HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

GROUP RESULTS

The board of directors (the "Board") of Honbridge Holdings Limited (the "Company") announced the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 together with the comparative audited figures for last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**478,917**	297,065
Cost of sales		**(363,791)**	(204,077)
Gross profit		**115,126**	92,988
Net other operating income, gains and losses		**114,590**	(47,836)
Selling and distribution costs		**(12,995)**	(20,149)
Administrative expenses		**(92,824)**	(86,159)
Loss on deemed disposal of a subsidiary		**–**	(58,767)
Reversal of impairment of exploration and evaluation assets	*10*	**–**	2,053,773
(Impairment)/reversal of expected credit loss on trade receivables		**(10)**	277
Impairment of property, plant and equipment	*9*	**(18,244)**	(139,058)
(Loss)/gain on changes in fair value of contingent consideration payables		**(3,342)**	54,769
Share of results of associate	*5*	**(4,868)**	(50,628)
Finance costs		**(8,780)**	(16,785)
Profit before income tax		**88,653**	1,782,425
Income tax expense	*6*	**–**	(698,283)
Profit for the year		**88,653**	1,084,142

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Other comprehensive loss			
Items that will not reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(1,238)**	(14,915)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(289,019)**	(944,130)
Share of other comprehensive (loss)/income of associates		**(730)**	1,862
Exchange reserves released upon deemed disposal of a subsidiary		**–**	32,024
Other comprehensive loss for the year, net of tax		**(290,987)**	(925,159)
Total comprehensive (loss)/income for the year		**(202,334)**	158,983
Profit for the year attributable to:			
Owners of the Company		**88,500**	1,156,593
Non-controlling interests		**153**	(72,451)
		88,653	1,084,142
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(200,754)**	230,116
Non-controlling interests		**(1,580)**	(71,133)
		(202,334)	158,983
Earnings per share	*8*		
— Basic		**0.91 cent**	11.88 cents
— Diluted		**0.91 cent**	11.88 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**69,572**	71,953
Exploration and evaluation assets	*10*	**6,490,624**	6,920,709
Right-of-use assets		**45,462**	40,795
Interests in associates	*5*	**6,793**	12,391
Financial assets at fair value through other comprehensive income		**9,438**	10,676
		6,621,889	7,056,524
Current assets			
Inventories		**9,201**	92,759
Trade receivables	*11*	**61,322**	102,863
Prepayments, deposits and other receivables	*12*	**66,074**	88,505
Financial assets at fair value through profit or loss	*13*	**148,300**	89,621
Tax recoverable		**341**	282
Restricted bank deposits		**5,134**	–
Cash and cash equivalents		**396,387**	372,651
Total current assets		**686,759**	746,681
Current liabilities			
Trade and bill payables	*14*	**27,203**	78,273
Other payables, accruals and deposit received		**80,012**	132,489
Contract liabilities		**10,038**	607
Borrowings		**145,024**	242,990
Lease liabilities		**2,420**	2,950
Total current liabilities		**264,697**	457,309
Net current assets		**422,062**	289,372
Total assets less current liabilities		**7,043,951**	7,345,896

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Borrowings		**139,380**	182,421
Lease liabilities		**5,230**	774
Deferred income		**13,255**	19,453
Deferred tax liabilities		**2,090,628**	2,237,901
Contingent consideration payables		**109,667**	106,325
		2,358,160	2,546,874
Net assets		**4,685,791**	4,799,022
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*15*	**9,855**	9,855
Reserves		**4,644,191**	4,860,491
		4,654,046	4,870,346
Non-controlling interests		**31,745**	(71,324)
Total equity		**4,685,791**	4,799,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to the 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$'000*	FVOCI reserve* *HK$'000*	Retained earnings* *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2020	9,855	3,563,686	(142,864)	12,170	(5,065,260)	(68,535)	6,391,778	4,700,830	65,765	4,766,595
Expiry of share option	–	–	–	(2,212)	–	–	2,212	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	95,910	95,910
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	(155,638)	(155,638)
Share of movement of other reserves of associate	–	–	–	–	–	–	(60,600)	(60,600)	(6,228)	(66,828)
Transactions with owners	–	–	–	(2,212)	–	–	(58,388)	(60,600)	(65,956)	(126,556)
Profit for the year	–	–	–	–	–	–	1,156,593	1,156,593	(72,451)	1,084,142
Other comprehensive income										
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(14,915)	–	(14,915)	–	(14,915)
Currency translation	–	–	–	–	(945,448)	–	–	(945,448)	1,318	(944,130)
Share of movement of other comprehensive income of associates	–	–	–	–	1,862	–	–	1,862	–	1,862
Deemed disposal of a subsidiary	–	–	–	–	32,024	–	–	32,024	–	32,024
Total comprehensive income	–	–	–	–	(911,562)	(14,915)	1,156,593	230,116	(71,133)	158,983
At 31 December 2020	9,855	3,563,686	(142,864)	9,958	(5,976,822)	(83,450)	7,489,983	4,870,346	(71,324)	4,799,022
At 1 January 2021	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(5,976,822)**	**(83,450)**	**7,489,983**	**4,870,346**	**(71,324)**	**4,799,022**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89,103**	**89,103**
Acquisition of non-controlling interest without a change to control	**–**	**–**	**–**	**–**	**–**	**–**	**(15,546)**	**(15,546)**	**15,546**	**–**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**(15,546)**	**(15,546)**	**104,649**	**89,103**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**88,500**	**88,500**	**153**	**88,653**
Other comprehensive loss										
Changes of fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,238)**	**–**	**(1,238)**	**–**	**(1,238)**
Share of other comprehensive loss of associates	**–**	**–**	**–**	**–**	**(730)**	**–**	**–**	**(730)**	**–**	**(730)**
Currency translation	**–**	**–**	**–**	**–**	**(287,286)**	**–**	**–**	**(287,286)**	**(1,733)**	**(289,019)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(288,016)**	**(1,238)**	**88,500**	**(200,754)**	**(1,580)**	**(202,334)**
At 31 December 2021	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,264,838)**	**(84,688)**	**7,562,937**	**4,654,046**	**31,745**	**4,685,791**

* The aggregate amount of these balances of approximately HK$4,644,191,000 (2020: HK$4,860,491,000) is included as reserves in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company as Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing Rules").

