HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

HALF YEAR RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

UNAUDITED CONSOLIDATED HALF YEAR RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021, as follows:

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

		Three months ended 30 June		**Six months ended 30 June**	
		2022	2021	**2022**	2021
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**25,367**	110,940	**37,232**	205,286
Cost of sales		**(19,264)**	(82,445)	**(23,701)**	(147,613)
Gross profit		**6,103**	28,495	**13,531**	57,673
Other operating (expenses)/income	*4*	**(9,999)**	(23,875)	**(52,938)**	91,925
Selling and distribution costs		**(1,162)**	(2,986)	**(3,801)**	(6,436)
Administrative expenses		**(27,449)**	(18,179)	**(42,854)**	(36,986)
Share of results of associates	*12*	**(267)**	(3,917)	**(999)**	(6,909)
Gain on disposal of financial assets		**–**	–	**–**	45,400
Finance costs	*5*	**(1,984)**	(2,115)	**(4,075)**	(5,440)
Profit/(loss) before income tax	*6*	**(34,758)**	(22,577)	**(91,136)**	139,227
Income tax	*7*	**–**	–	**–**	–
Profit/(loss) for the period		**(34,758)**	(22,577)	**(91,136)**	139,227
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		**(477,457)**	538,813	**310,436**	169,552
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity instruments at fair value through other comprehensive income		**(1,768)**	19,311	**(3,154)**	29,045
Other comprehensive income for the period, net of tax		**(479,225)**	558,124	**307,282**	198,597
Total comprehensive income for the period		**(513,983)**	535,547	**216,146**	337,824

	Notes	Three months ended 30 June **2022** *HK$'000*	2021 *HK$'000*	Six months ended 30 June **2022** *HK$'000*	2021 *HK$'000*
Profit/(loss) for the period attributable to:					
Owners of the Company		**(32,815)**	(30,019)	**(89,621)**	124,973
Non-controlling interests		**(1,943)**	7,442	**(1,515)**	14,254
		(34,758)	(22,577)	**(91,136)**	139,227
Total comprehensive income attributable to:					
Owners of the Company		**(509,927)**	524,045	**219,179**	322,975
Non-controlling interests		**(1,728)**	11,502	**(3,033)**	14,849
		(511,655)	535,547	**216,146**	337,824
Earnings/(loss) per share attributable to the owners of the Company during the period	*9*				
— Basic		**HK(0.34) cent**	HK(0.31) cent	**HK(0.92) cent**	HK1.28 cents
— Diluted		**HK(0.34) cent**	HK(0.31) cent	**HK(0.92) cent**	HK1.28 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2022**	As at 31 December 2021
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**64,141**	69,572
Exploration and evaluation assets	*10*	**6,969,680**	6,490,624
Financial assets at fair value through other comprehensive income	*11*	**6,906**	9,438
Interests in associates	*12*	**5,794**	6,793
Right-of-use assets	*13*	**42,325**	45,462
		7,088,846	6,621,889
Current assets			
Inventories		**22,012**	9,201
Trade receivables	*14*	**23,798**	61,322
Prepayments, deposits and other receivables		**42,967**	66,074
Financial assets at fair value through profit or loss	*15*	**78,624**	148,300
Tax recoverable		**423**	341
Restricted bank deposits		**3,290**	5,134
Cash and cash equivalents		**385,755**	396,387
Total current assets		**556,869**	686,759
Current liabilities			
Trade and bill payables	*16*	**11,544**	27,203
Other payables, accruals and deposit received		**79,264**	90,050
Borrowings	*17*	**138,454**	145,024
Lease liabilities		**1,249**	2,420
Total current liabilities		**230,511**	264,697
Net current assets		**326,358**	422,062
Total assets less current liabilities		**7,415,204**	7,043,951

	Notes	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Non-current liabilities			
Borrowings	*17*	**133,065**	139,380
Deferred income		**11,863**	13,255
Deferred tax liabilities	*18*	**2,253,507**	2,090,628
Contingent consideration payables	*19*	**109,667**	109,667
Lease liabilities		**5,165**	5,230
		2,513,267	2,358,160
Net assets		**4,901,937**	4,685,791
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**9,855**	9,855
Reserves		**4,863,370**	4,644,191
		4,873,225	4,654,046
Non-controlling interests		**28,712**	31,745
Total equity		**4,901,937**	4,685,791

