



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 2024

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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 2024, together with the comparative unaudited figures for the corresponding period in 2023, as follows:

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

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
Revenue	2	71,447	135,921
Cost of sales		(50,142)	(114,448)
Gross profit		21,305	21,473
Other operating expenses	4	(13,993)	(1,346)
Selling and distribution costs		(2,139)	(3,111)
Administrative expenses		(42,521)	(59,005)
Other expenses	17	(10,725)	–
Share of results of an associate	12	(89)	(459)
Finance costs	5	(4,961)	(4,908)
Loss before income tax	6	(53,123)	(47,356)
Income tax	7	–	–
Loss for the period		(53,123)	(47,356)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(657,377)	458,735
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		191	(3,693)
Share of other comprehensive income of an associate		169	–
Other comprehensive (loss)/income for the period, net of tax		(657,017)	455,042
Total comprehensive (loss)/income for the period		(710,140)	407,686

	Six months ended 30 June	
	2024	2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:		
Owners of the Company	(42,484)	(38,759)
Non-controlling interests	(10,639)	(8,597)
	<u>(53,123)</u>	<u>(47,356)</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(697,859)	413,867
Non-controlling interests	(12,281)	(6,181)
	<u>(710,140)</u>	<u>407,686</u>
Loss per share attributable to the owners of the Company during the period	9	
— Basic	HK(0.44) cent	HK(0.40) cent
— Diluted	HK(0.44) cent	HK(0.40) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024	As at 31 December 2023
<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		80,243	89,977
Exploration and evaluation assets	<i>10</i>	6,476,539	7,467,157
Financial assets at fair value through other comprehensive income	<i>11</i>	730	539
Interests in an associate	<i>12</i>	5,492	5,412
Right-of-use assets	<i>13</i>	35,435	37,671
		6,598,439	7,600,756
Current assets			
Inventories		23,087	21,927
Trade and bill receivables	<i>14</i>	46,947	38,590
Prepayments, deposits and other receivables		20,610	52,230
Financial assets at fair value through profit or loss	<i>15</i>	45,857	44,128
Tax recoverable		417	433
Restricted bank deposits		12,114	31,065
Cash and cash equivalents		151,282	166,953
		300,314	355,326
Current liabilities			
Trade and bill payables	<i>16</i>	73,196	72,044
Other payables, accruals and deposits received		61,106	66,616
Provision	<i>17</i>	36,657	147,690
Borrowings	<i>18</i>	19,554	20,025
Lease liabilities		1,551	3,420
		192,064	309,795
Net current assets		108,250	45,531
Total assets less current liabilities		6,706,689	7,646,287

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Borrowings	18	96,590	108,926
Deferred income		3,061	3,134
Deferred tax liabilities	19	2,084,118	2,420,928
Contingent consideration payables	20	119,047	119,047
Lease liabilities		9,242	9,512
Provision	17	118,186	–
Other financial liabilities		12,305	10,761
		<u>2,442,549</u>	<u>2,672,308</u>
Net assets		<u>4,264,140</u>	<u>4,973,979</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		9,855	9,855
Reserves		4,280,772	4,978,330
		<u>4,290,627</u>	<u>4,988,185</u>
Non-controlling interests		<u>(26,487)</u>	<u>(14,206)</u>
Total equity		<u>4,264,140</u>	<u>4,973,979</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Treasury shares reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Fair value through other comprehensive income reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
2024											
At 1 January 2024	9,855	3,563,686	(141,644)	-	(5,629,154)	(103,328)	(7,647)	7,296,417	4,988,185	(14,206)	4,973,979
Disposal of treasury shares	-	-	1,684	-	-	-	-	(1,383)	301	-	301
Transactions with owners	-	-	1,684	-	-	-	-	(1,383)	301	-	301
Loss for the period	-	-	-	-	-	-	-	(42,484)	(42,484)	(10,639)	(53,123)
Other comprehensive income											
Currency translation	-	-	-	-	(655,735)	-	-	-	(655,735)	(1,642)	(657,377)
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	191	-	-	191	-	191
Share of other comprehensive income of an associate	-	-	-	-	169	-	-	-	169	-	169
Total comprehensive income	-	-	-	-	(655,566)	191	-	(42,484)	(697,859)	(12,281)	(710,140)
At 30 June 2024	9,855	3,563,686	(139,960)	-	(6,284,720)	(103,137)	(7,647)	7,252,550	4,290,627	(26,487)	4,264,140
2023											
At 1 January 2023	9,855	3,563,686	(142,864)	9,958	(6,033,945)	(98,913)	-	7,363,781	4,671,558	35,449	4,707,007
Lapse of share options	-	-	-	(9,958)	-	-	-	9,958	-	-	-
Transactions with owners	-	-	-	(9,958)	-	-	-	9,958	-	-	-
Loss for the period	-	-	-	-	-	-	-	(38,759)	(38,759)	(8,597)	(47,356)
Other comprehensive income											
Currency translation	-	-	-	-	456,319	-	-	-	456,319	2,416	458,735
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(3,693)	-	-	(3,693)	-	(3,693)
Total comprehensive income	-	-	-	-	456,319	(3,693)	-	(38,759)	413,867	(6,181)	407,686
At 30 June 2023	9,855	3,563,686	(142,864)	-	(5,577,626)	(102,606)	-	7,334,980	5,085,425	29,268	5,114,693