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 Adoption of new or amended HKFRSs

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

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

- Amendment to HKFRS 16, Covid-19-related rent concessions

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

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

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

HKFRS 17, Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3, Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies[2]
Amendments to HKAS 8, Definition of Accounting Estimates[2]
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 17, Insurance Contracts and the related Amendments

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

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.

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of amendments is not expected to have significant impact on the financial position and performance of the Group.

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

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) The classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The application of the amendment is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The directors of the Company do not anticipate that the application of the amendments in the future would have any impact on the financial statements.

Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

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

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

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Sale of lithium batteries	**473,087**	290,805
Battery swapping service income	**5,830**	6,260
	478,917	297,065
Timing of revenue recognition		
At a point in time	**473,087**	290,805
Over time	**5,830**	6,260
	478,917	297,065

There are no remaining performance obligations as at 31 December 2021 and 2020.

4. SEGMENT REPORTING

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

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

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC and Brazil. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong, China as its country of domicile.

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

	Mineral resources exploration and trading *HK$'000*	**Lithium battery production** *HK$'000*	**Battery swapping services** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2021				
Reportable segment revenue (external customers)	**–**	**473,087**	**5,830**	**478,917**
Reportable segment (losses)/profit	**(8,035)**	**17,236**	**(15,261)**	**(6,060)**
Reportable segment assets	**6,504,929**	**467,067**	**68,589**	**7,040,585**
Reportable segment liabilities	**113,917**	**386,863**	**20,692**	**521,472**
Capital expenditure	**3,071**	**9,425**	**17,450**	**29,946**
Impairment of property, plant and equipment	**–**	**18,244**	**–**	**18,244**
Impairment of trade receivables	**–**	**10**	**–**	**10**
Interest income	**(520)**	**(2,533)**	**(895)**	**(3,948)**
Interest expense	**–**	**8,546**	**2**	**8,548**
Depreciation	**128**	**5,077**	**6,338**	**11,543**
Amortisation charge	**–**	**833**	**41**	**874**
Write-down of inventories	**–**	**26,266**	**–**	**26,266**
Year ended 31 December 2020				
Reportable segment revenue (external customers)	–	290,805	6,260	297,065
Reportable segment profit/(losses)	2,046,697	(130,533)	(11,253)	1,904,911
Reportable segment assets	6,927,567	572,754	70,794	7,571,115
Reportable segment liabilities	110,768	575,355	14,258	700,381
Capital expenditure	1,205	4,403	8,208	13,816
Reversal of impairment of exploration and evaluation assets	(2,053,773)	–	–	(2,053,773)
Impairment of property, plant and equipment	–	139,058	–	139,058
Reversal of impairment of trade receivables	–	(277)	–	(277)
Interest income	–	(1,537)	(333)	(1,870)
Interest expense	–	19,571	–	19,571
Depreciation	54	15,690	2,493	18,237
Amortisation charge	–	954	–	954
Write-down of inventories	–	79,386	–	79,386

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

	2021	2020
	HK$'000	*HK$'000*
Reportable segment revenue	**478,917**	297,065
Reportable segment (losses)/profit	**(6,060)**	1,904,911
Other operating income	**1,392**	1,209
Administrative expenses	**(18,034)**	(18,757)
Share of results of associate	**(4,868)**	(50,628)
Fair value gain on contingent consideration payables	**(3,342)**	54,769
Loss on deemed disposal of a subsidiary	**–**	(58,767)
Net gain/(loss) on financial assets at fair value through profit or loss	**119,797**	(49,990)
Finance costs	**(232)**	(322)
Profit before income tax	**88,653**	1,782,425
Reportable segment assets	**7,040,585**	7,571,115
Right-of-use assets	**7,567**	3,497
Interests in associates	**6,793**	12,391
Financial assets at fair value through other comprehensive income	**9,438**	10,676
Prepayments, deposits and other receivables	**28,602**	29,062
Financial assets at fair value through profit or loss	**148,300**	89,621
Cash and cash equivalents	**67,363**	86,843
	7,308,648	7,803,205
Reportable segment liabilities	**521,472**	700,381
Other payables and accrued expenses	**3,297**	62,177
Lease liabilities	**7,460**	3,724
Deferred tax liabilities	**2,090,628**	2,237,901
	2,622,857	3,004,183

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

	2021	2020
	HK$'000	*HK$'000*
Revenue from external customers		
PRC	**362,176**	240,766
Belgium	**–**	78
United Kingdom	**1,048**	–
Sweden	**115,693**	56,221
Reportable segment revenue	**478,917**	297,065
Non-current assets (excluding other financial assets)		
Hong Kong	**14,360**	15,888
PRC	**106,943**	109,251
Brazil	**6,491,148**	6,920,709
Reportable segment non-current assets	**6,612,451**	7,045,848

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

During the year ended 31 December 2021, over 97% (2020: 89%) of the Group's revenue was derived from 1 major customer (2020: 2 major customers) in lithium battery production segment and revenue generated from the customer is HK$462,375,000 (2020: revenue generated from these customers are HK$180,242,000 and HK$84,032,000 respectively).