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Treasury shares reserve**	**Share-based payment reserve**	**Translation reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2022										
At 1 January 2022	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,264,838)**	**(84,688)**	**7,562,937**	**4,654,046**	**31,745**	**4,685,791**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(89,621)**	**(89,621)**	**(1,515)**	**(91,136)**
Other comprehensive income										
Currency translation	**–**	**–**	**–**	**–**	**311,954**	**–**	**–**	**311,954**	**(1,518)**	**310,436**
Changes of fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(3,154)**	**–**	**(3,154)**	**–**	**(3,154)**
Total comprehensive income	**–**	**–**	**–**	**–**	**311,954**	**(3,154)**	**(89,621)**	**219,179**	**(3,033)**	**216,146**
At 30 June 2022	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(5,952,884)**	**(87,842)**	**7,473,316**	**4,873,225**	**28,712**	**4,901,937**
2021										
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
	–	–	–	–	–	–	–	–	89,103	89,103
Profit for the period	–	–	–	–	–	–	124,973	124,973	14,254	139,227
Other comprehensive income										
Currency translation	–	–	–	–	168,957	–	–	168,957	595	169,552
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	29,045	–	29,045	–	29,045
Total comprehensive income	–	–	–	–	168,957	29,045	124,973	322,975	14,849	337,824
At 30 June 2021	9,855	3,563,686	(142,864)	9,958	(5,807,865)	(54,405)	7,614,956	5,193,321	32,628	5,225,949

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Net cash from (used in) operating activities	**7,256**	(28,798)
Net cash from (used in) investing activities:		
Purchases of property, plant and equipment	**(9,261)**	(9,065)
Interests received	**4,780**	1,804
Proceeds from disposal of financial assets at fair value through profit or loss	**3,298**	–
Decrease in restricted bank deposits	**1,844**	–
Other investing cash flows	**(622)**	–
	39	(7,261)
Net cash used in financing activities:		
Repayment of borrowings	**–**	(151,589)
Interests paid on borrowings	**(3,913)**	(5,347)
Capital contribution from non-controlling interests to a non-wholly owned subsidiary	**–**	89,103
Other financing cash flows	**(1,398)**	(1,568)
	(5,311)	(69,401)
Net increase/(decrease) in cash and cash equivalents	**1,984**	(105,460)
Cash and cash equivalents, at beginning of period	**396,387**	372,651
Effect of foreign exchange rate changes	**(12,616)**	2,911
Cash and cash equivalents, at end of period	**385,755**	270,102
Analysis of cash and cash equivalents		
Cash at banks and in hand	**385,755**	270,102

Notes:

1. **BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES**

The unaudited consolidated financial statements for the six months ended 30 June 2022 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

These financial statements should be read, where relevant, in conjunction with the 2021 annual report.

The accounting policies adopted in the 2021 annual financial statements have been consistently applied to these financial statements except that in the current period. The group has applied for the first time the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020

The new or amended HKFRSs that are effective from 1 January 2022 did not have any significant impact on the Group's accounting policies. The Group has not applied any new or amended HKFRSs that are not yet effective.

2. **REVENUE**

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Sale of lithium batteries	**34,614**	202,178
Battery swapping service income	**2,618**	3,108
	37,232	205,286

3. **SEGMENT INFORMATION**

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

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

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

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

	Mineral resources exploration and trading	**Lithium battery production**	**Battery swapping services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2022				
Reportable segment revenue (external customers)	**–**	**34,614**	**2,618**	**37,232**
Reportable segment losses	**(6,099)**	**(1,870)**	**(6,900)**	**(14,869)**
Reportable segment assets	**6,982,081**	**429,962**	**54,010**	**7,466,053**
Reportable segment liabilities	**114,975**	**353,232**	**14,723**	**482,930**
Capital expenditure	**–**	**171**	**6,094**	**6,265**
Depreciation	**329**	**1,735**	**4,172**	**6,236**
Six months ended 30 June 2021				
Reportable segment revenue (external customers)	–	202,178	3,108	205,286
Reportable segment (losses)/profit	(3,639)	36,131	(5,763)	26,729
Reportable segment assets	7,203,921	526,711	69,888	7,800,520
Reportable segment liabilities	111,231	427,606	13,221	552,058
Capital expenditure	600	5,343	3,122	9,065
Depreciation	333	2,527	2,179	5,039

