employees referrals. The Human Resources Department will evaluate the candidates based on their experience and qualifications. The employee who successfully refers a suitable candidate will receive a corresponding bonus. 	<ul style="list-style-type: none"> The Group recruits through public media, advertisements in professional publications, websites, and professional institutions regularly or as necessary. Each position's recruitment period shall not exceed 12 weeks. 	<ul style="list-style-type: none"> The Group disseminates timely information to the career centres of different institutions in autumn every year. The Group also participates in job fairs held by different universities to recruit fresh graduates from well-known universities through online and on-site screening.

In addition, the Group believes that all employees should have the right to work in an environment free of discrimination, harassment, and vilification. Therefore, the Group is committed to creating and maintaining an inclusive and harmonious workplace culture. Moreover, the Group states its zero-tolerance stance on any form of discrimination and harassment in the workplace.

Benefits and Welfare

The Group has established the Salary Management System (《薪酬管理制度》). The Group recognises its employees' qualifications, experience, and work performance by offering attractive remuneration packages. In order to build a highly motivated team, the Group reviews and adjusts salary and benefits in accordance with employees' performance annually.

The Group has established the Benefit Management System (《福利管理制度》) for employees in the PRC, which sets out benefits stipulated in the laws and regulations of the PRC. Such statutory benefits include traditional holiday benefits, ex gratia payments for important personal matters, and subsidies for academic qualification enhancement.

In order to ensure the wellbeing of employees, the Group would also distribute festive food or gifts to employees during festivals such as the Lunar New Year and the Mid-Autumn Festival. The Group is also flexible in granting leave to cater to the needs of its employees, such as marriage leave and compassionate leave.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A summary of benefits provided to employees in different geographic areas is presented below:



Working Hours and Rest Periods

The Group has formulated policies for regulating the working hours and rest periods for employees in accordance with local labour laws. Over-time work, when required, is compensated in accordance with the requirements stipulated in the labour laws in Hong Kong, such as the Provisions on Minimum Wages.

In Brazil, Sul Americana de Metais S.A. ("SAM") strictly follows the terms in the Collective Bargaining Agreements. For aspects not covered by the agreements, SAM will follow the local labour laws. In France, the Group adheres to the Labor Code, which governs the terms and conditions of employment. In China, the Group complies with the Labour Law of the People's Republic of China.

Compensation and Dismissal

In the event of staff resignation or dismissal, the Group ensures that the employees receive the entitled compensation according to the employment contract and by reference to the applicable labour laws and regulations. Unreasonable dismissal under any circumstances is strictly prohibited, dismissal will be based on reasonable and lawful grounds supported by internal policies of the Group. The Group has also formulated resignation management procedures to ensure resigning personnel and relevant departments have carried out proper handover procedures.

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EMPLOYEE HEALTHY AND SAFETY

To protect our employees, the Group strictly adheres to the “safety first” slogan and constantly upgrades occupational health and safety management. The Group has established the Environmental and Occupational Health System Manual (《環境&職業健康安全管理體系管理手冊》), which was certified with ISO 45001:2018 Occupational Health and Safety Management Systems. The Group’s management reviews the manual annually or whenever there is a significant change in relevant regulations, the Group’s governance structure, or the working environment, and will make necessary adjustments and updates accordingly.

During 2023, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases, the Production Safety Law of the People’s Republic of China, the Fire Protection Law of the People’s Republic of China, the Occupational Safety and Health Ordinance of Hong Kong, the Consolidation of Labour Laws of Brazil, and the Social Security Code of France. There were no reported work-related fatalities that occurred in each of the past three years, including this year. During 2023, there were 3 cases (2022: 4 cases) of work-related injuries, and 645 (2022: 141) lost days due to work-related injuries.

Apart from regular assessments on the working environment of manufacturing plants in the PRC, the Group has also established a safety and occupational health management system, and set up an occupational health management scheme to eliminate occupational hazards from construction facilities and achieve fundamental safety.

Safety measures implemented in the manufacturing plants in the PRC include:

Operational Measures	Training Measures	Management Measures	Equipment Measures
<ul style="list-style-type: none"> Install devices to control dust for procedures that generate dust Adopt a closed model in the production to minimise dust exposure for employees 	<ul style="list-style-type: none"> Arrange regular occupational health training for workers Organise training at workshops in the form of meetings before and after work 	<ul style="list-style-type: none"> Establish an occupational health directing group, responsible for management of occupational health Conduct examinations to identify potential occupational health hazards 	<ul style="list-style-type: none"> Provide personal protective equipment, such as anti-virus and anti-dust masks, earplugs, safety goggles, safety helmets, protective boots, insulating protective equipment

The Group organises fire safety lessons and trainings for employees regularly. Fire emergency evacuation drills and fire extinguisher operation drills allow employees to understand the importance of fire safety and improve their awareness of safety precautions.

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The Hong Kong headquarters is required to comply with the Occupational Safety and Health Ordinance to improve the indoor environment of the Group in order to create a safe and healthy work environment for employees. First aid stations are close to the workplace, clearly marked with signs.

SAM has strictly adhered to Brazil’s regulations of work safety and health standards and prepared an annual Risk Management Program (“PGR”), formerly the Environmental Risk Prevention Program, as well as an Occupational Health Examination Program (“PCMSO”). PGR is a programme for employee health and physical integrity by predicting, identifying, evaluating, and controlling environmental, ergonomic, and accident-related risks in the workplace. Potential risks and hazards of occupation exposure are monitored through systematic and repetitive evaluation with the introduction and modification of control measures as illustrated below:

Work Accident Management	Contingency Management	Physical Examinations	Protective Equipment
<ul style="list-style-type: none"> Develop action plans for any work accident, as well as corrective actions 	<ul style="list-style-type: none"> Prepare and implement a solution that aims at promoting and protecting the health of their employees, including in medical emergencies 	<ul style="list-style-type: none"> Arrange physical examinations for employees to prevent, detect, and control potential health risks, especially work-related diseases, and ensure the health of employees 	<ul style="list-style-type: none"> Provide personal protective equipment to employees during their induction training based on the position and function defined in the new PGR and will replace it on a regular basis

In France, the Group is obliged to join a medical program. An occupational physician regularly checks on employees. In addition, the Group provides information leaflets on health and safety measures concerning night shifts, prolonged screen time, road safety and psychosocial risks, which are available both online and offline. To further safeguard the health of its employees, the Group also has strengthened sanitizing and cleaning of all of the workplaces since the COVID-19 pandemic.

EMPLOYEE TRAINING AND DEVELOPMENT

The Group believes that providing training opportunities and continuous development to its employees provides a solid foundation for the Group’s continued success. The Group has formulated the Training Management Measure (《培訓管理辦法》) and the External Training Management Measure (《外派培訓管理辦法》) to standardise the management of employees’ training. The Group provides internal and external training for all employees. Employees will receive training depending on their different positions and ranks, so as to achieve different training purposes and effects that enable the Group to improve work efficiency and enhance employees’ independent ability to work.

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Employees will also be eligible for subsidies provided by the Group to improve their academic credentials. During 2023, the Group recorded approximately 61.19% (2022: approximately 61.59%) of employees trained³ and an average of approximately 24.05 training hours (2022: approximately 21.80 training hours) per employee⁴. The relevant training data by gender and employee category⁵ are as follows:

Categories	2023			2022		
	Percentage of Employee Trained (%)	Breakdown of Employees Trained (%)	Average Training Hours per Employee (hours)	Percentage of Employee Trained (%)	Breakdown of Employees Trained (%)	Average Training Hours per Employee (hours)
By Gender						
Male	58.44	73.17	25.46	60.61	79.21	20.42
Female	70.21	26.83	19.43	65.63	20.79	27.45
By Employment Category						
Management	39.13	21.95	6.54	60.78	15.35	16.71
Other employees	73.85	78.05	33.72	61.73	84.65	22.73

Notes:

- The percentage of employees trained = Total number of trained employees during 2023/Total number of employees at the end of 2023.
- The average training hours per employee = Total number of training hours during 2023/Total number of employees at the end of 2023.
- All training data excludes employees who have left the Group during the period.
- The percentage of employees trained by category = Number of trained employees in the specified category during 2023/Total number of employees in the specified category at the end of 2023.
- The breakdown of employees trained by category = Number of trained employees in the specified category during 2023/Total number of trained employees at the end of 2023.
- The average training hours by category = Number of training hours for employees in the specified category during 2023/Total number of employees in the specified category at the end of 2023.

Furthermore, the Group created the “Rising Stars” training programme for talents recruited on campus. This programme aims at developing a new workforce of young and energetic members that align with the Group’s values and have an ambitious, determined, amiable, and complimentary spirit.

The Group encourages employees to enrol in work-related external programmes, including conferences, seminars, and foreign language courses, enabling them to engage in continuous education and self-improvement and keep abreast of the latest developments in society and regulations.

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LABOUR STANDARDS

Prevention of Child and Forced Labour

The Group guarantees that no employee will be forced to work against his/her will or be coerced to work. Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and prohibits any child or forced labour, as stipulated in the Group's Recruitment Management System (《招聘管理制度》). The Group's Human Resources Department is responsible for monitoring and ensuring compliance with the latest and most relevant laws and regulations that prohibit child labour and forced labour.

To avoid illegal employment of children and forced labour, personal data are collected during the recruitment process to assist in the selection of suitable candidates and to verify the candidates' personal identity. The Human Resources Department also ensures that the identification documents are carefully checked. If a violation is involved, corrective actions will be taken immediately to rectify the situation, including terminating the employment contract and reporting to the relevant governmental authorities.

During 2023, the Group was not aware of any material non-compliance with child and forced labour related laws and regulations that would have a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China, the Employment Ordinance of Hong Kong, the Consolidation of Labour Laws of Brazil, and the European Convention for the Protection of Human Rights and Fundamental Freedoms.

SUPPLY CHAIN MANAGEMENT

With reference to the specific product requirements from the Group's Quality Department, Research and Development Department, and Production Department, the Procurement Department has prepared supplier management and regulation documents to ensure the consistency, reliability, and passing rate of the products.

The Procurement Department has formulated a series of relevant documents that regulate supplier admission and grade individual suppliers to select, supervise, and incentivise suppliers. In order to enhance the supplier selection process and properly allocate procurement volume every month, the Procurement Control Procedure (《採購控制程序》) has been established to further standardise and govern the procurement processes. The Group takes into account suppliers' track record, prevailing market price, and delivery time. At the same time, the purchase of supplies is determined and adjusted by the current inventories, expected customer demands, and projected sales trends.

Besides, the Group performs close monitoring of the suppliers' or subcontractors' business practices through onsite inspections. Any observations of non-compliance during the site visit will be reported immediately to the management. Corrective action plans will be carried out to remediate the identified risks in a timely manner. In addition, the Group has signed Agreements on Credibility, Integrity and Self-discipline (《誠信廉潔自律協議》) with suppliers to establish a relationship of mutual trust.

In Brazil and France, the Group always work with those well-known companies which have good environmental practices, good corporate governance, and comply with law and regulations. Proposals from suppliers will be evaluated based on their experience, price and time of delivery, among other factors.

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To ensure supply chain stability, the group strives to avoid over-reliance on a single supplier by maintaining more than one supplier for each type of good or service provided. The Group is keen on supporting local economies, hence, more than 90% of the Group's approved suppliers are local suppliers. In 2023, there were a total of 416 (As at 31 December 2022: 398) qualified suppliers.

Materials for production, such as manufacturing components and equipment are procured for the research, production, and sales of lithium-ion batteries in the PRC. The suppliers in France are mainly service providers for cars, such as providers of auto insurance, fuel and electricity. The suppliers of SAM Project are service providers for the iron ore project. The breakdown of suppliers by geographical region is as follows:

Region	2023	2022
PRC	350	291
France	8	9
Brazil	58	98
Total number of suppliers	416	398

ESG Considerations in Supply Chain Management

Apart from requiring its suppliers to comply with local regulations, the Group is also aware of the importance of enhancing their environmental and safety performance. We aspire to involve our suppliers in the implementation of our environmental objectives. In order to minimise environmental and social risks along the supply chain, the Group maintains a regularly reviewed list of qualified suppliers, and closely monitors potential environmental, health, and safety issues.

Furthermore, we promote environmentally responsible purchasing through the adoption of sustainable and responsible selection criteria whenever applicable. During the selection process, to promote improvements in environmental performance, suppliers are encouraged to consider and manage their environmental and social issues in their operations for priority consideration. The Group maintains close communication with suppliers, resolves related supply and service issues, and makes corresponding improvement measures. The Group also shares sustainable operating practices and disseminates environmental concepts, including the latest knowledge on quality, safety, good employment and environmental practices.

PRODUCT RESPONSIBILITY

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

During 2023, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group, including but not limited to the Personal Data (Privacy) Ordinance, the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Consumer Protection Code of Brazil, and the General Data Protection Regulation (GDPR) of Europe.

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Product Safety and Quality Control

The Group has formulated a Quality Handbook (《質量手冊》) to build a quality control system, ensuring that the lithium-ion battery products meet the requirements of relevant regulations and standards. The Group conducts on-site quality checks and inspections at various stages of manufacturing. The Group's lithium-ion battery products have passed the requirements of various standards, including GB/T31467.3-2015 Lithium-ion Battery Packs and Systems for Electric Vehicles — Part 3: Safety Requirements and Test Methods (《電動汽車用鋰離子動力蓄電池包和系統第3部分：安全性要求與測試方法》) and Revision Notice No. 1, the 1610 Test Methods for the Relevant Technologies and Indicators of Powered Battery and Fuel Cells (Trial) (1610《動力電池、燃料電池相關技術指標測試方法(試行)》), GB/T31484-2015 Cycle Life Requirements and Test Methods for Powered Battery of Electric Vehicles (GB/T31484-2015《電動汽車用動力蓄電池循環壽命要求及試驗方法》), GB/T31485-2015 Safety Requirements and Test Methods for Powered Battery of Electric Vehicles (GB/T31485-2015《電動汽車用動力蓄電池安全要求及試驗方法》), and GB/T31486-2015 Electrical Performance Requirements and Test Methods for Powered Battery of Electric Vehicle (GB/T31486-2015《電動汽車用動力蓄電池電性能要求及試驗方法》).

In Brazil, the Group is still at licensing stage, and therefore is no product safety and quality issue yet. However, the Group will implement measures on ensuring safety and quality once production commences.

In France, the drivers are connected to the car-hailing system, which keeps record of all the trips made. The system will be used to ensure the drivers always travel at appropriate speeds and not making unnecessary detours.

Self-owned IP Right

The Group regularly monitors the market to ensure that IP rights are not being infringed upon, as IP rights are the core competitiveness of enterprises, especially in the lithium-ion battery industry, which relies on independent research and development ("R&D") and brand building. Its "quality" and "quantity" are directly related to the innovation capacity and product safety of an enterprise. To protect the Group's IP, the Group has formulated the Intellectual Property Management Measures (《知識產權管理辦法》), the Patent Management Measures (《專利管理辦法》) and Trademark Management Measures (《商標管理辦法》).

The Group's Research and Development team consists of both national and overseas experts from top-tier power battery manufacturers. As at 31 December 2023, the Group had 261 active patents, among which 195 are utility model patents, 4 appearance design patents, and 62 innovation patents.

Customer Service

Customer satisfaction is of paramount importance for the battery business. To constantly improve and optimise the after-sales system and ensure the timely and efficient resolution of any battery failure, the Group has formulated the Procedures on Handling After-sales Products (《售後產品處理流程》). The Group adopted various forms of after-sales services to maintain customer satisfaction, such as providing customers with a 24-hour technical support hotline. If any defective product is found, the Group will immediately initiate the recall process and re-deliver the products after quality inspection and confirmation. The final completion of the recall process is subject to the receipt of qualified products by customers.

In Brazil, the Group is still at licensing stage, and therefore is no issue on customer service yet. However, the Group is open-minded to opinions of customers and always welcome suggestions.

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In France, the Group also places great importance on customer service. When a customer complains about a driver, the Group will listen to both the customer and the driver and check the system that keeps record of all the trips made. If inappropriate or dangerous behaviour is found, the Group may disconnect the driver from its car-hailing platform.