5. INTERESTS IN ASSOCIATES

	2021	2020
	HK$'000	*HK$'000*
Interests in associates:		
Cost of investment on unlisted associates	**129,082**	129,082
Share of post acquisition losses and other comprehensive losses	**(122,289)**	(116,691)
Share of net assets	**6,793**	12,391

Movement of interests in associates are as follows:

	2021	2020
	HK$'000	*HK$'000*
As at 1 January	**12,391**	17,063
Additions *(note 1)*	**–**	110,922
Share of results of associates	**(4,868)**	(50,628)
Share of other comprehensive (loss)/income	**(730)**	1,862
Share of other reserve *(note 2)*	**–**	(66,828)
As at 31 December	**6,793**	12,391

Details of the Group's associates as at 31 December 2021 are as follows:

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

Notes

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

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

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

	吉行國際科技有限公司 and its subsidiary		**Shandong Forever**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December				
Current assets	**40,732**	82,113	**16,677**	6,223
Non-current assets	**180,308**	209,141	**86,562**	86,365
Current liabilities	**(249,339)**	(252,030)	**(3,414)**	(4,147)
Non-current liabilities	**–**	–	**(72,099)**	(69,885)
Net (liabilities)/assets	**(28,299)**	39,224	**27,726**	18,556
Group's share of net assets of the associate	**–**	7,845	**6,793**	4,546
Year ended 31 December*				
Revenue	**19,912**	6,227	**2,805**	2,711
Other operating income	**–**	–	**32,427**	–
Expenses	**(80,222)**	(56,781)	**(23,083)**	(168,083)
Loss for the year	**(60,310)**	(50,554)	**12,149**	(165,372)
Other comprehensive income/(loss)	**7,349**	4,465	**(2,982)**	3,955
Total comprehensive (loss)/income	**(52,961)**	(46,089)	**9,167**	(161,417)
Share of results of associates	**(7,845)**	(10,112)	**2,977**	(40,516)
Share of other comprehensive income/(loss) of associates	**–**	894	**(730)**	968
Share of total comprehensive (loss)/income	**(7,845)**	(9,218)	**2,247**	(39,548)

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

The Group has discontinued the recognition of its share of losses of associates because the share of losses of the associate exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of associates for the current year and cumulatively were approximately HK$2.8 million (2020: Nil) and HK$2.8 million (2020: Nil), respectively.

6. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Deferred tax — current year	**–**	698,283
Income tax expense	**–**	698,283

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% (2020: 25%) is applicable to the Group's PRC subsidiaries.

During the year, corporate income tax rates in Brazil of 34% (2020: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Company's subsidiary established in Brazil.

7. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31 December 2021 and 2020.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$88,500,000 (2020: HK$1,156,593,000) and weighted average of 9,737,434,000 (2020: 9,737,434,000) ordinary shares in issue (after adjusting the effect of treasury shares held by the Company) during the year.

Diluted earnings per share for the year ended 31 December 2021 and 2020 is the same as basic earnings per share because the impact of the exercise of share options was anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	Land *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 2020									
Opening net book amount	105	76,117	–	127,462	2,330	324	828	8,094	215,260
Additions	–	1,646	–	411	866	–	–	10,237	13,160
Transfers	–	3,745	–	12,038	174	–	–	(15,957)	–
Disposals	–	–	–	(799)	(191)	–	–	(274)	(1,264)
Depreciation	–	(2,549)	–	(16,844)	(533)	(134)	(544)	–	(20,604)
Impairment	–	(57,592)	–	(79,600)	(1,348)	(134)	(206)	(178)	(139,058)
Exchange realignment	(24)	1,577	–	2,748	(3)	5	8	148	4,459
Closing net book amount	81	22,944	–	45,416	1,295	61	86	2,070	71,953
At 31 December 2020									
Cost	81	222,541	2,452	415,372	11,359	1,866	3,006	10,267	666,944
Accumulated depreciation and impairment	–	(199,597)	(2,452)	(369,956)	(10,064)	(1,805)	(2,920)	(8,197)	(594,991)
Net book amount	81	22,944	–	45,416	1,295	61	86	2,070	71,953
Year ended 31 December 2021									
Opening net book amount	**81**	**22,944**	**–**	**45,416**	**1,295**	**61**	**86**	**2,070**	**71,953**
Additions	**–**	**828**	**87**	**1,504**	**354**	**336**	**–**	**23,766**	**26,875**
Transfers	**–**	**–**	**132**	**24,634**	**50**	**–**	**–**	**(24,816)**	**–**
Disposals	**–**	**–**	**–**	**(843)**	**(200)**	**(523)**	**–**	**–**	**(1,566)**
Write off	**–**	**–**	**(132)**	**–**	**–**	**–**	**–**	**–**	**(132)**
Depreciation	**–**	**(802)**	**(35)**	**(10,307)**	**(324)**	**(58)**	**(17)**	**–**	**(11,543)**
(Impairment)/reversal of impairment	**–**	**(5,568)**	**–**	**(18,615)**	**(40)**	**473**	**(17)**	**5,523**	**(18,244)**
Exchange realignment	**(5)**	**656**	**1**	**1,430**	**(13)**	**6**	**2**	**152**	**2,229**
Closing net book amount	**76**	**18,058**	**53**	**43,219**	**1,122**	**295**	**54**	**6,695**	**69,572**
At 31 December 2021									
Cost	**76**	**230,748**	**2,541**	**454,743**	**11,740**	**1,611**	**3,051**	**9,536**	**714,046**
Accumulated depreciation and impairment	**–**	**(212,690)**	**(2,488)**	**(411,524)**	**(10,618)**	**(1,316)**	**(2,997)**	**(2,841)**	**(644,474)**
Net book amount	**76**	**18,058**	**53**	**43,219**	**1,122**	**295**	**54**	**6,695**	**69,572**

Note:

The Group's land held as at 31 December 2021 and 2020, was a freehold land situated in the Brazil whilst the Group's leasehold buildings as at 31 December 2021 and 2020 are situated in the PRC and held under long term leases.