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Reportable segment revenue	**37,232**	205,286
Reportable segment profit/(loss)	**(14,869)**	26,729
Other operating (expenses)/income	**(1,304)**	676
Administrative expenses	**(7,424)**	(7,857)
Gain/(loss) on financial assets at fair value through profit or loss	**(66,378)**	81,281
Share of results of associate	**(999)**	(6,909)
Gain on disposal of financial assets	**–**	45,400
Finance costs	**(162)**	(93)
Profit/(loss) before income tax	**(91,136)**	139,227

	As at 30 June 2022	As at 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reportable segment assets	**7,466,053**	7,040,585
Prepayments, deposits and other receivables	**30,042**	28,602
Financial assets at fair value through profit or loss	**78,624**	148,300
Financial assets at fair value through other comprehensive income	**6,906**	9,438
Right-of-use assets	**6,552**	7,567
Interest in associates	**5,794**	6,793
Cash and cash equivalents	**51,744**	67,363
	7,645,715	7,308,648
Reportable segment liabilities	**482,930**	521,472
Other payables and accrued expenses	**1,108**	3,297
Lease liabilities	**6,233**	7,460
Deferred tax liabilities	**2,253,507**	2,090,628
	2,743,778	2,622,857

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Revenue from external customers		
PRC	**13,265**	123,740
United Kingdom	**23,967**	–
Sweden	**–**	81,546
Reportable segment revenue	**37,232**	205,286

	As at 30 June 2022	As at 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets (excluding financial assets at fair value through other comprehensive income)		
Hong Kong	**12,283**	14,360
PRC	**99,161**	106,943
Brazil	**6,970,496**	6,491,148
Reportable segment non-current assets	**7,081,940**	6,612,451

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

4. OTHER OPERATING (EXPENSES) INCOME

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**4,780**	1,804
Government grant	**5,778**	1,605
Rental income	**90**	60
Net gain/(Loss) on financial assets at fair value through profit or loss	**(66,378)**	81,281
Sundry income and exchange gain	**2,792**	7,175
	(52,938)	91,925

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Interest charges on borrowings wholly repayable within five years	**3,913**	5,347
Finance costs on lease liabilities	**162**	93
	4,075	5,440

6. PROFIT (LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Profit (loss) before income tax are arrived at after charging:		
Depreciation and amortisation	**7,668**	6,852

7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Overseas tax		
Current period	**–**	–
Deferred tax	**–**	–
Income tax	**–**	–

During the six months ended 30 June 2021 and 2022, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

8. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2022 are based on the loss attributable to the owners of the Company of approximately HK$32,815,000 and loss of HK$89,621,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury shares held by the Company. (For the three months and six months ended 30 June 2021, loss attributable to the owners of the Company was HK$30,019,000 and profit of HK$124,973,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury shares held by the Company.)

Diluted earnings (loss) per share figure are the same as basic earnings per share for the three months and six months ended 30 June 2021 and 2022 because the impact of the exercise of share options was anti-dilutive.

10. EXPLORATION AND EVALUATION ASSETS

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
Equity instruments measured at FVOCI	**6,906**	9,438

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

12. INTERESTS IN ASSOCIATES

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
Interest in associates:		
Share of net assets	**5,794**	6,793

Movement of interests in associates are as follows:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
As at 1 January	**6,793**	12,391
Share of results of associates	**(999)**	(6,909)
As at 30 June	**5,794**	5,482

Details of the Group's associates as at 30 June 2022 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)
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)
Shandong Forever	People's Republic of China/research, production and sales of lithium battery	24.5% (indirectly)

13. RIGHT-OF-USE ASSETS

	HK$'000
	(Unaudited)
As at 1 January 2022	**45,462**
Amortisation	**(1,432)**
Exchange reserve	**(1,705)**
At 30 June 2022	**42,325**

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

14. TRADE RECEIVABLES

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

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
Trade receivable — Gross	**24,222**	61,746
Less: Impairment losses	**(424)**	(424)
Trade receivables — Net	**23,798**	61,322

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

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
0 to 30 days	**23,288**	1,070
31 to 90 days	**911**	60,453
91 to 180 days	**12**	223
Over 180 days	**11**	–
	24,222	61,746