During 2023, the Group did not receive any cases of product or service-related complaints, nor was it subjected to any product recalls for safety and health reasons.

Privacy Protection

The Group is determined to protect customers' personal data by handling it with the highest degree of confidentiality. Therefore, we have also established the Information Security Management System (《信息安全管理体系制度》) for the collection and use of customers' data. The said policy covers topics such as the handling and disclosure of confidential information. A designated person is appointed to regularly review existing policies and ensure that the Group's employees have proper knowledge and support with regard to data privacy protection. The Group has also formulated security measures for data protection and encryption.

In France, the Group complies with the applicable laws and regulations on data privacy, in particular the General Data Protection Regulation, which governs the protection of data privacy. The Group has a designated email for any inquiries from customers regarding the use of their personal data.

Advertising and Labelling

Due to the Group's business nature, the Group considers its business dealings with advertising and labelling matters to be quantitatively insignificant.

ANTI-CORRUPTION

The Group strives to maintain a high level of corporate ethical culture, and strictly prohibits all forms of bribery and corruption. The Group emphatically asserts its zero-tolerance stance regarding any behaviours that not only violate relevant laws and regulations in Hong Kong, the PRC, Brazil, and France, but also severely damage the business integrity and reputation of the Group. The Group has formulated internal policies for different operational sites to ensure that every employee complies with relevant laws and regulations. For Hong Kong headquarters, the Group has formulated the Corporate Disciplinary Code (《公司紀律守則》). For Brazil, the Group has formulated the Code of Conduct. For the PRC, the Group formulated the Integrity and Self-discipline Code of Conduct and the Punishment Implementation Rules (《廉潔自律行為準則及其處分實施細則》), the Gifts and Entertainment Management System (《禮品與招待管理制度》), and the Conflict of Interest Management System (《利益衝突管理制度》). For France, the Group is refining its Code of Ethics to be issues to all employees in 2024. The Group requires all its employees to understand and be well-aware of the Group's ethical expectations and standards.

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During 2023, there was no concluded legal case regarding corrupt practices brought against the Group or its employees. The Group was also not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud, and money laundering that would have a significant impact on the Group, including but not limited to the Company Law of the People's Republic of China, the Prevention of Bribery Ordinance of Hong Kong, Federal Law No. 12,846/2013 (LAC) of Brazil, and Article L. 1132-3-3, The Labour Code of France.

To further achieve and maintain the highest degree of openness, probity, and accountability, the Group has established a whistle-blowing system. The Group has formulated the Measures for Compliance Consulting, Reporting, Investigation and Reward Management (《合規諮詢、舉報、查處及獎勵管理辦法》) in the PRC. In Brazil and France, the employees also have similar channels to report to irregularities and illegal behaviours. Employees and stakeholders of the Group are allowed to report any forms of negligence, corruption, bribery, or other misconduct to the Group. Reports and complaints received will be handled in a prompt, fair, and confidential manner. The Group will protect the whistle-blowers from unfair dismissal, victimisation, and unwarranted disciplinary actions. Any person who is found to have victimised or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

In order to promote integrity and honesty, the Group encourages and provides opportunities for all employees including management and general employees, to participate in anti-corruption training. During 2023, the Group has provided a series of compliance training. It has also disseminated materials and information regarding anti-corruption and anti-money laundering provided by the Hong Kong Independent Commission Against Corruption (ICAC) to its directors and other employees via e-mail.

To further enhance corporate compliance and business ethics, the Group has held meetings with the external parties to exchange compliance management skills.

During 2023, seven directors received anti-corruption training materials from the ICAC, as well as corporate governance training materials from the Stock Exchange, for their continuous development.

COMMUNITY INVESTMENT

The Group is devoted to becoming a responsible corporate citizen and offering appropriate resources to the needy in the community. The Group believes that the Group and its employees can build positive values through charitable activities and become socially responsible corporate citizens. The Group encourages and supports employees to participate in voluntary activities in their spare time and arranges environmental and social service activities for the Group's employees. Through participating in those community activities, the Group hopes that its employees can develop a sense of social responsibility and empathy.

The Group has participated in many charitable donations over the years. In 2023, SAM has contributed more than R\$64,000 (equivalent to approximately HK\$100,000) on purchasing Christmas gifts and food, such as toys and panettonnes, for the community. It also donated trash cans to the city for its urban development.

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In France, the Group supported the STEPtember event organized by the Fondation Paralysie Cérébrale. STEPtember is a meaningful event which invites participants to walk 10,000 steps a day to raise funds and advance research on cerebral palsy, the major cause of motor disability in children. The Group also provided transportation services to support the World Para-Athletics Championships Paris 2023 organized by the Fédération Française Handisport.



ENVIRONMENTMENT

The Group understands the importance of environmental protection for promoting sustainable development. Therefore, the Group has embedded the slogan “protect the natural environment, build green factories, provide green energy” into its business strategy and daily operations. To create an environmentally sustainable business, the Group has formulated the Environmental and Occupational Health and Safety Management System Manual (《環境&職業健康安全管理體系手冊》), which was accredited with ISO 14001:2015 Environmental Management System.

In France, the Group has policies to increase the percentage of mileage being powered by electricity rather than petrol for the vehicles of its car-hailing business.

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The Group proactively implemented different environmental measures, endeavouring to reduce the environmental impacts resulting from its operations. Different control measures have also been imposed on activities that are likely to have an impact on the environment.

During 2023, the Group was not aware of any material non-compliance with environmental-related laws and regulations in relation to air and GHG emissions, wastewater discharged into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, including but not limited to the Environmental Protection Law of the People's Republic of China, Cleaner Production Promotion Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Emission Standard of Pollutants for Battery Industry (《電池工業污染物排放標準》) (GB30484- 2013), the Waste Disposal Ordinance of Hong Kong, Article 225 of the Brazilian Federal Constitution, The Environmental Code of France, and the Charter for the Environment of France.

EMISSIONS

The Group's emissions such as wastewater, solid wastes, GHG, air pollutants, and noise are mainly produced by the lithium-ion battery manufacturing plants in the PRC and the car-hailing service in France. The Group has engaged a qualified third party to conduct audits and inspection to report on emissions during the production processes of the manufacturing plants in the PRC. It has also used hybrid vehicles in its the car-hailing service to reduce emissions.

Emissions related data are closely monitored and strictly controlled to ensure that the Group's emissions meet the requirements of national and regional standards, laws and regulations.

The Group's business premises include Hong Kong headquarters, and offices in the PRC, Brazil and France. These premises are mainly used for administrative purposes and have insignificant impacts on the environment. Because the iron ore project in Brazil is still in the process of applying for an environmental licence and construction and operation have not yet begun, the environmental risks and pollution are insignificant during 2023.

In France, the Group encourages its drivers to use electricity instead of petrol to fuel their vehicles. The mileage being powered by electricity is currently at about 30%, and from 2024 onwards, the Group is raising its target to have 35% of the mileage being powered by electricity.

Air Emissions

The principal sources of emissions arising out of the Group's operation were petrol and diesel consumed by vehicles. The Group has actively taken measures to control air emissions, and such measures are mentioned in the section headed "GHG Emissions".

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Summary of air emission performances:

Type of Air Pollutants	Unit	2023	2022
Nitrogen oxides (NO _x)	kg	251.89	91.30
Sulphur oxides (SO _x)	kg	6.68	0.24
Particulate matter ("PM")	kg	18.55	8.68

Apart from the emissions generated from vehicle use, the manufacturing process of lithium-ion battery also involves other type of pollutants. During 2023, as the Group has outsourced battery cell production, no Nonmethane Hydrocarbons ("NMHC") were emitted. The Group's NO_x, SO_x and PM emissions at its manufacturing plants were 0.432 tonnes, 0.372 tonnes and 0.108 tonnes respectively, all within the range of maximum emission limits specified in the PRC.

GHG Emissions

The Group's primary sources of GHG emissions are direct emissions from petrol and diesel oil consumed by vehicles and natural gas consumed by the boiler (Scope 1), and energy indirect emissions from purchased electricity (Scope 2). In 2021, the Group has set a target to reduce the total GHG emissions intensity (tCO₂e/million revenue (HK\$)) gradually, using 2021 as the baseline year. Besides, the Group has adopted the following measures to reduce GHG emissions:

Scope 1 — Direct GHG Emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol and diesel oil consumed by company vehicles and natural gas for the production of pretensioned spun high strength concrete piles, which is high strength concrete, in its operations:

- Use hybrid, fuel-saving vehicles for the car-hailing service in France;
- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Service company vehicles regularly to ensure optimal engine performance and fuel use; and
- Switch off the engine when the vehicle is idling.

Scope 2 — Energy Indirect GHG Emissions

Electricity consumption accounted for a sizeable percentage of GHG emissions within the Group. The Group has implemented measures to reduce energy consumption, said measures will be mentioned in the section headed "Effective Energy Consumption Plan".

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During 2023, the total GHG emissions intensity increased because of the increase of electricity consumption due to inclusion of the car-hailing business in the reporting scope, and also the addition of a new production line in the manufacturing plant in the PRC. The Group will continue implementing GHG-reduction measures in its operations in the future.

Summary of GHG emissions performances:

Types of GHG Emissions ⁹	Unit	2023	2022
Direct GHG emissions (Scope 1)	tCO ₂ e	1,206.64	1,070.87
Indirect GHG emissions (Scope 2)	tCO ₂ e	12,742.40	4,044.82
Total GHG emissions (Scope 1&2)	tCO₂e	13,949.04	5,115.69
GHG emission intensity ¹⁰	tCO ₂ e/million revenue (HK\$)	61.46	37.15

Note:

- GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the HK Electric Investments Sustainability Report 2022, the "Notice on the Management of Enterprise Greenhouse Gas Emission Reporting by Power Generation Industry for 2023-2025" (《關於做好2023-2025年發電行業企業溫室氣體排放報告管理有關工作的通知》) published by the Ministry of Ecology and Environment of the PRC, and the CO₂ Emission Factors for Electricity Generation in the National Interconnected System of Brazil by the Ministry of Science, Technology, Innovations and Communications of Brazil.
- In 2023, the Group recorded a revenue of approximately HK\$227.0 million (2022: approximately HK\$137.7 million). This data is used for calculating other intensity data.

Wastewater Discharge

The Group's wastewater discharge is mainly due to its manufacturing process. To minimise the environmental impact, the Group conducts management in strict compliance with the environmental licensing requirements and online monitoring of wastewater pollutants at its sewage station in the PRC. The Group has obtained the National Pollutant Discharge Permit in accordance with the Emission Standard of Pollutants for Battery Industry (《電池工業污染物排放標準》) (GB30484-2013). During 2023, the Group's total wastewater discharge was equal to its total water consumption. To pursue the initiative of water conservation, the Group's lithium-ion battery manufacturing plants in the PRC have recycled their wastewater. During 2023, the recycling rate was approximately 27.7%. Meanwhile, part of the domestic wastewater is directly discharged to the municipal sewage pipe network. Other water-saving measures will be mentioned in the section headed "Water Efficiency".

Waste Management

Hazardous Waste

The hazardous waste generated by the Group mainly consists of scrap electrodes, alumina, and electrolyte generated in the production of batteries in the PRC. These are treated according to the Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001). To minimise the risk impact of hazardous wastes, the Group either returns them to suppliers or sells them to qualified recycling companies.

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During 2023, the Group's hazardous waste disposal has reduced due to part of the battery cell production being outsourced to a third-party supplier.

Summary of hazardous waste disposal performance:

Category of Waste	Unit	2023	2022
Total hazardous waste	tonnes	5.10	7.67
Total hazardous waste intensity	tonnes/million revenue (HK\$)	0.022	0.056

Non-hazardous Waste

The Group disposes of waste according to the Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (《一般工業固體廢棄物貯存、處置場污染物控制標準》) (GB18599-2001).

The non-hazardous waste generated by the Group is mainly domestic refuse and office paper generated in the PRC. The Group continues to place great effort into educating its employees on the importance of reducing waste production in the offices. In 2021, the Group has set a target to organise at least one waste reduction campaign annually from 2022 onwards. In order to minimise the environmental impacts and achieve the set target, the Group has adopted environmentally friendly initiatives to enhance its environmental performance. Green measures include but are not limited to the following:

- Print electronic correspondences only when necessary;
- Recycle used office paper;
- Use double-sided printing or photocopying;
- Recycle office and electronic equipment to reduce waste going to the landfills; and
- Procure paper with the FSC Recycled Label to encourage the use of recycled materials.

During 2023, the Group has organised an environmental protection training session, as well as put up banners promoting paper conservation, thus it has achieved its aforementioned target this year. The Group will continue to organize at least one waste reduction campaign annually. The Group will continue to implement waste reduction initiatives in the future.

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Summary of non-hazardous waste disposal performance:

Category of Waste	Unit	2023	2022 ¹¹
Domestic refuse	tonnes	219.00	229.95
Office paper	tonnes	328.00	347.68
Production dust	tonnes	0.60	0.60
Total non-hazardous waste	tonnes	547.60	578.23
Total non-hazardous waste intensity	tonnes/million revenue (HK\$)	2.41	4.20

Note:

11. In 2023, the Group has expanded the scope of disclosure for non-hazardous waste and included domestic wastes, which has not been reported in prior years. The 2022 figures have therefore been restated to allow like-for-like comparison across the years.

USE OF RESOURCES

The Group actively promotes the effective use of resources, and monitors the potential impact that its business operations have on the environment, and has implemented relevant policies to support its efforts. The Group encourages employees to make suggestions and participate in various energy saving and water conservation programmes to facilitate the efficient use of resources.

Effective Energy Consumption Plan

The Group plays an active role in energy conservation and views it as its key responsibility. The Group's commitment towards realising its responsibilities for energy conservation was shown throughout its planning, design, and R&D of chemical systems, electric systems, future technologies, and manufacturing processes. The Group has successfully improved the energy efficiency of its circulating cooling water system by dosing cleaning and refrigerator sludge stripping cleaning. Besides, the Group has set a target in 2021 to study the feasibility of installing solar panels in the coming years. The Group has also adopted the following initiatives:

- Regularly repair equipment and facilitate technological innovation to achieve the best status and reduce energy consumption;
- Switch off unnecessary lighting and electrical appliances when not in use;
- Purchase energy-efficient equipment to replace retired equipment;
- Set all computer screens and printers to standby mode after a certain period;
- Build an expert team for energy conservation and environmental protection to enhance energy efficiency; and
- Enhance product quality and performance, minimise product energy consumption ratio, and optimise resource utilization.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During 2023, the Group's total energy consumption intensity increased because of the electricity used in hybrid cars of the Group's car-hailing service is being included in the current year. Additionally, a new production line was being added in the manufacturing plant in the PRC, leading to a significant increase in electricity consumption. The Group has been studying the feasibility of installing solar panels, and will continue to do so over the coming years.

Summary of energy consumption performance:

Types of Energy Consumption	Unit	2023	2022
Direct energy consumption:		14,507.59	5,249.04
• Petrol	MWh	4,331.79	54.31
• Diesel	MWh	71.74	106.27
• Natural gas	MWh	10,104.06	5,088.46
Indirect energy consumption:	MWh	16,335.56	7,088.04
• Purchased electricity		16,335.56	7,088.04
Total energy consumption	MWh	30,843.15	12,337.08
Energy consumption intensity	MWh/million revenue (HK\$)	135.90	89.59

Notes:

- The unit conversion method for energy consumption data is formulated based on the Energy Statistics Manual issued by the International Energy Agency.
- Electricity consumption data for France was not available since electricity usage was covered in rent.

Water Efficiency

The Group actively promotes the importance of water conservation to its employees. In 2021, the Group has set a target to organise at least one activity annually to raise employees' awareness of water-saving measures. To further enhance water conservation, apart from posting banners around the office, the Group also regularly inspects water taps to prevent leakage. As a result of these implementations, the employees' awareness of water conservation increased.

During 2023, the Group's total water consumption intensity increased significantly. This was mainly attributable to the addition of a new production line in the manufacturing plant in the PRC. The Group has organised an environmental protection training session in December, as well as put up banners promoting water conservation, thus it has achieved its aforementioned target this year. The Group will continue to raise employees' awareness of water conservation in the future.