As at 31 December 2021, leasehold buildings of HK$11,688,000 (2020: HK$15,401,000) were pledged to secure the Group's bank borrowings.

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

As at 31 December 2021 and 2020, the Group's property, plant and equipment and right-of-use assets are mainly related to CGU of lithium battery production segment, operated by Zhejiang Forever New Energy Company Limited ("Zhejiang CGU").

As at 31 December 2021 and 2020, the directors of the Company carried out a review of the recoverable amounts of relevant assets of Zhejiang CGU, which is amounted to HK$81,561,000 (2020: HK$95,006,000). As a result, impairment loss of HK$18,244,000 (2020: HK$139,058,000) had been recognised in the consolidated statement of profit or loss and other comprehensive income. The significant impairment loss recognised was mainly due to increase in estimated capital expenditure and downward adjustment in the estimated profit margin after an expected change in product mix.

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 24.33% (2020: 15.54%) 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.

10. EXPLORATION AND EVALUATION ASSETS

	2021	2020
	HK$'000	*HK$'000*
At 1 January		
Cost	**6,920,709**	8,982,866
Accumulated impairment	**–**	(2,665,984)
Net book amount	**6,920,709**	6,316,882
For the year ended 31 December		
Opening net book amount	**6,920,709**	6,316,882
Additions	**3,071**	656
Exchange realignments	**(433,156)**	(1,450,602)
Reversal of impairment	**–**	2,053,773
Net book amount	**6,490,624**	6,920,709
At 31 December		
Cost	**6,490,624**	6,920,709
Accumulated impairment	**–**	–
Net book amount	**6,490,624**	6,920,709

As at 31 December 2021 and 2020, exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais, Brazil and the expenditures incurred in the search for mineral resources.

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

During the year, the Directors reviewed the carrying amount of exploration and evaluation assets, no impairment loss for the year (2020: reversal of impairment loss of HK$2,053,773,000) had been identified and recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Assumptions and parameters of the valuation as at 31 December 2021 are as follows:

Approval of all required licenses	Mid 2024 (2020: Mid 2023)
Commencement of production	1st quarter of 2028 (2020: 4th quarter of 2026)
Annual production capacity	27.5 million tonnes (2020: 27.5 million tonnes) of iron concentrate
Resource estimates	Measured resources of 3,583 million tonnes (2020: 3,583 million tonnes) (16.63%) Indicated resources of 1,556 million tonnes (2020: 1,556 million tonnes) (16.05%)
Price of iron concentrate	US$114 per tonnes (2020: US$111 per tonnes)
Operating costs:	
— First 18 years of mining	US$40.9 per tonnes (2020: US$33.7 per tonnes)
— Remaining period of mining	US$47.11 per tonnes (2020: US$39.0 per tonnes)
Income tax rate	11-15% for the first ten years of operation 34% afterwards (2020: same term)
Capital expenditures:	
— Construction of infrastructure	US$2,777 million (2020: US$2,236 million)
Discount rate	23.23% (2020: 19.84%)

11. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables — Gross	**61,746**	103,262
Less: Impairment losses	**(424)**	(399)
Trade receivables — Net	**61,322**	102,863

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

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

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**1,070**	68,099
31–90 days	**60,453**	35,163
91–180 days	**223**	–
Over 180 days	**–**	–
	61,746	103,262

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

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**399**	25,020
Deemed disposal	**–**	(23,825)
Impairment recognised/(reversed)	**10**	(277)
Exchange alignment	**15**	(519)
At 31 December	**424**	399

A provision of HK$10,000 (2020: reversal of provision of HK$277,000) was made against the gross amounts of trade receivables during the year.

As at 31 December 2021 and 2020, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Deposits	**6,638**	3,390
VAT receivables	**29,780**	55,049
Other receivables	**2,318**	3,127
Advances to suppliers	**487**	88
Amount due from an associate	**26,851**	26,851
	66,074	88,505

The amount due from an associate of HK$26.9 million (2020: 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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Listed equity investments, at market value,		
— in Hong Kong — held for trading	**147,978**	89,621
— In overseas — held for trading	**322**	–
	148,300	89,621

As at 31 December 2021 and 2020, the balance represented the fair value of 14.14% (2020: 21.72%) equity interests in Yuxing InfoTech Investment Holdings Limited, a company listed in the GEM of Hong Kong Stock Exchange Limited. This company is not accounted for on an equity method as the Group does not have the power to participate in its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

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

14. TRADE AND BILL PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**25,137**	78,273
Bill payables	**2,066**	–
	27,203	78,273

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

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**5,676**	65,543
31–60 days	**18,839**	6,435
61–90 days	**491**	194
91–180 days	**1,538**	21
Over 180 days	**659**	6,080
	27,203	78,273

15. SHARE CAPITAL

	Number of shares *'000*	Total *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each at 1 January, 31 December 2020 and 2021	1,000,000,000	1,000,000