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
Listed equity investments, at market value		
— in Hong Kong — held for trading	**78,372**	147,978
— in overseas — held for trading	**252**	322
	78,624	148,300

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

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

16. TRADE AND BILL PAYABLES

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

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
Trade payables	**11,321**	25,137
Bill payables	**223**	2,066
	11,544	27,203
0–30 days	**7,256**	5,676
31–60 days	**468**	18,839
61–90 days	**563**	491
91–180 days	**235**	1,538
Over 180 days	**3,022**	659
	11,544	27,203

17. BORROWINGS

	Original currency	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Government loans *(Note (a))*	RMB	**117,135**	122,694
Bank loans *(Note (b))*	RMB	**154,384**	161,710
		271,519	284,404
Represented by:			
Current liabilities	RMB	**138,454**	145,024
Non-current liabilities	RMB	**133,065**	139,380
		271,519	284,404

(a) The balance represented the unsecured and interest free loans granted by the local government in the PRC in relation to the establishment of the manufacturing factory of new energy vehicle battery in Zhejiang, the PRC. The loans were classified a current liabilities.

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

18. DEFERRED TAX LIABILITIES

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

19. CONTINGENT CONSIDERATION PAYABLES

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

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

20. CAPITAL COMMITMENTS

	At 30 June 2022	At 31 December 2021
	HK$'000	*HK$'000*
Contracted but not provided for property, plant and equipment	**54,384**	85,496

FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

As at 30 June 2022	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Listed equity securities for strategic purpose	**6,906**	**–**	**–**	**6,906**
Listed securities held for trading	**78,624**	**–**	**–**	**78,624**
	85,530	**–**	**–**	**85,530**
Liabilities				
Contingent consideration payables	**–**	**–**	**109,667**	**109,667**

As at 31 December 2021	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Listed equity securities for strategic purpose	9,438	–	–	9,438
Listed securities held for trading	148,300	–	–	148,300
	157,738	–	–	157,738
Liabilities				
Contingent consideration payables	–	–	109,667	109,667

During the six months ended 30 June 2022, there was no transfer between different levels of fair value hierarchy.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Foreign currency risk

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

Interest rate risk

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

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

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

Equity price risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Lithium-ion Battery Business

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

Although the 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 since 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 and motorcycle 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.

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.

Battery Sharing Business

Under the brand "GETI", the Company is running a battery sharing business which target electric bicycles with business model include self-operation and franchising in the PRC. "GETI" has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By June 2022, GETI has 676 battery swapping stations and 2,233 package users.

Standardised Battery Modules

- Unified connector
- 10000+ plug-in number guarantee
- Safer and more worry-free
- multiple charge and discharge protection functions
- Intelligent charge and discharge matrix management
- Battery status real-time monitoring
- Troubleshooting and remote maintenance
- Historical data recording and traceability system
- Battery positioning recovery (Beidou positioning)
- Multi-mode communication component network coverage
- Isolated communication, safety management power channel
- Online OTA upgrade, update hardware features

Progress of SAM

Background

As of 30 June 2022, the Group had accumulatively provided US$79.1 million to Sul Americana de Metais S.A. ("SAM"), an indirect wholly owned subsidiary of the Company in Brazil, for preliminary work of the iron ore project in Brazil ("Block 8 Project" or "SAM Project"). In addition to the acquisition consideration of US$78.4 million, the cumulative investment had reached approximately US$157.5 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 grade of 66.2% Fe in the first 18 years' operation. The project will have an integrated system comprising of an open-pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam.

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.

Environmental License

The environmental license of the Block 8 project in Brazil involves three types of licenses: Preliminary License ("LP"), Installation License ("LI") and Operation License ("LO"). Among them, the LP is the most important to the project as it confirms environmental feasibility and approves the location and design of the project, and establishes basic requirements and conditions to be met in the next phases of the implementation of the project. The LP is also a prerequisite for obtaining the LI, LO, and other necessary approvals or implementing the project.

SAM remained committed to applying for the LP in compliance with laws and regulations in Brazil over the past few years. When and after the Group was notified of the pending granting of the LP for the first time in 2015, two tailings dam failures occurred at mines operated by other companies in Brazil, resulting in a severe delay in the granting LP for the SAM project. Only recently have there been some positive progress in the environmental licensing process.