Water consumption data only includes operations in the PRC and Brazil. Water consumption data for other facilities were not available since water usage was covered in the rent. Summary of water consumption performance:

Indicator	Unit	2023	2022
Total water consumption	m³	83,089.70	39,154.00
Water consumption intensity	m ³ /million revenue (HK\$)	366.10	284.34

During 2023, the Group did not encounter any problems in sourcing water fit for purpose due to its business nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Packaging Materials

The packaging materials used by the Group are mainly wooden boxes and paper cartons. The Group realises the potential adverse environmental impacts brought by the packaging materials consumed and thus strives to make the best use of the materials consumed and minimise the potential impacts brought by their consumption.

During 2023, the Group's use of packaging material decreased, mainly attributable to the increased use of paper cartons instead of wooden boxes to conform with customer requirements.

Summary of packaging material usage performance:

Types of Packaging Materials	Unit	2023	2022
Wooden box	tonnes	4.63	12.66
Paper carton	tonnes	6.64	5.00
Plastics	tonnes	0.73	0.00
Total packaging materials consumption	tonnes	12.00	17.66
Packaging materials consumption intensity	tonnes/million revenue (HK\$)	0.05	0.13

ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES CONSERVATION

The Group's lithium-ion battery manufacturing plant is located within the planned area of Wucheng District in Jinhua New Energy Automobile Industrial Park, which is far from nature reserve area. A feasibility analysis and environmental impact assessment were conducted for the site. By adhering to the principle of "focusing on proactive prevention and combining it with controlling and correcting measures to form a comprehensive solution", the Group strives to reduce the impact on the environment to a minimal level and ensure that it will not affect the important local water sources in any way. The Group has also implemented relevant policies to minimise its environmental impact.

Methodology of Environmental Inspection or Research in Brazil

SAM is committed to minimise the impact on the environment and the surrounding residents or animals by adopting different measures. Before conducting any inspections or research in the iron ore area, SAM and its assigned professional firms or advisors are required to participate in extensive training sessions. The requirements and standard operating procedures of SAM are explained to staff from various departments during the training sessions.

The contents include:

- Activity is carried out in a confined area to avoid, minimise, or mitigate its potential impact;
- Interference in any unauthorised area (path or entrance of a drill area) is prohibited;
- Burying any plant in the area is prohibited;
- Destroying any plant in the area is prohibited;
- Disposing any excess chemical materials, cleaning waste, and/or other waste in an unauthorised area is prohibited;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Blockage of the drainage system and/or permanent storage area due to environmental inspection or research is prohibited;
- Dispose of and store waste at an appropriate location, such as recycling bins;
- Waste combustion is prohibited;
- Drive carefully and avoid internal or third-party vehicles running over wild animals; and
- Wild animal hunting and catching are prohibited.

Besides, a series of preparation activities, such as mapping, defining the scope of activities, and listing out the tasks and duties of each worker, are required before conducting any inspections or research in the iron ore area to enhance efficiency and minimise the time for outdoor work.

When there are any negative environmental issues that would have a material environmental impact, a violation of relevant legal requirements, or an occurrence where no rectification measure is adopted for a related environmental incident, the environmental supervisors shall immediately give an environmental warning to the coordinator of the environmental management project of SAM and advise the manager of SAM to evaluate and decide whether further measures shall be taken.

During 2023, there was no occurrence of material negative environmental issues in the course of environmental inspection or research.

Noise Emission

The Group responds proactively to the noise generated by the manufacturing plant in the PRC. By conducting regular noise inspections in four specific locations and adopting sound insulation and vibration reduction measures, the Group was able to meet the Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096-2008).

CLIMATE CHANGE MITIGATION AND ADAPTATION

The Group is committed to managing the potential climate-related risks that may impact the Group's business activities. To identify and mitigate different climate-related risks, the Group has integrated climate change into its internal control and enterprise risk management processes, such as its Risk Management Procedure, and established relevant climate-related policies. Besides, the Board also meets regularly and cooperates closely with the ESG Taskforce to evaluate ESG-related risks, including climate-related risks, and to formulate strategies to manage the identified risks.

Through the above method, the Group identified the material impacts on the Group's business arising from the following physical and transition risks:

Physical Risks — Acute risk

Extreme weather events, such as extreme cold or heat, storms, heavy rains, and typhoons, can disrupt operations by causing damage to power grids and communication infrastructure, as well as impede and injure employees on their way to or during work. These events could also disrupt supply chains, interrupt business operations, and damage the Group's assets. During the Reporting Period, part of the Group's business operations were located in regions with a high risk of major typhoons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a countermeasure, the Group has formulated precautionary and contingency measures; concurrently, the Group will explore the ways in which a change in business model is possible to mitigate or avoid these severe impacts on business operations. Owing to the Group's comprehensive preventive measures, there was no material impact caused by the climate-related events during the Reporting Period.

Physical Risks — Chronic risk

Global warming may affect battery research and production, and even increase the relevant costs. Under high temperatures, equipment used for research and production is more likely to deteriorate, and more energy is required for cooling the equipment during operation, resulting in the need for more water and coolants as well as an increased cost and environmental impact. In order to manage the related market risk, the Group shall improve and upgrade the machinery used in the production process, increasing its heat resistance. On the other hand, water circulation is used in the cooling process to replace the use of chemical coolants, reducing the long-term cost and minimising the environmental impact by curtailing chemical use and water uptake.

Transition Risk — Policy and legal risks, and reputation risks

There are more stringent climate legislation and regulations in place to support the global decarbonisation vision. For example, the Stock Exchange has required the listed companies to enhance the climate-related disclosures in their ESG reports. Meanwhile, the PRC also unveiled an up-to-date document guiding the country to achieve carbon peaking and carbon neutrality goals in 2030 and 2060 respectively. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to a failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputational risks, the Group regularly monitors existing and emerging trends, policies, and regulations relevant to climate and is prepared to alert the top management where necessary to avoid cost increments, noncompliance fines, or reputational risks due to delayed response.

Transition Risk — Market Risk

Besides, investors advocate for tackling climate change and become more likely to withdraw capital when companies fail to implement effective measures to manage climate risks. This may reduce the Group's capital supply if the investors do not believe in the climate risk management of the Group. To build investors' trust and confidence, the Group enhances and maintains the high level of transparency of its ESG risk management activities.

Opportunities

Climate change has raised public awareness about environmental conservation. It led to the development of electric vehicles and green energy due to the shift in customer preference. Therefore, the demand for batteries may increase due to the increasing popularity of electric vehicles. Rapid development in the sales of electric vehicles and batteries provides a unique business opportunity for the industry. To grasp this opportunity, the Group will continue to enhance management skills, promote efficient use of materials, and control the cost of lithium-ion battery products to increase profits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	Introduction, Board Statement
Reporting Principles	Reporting Framework
Reporting Boundary	Scope of Reporting

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
A1. Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
A1.1	The types of emissions and respective emissions data.	Emissions — Air emissions
A1.2	GHG emissions in total (in tonnes) and intensity.	Emissions — GHG emissions
A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
A1.5	Description of reduction initiatives and results achieved.	Emissions — GHG emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Effective Energy Consumption Plan
A2.2	Water consumption in total and intensity.	Use of Resources — Water Efficiency
A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Effective Energy Consumption Plan
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Efficiency
A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Materials
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection and Natural Resources Conservation
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection and Natural Resources Conservation
A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change Mitigation and Adaptation
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change Mitigation and Adaptation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B. Social		
B1. Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Practices
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Practices — Labour Structure
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Practices — Labour Structure
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety
B2.1	Number and rate of work-related fatalities.	Employee Health and Safety
B2.2	Lost days due to work injury.	Employee Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Training and Development
B3.2	The average training hours completed per employee by gender and employee category.	Employee Training and Development
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards — Prevention of Child and Forced Labour
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards — Prevention of Child and Forced Labour
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards — Prevention of Child and Forced Labour
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — ESG Considerations in Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — ESG Considerations in Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Customer Service
B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility — Customer Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Self-owned IP Right
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Product Safety and Quality Control
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Privacy Protection
B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT



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香港
干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF HONBRIDGE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 96 to 180, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to note 3.1(b)(ii) to the consolidated financial statements, which states that the Group incurred a loss from continuing operations of approximately HK\$158,811,000 for the year ended 31 December 2023, and as of that date, the Group had provision for repayment to the government of HK\$147,690,000 and bank borrowings of HK\$20,025,000 that were repayable within one year while its cash and cash equivalents amounted to HK\$166,953,000 only. These conditions, along with other matters as set forth in note 3.1(b)(ii), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of exploration and evaluation assets

(Refer to notes 3.9, 4(a)(i) and 16 to the consolidated financial statements)

As at 31 December 2023, before current year's impairment assessment, the Group had exploration and evaluation assets with carrying amount of HK\$7,467,157,000 operated by Sul Americana de Metais S.A. ("SAM"), a subsidiary of the Company, and were stated at cost less accumulated impairment loss.

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The directors consider all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Following a review of the business, the outlook of the industry in Brazil and SAM's operating plans, the estimated recoverable values (estimated by the independent external valuer as the management's expert) are higher than their carrying amount.

We focused on these area because these conclusions are dependent upon significant management judgement and are significant to the consolidated financial statements. Significant assumptions and parameters were set out in note 16 to the consolidated financial statements.

Our response

Our key procedures in relation to management's impairment assessment included:

- Assessing the appropriateness of valuation methodologies;
- Assessing the reasonableness of underlying key assumptions;
- Involving auditor's expert to assist our assessment on the valuation assessed by management's expert; and
- Evaluating the competence, capabilities and objectivity of the auditor's expert and management's expert.

Impairment assessment on non-current assets — online car-hailing and related services business

(Refer to notes 3.10, 4(a)(iii), 15 and 17 to the consolidated financial statements)

As at 31 December 2023, before current year's impairment assessment, the Group had property, plant and equipment with carrying amount of HK\$119,973,000 and right-of-use assets with carrying amount of HK\$8,071,000 attributable to the cash-generating unit ("CGU") of the online car-hailing and related services business.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS — CONTINUED

Impairment assessment on non-current assets — online car-hailing and related services business — Continued

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Given the online car-hailing and related services business suffered from loss for the year, the management performed impairment assessment for the property, plant and equipment and right-of-use assets within that business as at 31 December 2023. The estimation of the recoverable amounts of the CGU of the online car-hailing and related services business involves complex and subjective estimates based on management's judgement of key variables and market conditions.

Following a review of the business and the Group's operating plans of the online car-hailing and related services business, management assessed that impairment loss of HK\$62,621,000 on property, plant and equipment and HK\$4,213,000 on right-of-use assets were recognised to impair the carrying values of the relevant assets of the online car-hailing and related services business to their estimated recoverable amounts for the year.

We focused on these areas because estimation of recoverable amount is dependent upon significant management judgement and are significant to the consolidated financial statements.

Our response

Our key procedures in relation to management's impairment assessment included:

- Assessing the appropriateness of valuation methodologies;
- Assessing the reasonableness of underlying key assumptions;
- Involving auditor's expert to assist our assessment on the valuation assessed by management's expert; and
- Evaluating the competence, capabilities and objectivity of the auditor's expert and management's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Cheung Or Ping

Practising Certificate Number P05412

Hong Kong, 26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations			
Revenue	5	226,961	130,491
Cost of revenue		(176,301)	(98,825)
Gross profit		50,660	31,666
Other operating income, gains and losses	7	(13,149)	(33,664)
Selling and distribution costs		(6,922)	(5,867)
Administrative expenses		(106,143)	(95,558)
Other expenses	9, 26	–	(151,778)
Impairment loss on financial assets, net	9	(130)	(799)
Impairment loss on property, plant and equipment	15	(62,621)	(19,060)
Impairment loss on right-of-use assets	17	(4,213)	(1,665)
Gain on bargain purchase	9, 36	–	170
Loss on changes in fair value of contingent consideration payables	42	(6,257)	(3,123)
Share of results of associates	18	(589)	(1,385)
Gain on re-measurement of pre-existing interests in an associate	9, 36	–	27,047
Finance costs	8	(9,447)	(8,743)
Loss before income tax from continuing operations	9	(158,811)	(262,759)
Income tax expense	10	–	–
Loss for the year from continuing operations		(158,811)	(262,759)
Discontinued operation			
Loss for the year from discontinued operation	12	(8,309)	(39,102)
Loss for the year		(167,120)	(301,861)
Loss for the year attributable to:			
Owners of the Company			
— Continuing operations		(98,210)	(160,054)
— Discontinued operation		(8,309)	(39,102)
		(106,519)	(199,156)
Non-controlling interests			
— Continuing operations		(60,601)	(102,705)
		(167,120)	(301,861)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Loss for the year		(167,120)	(301,861)
Other comprehensive income/(loss)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Changes in fair value of equity instruments at fair value through other comprehensive income		(4,415)	(14,225)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		409,024	234,313
Share of other comprehensive income of associates		172	421
Release of translation reserve upon disposal of subsidiaries		(1,106)	–
Release of translation reserve upon derecognition of associates		–	(894)
Other comprehensive income for the year, net of tax		403,675	219,615
Total comprehensive income/(loss) for the year		236,555	(82,246)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		293,857	17,512
Non-controlling interests		(57,302)	(99,758)
		236,555	(82,246)
			(Re-presented)
Loss per share from continuing and discontinued operations	11		
— Basic		(1.09) cents	(2.05) cents
— Diluted		(1.09) cents	(2.05) cents
Loss per share from continuing operations	11		
— Basic		(1.00) cents	(1.65) cents
— Diluted		(1.00) cents	(1.65) cents
Loss per share from discontinued operation	11		
— Basic		(0.09) cents	(0.40) cents
— Diluted		(0.09) cents	(0.40) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	89,977	174,194
Exploration and evaluation assets	16	7,467,157	6,859,393
Right-of-use assets	17	37,671	45,614
Interests in associates	18	5,412	5,829
Financial assets at fair value through other comprehensive income	19	539	4,954
		7,600,756	7,089,984
Current assets			
Inventories	20	21,927	23,790
Trade and bill receivables	21	38,590	78,277
Prepayments, deposits and other receivables	22	52,230	53,536
Financial assets at fair value through profit or loss	23	44,128	82,185
Tax recoverable		433	471
Restricted bank deposits	24	31,065	37,054
Cash and cash equivalents	24	166,953	165,452
		355,326	440,765
Current liabilities			
Trade and bill payables	25	72,044	71,732
Provision, other payables, accruals and deposits received	26	213,985	92,473
Contract liabilities	27	321	314
Borrowings	28	20,025	16,508
Lease liabilities	29	3,420	3,105
		309,795	184,132
Net current assets		45,531	256,633
Total assets less current liabilities		7,646,287	7,346,617
Non-current liabilities			
Provision	26	–	151,778
Borrowings	28	108,926	132,519
Lease liabilities	29	9,512	12,658
Deferred income	30	3,134	6,379
Deferred tax liabilities	31	2,420,928	2,215,014
Other financial liabilities	32	10,761	8,472
Contingent consideration payables	42	119,047	112,790
		2,672,308	2,639,610
Net assets		4,973,979	4,707,007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	9,855	9,855
Reserves	40	4,978,330	4,661,703
		4,988,185	4,671,558
Non-controlling interests		(14,206)	35,449
Total equity		4,973,979	4,707,007