	Number of shares *'000*	*HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.001 each at 1 January, 31 December 2020 and 2021	9,854,534	9,855

MANAGEMENT DISCUSSION AND ANALYSIS

LITHIUM-ION BATTERY BUSINESS

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

Although the batteries produced by the Group are top quality, reliable and safe technically, the small production capacity and low utilisation rate of the battery plant lead to a higher average costs when compared to the other competitors. Lynk & Co. did not purchase the battery packs of the Group for their PHEV models in 2021, which was mainly due to the cost factor. In the PRC, the top ten powered battery manufacturers accounted for over 90% of the market share. The business relationship between the powered battery manufacturer and the NEV manufacturers is stable, making it not easy for the companies in the industry to break off reliance on a major supplier or customer. Customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with automobile manufacturers and potential new customers in the energy storage field. Expect for lithium ion battery for PHEVs, the Group also has 12V and 48V batteries in the product list.

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

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

Zhejiang Forever New Energy's Research and Development team consists of both national and overseas experts from top-tier powered battery manufacturers. As of 31 December 2021, Zhejiang Forever New energy was granted 256 patents, among which 190 are utility model patents, 9 appearance design patents and 57 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.

During the year ended 31 December 2021, the lithium-ion battery segment recorded a revenue of approximately HK$473.1 million (equivalent to approximately RMB392.7 million), which was increased by approximately 62.6% when compared to HK$290.8 million (equivalent to approximately RMB259 million) revenue recognised in last year. The reasons were discussed in the Business Review section in the Management Discussion and Analysis of this announcement.

The lithium-ion battery segment profit was approximately HK$17.2 million (2020: HK$130.5 million loss). The turn-around from loss to profit during the year was mainly because of the decreased in impairment of property, plant and equipment and increase in gross profit in the current year.

BATTERY SHARING BUSINESS

Under the brand “GETI”, the Company has launched a battery sharing business in mid-2019 which target electric bicycles with business model include self-operation and franchising in the PRC. “GETI” has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By December 2021, GETI has approximately 666 battery swapping stations and 2,242 package users and has completed over 1 million times battery swapping service on aggregate since its launch in 2019. The revenue and loss for the segment was approximately HK$5.8 million (2020: HK$6.3 million) and HK$15.3 million (2020: HK$11.3 million) respectively for the year ended 31 December 2021. The widened loss was mainly contributed by the HK$3.8 million increase in depreciation expenses, after more battery swapping stations and batteries were launched to the market during the year.

PROGRESS OF SAM

Background

As of 31 December 2021, the Group had accumulatively provided US$78.6 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$157.0 million.

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

Updates on the Project Development Plan

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

Smart Mining

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

Beneficiation

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

Tailings Treatment

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

Pipeline Transportation

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

Port

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

Water Supply

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

Irrigation Project

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

Power Supply

In 2014, SAM was authorized by the Ministry of Mines and Energy (MME) of Brazil to connect the main substation of SAM Project to the most appropriate connection point in the basic grid of the National Integrated System, as being in the Irapé UHE (Hydroelectric Plant) Substation, via a 67km power transmission line with a nominal voltage of 345 kV. The region of the project has huge potential for renewable energy. It is one of the best region for solar energy in Brazil, in recent years, the installed solar photovoltaic capacity in this region has increased rapidly. It also has huge potential for wind energy as the strongest wind belt (with the wind speed of 8-11m/s) in the State of Minas Gerais is only approximately 40km away from Block 8 Project. In addition, the project region is covered by endless eucalyptus forests, which is a traditional area for producing eucalyptus wood, making it a great place for biomass energy generation. In view of the above, to reduce carbon dioxide emissions, the company is also exploring the use of 100% renewable energy to power Block 8 Project within a certain period of time after the project is put into production. SAM may choose to purchase electricity from established renewable energy plants to reduce electricity costs by 10% to 20%. Meanwhile, the company is also discussing with large energy companies about the possibility of being a solar, wind, and biomass renewable energy self-producer since self-production of energy could save approximately 39% of electricity costs due to tax cuts.

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.

Expected Timetable

Assuming that the LP (preliminary license) is obtained between the fourth quarter of 2022 and the first quarter of 2023, there is a chance to obtain the LI in the second quarter of 2024 and start trial production in the second half of 2027. Many uncertainties, however, may affect the timetable.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$2.78 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$27.6 and thereafter will rise to approximately US$33.8. 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$40.9 per ton for the first 18 years and then increase to US$47.1 per ton.

LP Application

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

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

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

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

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

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

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

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

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

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

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

In December 2019, public prosecutors of MPMG and the Federal Public Ministry (MPF) jointly filed a public civil action ("ACP") against the Government of the State of Minas Gerais, IBAMA, Lotus Brasil and SAM. The ACP claimed that SAM's mine project and the pipeline project of Lotus Brasil are dependent, and shall be licensed jointly in IBAMA. In January 2020, the judge granted a temporary injunction for the environmental licensing processes of the SAM project and the pipeline project of Lotus Brasil until the final decision was made to ACP. In July 2020, the judge repealed the temporary injunction and provisionally establish IBAMA as the competent organ for the environmental licensing of the SAM project, and allowed IBAMA to delegate its competency to the State of Minas Gerais so that the Government of the State of Minas Gerais can continue with the analysis of the LP application of the SAM project. IBAMA and SEMAD has entered into a technical co-operation agreement on 26 March 2021 and all the delegation procedure was completed in April 2021, SAM has resumed the environmental licensing process in SEMAD.