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

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

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

Mining Concession

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

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

Others

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

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

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

Acquisition of Jixing International Technology Co., Ltd.

The Sale and Purchase Agreement and the Capital Increase Agreement

On 10 June 2022, Honbridge Technology Limited, a wholly-owned subsidiary of the Company and holding 20% of the equity interest of Jixing International Technology Co., Ltd. 吉行國際科技有限公司 (the "Target Company") entered into a sale and purchase agreement with Hangzhou UGO Technology Company Limited 杭州優行科技有限公司 ("Hangzhou UGO") and Hangzhou Hexijiao Technology Company Limited 杭州禾曦嬌科技有限公司 ("Hangzhou Hexijiao") (the "Sale and Purchase Agreement") in relation to the acquisition of 32% equity interest of the Target Company held by Hangzhou UGO. Pursuant to the Sale and Purchase Agreement, Honbridge Technology Limited has conditionally agreed to acquire and Hangzhou UGO has conditionally agreed to dispose 32% equity interest of the Target Company at the Consideration of RMB25,600,000 (equivalent to approximately HK$30,000,000).

On the same date of the signing of the Sale and Purchase Agreement, Zheijiang Geely New Energy Commercial Vehicles Group Co., Ltd., 浙江吉利新能源商用車集團有限公司 ("Geely Commercial Vehicles"), the Target Company, Honbridge Technology Limited, Hangzhou UGO and Hangzhou Hexijiao entered into a capital increase agreement ("Capital Increase Agreement").

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

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

Capital contribution

Pursuant to the new Articles of Association, the capital contribution in the Target Company shall be as follows:

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

The Concert Party Agreement

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

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

Consolidation of the Target Group

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

Reasons for and Benefit of the Acquisition

The Target Group is principally engaged in the business of online car-hailing services and related services in Europe. The Target Group owns approximately 300 LEVC TX range extended electric vehicles which are capable of zero-emission transport. Through employee drivers, vehicle leasing drivers and affiliated drivers, the Target Group launched an online car-hailing service under the brand "CaoCao" in Paris, France in January 2020.

The Target Group offers online car-hailing service through a user-friendly Caocao mobile App, as well as the iconic LEVC TX which has low carbon emission, been equipped with panoramic roof and wheelchair passenger-friendly feature, etc. The service was widely welcomed by citizens, travelers, companies and wheelchair passengers in Paris.

In May 2022, the online car-hailing service expanded to Nice and Cannes in France. The Target Group plans to further expand its online car-hailing service to other countries and major cities in Europe gradually. In May 2022, the Target Group had 406,000 downloaded users and 127,000 registered users respectively. Online car-hailing service was provided through 237 drivers, among whom 80 were employee drivers. The iconic LEVC TX is also a movable advertising board. The Target Group has provided advertising service to world renowned brands such as Huawei Honor, Chanel and Burberry, etc.

Sharing economy, intelligent mobility, etc. is a long-term common direction of the global automotive industry. Accordingly, their popularity will gradually increase and may eventually become the mainstream travel pattern, as their potential market and economic scale are huge. France and other European countries have also accelerated the tightening of carbon emissions, which is beneficial to the business development of the Target Group (where all service vehicles are new energy vehicles) in France and other European countries in the future. The Acquisition will enable the Company to seize this historical opportunity and create value for the Shareholders. In view of the growing demand of online car-hailing service in Europe, the Group plans to re-brand the Target Group within 18 months after completion of the Sale and Purchase Agreement, and will cease to operate under the brand of “Caocao”.

Honbridge Technology Limited is still in the process of closing the Sale and Purchase Agreement and the Capital Increase Agreement.

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

Business Review

For the period ended 30 June 2022, the Group recognised HK$37.2 million in revenue, representing a 81.9% decrease when compared to HK$205.3 million revenue recognised in the last corresponding period. The loss for the period ended 30 June 2022 attributable to owners of the Company was approximately HK$89.6 million (30 June 2021: profit of HK$125.0 million).

Approximately 93.0% 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 substantial decrease in revenue of the Group was due to the decrease in demand of lithium-ion batteries from our major customer Volvo Car. While the new battery product has commenced mass production ahead of the schedule, delivery to a car model under a connected person of the Company was only started in mid-June 2022.