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Cash flows from operating activities			
Loss before income tax			
— Continuing operations		(158,811)	(262,759)
— Discontinued operation	12	(9,415)	(39,102)
		(168,226)	(301,861)
Adjustments for:			
Depreciation of property, plant and equipment	15	26,120	18,631
Amortisation of right-of-use assets	17	3,051	4,829
Impairment loss (reversed)/recognised on trade receivables	21	(766)	799
Impairment loss recognised on amount due from an associate	22	896	—
Impairment loss on property, plant and equipment	15	62,621	30,022
Impairment loss on right-of-use assets	17	4,213	2,485
Write-down of inventories	20	—	12,832
Interest expense on borrowings	8	6,630	7,416
Interest on lease liabilities	8	1,006	601
Imputed interest on other financial liabilities	8	1,812	732
Share of results of associates	18	589	1,385
Gain on re-measurement of pre-existing interests in an associate	36	—	(27,047)
Loss on changes in fair value of contingent consideration payables	42	6,257	3,123
Bank interest income	7	(3,882)	(8,057)
Loss on disposal of property, plant and equipment	9	158	1,827
Write off of property, plant and equipment	9	1,684	1,041
Government grant	30	(3,092)	(6,009)
Gain on bargain purchase	9,36	—	(170)
Other expenses	9,26	—	163,179
Net loss on financial assets at fair value through profit or loss	7	36,649	62,986
Operating loss before working capital changes		(24,280)	(31,256)
Decrease/(increase) in inventories		1,150	(28,596)
Decrease/(increase) in trade and bill receivables		37,740	(19,597)
Decrease in prepayments, deposits and other receivables		214	14,429
Increase in trade and bill payables		1,759	41,994
Decrease in other payables, accrued expenses and deposits received		(1,821)	(7,559)
Decrease in contract liabilities		(2)	(9,228)
Cash generated from/(used in) operations activities		14,760	(39,813)
Income tax paid		—	—
<i>Net cash generated from/(used in) operating activities</i>		14,760	(39,813)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from investing activities			
Interest received		3,882	8,057
Net cash received from acquisition of subsidiaries	36	–	4,207
Purchases of property, plant and equipment	15	(5,220)	(17,307)
Additions of exploration and evaluation assets	16	(2,134)	(2,924)
Proceeds from disposals of property, plant and equipment		1,533	1,876
Purchase of financial assets at fair value through other comprehensive income		–	(3,739)
Purchases of financial assets at fair value through profit or loss		–	(2,375)
Proceeds from disposal of financial assets at fair value through profit or loss		1,408	5,504
Disposal of subsidiaries, net of cash disposal of	35	20,071	–
Placement of restricted bank deposits		(5,078)	(33,280)
<i>Net cash generated from/(used in) investing activities</i>		14,462	(39,981)
Cash flows from financing activities			
Interest paid on borrowings	47	(6,630)	(7,416)
Repayments of borrowings	47	(16,164)	(116,421)
Proceed from the disposal of treasury shares		443	–
Interest paid on lease liabilities	47	(1,006)	(601)
Repayment of principal portion of lease liabilities	47	(3,113)	(2,688)
<i>Net cash used in financing activities</i>		(26,470)	(127,126)
Increase/(decrease) in cash and cash equivalents		2,752	(206,920)
Cash and cash equivalents at 1 January		165,452	396,387
Effect of foreign exchange rate changes		(1,251)	(24,015)
Cash and cash equivalents at 31 December		166,953	165,452
Analysis of cash and cash equivalents			
Cash at banks and in hand		166,953	165,452

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 through other comprehensive income reserve* HK\$'000	Other reserve* HK\$'000	Retained earnings* HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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 (Note 36)	-	-	-	-	-	-	-	-	-	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 income/(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
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
Disposal of treasury shares (Note 40)	-	-	1,220	-	-	-	-	(777)	443	-	443
Acquisition of assets through acquisition of a subsidiary (Note 38(b))	-	-	-	-	-	-	(7,647)	-	(7,647)	7,647	-
Deemed contribution arising from disposal of subsidiaries (Note 35)	-	-	-	-	-	-	-	29,974	29,974	-	29,974
Share options lapsed	-	-	-	(9,958)	-	-	-	9,958	-	-	-
Transactions with owners	-	-	1,220	(9,958)	-	-	(7,647)	39,155	22,770	7,647	30,417
Loss for the year	-	-	-	-	-	-	-	(106,519)	(106,519)	(60,601)	(167,120)
Other comprehensive income/(loss)											
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(4,415)	-	-	(4,415)	-	(4,415)
Release of translation reserve upon disposal of subsidiaries (Note 35)	-	-	-	-	(1,106)	-	-	-	(1,106)	-	(1,106)
Share of other comprehensive income of an associate	-	-	-	-	172	-	-	-	172	-	172
Currency translation	-	-	-	-	405,725	-	-	-	405,725	3,299	409,024
Total comprehensive income	-	-	-	-	404,791	(4,415)	-	(106,519)	293,857	(57,302)	236,555
At 31 December 2023	9,855	3,563,686	(141,644)	-	(5,629,154)	(103,328)	(7,647)	7,296,417	4,988,185	(14,206)	4,973,979

* The aggregate amount of these balances of approximately HK\$4,978,330,000 (2022: HK\$4,661,703,000) is included as reserves in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 set out in note 38. The Company and its subsidiaries are collectively referred to as the “Group” hereinafter. The directors of the Company consider the ultimate holding company as Geely Group Limited, a company incorporated in the British Virgin Islands (the “BVI”) with limited liability.

During the year ended 31 December 2023, the Group had discontinued the operation of battery swapping services through disposal of subsidiaries.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s consolidated 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
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9
HKFRS 17	Insurance Contracts and the related amendments

Except for the impact of the adoption of the revised HKFRSs that have been summarised in below, the other revised HKFRSs has no material impact on the Group’s accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) — CONTINUED

2.1 Adoption of new and revised HKFRSs — Continued

HKFRS 17 — Insurance Contracts

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including contingent consideration payables which details are set out in note 42, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Amendment to HKAS 1 — Disclosure of Accounting Policies

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose “significant accounting policies” with “material accounting policy information”. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ADOPTION OF NEW/REVISED HKFRSs — CONTINUED

2.2 Revised 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 HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments") ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

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 revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation

(a) Statement of compliance

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 HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements also include the applicable disclosure required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange.

(b) Basis of measurement and going concern basis

(i) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.1 Basis of preparation — Continued

(b) Basis of measurement and going concern basis — Continued

(ii) *Going concern basis*

The Group incurred a loss from continuing operations of approximately HK\$158,811,000 for the year ended 31 December 2023, and as of that date, the Group had provision for repayment to Jinhua Municipal Government of approximately HK\$147,690,000 that was included in provision, other payables, accruals and deposits received (note 26) and bank borrowings of approximately HK\$20,025,000 (note 28) that were repayable with one year while its cash and cash equivalents amounted to approximately HK\$166,953,000 only.

For the purpose of assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements, the directors of the Company (“the Directors”) have prepared a cash flow forecast covering a period from the end of the reporting period to 31 March 2025 (“Cash Flow Forecast”). In the preparation of the Cash Flow Forecast, the Directors have given careful consideration to the future liquidity and performance of the Group, and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- (a) A shareholder of the Company has signed a letter of undertaking to confirm its intention to provide financial support to the Group for a maximum amount of approximately HK\$147,690,000 so as to enable the Group to settle its obligation in relation to the provision for repayment to the Jinhua Municipal Government as stated above;
- (b) The Group has been focusing on fulfilling and delivering orders for lithium battery products and implementing measures to accelerate sales;
- (c) The Group has been consolidating resources to optimise its operations and reduce expenses and eliminate unnecessary capital expenditures;
- (d) The Group is in the process of renegotiating the repayment schedule with Jinhua Municipal Government;
- (e) The Group has been engaged in constructive dialogue with banks and other potential financial institutions to explore possible borrowings/credit facilities; and
- (f) The Group is considering various alternatives to strengthen the capital base of the Company.

Based on the Cash Flow Forecast, the Directors are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.1 Basis of preparation — Continued

(b) Basis of measurement and going concern basis — Continued

(ii) *Going concern basis — Continued*

Notwithstanding the above, the validity of the going concern basis is dependent upon the future outcomes of the plans and measures as set out below that are inherently uncertain:

- (a) the shareholder of the Company would be able to provide sufficient financial support on a timely basis to the Group when the Group is in need;
- (b) the Group would receive sufficient orders and be able to speed of its production of the lithium battery business to fulfil the orders;
- (c) whether a repayment schedules could be fixed with Jinhua Municipal Government that fits the Group's liquidity; and
- (d) the successful renewal of certain of its borrowings and/or obtain new borrowings/ credit facilities.

These indicate that existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(c) **Functional and presentation currency**

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.

(d) **Re-presentation due to discontinued operation**

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the prior period.

The re-presentation do not affect the consolidated statement of financial position as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.3 Subsidiaries — Continued

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

3.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the disposal gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.6 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.6 Revenue recognition — Continued

Sales of lithium batteries

Sale of lithium batteries is recognised at a point in time when the goods are transferred and the customer has received the goods, since only by the time the Group has a present right to payment for the goods delivered.

Provision of battery testing services

The Group provides supporting services such as sites, equipment, power supply, and other supporting services to the customers in the installation assistance of battery pilot line and battery testing.

Revenue is recognised over time as battery testing services are provided.

Provision of battery swapping services

Revenue is recognised over time as battery swapping services are provided.

Provision of delivery services

Delivery services income is recognised at the time when the on-demand delivery services are provided.

Platform services

The Group provides online-hailing platform services to drivers (the “Drivers”) to find passengers who are looking for a ride (the “Riders”) and the Group considers the Drivers as customers of the platform services (“Platform Services”). Drivers accept the terms and conditions with the Group to receive the Platform Services through the use of the CaoCao Mobility App. The terms and conditions defines the fees the Group charges the Drivers for each transaction, each party’s rights and obligations regarding the Platform Services. As the Group’s customary business practice, a contract exists between the Drivers and the Group when the Drivers confirms an online-hailing request from Riders and their ability to cancel the transaction lapses. The duration of a contract with a customer is typically equal to the duration of a single ride. The Group provides Platform Services to the Drivers to assist them to complete riding service to the Riders and the Group earns fees from the Drivers at a fixed percentage of the fare charged to the Riders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.6 Revenue recognition — Continued

Platform services — Continued

Revenue is recognised at the time the performance obligation is satisfied by transferring the control of the promised service to a customer in an amount that reflects the consideration that the Group expects to receive in exchange for the service. The Group recognises revenue upon completion of a trip as its performance obligation is satisfied upon the completion of the trip. The Group does not have contract assets or contract liabilities in relation to the Platform Services as the payment of the transaction price is concurrent with the fulfillment of the services. At the time of trip completion, the Group has the right to receive payment for the services rendered. Accordingly, there are no partially satisfied or unsatisfied performance obligations as of 31 December 2023. The Group recognises the Platform Services at a point in time.

The Group has determined that it acts as an agent in the Platform Services as the Group are not responsible for fulfilling the promise to provide the riding services provided by drivers, nor do we have the ability to control the related services. Upon the completion of riding order, the Group recognised the service income charged to the Drivers in the form of commission, who is regarded as the customer of online-hailing services. The amount to be remitted to the Drivers from the cash payments made by Riders net of the service income charged to the Drivers, are recorded as payables to the Drivers.

Riding service income

The Group provides riding services through the employee of the Group for customers who place riding orders via multiple channels including the CaoCao Mobility App owned and developed by the Group and other means, such as other platform applications developed by other services providers and direct email quotations. The Group has determined that it acts as a principal in these services as the Group is primarily responsible for the riding service which meet the riding service specification promised to customers. The Group identifies and directs the riding service providers to complete the orders. Also, the Group has full discretion in establishing the fares for the services to customers. Revenues resulting from riding services are recognised over the period when the service is rendered on a gross basis.

Motor vehicles rental income

Rental income derived from operating lease contracts is specified as motor vehicles rental revenue. Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

Advertising and related services

The Group derived the advertising income from the customers in exchange for advertising placement on the Group's vehicles. Advertising income is recognised on a pro-rata basis over the contractual service period.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Freehold land is not subject to depreciation. Depreciation on other property, plant and equipment, other than the construction in progress, is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold buildings	3.33% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Plant and machinery	10% to 20%
Furniture and office equipment	10% to 20%
Computer software	20%
Motor vehicles	10% to 20%

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents plant and machinery under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.8 Research and development activities

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

3.9 Exploration and evaluation assets

Exploration and evaluation assets acquired in business combination are initially recognised at fair value and subsequently stated at cost less any impairment losses.

Exploration and evaluation assets include topographical and geological surveys, exploratory drillings, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ores and to expand the capacity of a mine. Expenditure incurred prior to obtaining the legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible and intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets thereon will be written off to profit or loss.

No amortisation is charged during the exploration and evaluation phase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.9 Exploration and evaluation assets — Continued

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKFRS 6 “Exploration for and Evaluation of Mineral Resources” and HKAS 36 “Impairment of Assets” whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- (i) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
- (iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped into each area of interest for which exploration activities are undertaken.

An impairment loss is recognised as an expense immediately for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset’s recoverable amount and only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.10 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets and investments in subsidiaries and associates are subject to impairment testing. These are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.11 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.11 Financial instruments — Continued

(i) Financial assets — Continued

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.11 Financial instruments — Continued

(ii) Impairment loss on financial assets — Continued

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.11 Financial instruments — Continued

(iii) Financial liabilities

Financial liabilities at amortised cost

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade, bill and other payables, other financial liabilities and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at FVTPL

Financial liabilities at FVTPL includes financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising the gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.11 Financial instruments — Continued

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in case of work-in-progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

3.13 Cash and cash equivalents

For the purpose of the consolidated statement of financial position and the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and at banks, which are not restricted as to use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.14 Leasing

The Group as a lessee

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

Right-of-use asset

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

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

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

Lease liability

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

The Group as a lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in profit or loss on straight line method over the expected lives of the related assets.

3.16 Income taxes

Income taxes comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax liabilities are recognised in profit or loss.

3.17 Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through several defined contribution plans.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contribution recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.17 Retirement benefit costs and short-term employee benefits — Continued

Defined contribution plan — Continued

The Group contributes to defined contribution retirement benefit schemes registered under the Mandatory Provident Fund Scheme Ordinance (the “MPF Scheme”), which are available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees’ basic salaries. Retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to MPF Scheme. Assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the governments in the People’s Republic of China (the “PRC”), France and Brazil, the Group participates in a local municipal government retirement benefits scheme (the “Scheme”), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION — CONTINUED

3.19 Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss and other comprehensive income, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Key sources of estimation uncertainty

(i) Impairment of exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The directors consider all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Management reassesses the impairment of exploration and evaluation assets at the reporting dates (note 16). Following a review of the business, the outlook of the industry in Brazil and SAM's operating plans, the estimated recoverable values (estimated by the independent external valuer as the management's expert) are higher than their carrying amounts.

(ii) Impairment of receivables

The impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(a) Key sources of estimation uncertainty — Continued

(iii) Impairment of non-financial assets (other than exploration and evaluation assets)

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The estimation of the recoverable amounts of the non-financial assets involves complex and subjective estimates based on management's judgement of key variables and market conditions. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iv) Provision for net realisable value of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate is changed.

(v) Depreciation

The Group depreciates its property, plant and equipment in accordance with the accounting policies stated in note 3.7. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets.

(vi) Fair value of contingent consideration payables

Where the fair value of contingent consideration payables recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as probability of occurrence of certain events as stated in the agreements for contingent consideration. Changes in assumptions about these factors could affect the reported fair value of contingent consideration payables.

(vii) Provision for repayment to the government

As explained in note 26(a)(i), the Group makes provisions for the probable cash outflow regarding the repayment to the government. In estimating the provision, the directors of the Company have made assumptions based on the Group's accumulated qualified plant and equipment investment as at 31 January 2024. The Group provided the provision based on the best estimation on the Group's budget on the capital expenditure of these qualified plant and equipment investment. Any increase or decrease in the provision would affect profit or loss in future year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(b) Critical judgement

(i) De-facto control

De-facto control exists when the size of an entity's own voting, rights relative to the size and dispersion of other vote holders, give the entity the practical ability to unilaterally direct the relevant activities of the investee. The Company holds 35.56% equity interest in Jixing International Technology Co., Ltd ("Jixing International") and Jixing International is regarded as a subsidiary of the Company as disclosed in note 36. The directors of the Company assessed whether or not the Group has control over Jixing International based on whether the Group has the practical ability to direct the relevant activities of Jixing International unilaterally. In making their judgement, the directors considered various factors, including but not limited to the Group's absolute size of holding in Jixing International and the arrangements with the party acting in concert. After the assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Jixing International and therefore the Company has control over Jixing International.

(ii) Principal versus agent consideration

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group (i) controls the service provided to the customer, (ii) is primarily responsible for fulfilling the contract, and (iii) has discretion in establishing prices.