In order to ensure that public prosecutors have a better understanding of Block 8 Project, SAM and MPMG signed an agreement on 24 May 2021, with the Governor of the State of Minas Gerais attended the signing ceremony. The signing of the agreement fully demonstrated SAM's confidence in the sustainable development model and environmental feasibility of the project.

In April 2017, the strategic affairs committee of the state of Minas Gerais made a decision to include SAM's iron ore project as the priority project of the state. Therefore, the SAM project would enjoy a faster LP application procedure than other projects. The Superintendence of Priority Projects (SUPPRI), a division of SEMAD which is responsible for reviewing the LP application of priority project of the Minas Gerais State, is analysing the EIA-RIMA of SAM. SUPPRI has agreed to complete the analysis of EIA-RIMA in the coming months.

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

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

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

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 2021, US$2.78 billion CAPEX (2020: US$2.24 billion) and US$40.9 (2020: US$33.7) (year 1 to 18) and US$47.1 (2020: US$39.0) (year 19 to 31) per ton of OPEX applied. The applied CAPEX and OPEX increased in the current year mainly due to the increase in expected steel and concrete costs and increase in energy costs respectively.

Regarding the project timeline, the new operation commencement date is expected to be early 2028 (2020: late 2026) because due to the public civil action (ACP), SAM licensing process is progressing slower than expected.

After the revaluation, the exploration rights, revaluated by an independent professional valuer, Roma Appraisal Limited, were valued at approximately US$840 million (equivalent to approximately HK$6,518 million) (2020: US$981 million, equivalent to approximately HK$7,613 million). The fair value of the exploration and evaluation assets decreased because the applied discount rate, CAPEX and OPEX were all increased in the current year. But their impact was partly compensated due to the strong demand for high grading iron concentrate products, making the price of product of SAM increased. More assumptions and parameters of the valuation has been set out in note 10 of this announcement.

CONTINGENT CONSIDERATION AND LIABILITIES

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

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

Conditional additional payment

If, however:

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

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

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

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

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

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

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

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

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

(5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), with the aggregate of items (1) to (5) above in no event exceeding US$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US$60,000,000 (the "Additional Payment"). As at 31 December 2021, the additional loans and capital invested was approximately US$12,890,000.

Conditional mining production payment to Votorantim

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

As at 31 December 2021, the contingent consideration payable was approximately HK$109.7 million (equivalent to approximately US$14.1 million) (2020: HK$106.3 million, equivalent to approximately US$13.7 million).

Impairment Assessment of Zhejiang Forever New Energy

During the year ended 31 December 2021, impairment of approximately HK$18.2 million was recognised in relation to Zhejiang Forever New Energy cash generating unit (the "Zhejiang CGU") because of the increase in estimated capital expenditure and the downward adjustment in the estimated profit margin after an expected change in product mix.

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

For the forecast revenue growth rate from 2022 to 2026, it is estimated based on the estimated sales quantity and estimated unit selling price. In 2022, the forecast sales quantities are adjusted by an expected decrease in sales to customer. The sales quantity in the forecast period is expected to reach the peak in 2023 according to the production plan of customer, and orders are expected to decrease in 2024 and no further growth is expected in 2025 and onwards.

Other key assumptions and inputs:

- The post-tax discount rate of 14.00% (2020: 14.09%) which is based on the weighted average cost of capital.

- The pre-tax discount rate of 24.33% (2020: 15.54%) determined by an iterative computation so that the value in use determined by the pre-tax cash flows and a pre-tax discount rate equals value in use determined by the post-tax cash flows and a post-tax discount rate.

- The revenue growth rate beyond the five-year budget plans was 0% (2020: 0%).

CONTINUING CONNECTED TRANSACTIONS

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

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

On 28 September 2020 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 Group in accordance with the terms and conditions thereunder (the "Sales Framework Agreements").

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 latest annual caps are shown below.

	For the year ended 31 December 2021 *RMB*	**For the year ending 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

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

The sales under the Sales Framework Agreement for the year ended 31 December 2021 was approximately RMB383.9 million (equivalent to approximately HK$462.4 million).

There was no other continuing connected transaction entered into by the Company during the year ended 31 December 2021.

CONNECTED TRANSACTIONS

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

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

During the year ended 31 December 2021, a finance costs of approximately HK$0.8 million was recognised by the Company in relation to the above short term loans. The Board considers the above loan arrangements were conducted on normal commercial terms or better.

For the year ended 31 December 2021, the Group has sold approximately HK$462.4 million lithium-ion batteries to Zhejiang Geely Group.

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

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

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

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

(2) on normal commercial terms or better;

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

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

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

There was no other connected transaction entered into by the Company during the year ended 31 December 2021.

STRATEGIC COOPERATION AGREEMENT WITH NEW GONOW

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

STRATEGIC INVESTMENT AGREEMENT WITH YINUO MINING

In order to seize the potential business opportunity, on 22 July 2021, the Company has entered into a non-legally binding strategic investment agreement (the"Strategic Investment Agreement") with Pinglu Yinuo Mining Company Limited 平陸一諾礦業有限公司 ("Yinuo Mining"). Yinuo Mining is participating in the reorganisation of a group of companies which has approximately 9.13 square kilometers of aluminum ore mining rights and has reported reserves of 13 million tons; bauxite exploration rights which cover approximately 50 square kilometers; and is engaged in the production and deep processing of specialty aluminum oxide, aluminum hydroxide, alpha alumina and boehmite products. Once the reorganisation become effective, the Company, subject to the further agreement, will acquire Yinuo Mining's interests and turn Yinuo Mining into a wholly-owned subsidiary or subsidiary of the Company. Yinuo Mining will lease the mining rights for large-scale mining and/or will rent a plant for aluminum oxide production. The company will inject funds into Yinuo Mining according to the lease terms agreed and actual production requirement. Having considered that the project partner was undergoing complex debt restructuring procedures, the Company decided to put this project on hold.