The Group is running the battery sharing business focusing on food delivery electric bicycle branded “GETI” in the PRC. By June 2022, GETI has 676 battery swapping stations and 2,233 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 period ended 30 June 2022, GETI has recognised approximately HK$2.6 million revenue (30 June 2021: HK$3.1 million). Revenue dropped because of the keen competition in the industry and the recovery of economic activities was also slower than expected.

The Group recorded a gross profit of approximately HK$13.5 million (gross profit ratio: 36.3%) for the period ended 30 June 2022 as compared with the gross profit of approximately HK$57.7 million (gross profit ratio: 28.1%) in the last corresponding period. Gross profit ratio was high because certain long ageing inventories which were written-down previously were sold in the current period.

Other operating expenses of approximately HK$52.9 million (30 June 2021: income of HK$91.9 million) was recognised during the current period. The change from income to expense was mainly because approximately net loss of HK$66.9 million (30 June 2021: gain of HK$81.3 million) was recognised on financial assets at fair value through profit or loss mainly due to the decrease in share price of Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited during the current period.

Because of the decreased in revenue and improved quality control, the maintenance cost for the battery products decreased during the current period and the selling and distribution costs during the period ended 30 June 2022 was approximately HK$3.8 million (30 June 2021: HK$6.4 million).

The administrative expenses increased by approximately HK$5.9 million or 15.9% when compared to the last corresponding period. The increase was mainly contributed by the increased in research and development costs.

Approximately HK$4.1 million finance costs were recognised during the period ended 30 June 2022 (30 June 2021: HK$5.4 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC. The decrease in borrowings and loans of the Group has led to a lower finance costs during the current period.

For the period ended 30 June 2022, the loss attributable to the owners of the Company was approximately HK$89.6 million (30 June 2021: profit of HK$125.0 million). The change from profit to loss was mainly because there was a net loss of HK$66.4 million on financial assets at fair value through profit or loss (30 June 2021: net gain of HK$81.3 million) and decrease in gross profit to HK$13.5 million during the period (30 June 2021: HK$57.6 million).

For Jixing International Technology Co., Ltd., 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 Caocao has received positive feedback from the market and its revenue has surged since second quarter of 2021 as worries about the COVID-19 pandemic have eased amid rising vaccinations. For the period ended 30 June 2022, the revenue recognised by the associate was approximately HK$21.4 million (30 June 2021: HK$5.2 million). However, 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 loss was still recognised by the associate during the period. The Group has discontinued the recognition of its share of losses of the associate because the share of loss of the associate exceeded the Group's interests in the associates.

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$1.0 million share of loss was recognised by the Company during the period. 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 30 June 2022, the cash and cash equivalent balance of the Group was approximately HK$385.8 million (31 December 2021: HK$396.4 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 30 June 2022, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 5.5% (31 December 2021: 6.1%). The gearing ratio of the Group has improved because the net assets value of the iron ore project in Brazil increased mainly due to the appreciation of Brazil Reais against Hong Kong dollar during the period ended 30 June 2022.

Prospects

The world is undergoing an evolution of the replacement of traditional petrol cars by electric vehicles with low and even zero emission as several countries in Europe have set out their timetable to gradually phase out production of 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 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 have been installed in the Zhejiang manufacturing plant and the Company has successfully started delivering its new product to customer in June 2022.

On 10 June 2022, the Company has entered into an agreement regarding the potential acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France. After closing of the potential acquisition, the online car-hailing business will become an important revenue stream of the Company. 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 recent positive progress of the Brazil SAM iron ore project such as completion of two public hearings and approval of Integrated Economic Utilization Plan by National Mining Agency were covered in the Progress of SAM section in this announcement. Despite the exceptional time and efforts spent for the SAM iron ore project, it is mainly due the two tailing dam disasters in Brazil in November 2015 and January 2019 that all the licensing process of other projects with tailing dam has been badly affected, therefore the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility. Despite unexpected challenges and tests, the Group still proactively promoted the SAM project which was widely supported locally by general public as well as enterprises in Brazil and the PRC. The Company will continue to 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 Use of Proceeds from Placing and Share Subscription

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

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 30 June 2022:

Intended use of proceeds	**Total net proceeds**	**Actual use of net proceeds up to 30 June 2022**	**Remaining balance of net proceeds up to 30 June 2022**
	HK$' million	*HK$' million*	*HK$' million*
Lent to the Borrower	540.0	540.0	Nil
New energy vehicle related business	456.7	456.7	Nil
Brazilian iron ore project	153.3	141.6	11.7
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	1,324.3	11.7

As at 30 June 2022, the unutilised portion of approximately HK$11.7 million were expected to be utilised in the following specific uses:

Brazilian iron ore project

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

Employees and Remuneration Policies

As at 30 June 2022, the Group had 183 employees (30 June 2021: 241 employees). The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to the Board's corporate goals and objectives. The emoluments of the Directors are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Contingent Consideration and Liabilities

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

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

As at 30 June 2022, the contingent consideration payable was approximately HK$109.7 million (equivalent to approximately US$14.1 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

Corporate Governance

Throughout the six months ended 30 June 2022, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Number of shares in the Company: Beneficial owner	Interest of spouse	Interest of controlled corporation	Total	Approximate percentage of shareholding (%)
HE Xuechu	57,939,189	22,460,000	4,065,000,000 *(Note 1)*	4,145,399,189	42.07
LIU Wei, William	9,002,000	–	–	9,002,000	0.09
YAN Weimin	30,000,000	–	–	30,000,000	0.30
CHAN Chun Wai, Tony	1,000,000	–	–	1,000,000	0.01

Note:

1. The 4,065,000,000 shares were held by Hong Bridge Capital Limited (''Hong Bridge''), Mr. HE Xuechu is the controlling shareholder and director holding 51% equity interest of Hong Bridge.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2022, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The share option scheme adopted on 21 May 2012 (the "Old Share Option Scheme") was expired on 20 May 2022. The Company's existing share option scheme (the "Scheme") was adopted on 26 May 2022 and became effective on the same date.

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

Details of options granted

Particulars of the outstanding share options granted under the Old Share Option Scheme of the Company were as follows:

	Number of share options				
Category of participant	**Outstanding as at 01/01/2022 and 30/06/2022**	**Date of grant of share options**	**Exercise period of share option**	**Exercise price per share option** *HK$*	**Price immediately preceding the grant date of share options** *(Note a)* *HK$*
Employee	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	8,750,000				

Note:

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

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

As at 30 June 2022, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of Shareholder	Number of Shares in the Company: Beneficial owner	Interest of spouse	Interests of controlled corporation	Total number of shares held	Approximate percentage of shareholding (%)
Hong Bridge	4,065,000,000 *(Note 1)*	–	–	4,065,000,000	41.25
HE Xuechu *(Note 2)*	57,939,189	22,460,000	4,065,000,000 *(Note 1)*	4,145,399,189	42.07
FOO Yatyan *(Note 2)*	22,460,000	4,122,939,189	–	4,145,399,189	42.07
Geely International (Hong Kong) Limited	1,850,675,675	–	–	1,850,675,675	18.78
Zhejiang Geely Holding Group Co., Ltd. *(Note 3)*	–	–	1,850,675,675	1,850,675,675	18.78
LI Shufu *(Note 4)*	103,064,000	–	1,850,675,675	1,953,739,675	19.83

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 51% equity interest of Hong Bridge.

2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.

3. Zhejiang Geely Holding Group Co., Ltd. ("Zhejiang Geely") holds 100% equity interest of Geely International (Hong Kong) Limited.

4. Mr. LI Shufu is the controlling shareholder of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

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

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

Annual Caps for the Sales Framework Agreement

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

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

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

The sales under the Sales Framework Agreement for the period ended 30 June 2022 was approximately HK$25.9 million.

Except for the Sale and Purchase Agreement and the Capital Increase Agreement covered in the Management Discussion and Analysis section, there was no other connected transaction entered into by the Company during the period ended 30 June 2022.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the period ended 30 June 2022.

DIRECTORS' INTERESTS IN CONTRACTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

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

The Group's unaudited results for the six months ended 30 June 2022 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the six months ended 30 June 2022, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

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

Non-Executive Director:
Mr. Yan Weimin

Independent Non-Executive Director:
Mr. Chan Chun Wai, Tony
Mr. Ma Gang
Mr. Ha Chun

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

Hong Kong, 9 August 2022