The Group determined it acts a principal in riding services though the employee of the Group as the Group is primarily responsible for fulfilling the promise to provide the riding services and regards the Riders who place the riding orders via CaoCao Mobility platform or other means as customers. When the Group satisfies the performance obligation, the Group recognised the riding service income in the gross amount of consideration in which the Group expected to be entitled as specified in the contracts.

Meanwhile, the Group determined it acts an agent in Platform Services as the Group facilitates matching Drivers with the Riders. The Group has charged service income to Drivers for their use of platform. The Group is considered as an agent for its contracts with Drivers relating to the provision of Platform Services as the Group did not obtain the control over the specified riding services provided by Drivers and requested by the Riders via the use of CaoCao Mobility platform before that service is transferred to the Riders after taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise to provide the riding services. When the Group satisfies the performance obligation, the Group recognises a commission revenue in the amount it expects to be entitled as specified in the contracts.

(iii) Going concern assumption

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at the end of the reporting period, about the future outcome of events or conditions, which are inherently uncertain. The directors considers that the Group have the capabilities to continue as going concerns, the going concern assumption and related mitigating measures taken by management are set out in note 3(b)(ii) to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

5. REVENUE

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

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations:		
Sale of lithium batteries	158,045	95,727
Battery testing service income	15,870	13,370
Platform service and riding service income	40,133	19,079
Advertising and related income	1,364	372
Revenue from contracts with customers	215,412	128,548
Motor vehicles rental income (<i>Note</i>)	11,549	1,943
Revenue from continuing operations	226,961	130,491
Discontinued operation:		
Delivery service income	1,190	3,041
Battery swapping service income	698	4,124
Revenue from contracts with customers from discontinued operation	1,888	7,165
Timing of revenue recognition		
At a point in time	160,494	99,445
Over time	56,806	36,268
	217,300	135,713

There are no remaining performance obligations as at 31 December 2023 and 2022.

Note:

Variable lease payments that do not depend on an index or rate amounted to HK\$11,549,000 (2022: HK\$1,943,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

5. REVENUE — CONTINUED

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

	Discontinued operation	Continuing operations			Sub-total	Total
	Battery swapping services	Mineral resources exploration and trading	Lithium battery production	Online car-hailing and related services		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2023						
Sale of lithium batteries	-	-	158,045	-	158,045	158,045
Battery testing service income	-	-	15,870	-	15,870	15,870
Delivery service income	1,190	-	-	-	-	1,190
Battery swapping service income	698	-	-	-	-	698
Platform service and riding service income	-	-	-	40,133	40,133	40,133
Advertising and related income	-	-	-	1,364	1,364	1,364
Revenue from contracts with customers	1,888	-	173,915	41,497	215,412	217,300
Motor vehicles rental income	-	-	-	11,549	11,549	11,549
	1,888	-	173,915	53,046	226,961	228,849

	Discontinued operation	Continuing operations			Sub-total	Total
	Battery swapping services	Mineral resources exploration and trading	Lithium battery production	Online car-hailing and related services		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2022						
Sale of lithium batteries	-	-	95,727	-	95,727	95,727
Battery testing service income	-	-	13,370	-	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	19,079
Advertising and related income	-	-	-	372	372	372
Revenue from contracts with customers	7,165	-	109,097	19,451	128,548	135,713
Motor vehicles rental income	-	-	-	1,943	1,943	1,943
	7,165	-	109,097	21,394	130,491	137,656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. 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 PRC, France and Brazil.

The Group has identified the following reportable segments:

Continuing operations:

- (i) "Mineral resources exploration and trading" segment involves research and exploration of mineral resources and trading of minerals;
- (ii) "Lithium battery production" segment involves production and sale of lithium battery; and
- (iii) "Online car-hailing and related services" segment involves provision of platform services, riding services, motor vehicles rental services and advertising and related services.

During the year ended 31 December 2023, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. An operating segment for the Group's provision of battery swapping services in the PRC was discontinued upon disposal of subsidiaries (note 12) in the current year. The segment information reported in note 6 to the consolidated financial statements does not include any amounts for this discontinued operation, which are described in more details as set out in note 12. Prior year segment disclosures have been represented to conform with the current year's presentation.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that corporate income and expenses which are not included in arriving at the operating results of the operating segment, which primarily applies to the Group's headquarter.

Segment assets and liabilities exclude corporate assets and liabilities which are not directly attributable to the business activities of any operating segment, which primarily referred to deferred tax liabilities and those assets and liabilities included in the Group's headquarter.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT REPORTING — CONTINUED

Information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

	Continuing operations			Total HK\$'000
	Mineral resources exploration and trading HK\$'000	Lithium battery production HK\$'000	Online car-hailing and related services HK\$'000	
Year ended 31 December 2023				
Reportable segment revenue (external customers)	–	173,915	53,046	226,961
Reportable segment (losses)/gains	(8,225)	20,530	(107,922)	(95,617)
Reportable segment assets	7,480,220	302,550	84,964	7,867,734
Reportable segment liabilities	120,338	382,899	48,485	551,722
Capital expenditure	3,026	2,989	1,339	7,354
Impairment loss on property, plant and equipment	–	–	62,621	62,621
Impairment loss on right-of-use assets	–	–	4,213	4,213
(Reversal of impairment loss)/impairment loss on financial assets	–	(811)	45	(766)
Interest income	(107)	(3,604)	(1)	(3,712)
Interest expense	–	6,630	2,621	9,251
Depreciation	88	3,975	20,508	24,571
Amortisation	–	766	1,020	1,786

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT REPORTING — CONTINUED

	Continuing operations			Total HK\$'000 (Re-presented)
	Mineral resources exploration and trading HK\$'000	Lithium battery production HK\$'000	Online car-hailing and related services HK\$'000	
Year ended 31 December 2022				
Reportable segment revenue (external customers)	–	109,097	21,394	130,491
Reportable segment losses	(9,005)	(174,127)	(23,844)	(206,976)
Reportable segment assets	6,873,337	317,392	179,797	7,370,526
Reportable segment liabilities	113,366	420,622	38,549	572,537
Capital expenditure	2,924	15,801	287	19,012
Impairment loss on property, plant and equipment	–	19,060	–	19,060
Impairment loss on right-of-use assets	–	1,665	–	1,665
Impairment loss on financial assets	–	799	–	799
Interest income	(256)	(7,210)	(1)	(7,467)
Interest expense	–	7,416	1,021	8,437
Other expenses	–	151,778	–	151,778
Depreciation	26	2,897	7,224	10,147
Amortisation	–	805	1,576	2,381
Write-down of inventories	–	12,832	–	12,832

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT REPORTING — CONTINUED

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

Continuing operations

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Reportable segment revenue	226,961	130,491
Reportable segment losses	(95,617)	(206,976)
Other operating income	278	5,143
Administrative expenses	(18,885)	(20,343)
Share of results of associates	(589)	(1,385)
Impairment loss on financial assets	(896)	–
Fair value loss on contingent consideration payables	(6,257)	(3,123)
Net loss on financial assets at FVTPL	(36,649)	(62,986)
Finance costs	(196)	(306)
Gain on re-measurement of pre-existing interests in an associate	–	27,047
Gain on bargain purchase	–	170
Loss before income tax from continuing operations	(158,811)	(262,759)
Reportable segment assets	7,867,734	7,370,526
Right-of-use assets	1,554	2,822
Interests in associates	5,412	5,829
Financial assets at FVOCI	539	4,954
Prepayments, deposits and other receivables	26,295	26,643
Financial assets at FVTPL	44,128	82,185
Cash and cash equivalents	10,420	8,094
Assets relating to discontinued operation	–	29,696
	7,956,082	7,530,749
Reportable segment liabilities	551,722	572,537
Other payables, accruals and deposits received	6,512	2,598
Lease liabilities	2,941	5,165
Deferred tax liabilities	2,420,928	2,215,014
Liabilities relating to discontinued operation	–	28,428
	2,982,103	2,823,742

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT REPORTING — CONTINUED

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

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Revenue from external customers		
PRC	18,385	26,620
France	53,046	21,394
United Kingdom	155,530	82,477
Reportable segment revenue	226,961	130,491
Non-current assets (excluding financial assets)		
Hong Kong	6,966	8,651
PRC	64,451	68,025
France	61,197	146,494
Brazil	7,467,603	6,859,925
Reportable segment non-current assets	7,600,217	7,083,095

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:

	2023 HK\$'000	2022 HK\$'000
Customer A ¹	157,688	98,557

¹ Revenue from lithium battery production segment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. OTHER OPERATING INCOME, GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations:		
Bank interest income	3,718	7,582
Government grants (note (i))	3,137	6,101
Rental income	–	180
Sundry income (note (ii))	17,056	15,440
Dividend income	–	23
Loss on disposal of property, plant and equipment	(411)	(4)
Net loss on financial assets at FVTPL	(36,649)	(62,986)
	(13,149)	(33,664)
Discontinued operation:		
Bank interest income	164	475
Government grants (note (i))	111	1,163
Sundry income	5	494
Gain/(loss) on disposal of property, plant and equipment	253	(1,823)
	533	309
	(12,616)	(33,355)

Notes:

- (i) The balance represented government grant related to income of HK\$0.1 million (2022: HK\$1.3 million) and government grant related to assets of HK\$3.1 million (2022: HK\$6.0 million) (Note 30). These government grants were received and complied with all attached conditions and therefore recognised in profit or loss during the year.
- (ii) Among the sundry income, HK\$5,735,000 (2022: HK\$6,031,000) is derived from a subsidiary of Zhejiang Geely Holding Group Company Limited. Since Zhejiang Geely Holding Group Company Limited is a substantial shareholder and a related party of the Company, this entity is therefore a related party of the Company.

8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations:		
Interest charges on bank borrowings not wholly repayable within five years	6,630	7,416
Interest on lease liabilities	1,005	595
Imputed interest on other financial liabilities	1,812	732
	9,447	8,743
Discontinued operation:		
Interest on lease liabilities	1	6
	1	6
	9,448	8,749

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

9. LOSS BEFORE INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations:		
Auditor's remuneration		
— audit services	2,704	2,885
— non-audit services	90	—
	2,794	2,885
Cost of inventories recognised as expenses (note (ii))	117,357	65,914
Depreciation	24,571	10,147
Amortisation of right-of-use assets (note (i))	3,040	4,709
Short-term leases expenses	1,166	850
Net foreign exchange gain	(13)	(1,699)
Research and development costs (note (i))	20,126	21,624
Loss on disposal of property, plant and equipment	411	4
Write off of property, plant and equipment	1,684	1,041
Gain on bargain purchase (Note 36)	—	(170)
Gain on re-measurement of pre-existing interests in an associate (Note 36)	—	(27,047)
Other expenses (Note 26)	—	151,778
(Reversal of impairment loss)/impairment loss on financial assets:		
— Trade receivables (Note 21)	(766)	799
— Amount due from an associate (Note 22)	896	—
Impairment loss on financial assets, net	130	799
Impairment loss on property, plant and equipment	62,621	19,060
Impairment loss on right-of-use assets	4,213	1,665
Discontinued operation:		
Depreciation	1,549	8,484
Amortisation of right-of-use assets (note (i))	11	120
Short-term leases expenses	189	371
Research and development costs (note (i))	854	2,456
(Gain)/loss on disposal of property, plant and equipment	(253)	1,823
Other expenses (Note 26)	—	11,401
Impairment loss on property, plant and equipment	—	10,962
Impairment loss on right-of-use assets	—	820

Notes:

(i) Included in administrative expenses.

(ii) For the year ended 31 December 2022, write-down of inventories to net realisable value of HK\$12,832,000 was included in cost of revenue (2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

10. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Continuing operations:		
Current tax	–	–

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% (2022: 25%) is applicable to the Company's PRC subsidiaries.

Corporate income tax rates in Brazil of 34% (2022: 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% (2022: 25%) is applicable to the Company's subsidiaries in France.

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

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Loss before income tax		
Continuing operations	(158,811)	(262,759)
Discontinued operation	(9,415)	(39,102)
	(168,226)	(301,861)
Tax on loss before income tax, calculated at the rates applicable to losses in the tax jurisdiction concerned	(37,678)	(70,224)
Tax effect of non-deductible expenses	24,104	62,039
Tax effect of non-taxable revenue	(2)	(6,853)
Tax effect of tax losses not recognised	13,576	15,038
Income tax expense	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company and weighted average of ordinary shares in issue (after adjusting the effect of treasury shares held by the Company with details set out in note 40) during the year.

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	9,737,776	9,737,434

(a) From continuing and discontinued operations

	2023 HK\$'000	2022 HK\$'000
Loss for the purpose of calculating basic loss per share	(106,519)	(199,156)

(b) From continuing operations

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Loss for the year attributable to owners of the Company	(106,519)	(199,156)
Less: loss for the year from discontinued operation	(8,309)	(39,102)
Loss for the purpose of calculating basic loss per share from continuing operations	(98,210)	(160,054)

(c) From discontinued operation

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Loss for the purpose of calculating basic loss per share from discontinued operation	(8,309)	(39,102)

Diluted loss per share for the years ended 31 December 2023 and 2022 is the same as basic loss per share because the impact of the exercise of share options was anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

12. DISCONTINUED OPERATION

On 22 September 2023, a non-wholly owned subsidiary of the Company entered into agreements with a related party of the Company in relation to the disposal of the entire issued share capital of GETI (China) Energy Technology Co., Ltd (“GETI (China) Energy”) and Hangzhou GETI Industrial Co., Ltd (“Hangzhou GETI Industrial”). GETI (China) Energy and Hangzhou GETI Industrial were principally engaged in provision of battery swapping services in the PRC. The disposals were completed on 24 November 2023. The results and cash flows of the discontinued operation of battery swapping services as well as the gain on disposal are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the battery swapping services operation as a discontinued operation.

	2023*	2022
	HK\$'000	HK\$'000
Revenue	1,888	7,165
Cost of revenue	(4,730)	(13,896)
Gross loss	(2,842)	(6,731)
Other operating income, gains and losses	533	309
Selling and distribution costs	(944)	(2,007)
Administrative expenses	(6,161)	(7,484)
Other expenses	–	(11,401)
Impairment loss on property, plant and equipment	–	(10,962)
Impairment loss on right-of-use assets	–	(820)
Finance costs	(1)	(6)
Loss before income tax	(9,415)	(39,102)
Income tax expense	–	–
Loss after income tax from discontinued operation	(9,415)	(39,102)

The consolidated loss for the period from discontinued operation is set out below:

	2023*	2022
	HK\$'000	HK\$'000
Loss for the period from discontinued operation	(9,415)	(39,102)
Release of translation reserve upon disposal of subsidiaries (<i>Note 35</i>)	1,106	–
	(8,309)	(39,102)
Cash flows from discontinued operation:		
Operating cash flows	(13,712)	(23,076)
Investing cash flows	164	(2,159)
Financing cash flows	(59)	(131)
Net cash flows	(13,607)	(25,366)

* For the period from 1 January 2023 to the date of disposal (i.e. 24 November 2023).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

12. DISCONTINUED OPERATION — CONTINUED

The carrying amounts of the assets and liabilities of GETI (China) Energy and Hangzhou GETI Industrial at the date of disposal are disclosed in note 35.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK\$'000	2022 HK\$'000 (Re-presented)
Continuing operations:		
Wages and salaries	64,659	65,983
Contribution to defined contribution plans	12,955	5,018
	77,614	71,001
Discontinued operation:		
Wages and salaries	3,675	4,195
Contribution to defined contribution plans	747	979
	4,422	5,174
	82,036	76,175

Employee benefit expenses of HK\$19,382,000 (2022: HK\$14,091,000), HK\$2,072,000 (2022: HK\$3,235,000) and HK\$60,582,000 (2022: HK\$58,849,000) have been included in cost of revenue, selling and distribution costs and administrative expenses respectively.