SHAREHOLDING IN YUXING INFOTECH

On 19 June 2020 (after trading hours), the Company and Bronze Pony Investments Limited (the "Purchaser") entered into an agreement in relation to the disposal of 400,000,000 shares (the "Sale Shares") of Yuxing InfoTech Investment Holdings Ltd. ("Yuxing InfoTech") (the "Sale Shares Agreement"). On 23 February 2021, 98,490,000 shares of the Sale Shares were disposed to the Purchaser at the price of HK$0.66 per shares. However, the Sale Shares Agreement, as well as supplemental agreement, were expired on 30 September 2021 after the Purchaser failed to settle the final payment. For details, please refer to the announcements of the Company dated 21 June 2020, 22 February 2021, 30 June 2021 and 30 September 2021.

As at 31 December 2021, the Group owned 351,867,200 shares of Yuxing InfoTech, represented 14.14% equity interests in Yuxing InfoTech.

BUSINESS REVIEW

For the year ended 31 December 2021, the Group recognised HK$478.9 million in revenue, representing a 61% increase when compared to HK$297.1 million revenue recognised in the last year. The profit for the year ended 31 December 2021 attributable to owners of the Company was approximately HK$88.5 million (31 December 2020: HK$1,156.6 million).

Over 98% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The rose in revenue of the Group was driven by the increase in demand of lithium-ion batteries from our major customer Volvo Car which recorded strong sales growth for its PHEV car models in 2021.

The Group is running the battery sharing business focusing on food delivery electric bicycle branded “GETI” in the PRC. By December 2021, GETI has approximately 666 battery swapping stations and 2,242 package users. The Group is currently one of the leading service providers in Jiangsu Province and is planning expand the service to other region in the PRC. It is the vision of the Group to provide safe, convenient and reliable battery swapping service to customers all over China. For the year ended 31 December 2021, GETI has recognised approximately HK$5.8 million revenue (31 December 2020: HK$6.3 million). Revenue decreased because of the keen competition in the industry.

The Group recorded a gross profit of approximately HK$115.1 million (gross profit ratio: 24.0%) for the year ended 31 December 2021 as compared with the gross profit of approximately HK$93.0 million (gross profit ratio: 31.3%) in the last year. Gross profit ratio was lowered because there were price adjustment on products to Volvo Car in the fourth quarter of 2021. On the other hand, certain long ageing inventories were sold at a discounted price.

Other operating income of approximately HK$114.6 million (31 December 2020: expenses of HK$47.8 million) was recognised during the current year. Other operating income increased despite the government grant recognised in the current period was only HK$7.6 million (31 December 2020: HK$69.7 million). It was mainly because approximately HK$119.8 million net gain was recognised on financial assets at fair value through profit or loss mainly due to the increase in share price of Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited during the current year (31 December 2020: loss of HK$50.0 million). In addition, only HK$26.3 million (31 December 2020: HK$79.4 million) provision on inventories was provided in current year.

Because of the improved quality control, the maintenance cost for the battery products decreased during the current year and the selling and distribution costs during the year ended 31 December 2021 was approximately HK$13.0 million (31 December 2020: HK$20.1 million).

The administrative expenses increased by approximately HK$6.7 million or 7.7% when compared to the last year. The increase was mainly contributed by the increased in research and development costs by Zhejiang Forever New Energy.

Approximately HK$8.8 million finance costs were recognised during the year ended 31 December 2021 (31 December 2020: HK$16.8 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC and loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary. The Group has repaid all the loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary during the year ended 31 December 2021. The decrease in borrowings and loans of the Group has led to a lower finance costs during the current year.

For the year ended 31 December 2021, the profit attributable to the owners of the Company was approximately HK$88.5 million (31 December 2020: profit of HK$1,156.6 million), decreased by more than 90% year-on-year. The decrease in profit was mainly because there was no non-cash income regarding the reversal of impairment of exploration and evaluation assets (net of deferred tax charge) in relation to the SAM iron ore project this year (reversal of impairment for the year ended 31 December 2020: HK$1,355.5 million (net of deferred tax expense)). Although there was no such reversal of impairment income for the current year, profit was recorded for the Company, major reasons include (1) there was a net gain of HK$119.8 million on financial assets at fair value through profit or loss during the year (31 December 2020: loss of HK$50.0 million) ; (2) non-cash impairment provision related to property, plant and equipment was decreased by HK$120.8 million year-on-year.

For the associate (20% owned by the Group) which engaged in online car-hailing services in Paris, France under the brand Caocao, the service was launched in Paris in January 2020 and although Caocao has received positive feedback from the market and its revenue has surged since second quarter of 2021 and reached record high in the fourth quarter of 2021 as worries about the COVID-19 pandemic have eased amid rising vaccinations, COVID-19 control measures such as quarantine requirement imposed by Asia countries for returning citizens are still affecting the tourism industry in Paris and a share of HK$7.8 million loss of associate was recognised by the Group during the year.