Included in staff costs are key management personnel compensation and comprises the following categories:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	8,028	8,202
Contribution to defined contribution plans	72	72
	8,100	8,274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

14. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

(a) Directors' emoluments

	Fees HK\$'000	Salaries and allowances HK\$'000	Contribution to defined contribution plans HK\$'000	Total HK\$'000
Year ended 31 December 2023				
Executive directors				
HE Xuechu	1,913	–	18	1,931
LIU Wei, William	1,777	–	18	1,795
LIU Jian	–	1,220	–	1,220
Non-executive director				
YAN Weimin	–	–	–	–
Independent non-executive directors				
CHAN Chun Wai, Tony	251	–	–	251
MA Gang	251	–	–	251
HA Chun	251	–	–	251
	4,443	1,220	36	5,699
Year ended 31 December 2022				
Executive directors				
HE Xuechu	2,022	–	18	2,040
LIU Wei, William	1,876	–	18	1,894
LIU Jian	–	1,164	–	1,164
Non-executive director				
YAN Weimin	–	–	–	–
Independent non-executive directors				
CHAN Chun Wai, Tony	251	–	–	251
MA Gang	251	–	–	251
HA Chun	251	–	–	251
	4,651	1,164	36	5,851

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

14. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS — CONTINUED

(a) Directors' emoluments — Continued

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

Fee, salaries and allowance paid to or for the executive directors are generally emoluments paid in respect of those persons' services in connection with the management of the affairs of the Company and its subsidiaries.

(b) Five highest paid individuals

The five individuals whose total emoluments were the highest in the Group for the year included three (2022: three) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining two (2022: two) individuals during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,364	2,387
Contribution to defined contribution plans	36	36
	2,400	2,423

The emoluments fell within the following band:

	Number of individuals	
	2023	2022
Emolument band HK\$1,000,001 – HK\$1,500,000	2	2
	2	2

During the year ended 31 December 2023, no emoluments were paid by the Group to the directors or the two (2022: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. 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 2022									
Opening net book amount	76	18,058	53	43,219	1,122	295	54	6,695	69,572
Acquisition of subsidiaries (Note 36)	-	-	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
Year ended 31 December 2023									
Opening net book amount	80	12,834	890	21,960	1,088	136,253	462	627	174,194
Additions	-	882	-	111	995	1,339	-	1,893	5,220
Transfers	-	-	-	1,154	-	-	685	(1,839)	-
Disposals	-	-	-	-	(4)	(1,646)	-	(41)	(1,691)
Disposal of subsidiaries (Note 35)	-	-	-	(137)	-	(2)	-	(125)	(264)
Write off	-	-	-	(353)	(1)	(1,323)	(7)	-	(1,684)
Depreciation	-	(498)	(193)	(4,856)	(1,318)	(19,014)	(241)	-	(26,120)
Impairment	-	-	(376)	(19)	(88)	(62,032)	(106)	-	(62,621)
Exchange difference	7	(348)	22	(213)	34	3,455	2	(16)	2,943
Closing net book amount	87	12,870	343	17,647	706	57,030	795	499	89,977
At 31 December 2023									
Cost	87	212,313	3,958	387,060	10,334	193,596	4,956	3,325	815,629
Accumulated depreciation and impairment	-	(199,443)	(3,615)	(369,413)	(9,628)	(136,566)	(4,161)	(2,826)	(725,652)
Net book amount	87	12,870	343	17,647	706	57,030	795	499	89,977

Note:

The Group's land held as at 31 December 2023 and 2022, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2023 and 2022 are situated in the PRC and held under long term leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

Depreciation of HK\$17,370,000 (2022: HK\$15,569,000), HK\$14,000 (2022: HK\$246,000) and HK\$8,736,000 (2022: HK\$2,816,000) have been included in cost of revenue, selling and distribution costs and administrative expenses respectively.

As at 31 December 2023, leasehold buildings of HK\$10,239,000 (2022: HK\$10,691,000) were pledged to secure the Group's bank borrowings (note 28).

Impairment assessment of the relevant assets of CGU of online car-hailing and related services

As at 31 December 2023, certain of the Group's property, plant and equipment and right-of-use assets of HK\$128,044,000 in total are mainly related to the CGU of online car-hailing and related services segment ("Online car-hailing and related services CGU") which recorded operating losses during the year.

As at 31 December 2023, the directors of the Company concluded there was impairment indicator and carried out impairment assessment and a review of the recoverable amounts of relevant assets of Online car-hailing and related services CGU, which is amounted to HK\$61,210,000. The carrying amount of Online car-hailing and related services CGU is written down to its recoverable amount and the impairment amounting to HK\$66,834,000 has been allocated pro rata to class of assets to offset the carrying amount of the asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. As a result, impairment loss of HK\$62,621,000 on property, plant and equipment and HK\$4,213,000 on right-of-use assets (note 17) had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023. The significant impairment loss recognised was mainly due to the change in average annual growth rate of revenue from online car-hailing and related services which are determined based on the past performance and management's expectation for market development.

The recoverable amount had been determined based on value in use calculation using discounted cash flow technique, covering detailed budget plans prepared by the management assumption of up to the end of useful life of Online car-hailing and related services CGU at 2031, followed by a projected cash flows with average revenue growth rate of 8.7% (2022: 15.7%). The pre-tax discount rate used for value in use calculation is 15.21% (2022: 16.42%) 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 and revenue growth rate, 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 Online car-hailing and related services CGU, the 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 Online car-hailing and related services 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 flows under the income approach.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

Impairment assessment of the relevant assets of 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 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. As a result, impairment loss of HK\$19,060,000 on property, plant and equipment and HK\$1,665,000 on right-of-use assets had been recognised in the consolidated statement of profit or loss and other comprehensive income. The significant impairment loss recognised was mainly due to decrease in forecast sales amount in view of the unexpected economic uncertainty in the lithium battery market.

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% 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

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

The recoverable amounts 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.

16. EXPLORATION AND EVALUATION ASSETS

	2023 HK\$'000	2022 HK\$'000
At 1 January		
Cost	6,859,393	6,490,624
Accumulated impairment	—	—
Net book amount	6,859,393	6,490,624
For the year ended 31 December		
Opening net book amount	6,859,393	6,490,624
Additions	2,134	2,924
Exchange difference	605,630	365,845
Net book amount	7,467,157	6,859,393
At 31 December		
Cost	7,467,157	6,859,393
Accumulated impairment	—	—
Net book amount	7,467,157	6,859,393

As at 31 December 2023 and 2022, 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 and a formal estimate of the recoverable amount is performed when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is less than its recoverable amount.

During the years ended 31 December 2023 and 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

16. EXPLORATION AND EVALUATION ASSETS — CONTINUED

The recoverable amount of exploration and evaluation assets were valued by an independent professional valuer, BonVision International Appraisals Limited and based on the estimated of fair value less costs 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 2023 are as follows:

Approval of all required licenses	Mid 2027 (2022: Mid 2025)
Commencement of production	1 st quarter of 2031 (2022: 1st quarter of 2029)
Annual production capacity	27.5 million tonnes (2022: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2022: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2022: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US\$148 per ton (2022: US\$153 per ton)
Operating costs:	
— First 18 years of mining	US\$32.79 per ton (2022: US\$32.19 per ton)
— Remaining period of mining	US\$37.25 per ton (2022: US\$37.72 per ton)
Income tax rate	15.25% for the first ten years of operation 34% afterwards (2022: same term)
Capital expenditures:	
— Construction of infrastructure	US\$3,254 million (2022: US\$3,005 million)
Discount rate	26.14% (2022: 25.93%)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

17. RIGHT-OF-USE ASSETS

	Prepaid land lease payments HK\$'000	Offices HK\$'000	Total HK\$'000
At 1 January 2022	37,684	7,778	45,462
Acquisition of subsidiaries (Note 36)	–	7,340	7,340
Remeasurement as a result of lease modification	–	2,751	2,751
Amortisation	(805)	(4,024)	(4,829)
Impairment	–	(2,485)	(2,485)
Exchange difference	(2,932)	307	(2,625)
At 31 December 2022 and 1 January 2023	33,947	11,667	45,614
Amortisation	(766)	(2,285)	(3,051)
Impairment	–	(4,213)	(4,213)
Exchange difference	(909)	230	(679)
At 31 December 2023	32,272	5,399	37,671

At 31 December 2023 and 2022, the Group's prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC.

In 2023 and 2022, the Group leases a number of properties and offices for its operations. The leases run for an initial period ranged from one to ten years (2022: 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.

Details of the lease maturity analysis of lease liabilities are set out in note 29.

As at 31 December 2023, right-of-use assets of HK\$32,272,000 (2022: HK\$33,947,000) were pledged to secure the Group's bank borrowings (note 28).

Impairment loss of right-of-use assets of HK\$4,213,000 is recognised for the year ended 31 December 2023 (2022: HK\$2,485,000), please refer to note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

18. INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Interests in associates:		
Cost of investment in unlisted associate	110,922	110,922
Share of post-acquisition losses and other comprehensive loss	(105,510)	(105,093)
Share of net assets	5,412	5,829

Movement of interests in associates are as follows:

	2023 HK\$'000	2022 HK\$'000
As at 1 January	5,829	6,793
Share of results of associates	(589)	(1,385)
Share of other comprehensive income	172	421
As at 31 December	5,412	5,829

Details of the Group's associate as at 31 December 2023 are as follows:

Name	Place of incorporation/operation and principal activity	Percentage of ownership interests/voting rights/profit share
Shandong Forever New Energy Company Limited ("Shandong Forever")	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 interest in Jixing International and Jixing International become the subsidiary of the Company. Details of the acquisition are set out in note 36.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

18. INTERESTS IN ASSOCIATES — CONTINUED

Summarised financial information of the Group's associates and their subsidiaries is as follows:

	Jixing International and its subsidiaries	Shandong Forever	
	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
As at 31 December			
Current assets	N/A	2,732	8,522
Non-current assets	N/A	84,269	84,212
Current liabilities	N/A	(5,456)	(3,007)
Non-current liabilities	N/A	(59,455)	(65,937)
Net assets	N/A	22,090	23,790
Group's share of net assets of the associate	N/A	5,412	5,829
Year ended 31 December			
Revenue	30,161*	542	331
Other operating income	—*	5,369	3,198
Expenses	(98,482)*	(8,313)	(9,181)
Loss for the year	(68,321)*	(2,402)	(5,652)
Other comprehensive income	7,293*	702	1,718
Total comprehensive loss	(61,028)*	(1,700)	(3,934)
Share of results of associates	—	(589)	(1,385)
Share of other comprehensive income of associate	—	172	421
Share of total comprehensive loss	—	(417)	(964)

* From 1 January 2022 to the date of to be subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$'000	2022 HK\$'000
Listed:		
— Equity instruments measured at FVOCI	539	4,954

The balance represented the Group's strategic investments is a 1% interest in a listed equity security in Hong Kong. The equity investment was irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

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

20. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	42,275	40,116
Work-in-progress	3,571	4,547
Finished goods	21,484	33,805
	67,330	78,468
Less: Write-down of inventories	(45,403)	(54,678)
	21,927	23,790

The directors have assessed the net realisable values and condition of the Group's inventories as at 31 December 2023 and considered no write-down of inventories (2022: write-down of HK\$12,832,000) be provided in the consolidated statement of profit or loss and other comprehensive income.

The following table shows the movement in write-down of inventories:

	2023 HK\$'000	2022 HK\$'000
At 1 January	54,678	62,309
Write-down during the year	—	12,832
Write-off	(7,851)	(15,657)
Exchange difference	(1,424)	(4,806)
At 31 December	45,403	54,678

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FOR THE YEAR ENDED 31 DECEMBER 2023

21. TRADE AND BILL RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables — Gross	37,174	79,442
Less: Impairment losses	(373)	(1,165)
Trade receivables — Net	36,801	78,277
Bill receivables	1,789	–
	38,590	78,277

Trade and bill receivables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Renminbi (“RMB”)	34,885	74,826
EUR	3,705	3,451
	38,590	78,277

The following is ageing analysis of gross trade and bill receivables based on invoice date:

	2023 HK\$'000	2022 HK\$'000
0–30 days	16,230	28,777
31–90 days	18,830	1,019
91 to 180 days	3,903	49,053
Over 180 days	–	593
	38,963	79,442

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

	2023 HK\$'000	2022 HK\$'000
At 1 January	1,165	424
Impairment loss recognised	45	799
Impairment loss reversed	(811)	–
Exchange difference	(26)	(58)
At 31 December	373	1,165

The Group recognised provision for impairment of trade receivables based on the accounting policy stated in note 3.11. Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in note 44.4.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Deposits	11,978	9,294
Value added tax receivables	5,807	10,368
Other receivables	5,993	3,473
Prepayment	2,497	3,550
Amount due from an associate, net of allowance	25,955	26,851
	52,230	53,536

The amount due from an associate of HK\$26.0 million (2022: 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.

Movement in the loss allowance account in respect of the amount due from an associate during the year is as follows:

	HK\$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Impairment loss recognised	896
At 31 December 2023	896

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Listed equity investments, at market value,		
— in Hong Kong — held for trading	43,983	81,987
— In overseas — held for trading	145	198
	44,128	82,185

At 31 December 2023 and 2022, the Group holds 14.14% (2022: 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 date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

24. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

At 31 December 2023, restricted bank deposits of approximately HK\$31,065,000 (2022: HK\$25,653,000) represented guaranteed deposits placed in the banks in the PRC as securities for the Group's bill payables and bank facilities.

At 31 December 2022, other restricted bank deposit of HK\$11,401,000 represented bank balances frozen by court order. Further details are set out in note 26(a)(ii).

Restricted bank deposits and cash at banks earn interest at floating rates based on the daily bank deposit rates.

At 31 December 2023, the Group had cash and bank balances denominated in RMB amounting to approximately HK\$145,792,000 (2022: HK\$127,907,000), which were deposited with the banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. TRADE AND BILL PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	40,979	46,079
Bill payables	31,065	25,653
	72,044	71,732

The credit terms of trade payables vary according to the terms agreed with different suppliers. Aging analysis of trade and bill payables based on invoice date is as follows:

	2023 HK\$'000	2022 HK\$'000
0–30 days	30,388	13,708
31–60 days	14,475	21,222
61–90 days	9,823	13,847
91–180 days	16,788	16,637
Over 180 days	570	6,318
	72,044	71,732

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

26. PROVISION, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2023 HK\$'000	2022 HK\$'000
Provision (Note a)	147,690	163,179
Other payables (Note b)	44,734	53,458
Accrued expenses	2,756	3,718
Deposits received	18,805	23,896
	213,985	244,251
Analysed for reporting purposes as:		
Non-current liabilities	–	151,778
Current liabilities	213,985	92,473
	213,985	244,251

Notes:

- (a) The following table shows the movements in each class of provision during the years:

	Provision for litigation (note (ii)) HK\$'000	Provision for repayment of government grant (note (i)) HK\$'000	Total HK\$'000
At 1 January 2022	–	–	–
Additional provision in the year	11,401	151,778	163,179
At 31 December 2022 and 1 January 2023	11,401	151,778	163,179
Disposal of subsidiary (Note 35)	(11,067)	–	(11,067)
Exchange difference	(334)	(4,088)	(4,422)
At 31 December 2023	–	147,690	147,690

- (i) 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. The Group re-assessed the estimate of the provision as at 31 December 2023 and no further provision is considered necessary.

Subsequent to the end of the reporting period and at the date of issue of the consolidated financial statements, the Group has not settled the Grants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

26. PROVISION, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED — CONTINUED

Notes: — Continued

- (ii) Provision of HK\$11,401,000 as at 31 December 2022 was recognised on 2 lawsuits in which GETI (China) Energy, a subsidiary of the Company and is a defendant. The claims has arisen from the same supplier alleging GETI (China) Energy 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 ended 31 December 2022. The provision amount recognised represents the undiscounted amount of present obligations that the Group is required to pay.

During the year ended 31 December 2023, the Group disposed all the equity interest in GETI (China) Energy. Details of the disposal of subsidiaries are set out in note 35 to the consolidated financial statements. In the opinion of the directors of the Company, the court cases against GETI (China) Energy would not have any impact to the remaining group entities of the Group following the disposal.

- (b) The other payables of HK\$2,487,000 (2022: HK\$13,718,000) is related to purchase of property, plant and equipment.

27. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Contract liabilities	321	314

Details of contract liabilities are as follows:

	2023 HK\$'000	2022 HK\$'000
Contract liabilities arising from:		
— Advertising and related income	321	314

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	314	10,038

28. BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Bank loans	128,951	149,027
Represented by:		
Current liabilities	20,025	16,508
Non-current liabilities	108,926	132,519
	128,951	149,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

28. BORROWINGS — CONTINUED

As at 31 December 2023, bank loans of HK\$129 million (2022: HK\$149 million) are secured by the Group's right-of-use assets and property, plant and equipment of HK\$32,272,000 and HK\$10,239,000 (2022: HK\$33,947,000 and HK\$10,691,000) respectively and the corporate guarantee from Zhejiang Geely Automobile Company Limited, 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 2023 and 2022 as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	20,025	16,508
In the second year	20,025	20,579
In the third to fifth year	60,074	61,737
Over five years	28,827	50,203
	128,951	149,027

29. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities:		
Current	3,420	3,105
Non-current	9,512	12,658
	12,932	15,763

Future lease payments are due as follows:

	Future lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 December 2023			
Due within one year	4,256	(836)	3,420
Due between one and two years	2,523	(670)	1,853
Due between two to five years	5,003	(1,446)	3,557
Due over five years	4,585	(483)	4,102
	16,367	(3,435)	12,932
As at 31 December 2022			
Due within one year	4,103	(998)	3,105
Due between one and two years	4,206	(816)	3,390
Due between two to five years	5,714	(1,683)	4,031
Due over five years	6,082	(845)	5,237
	20,105	(4,342)	15,763

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. LEASE LIABILITIES — CONTINUED

Operating leases — lessor

The Group subleased its leased properties during the year ended 31 December 2022 with sub-lease rental income of HK\$180,000. At 31 December 2023 and 2022, there is no undiscounted lease payments receivables under non-cancellable operating leases.

30. DEFERRED INCOME

	2023 HK\$'000	2022 HK\$'000
At 1 January	6,379	13,255
Exchange difference	(153)	(867)
Government grant income recognised for the year	(3,092)	(6,009)
At 31 December	3,134	6,379

As at 31 December 2023 and 2022, deferred income represents government grants received by Zhejiang Forever in relation to its purchases of production facilities of lithium batteries in Zhejiang Province, the PRC. Such government grants are treated as deferred income and are recognised in consolidated statement of profit or loss and other comprehensive income in accordance with the Group's accounting policies shown in note 3.15.

31. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	Fair value adjustments arising from exploration and evaluation assets	
	2023 HK\$'000	2022 HK\$'000
At 1 January	2,215,014	2,090,628
Exchange difference	205,914	124,386
At 31 December	2,420,928	2,215,014

As at 31 December 2023, the Group has unused tax losses of HK\$495,916,000 (2022: HK\$488,112,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams and there was no taxable temporary difference related to accelerated tax depreciation as at year ended 31 December 2023. All tax losses of the Group have no expiry dates under the current tax legislation except for the tax losses amounting to HK\$199,893,000 (2022: HK\$226,623,000) incurred by one subsidiary (2022: three subsidiaries) in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

32. OTHER FINANCIAL LIABILITIES

	2023 HK\$'000	2022 HK\$'000
At 1 January	8,472	–
Acquisition of subsidiaries (note 36)	–	7,834
Imputed interest	1,812	732
Exchange difference	477	(94)
At 31 December	10,761	8,472

The balance is non-interest bearing, unsecured and with mature date in 2028.

33. SHARE CAPITAL

	Number of shares '000	Total HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 January, 31 December 2022 and 2023	1,000,000,000	1,000,000

	Number of shares '000	Total HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each at 1 January, 31 December 2022 and 2023	9,854,534	9,855

34. SHARE OPTIONS**2012 share option scheme**

The Company's share option scheme (the "2012 Share Option Scheme") was adopted pursuant to a resolution passed on 21 May 2012. The 2012 Share Option Scheme shall be effective for a period of ten years commencing on 21 May 2012. The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and providing benefits to any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company, or any of its subsidiaries.

Total number of shares in respect of which options may be granted under the 2012 Share Option Scheme does not exceed 10% of the total number of shares in issue of the Company from 21 May 2012 onwards or at the renewal of such limit. Under the 2012 Share Option Scheme, the Company may obtain a fresh approval from its shareholders to refresh the above mentioned 10% limit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

34. SHARE OPTIONS — CONTINUED

2012 share option scheme — CONTINUED

Exercise price of the share options shall be determined by the directors at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the offer date; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares of the Company on the offer date.

At 31 December 2022, an aggregate of 8,750,000 shares of the Company were issuable pursuant to share options granted under the 2012 Share Option Scheme, representing 0.1% of the shares of the Company in issue at that date.

The consideration payable on the grant of an option is HK\$1 for each grant transaction. Options may be exercised at any time within the exercisable period.

No share option was granted, exercised, cancelled or lapsed under the 2012 Share Option Scheme during the year ended 31 December 2022.

The 2012 Share Option Scheme has been expired during the year ended 31 December 2022.

All share options under the 2012 Share Option Scheme have lapsed during the year ended 31 December 2023. There is no outstanding option as at 31 December 2023.

2022 share option scheme

On 26 May 2022, the Company passed a resolution to adopt a new share option scheme (the “2022 Share Option Scheme”) for the purpose 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. Participants of the 2022 Share Option Scheme include 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 2022 Share Option Scheme on the basis of his/her contribution to the development and growth of the Group.

For the purposes of the 2022 Share Option Scheme, the share 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.

The total number of shares available for issue under the 2022 Share Option Scheme does not exceed 10% of the total number of shares in issue of the Company immediately following adoption of the 2022 Share Option Scheme on 26 May 2022.

No share option was granted, exercised, cancelled or lapsed under the 2022 Share Option Scheme during the years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

34. SHARE OPTIONS — CONTINUED

The following tables set out the movement in share options:

Name or category of participant	Share option type	Outstanding at 1 January 2022, 31 December 2022 and 1 January 2023	Lapsed during the year	Outstanding at 31 December 2023
2012 Share Option Scheme				
<i>Share option for employees</i>				
Employees				
In aggregate	2015	8,750,000	(8,750,000)	—

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2015 (note i)	14 May 2015	15 May 2015 to 14 May 2023	HK\$2.61

Notes:

- (i) The fair value of options granted under the 2012 Share Option Scheme on 14 May 2015, measured at the date of grant, was HK\$10,812,000. The following key assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 May 2015
Share price at grant date	HK\$2.55
Expected volatility	76%
Expected life (in years)	8.0
Risk-free interest rate	1.6%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

34. SHARE OPTIONS — CONTINUED

(ii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2023		2022	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at 1 January	8,750,000	2.61	8,750,000	2.61
Lapsed during the year	(8,750,000)	2.61	–	–
Outstanding at 31 December	–	–	8,750,000	2.61

The weighted average is remaining contractual life of 0.5 years as at 31 December 2022. There are no (2022: 8,750,000) share options exercisable as at 31 December 2023.

35. DISPOSAL OF SUBSIDIARIES

As disclosed in note 12 to the consolidated financial statements, on 22 September 2023, a subsidiary of the Company (“Vendor”) entered into two equity transfer agreements with Zhejiang Farizon Intelligent Transportation Technology Co., Ltd. (“Purchaser”), a related party of the Group, to dispose of 100% equity interest in GETI (China) Energy and Hangzhou GETI Industrial at cash consideration of RMB20,000,000 (equivalent to HK\$21,811,000) and no consideration respectively. The Purchaser is a company controlled by a controlling shareholder of the Company. The principal business of GETI (China) Energy and Hangzhou GETI Industrial is provision of battery swapping services. These two transactions were completed on 24 November 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

35. DISPOSAL OF SUBSIDIARIES — CONTINUED

Net liabilities at the date of disposal were as follow:

	GETI (China) Energy HK\$'000	Hangzhou GETI Industrial HK\$'000	Total HK\$'000
Property, plant and equipment	264	–	264
Inventories	80	–	80
Trade receivables	1,044	–	1,044
Prepayments, deposits and other receivables	1,413	7	1,420
Amount due from the Group	1,098	–	1,098
Restricted bank deposits	11,067	–	11,067
Cash and cash equivalents	638	4	642
Other payables, accruals and deposits received	(12,593)	(118)	(12,711)
Provision	(11,067)	–	(11,067)
Net liabilities disposed of	(8,056)	(107)	(8,163)
Satisfied by:			
Cash consideration	21,811	–	21,811
Net liabilities disposed of	8,056	107	8,163
Deemed contribution arising from disposal of subsidiaries (<i>Note (a)</i>)	29,867	107	29,974
Reclassification of cumulative translation reserve upon disposal to profit or loss (<i>note 12</i>)	1,103	3	1,106
Cash flows arising on disposal:			
Cash received (<i>Note (b)</i>)	20,713	–	20,713
Cash and cash equivalents disposed of	(638)	(4)	(642)
Net cash flows	20,075	(4)	20,071

The impact of GETI (China) Energy and Hangzhou GETI Industrial on the Group's results and cash flows in the current and prior periods is disclosed in note 12 to the consolidated financial statements.

Notes:

- Since the Purchaser is a company controlled by a substantial shareholder of the Company, the transaction, that resulted in a gain on disposal of subsidiaries and the loss of control, involves a contribution of shares of the subsidiary from owners in their capacity as owners, would consider as deemed contribution from shareholder and recognised in the consolidated statement of changes in equity.
- At the date of the completion of disposal, there is RMB1,000,000 (equivalent to HK\$1,098,000) due from the Group to the Purchaser. The Group agreed to offset the debt to the consideration when arrange the cash settlement.
- Translation reserve of HK\$1,106,000 was re-classified to the profit or loss upon the disposal of subsidiaries (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

36. 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 ("Mr. Li"), 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 interest 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 deposits 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 acquired	34,084
Cash consideration	(29,877)
Net cash inflow	4,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

36. BUSINESS COMBINATION — CONTINUED

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\$809,000 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	38	214	136
Property, plant and equipment		–	–
Financial assets at FVOCI		539	4,954
Amounts due from subsidiaries		846,631	865,765
Right-of-use assets		1,554	2,822
		848,938	873,677
Current assets			
Financial assets at FVTPL		44,128	82,185
Deposits and other receivables		5,782	731
Cash and cash equivalents		10,163	8,041
		60,073	90,957
Current liabilities			
Amounts due to subsidiaries		5,431	–
Lease liabilities		2,338	2,224
Other payables, accruals and deposits received		4,294	3,852
		12,063	6,076
Net current assets		48,010	84,881
Total assets less current liability		896,948	958,558
Non-current liability			
Lease liabilities		603	2,941
Net assets		896,345	955,617
EQUITY			
Share capital	33	9,855	9,855
Reserves	40	886,490	945,762
Total equity		896,345	955,617

On behalf of directors

He Xuechu
Chairman

Liu Wei, William
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

38. INTERESTS IN SUBSIDIARIES

The below table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Particulars of the principal subsidiaries at 31 December 2023 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities and place of operation
			Directly	Indirectly	
New Trinity Holdings Limited	BVI, limited liability company	10,000 ordinary shares of US\$1 each	–	100%	Investment holding, Hong Kong
SAM	Brazil, limited liability company	10,000 ordinary shares in Reais ("R\$") 5,266,604	–	100%	Research and exploration of iron ores, Brazil
Zhejiang Forever ¹	PRC, limited liability company	Registered capital of US\$80,000,000	–	52%	Research and development, production, sales of lithium-ion battery and battery system, PRC
GETI (China) Energy ²	PRC, limited liability company	Registered capital of RMB60,000,000	–	– (2022: 90%)	Battery swapping services, PRC
Profit Well Global Limited	BVI, limited liability company	50,000 ordinary shares of US\$1 each	–	100%	Investment holding, Hong Kong
Jixing International ³ (note)	PRC, limited liability company	Registered capital of RMB117,000,000	–	35.56% (note 36)	Investment holding, PRC
Caocao Mobility Paris	France, sole shareholder company	EUR35,599,998 (2022: EUR10,000,000)		35.56% (note 36)	Platform services, France
ESQ VTC	France, sole shareholder company	EUR 10,000		35.56% (note 36)	Riding services, France

Note:

Accounted for as subsidiaries of the Company because the directors are of the opinion that the Group has power over the investee through control of the board of the subsidiaries, exposure to variable returns from the investee and the ability to use its power to affect those variable returns.

¹ sino-foreign equity joint venture

² wholly-foreign owned enterprises

³ foreign investment enterprises

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

38. INTERESTS IN SUBSIDIARIES — CONTINUED

(a) Details of non-wholly owned subsidiaries that have non-controlling interests

As at 31 December 2023, non-controlling interests (“NCI”) of the Group is represented by (1) 48% (2022: 48%) equity interests in Zhejiang Forever; (2) 64.44% (2022: 64.44%) equity interests in Jixing International and its subsidiaries (collectively known as Jixing Group) held by non-controlling shareholders.

Summarised financial information in relation to the NCI of Zhejiang Forever and Jixing Group is presented below:

	Zhejiang Forever		Jixing Group	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022* HK\$'000
For the year ended 31 December				
Revenue	173,915	109,097	53,046	21,394
Profit/(loss) for the year	20,594	(173,815)	(107,922)	(23,844)
Total comprehensive profit/(loss)	21,962	(174,311)	(104,769)	(19,308)
Profit/(loss) allocated to NCI	9,886	(83,430)	(69,545)	(15,365)
Cash flows generated from/ (used in) operating activities	61,577	(384)	(13,951)	4,906
Cash flows (used in)/generated from investing activities	(2,989)	(29,602)	197	(296)
Cash flows used in financing activities	(22,794)	(123,837)	(1,639)	(545)
Net cash inflows/(outflows)	35,794	(153,823)	(15,393)	4,065
As at 31 December				
Current assets	236,752	248,938	23,767	33,303
Non-current assets	53,894	57,469	61,197	146,494
Current liabilities	(270,838)	(129,946)	(28,815)	(20,359)
Non-current liabilities	(112,061)	(290,676)	(19,670)	(18,190)
Net (liabilities)/assets	(92,253)	(114,215)	36,479	141,248
Accumulated non-controlling interests	(37,714)	(48,832)	23,508	91,021

* For the period from 10 August 2022 (date of completion of Step Acquisition) to 31 December 2022.

- (b) During the year ended 31 December 2023, the Group acquired 100% equity interest in Fresh Mind Ventures Limited (“Fresh Mind”) at cash consideration of HK\$78,000. Fresh Mind is a dormant company. The net assets acquired at the date of acquisition is HK\$78,000 which represented by other receivables. Fresh Mind hold 10% interest in GETI Energy Sharing Technology Company Limited, which the Company hold 90% interest before the acquisition of Fresh Mind. Upon the completion of acquisition of Fresh Mind, the Group hold 100% interest in GETI Energy Sharing Technology Company Limited. The Group recognised a decrease in non-controlling interests in GETI Energy Sharing Technology Company Limited and recognised the corresponding change of HK\$7,647,000 in other reserve.

39. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

40. RESERVES

Share-based payment reserve of the Company and the Group arose from the recognition of the share-based payment expenses in consolidated statement of profit or loss and other comprehensive income with a corresponding credit to share-based payment reserve. The amount recorded in share-based payment reserve represented the fair value of share options expense vested in prior years. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share-based payment reserve will be transferred to retained earnings. No liabilities were recognised due to share-based payment transactions.

Treasury shares reserve represented the fair value at the date of disposal of Hill Talent Limited and its subsidiaries (the "Hill Talent Group"), former subsidiaries of the Company, in 2013 of 226,500,000 ordinary shares of the Company held by the purchaser which were receivable as part of the consideration of the disposals of the Hill Talent Group. At 29 August 2023, 1,000,000 treasury shares with carrying amount of HK\$1,220,000 were disposed at consideration of HK\$443,000. As at 31 December 2023, the Company held 116,100,000 (2022: 117,100,000) ordinary shares as treasury shares.

Translation reserve mainly represented the foreign exchange differences arising from the translation of the financial statements of foreign operations into HK\$.

Other reserve represented gains/losses arising from changes in Group's interests in a subsidiary that do not result in change in control.