Since 19 March 2020, Shandong Forever New Energy became an associate of the Company. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement, Jiangsu Tiankai shall complete the Capital Increase by payment of the Capital Contribution Sum in cash into a designated account of Shandong Forever New Energy. However, despite repeated demands from the Company, Jiangsu Tiankai has not yet settled the unpaid capital contribution up to the date of this announcement. In 2020, Shandong Forever New Energy has made an impairment loss on such receivable in view of its long overdue status and the existence of uncertainty to receive the capital contribution sum from Jiangsu

Tiankai. Approximately HK$3.0 million share of profit was recognised by the Company during the year because Shandong Forever New Energy has recovered a long ageing, impaired trade receivables. The Group is exploring the feasibility of retrieving equity or reverting the transaction through negotiation or legal proceedings, and is also constantly exploring the possibility of finding other partners or further developing equity structure and business.

As at 31 December 2021, the cash and cash equivalent balance of the Group was approximately HK$396.4 million (31 December 2020: HK$372.7 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 31 December 2021, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 6.1% (31 December 2020: 8.9%). The gearing ratio of the Group has improved because the total loans and borrowings decreased due to loan repayment during the year ended 31 December 2021.

THE USE OF PROCEEDS FROM PLACING AND SHARE SUBSCRIPTION

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

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 31 December 2021:

Intended use of proceeds	**Total net proceeds**	**Actual use of net proceeds up to 31 December 2021**	**Remaining balance of net proceeds up to 31 December 2021**
	HK$' million	*HK$' million*	*HK$' million*
Lent to the Borrower	540.0	540.0	Nil
New energy vehicle related business	456.7	456.7	Nil
Brazilian iron ore project	153.3	134.9	18.4
Repayment of loans from the ultimate holding company	109.1	109.1	Nil
General working capital of the Company	76.9	76.9	Nil
Total	1,336.0	1,317.6	18.4

As at 31 December 2021, the unutilised portion of approximately HK$18.4 million were expected to be utilised in the following specific use:

Brazilian iron ore project

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

CAPITAL COMMITMENTS

As at 31 December 2021, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$85.5 million.

EMPLOYEES

As at 31 December 2021, the total number of employees of the Group was 198 (2020: 261). Employee benefit expenses (including directors' emoluments) amounted to HK$49.8 million for the year (2020: HK$51.7 million).

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

CHARGES ON GROUP ASSETS

Details of the charges on assets of the Group are set out in note 9 of this announcement.

PROSPECTS

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

Meanwhile, the General Office of the State Council of the PRC released the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. The new car sales of new energy vehicles is expected to account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The Company expected that with the launch of the latest policies, the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Our Zhejiang lithium-ion manufacturing plant has been focusing on producing lithium-ion batteries for PHEV models in the past few years. Nevertheless, PHEV is only a niche market for the battery segment in new energy vehicles, accounting for approximately 20% of the total new energy vehicles sales in the PRC, which around half of the total sales were derived by a single manufacturer which is also a battery manufacturer. Also, the electric powered range for PHEV has been increasing, while 50-70KM range was the mainstream in the past few years, it is expected PHEV models with over 80-100KM range will become the norm from 2022 onwards. The keen competition and the new industry norm poses a challenge for the Group and revenue of the Group is expected to decrease substantially in the first half of 2022, which was mainly attributable to the substantial decrease in PHEV battery orders from Volvo Car. On the other hand, to obtain new orders and meet the requirements of the new orders, new production facilities are under installation in the Zhejiang manufacturing plant.

Since October 2021, the Company has been working on the potential acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France. Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while proactively exploring the lithium-ion battery business in a prudent manner, the Group will continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as smart car cockpit, chips and parts for automobile, electric controlling, Internet of Vehicle, autonomous driving, shared mobility, high-definition map and light-weighting of vehicles.

For the resource sector, the latest progress of the Brazil SAM iron ore project was covered in the Progress of SAM section in this announcement. Despite the exceptional time and efforts spent for the SAM iron ore project, it is mainly due the two tailing dam disasters in Brazil in November 2015 and January 2019 that all the licensing process of other projects with tailing dam has been badly affected, therefore the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility. Despite unexpected challenges and tests, the Group still proactively promoted the SAM project which was widely supported locally. The Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time.

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 Group reduce substantially the size of their purchase orders placed with the Group or terminate their business relationship with the Group entirely, the results of operations and financial performance of the Group may be adversely affected.

The Group expects the sales to companies under Zhejiang Geely Group will count a significant portion of revenue of Zhejiang Forever New Energy. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other mainstream automobile manufacturers to reduce the sales concentration risk. The Group is constantly negotiating and conducting products matching with major automobile enterprises, new energy vehicles enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with key customers. The Group is also actively investing and exploring opportunities other than lithium-ion battery business. For example, the Group has been providing battery swapping service for electric bicycle since 2019.

Increasing Raw Materials and Purchase Costs

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

Others

Moreover, technological advancement, innovation and even revolution requires continuous improvement, or even obsolescence, of battery production lines. Factors such as excessively large trade receivables will also result in certain risks. The Group has been adopting a prudent strategy in its expansion to reduce the possible harmful impacts from such risks.

THE PRINCIPAL RISKS AND UNCERTAINTIES FOR THE SAM PROJECT

Iron ore price risk

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

Risk of SAM project will not be materialized

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules for the year ended 31 December 2021 and up to the date hereof.

CORPORATE GOVERNANCE PRACTICES

The Company complied with the corporate governance code in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2021 with the exception of Code Provision C.2.5. Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the audit committee and the Board. In addition, the audit committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2021.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures and risk management system of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Ma Gang and Mr. Ha Chun, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2020 annual results, 2021 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 consolidated results for the year ended 31 December 2021 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary results announcement of the Group's results for the year ended 31 December 2021 have been compared by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by BDO Limited on this results announcement.

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

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

Non-Executive Director:
Mr. YAN Weimin

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

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

Hong Kong, 30 March 2022