COMPANY

	Share premium HK\$'000	Treasury shares reserve HK\$'000	Share-based payment reserve HK\$'000	FVOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	3,563,686	(142,864)	9,958	(84,688)	(2,281,368)	1,064,724
Loss for the year	-	-	-	-	(104,737)	(104,737)
Changes of fair value of financial assets at FVOCI	-	-	-	(14,225)	--	(14,225)
At 31 December 2022 and 1 January 2023	3,563,686	(142,864)	9,958	(98,913)	(2,386,105)	945,762
Disposal of treasury shares	-	1,220	-	-	(777)	443
Share options lapsed	-	-	(9,958)	-	9,958	-
Loss for the year	-	-	-	-	(55,300)	(55,300)
Changes of fair value of financial assets at FVOCI	-	-	-	(4,415)	-	(4,415)
At 31 December 2023	3,563,686	(141,644)	-	(103,328)	(2,432,224)	886,490

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

41. CAPITAL COMMITMENTS

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	26,739	84,177

As at 31 December 2023, the estimated capital expenditures for the mineral resources exploration business in Brazil, which is operated by SAM, are stated in note 16.

42. CONTINGENT CONSIDERATION PAYABLES

	2023 HK\$'000	2022 HK\$'000
At 1 January	112,790	109,667
Fair value loss	6,257	3,123
At 31 December	119,047	112,790

Under the settlement agreement related to the acquisition of SAM, the Group is committed to pay a maximum aggregate amount of US\$60,000,000 (equivalent to approximately HK\$468,000,000) 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 new settlement and are estimated by independent professional valuers, BonVision International Appraisals Limited. As at 31 December 2023, the fair value of the contingent consideration payables was estimated by applying probabilistic approach at a discount rate of 15.46% (2022: 18.91%) and the probability of occurrence of certain events as stated in the settlement agreement such as occurrence of disposal event or the commencement of mining. The higher the discount rate, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities.

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets measured at FVTPL:		
Current assets		
Listed equity securities held for trading	44,128	82,185
Financial assets measured FVOCI:		
Non-current assets		
Listed equity securities	539	4,954
Financial assets measured at amortised cost:		
Current assets		
Trade and bill receivables	38,590	78,277
Deposits and other receivables	17,971	12,767
Amount due from an associate	25,955	26,851
Restricted bank deposits	31,065	37,054
Cash and bank balances	166,953	165,452
	280,534	320,401
Financial liabilities		
Financial liabilities measured at FVTPL:		
Non-current liabilities		
Contingent consideration payables	119,047	112,790
Financial liabilities measured at amortised cost:		
Current liabilities		
Trade and bill payables	72,044	71,732
Other payables and accrued expenses	47,490	57,176
Borrowings	20,025	16,508
Non-current liabilities		
Borrowings	108,926	132,519
Other financial liabilities	10,761	8,472
	259,246	286,407
Lease liabilities		
Current liabilities	3,420	3,105
Non-current liabilities	9,512	12,658
	12,932	15,763

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY — CONTINUED

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.

As at 31 December 2023	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
— financial assets measured at FVOCI:				
Listed shares (note 19)	539	–	–	539
— financial assets measured at FVTPL:				
Listed shares (note 23)	44,128	–	–	44,128
	44,667	–	–	44,667
Liabilities				
Contingent consideration payables (note 42)	–	–	119,047	119,047
<hr/>				
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 (note 19)	4,954	–	–	4,954
— financial assets measured at FVTPL:				
Listed shares (note 23)	82,185	–	–	82,185
	87,139	–	–	87,139
Liabilities				
Contingent consideration payables (note 42)	–	–	112,790	112,790

There were no transfers between levels during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

44. 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. The financial risks include market risk (including currency risk, interest risk and equity price risk), credit risk and liquidity risk.

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.

44.1 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.

44.2 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 as at 31 December 2023 and 2022. 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 loss 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.

44.3 Equity price risk

The Group is exposed to equity price risk through its investments classified as financial assets at FVTPL and financial assets at FVOCI. 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.

If the quoted prices of the listed equity securities (included in financial assets at FVTPL and financial assets at FVOCI), had been 5% (2022: 5%) higher/lower, the loss before tax for the year ended 31 December 2023 would decrease/increase by HK\$2,206,000 (2022: HK\$4,109,000) and other comprehensive income for the year ended 31 December 2023 would increase/decrease by HK\$27,000 (2022: HK\$248,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

44.4 Credit risk

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group has certain concentration of credit risk as 69% (2022: 72%) of the Group's revenue for the year was derived from 1 (2022: 1) major customer and as at reporting date and 70% (2022: 95%) of the Group's trade receivables was due from this customer. The Group continuously and actively evaluates the credit risk of these debtors.

The Group measures loss allowances for trade and bill receivables at an amount equal to lifetime ECLs for both years, which is calculated using a provision matrix. The Group recognised lifetime ECL for trade and bill receivables based on collective basis. As at 31 December 2023 and 2022, the expected loss rates applied in the provision matrix are determined by the debtors' shared credit risk characteristics, including background of the customers and their historical payment behaviour, actual loss experience and information pertaining to the economic environment in which the debtors operated.

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of these receivables based on historical settlement records and past experience. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment assessment based on 12 months ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for deposits and other receivables was insignificant and thus no loss allowance was recognised.

For the amount due from an associate, the management of the Group has reviewed the recoverability of the balance periodically based on historical settlement records, past experience and forward-looking information. The Group measures loss allowances for amount due from an associate based on the 12 months ECLs for both years. The expected loss rate applied is approximately 3.34% (2022: 0.00%).

The credit risk on the bank balances and restricted bank deposits is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED**44.4 Credit risk — Continued**

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bill receivables and amount due from an associate:

	Expected loss rate	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
As at 31 December 2023			
Trade and bill receivables			
Current (not past due)	0.19%	3,207	6
1–90 days past due	0.98%	35,005	343
Over 90 days past due	3.20%	751	24
		38,963	373
Amount due from an associate	3.34%	26,851	896
As at 31 December 2022			
Trade receivables			
Current (not past due)	0.58%	30,533	178
1–90 days past due	2.03%	48,753	987
Over 90 days past due	0.00%	156	–
		79,442	1,165
Amount due from an associate	0.00%	26,851	–

44.5 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by the ability to sell long-term financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — CONTINUED

44.5 Liquidity risk — Continued

As at 31 December 2023 and 2022, the Group's financial liabilities have contractual maturities which are summarised below:

	Within 1 year or on demand <i>HK\$'000</i>	1-5 Years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total undiscounted amount <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
At 31 December 2023					
Non-derivatives:					
Trade and bill payables	72,044	–	–	72,044	72,044
Other payables and accrued expenses	47,490	–	–	47,490	47,490
Lease liabilities	4,256	7,526	4,585	16,367	12,932
Borrowings	26,198	94,780	29,592	150,570	128,951
Contingent consideration payables	–	158,255	–	158,255	119,047
Other financial liabilities	–	12,996	–	12,996	10,761
	149,988	273,557	34,177	457,722	391,225
At 31 December 2022					
Non-derivatives:					
Trade and bill payables	71,732	–	–	71,732	71,732
Other payables and accrued expenses	57,176	–	–	57,176	57,176
Lease liabilities	4,103	9,920	6,082	20,105	15,763
Borrowings	23,756	101,503	53,233	178,492	149,027
Contingent consideration payables	–	158,810	–	158,810	112,790
Other financial liabilities	–	–	10,232	10,232	8,472
	156,767	270,233	69,547	496,547	414,960

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

45. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

The capital-to-overall financing ratio at reporting date was as follows:

	2023 HK\$'000	2022 HK\$'000
Capital		
Total equity	4,973,979	4,707,007
Overall financing		
Borrowings	128,951	149,027
Capital-to-overall financing ratio	38.57 times	31.58 times

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

46. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following significant transactions and balances with the following related parties:

Name of related party	Nature of transactions	2023 HK\$'000	2022 HK\$'000
Zhejiang Geely Holding Group Company Limited and its subsidiaries, excluding Geely Automobile Holdings Limited and its subsidiaries (Note (a))	Sales of lithium-ion batteries	157,688	88,449
	Trade receivables	25,635	74,514
Zhejiang Geely Powertrain Company Limited (Note (b))	Provision of batteries testing services	14,872	–
	Trade receivables	6,783	–
Ningbo Geely Luoyou Engine Components Co., Ltd (Note (b))	Provision of batteries testing services	–	10,108
	Trade receivables	–	1,150
Zhejiang Yaoning Technology Co. Ltd. and its subsidiaries, excluding Jiangsu Chengxing Phosphorus Chemical Co Ltd. and its subsidiaries (Note (c))	Purchase of lithium-ion battery cells	3,935	–
	Trade payables	3,873	–

Notes:

- (a) Zhejiang Forever and Zhejiang Geely Holding Group Company Limited (“Zhejiang Geely”) entered into a sale of lithium-ion battery agreement (the “Sale Agreement”) on 28 September 2020 regarding the sales of high performance ternary lithium-ion powered battery packs by Zhejiang Forever to Zhejiang Geely and its subsidiaries, but excluding Geely Automobile Holdings Limited and its subsidiaries (“Zhejiang Geely Group”) commencing from 23 October 2020 to 22 October 2023.

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 related party of the Company. Zhejiang Geely Group is therefore a related party of the Company.

The annual cap amounts for the year ended 31 December 2022 and the period from 1 January 2023 to 22 October 2023 for the Sale Agreement of Zhejiang Geely are RMB300 million and RMB350 million respectively as set out in the circular of the Company dated 10 August 2021.

Zhejiang Forever and Zhejiang Geely entered into a sale of lithium-ion battery agreement (the “Sale Agreement 2”) on 11 September 2023 regarding the same terms from 23 October 2023 to 22 October 2026.

The annual cap amounts for the period from 23 October 2023 to 31 December 2023, years ended 31 December 2024, 2025 and the period from 1 January 2026 to 22 October 2026 for the Sale Agreement 2 of Zhejiang Geely are RMB50 million, RMB235 million, RMB155 million and RMB97 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

46. RELATED PARTIES TRANSACTIONS — CONTINUED*Notes: — Continued*

- (b) On 2 December 2022, Zhejiang Forever and Ningbo Geely Luoyou Engine Components Co., Ltd (“Ningbo Geely”) entered into a service agreement (the “Operation Agreement”), pursuant to which Zhejiang Forever 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 commencing from 1 July 2022 to 1 July 2024.

Ningbo Geely is a subsidiary of Geely Automobile Holdings Limited (“Geely Automobile”), in which Mr. Li is an executive director and a substantial shareholder of Geely Automobile and therefore Ningbo Geely is a related party of the Company.

The annual cap amounts for the period from 1 July 2022 to 31 December 2022, the year ended 31 December 2023 and the period from 1 January 2024 to 30 June 2024 for the Operation Agreement of Ningbo Geely are RMB9 million, RMB18 million and RMB9 million respectively as set out in the circular of the Company dated 2 December 2022.

In 2023, the Operation Agreement was transferred from Ningbo Geely to Zhejiang Geely Powertrain Company Limited, an indirect subsidiary under Zhejiang Geely, with all the terms of the Operation Agreement remain unchanged.

- (c) In 2023, Zhejiang Forever and Zhejiang Yaoning Technology Co. Ltd. (“Zhejiang Yaoning”) entered into a purchase framework agreement (the “Purchase Framework Agreement”), pursuant to which Zhejiang Forever will purchase lithium-ion battery cells, modules and related products from Zhejiang Yaoning and its subsidiaries, but excluding Jiangsu Chengxing Phosphorus Chemical Co Ltd. (“Zhejiang Yaoning Group”) commencing from 11 September 2023 to 10 September 2026.

Mr. Li Xingxing is indirectly interested in 85% of the equity interests in Zhejiang Yaoning and is also the son of Mr. Li, the controlling shareholder of the Company. Therefore Zhejiang Yaoning Group a related party of the Company.

The annual cap amounts for the period from 11 September 2023 to 31 December 2023, the years ended 31 December 2024, 2025 and the period from 1 January 2026 to September 2026 for the Purchase Framework Agreement of Zhejiang Yaoning are RMB42 million, RMB103 million, RMB129 million and RMB72 million respectively as set out in the circular of the Company dated 11 September 2023.

- (d) During the year ended 31 December 2023, the Group disposed 100% equity interest in GETI (China) Energy and Hangzhou GETI Industrial at a total cash consideration of RMB20,000,000 to a related party. Details are set out in note 35 to the consolidated financial statements.
- (e) During the year ended 31 December 2022, the Group acquired 15.56% equity interest of Jixing International from Hangzhou UGO Technology Company Limited, a connected party of the Company, at cash consideration of HK\$29,877,000. Details are set out in note 36 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

47. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Borrowings		Lease liabilities		Other financial liabilities	
	<i>(Note 28)</i>		<i>(Note 29)</i>		<i>(Note 32)</i>	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	149,027	284,404	15,763	7,650	8,472	–
Changes from cash flows:						
Repayment of borrowings	(16,164)	(116,421)	–	–	–	–
Repayment of principal portion of lease liabilities	–	–	(3,113)	(2,688)	–	–
Interest paid	(6,630)	(7,416)	(1,006)	(601)	–	–
Total changes from financing cash flows	(22,794)	(123,837)	(4,119)	(3,289)	–	–
Other changes:						
Acquisition of subsidiaries <i>(Note 36)</i>	–	–	–	7,340	–	7,834
Lease modification	–	–	–	2,751	–	–
Exchange difference	(3,912)	(18,956)	282	710	477	(94)
Interest expenses	6,630	7,416	1,006	601	1,812	732
At 31 December	128,951	149,027	12,932	15,763	10,761	8,472

48. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the Board of Directors on 26 March 2024.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
				(Re-presented)	
CONTINUING OPERATIONS					
Revenue	341,270	297,065	478,917	130,491	226,961
Cost of revenue	(336,947)	(204,077)	(363,791)	(98,825)	(176,301)
Other operating income, gains and losses	191,509	(47,836)	114,590	(33,664)	(13,149)
Selling and distribution costs	(13,402)	(20,149)	(12,995)	(5,867)	(6,922)
Administrative expenses	(92,715)	(86,159)	(92,824)	(95,558)	(106,143)
Other expenses	–	–	–	(151,778)	–
Loss on deemed disposal of a subsidiary	–	(58,767)	–	–	–
Reversal of impairment of exploration and evaluation assets	853,360	2,053,773	–	–	–
Impairment loss on financial assets, net	11,022	277	(10)	(799)	(130)
Impairment loss on property, plant and equipment	(331,909)	(139,058)	(18,244)	(19,060)	(62,621)
Impairment loss on right-of-use assets	–	–	–	(1,665)	(4,213)
Gain on bargain purchase	–	–	–	170	–
Gain/(loss) on changes in fair value of contingent consideration payables	(4,598)	54,769	(3,342)	(3,123)	(6,257)
Share of results of associates	(1,096)	(50,628)	(4,868)	(1,385)	(589)
Gain on re-measurement of pre-existing interests in an associate	–	–	–	27,047	–
Finance costs	(19,395)	(16,785)	(8,780)	(8,743)	(9,447)
Profit/(loss) before income tax from continuing operations	597,099	1,782,425	88,653	(262,759)	(158,811)
Income tax expense	(290,142)	(698,283)	–	–	–
Profit/(loss) for the year from continuing operations	306,957	1,084,142	88,653	(262,759)	(158,811)
Discontinued operation					
Loss for the year from discontinued operation	–	–	–	(39,102)	(8,309)
Profit/(loss) for the year	306,957	1,084,142	88,653	(301,861)	(167,120)
Profit/(loss) for the year attributable to:					
Owners of the Company					
— Continuing operations	415,609	1,156,593	88,500	(160,054)	(98,210)
— Discontinued operation	–	–	–	(39,102)	(8,309)
	415,609	1,156,593	88,500	(199,156)	(106,519)
Non-controlling interests					
— Continuing operations	(108,652)	(72,451)	153	(102,705)	(60,601)
	306,957	1,084,142	88,653	(301,861)	(167,120)

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	7,917,742	7,803,205	7,308,648	7,530,749	7,956,082
Total liabilities	(3,151,147)	(3,004,183)	(2,622,857)	(2,823,742)	(2,982,103)
Non-controlling interests	(65,765)	71,324	(31,745)	(35,449)	14,206
Equity attributable to owners of the Company	4,700,830	4,870,346	4,654,046	4,671,558	4,988,185