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(18,382)	(1,922)
Net cash from (used in) investing activities:		
Purchases of property, plant and equipment	(2,061)	(2,915)
Interests received	1,611	2,385
Proceeds from disposal of financial assets at fair value through profit or loss	–	1,100
(Increase)/decrease in restricted bank deposits	18,951	(8,811)
Other investing cash flows	4	–
	18,505	(8,241)
Net cash used in financing activities:		
Repayment of borrowings	(9,100)	(5,942)
Interests paid on borrowings	(2,841)	(3,531)
Other financing cash flows	80	(2,608)
	(11,861)	(12,081)
Net decrease in cash and cash equivalents	(11,738)	(22,244)
Cash and cash equivalents, at beginning of period	166,953	165,452
Effect of foreign exchange rate changes	(3,933)	1,498
Cash and cash equivalents, at end of period	151,282	144,706
Analysis of cash and cash equivalents		
Cash at banks and in hand	151,282	144,706

Notes:

1. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated financial statements for the six months ended 30 June 2024 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

These financial statements should be read, where relevant, in conjunction with the 2023 annual report.

The accounting policies adopted in the 2023 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2024:

Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The new or amended HKFRSs that are effective from 1 January 2024 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	
	2024	2023
	HK\$'000	HK\$'000
Sale of lithium batteries	44,666	101,333
Battery testing service income	1,388	4,831
Battery swapping service income	–	2,450
Online car-hailing service and related income	25,393	27,307
	<u>71,447</u>	<u>135,921</u>

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, France and Brazil.

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

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

	Mineral resources exploration and trading <i>HK\$'000</i>	Lithium battery production <i>HK\$'000</i>	Battery swapping services <i>HK\$'000</i>	Online car- hailing and related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2024					
Reportable segment revenue (external customers)	–	46,054	–	25,393	71,447
Reportable segment losses	(3,987)	(10,453)	–	(8,738)	(23,178)
Reportable segment assets	6,489,864	267,027	–	86,100	6,842,991
Reportable segment liabilities	121,459	353,218	–	63,483	538,160
Capital expenditure	–	2,061	–	–	2,061
Depreciation	479	2,089	–	4,734	7,302

	Mineral resources exploration and trading <i>HK\$'000</i>	Lithium battery production <i>HK\$'000</i>	Battery swapping services <i>HK\$'000</i>	Online car- hailing and related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2023					
Reportable segment revenue (external customers)	<u>–</u>	<u>106,164</u>	<u>2,450</u>	<u>27,307</u>	<u>135,921</u>
Reportable segment (losses)/profit	<u>(4,326)</u>	<u>13,223</u>	<u>(7,598)</u>	<u>(22,048)</u>	<u>(20,749)</u>
Reportable segment assets	<u>7,562,076</u>	<u>305,165</u>	<u>22,915</u>	<u>166,276</u>	<u>8,056,432</u>
Reportable segment liabilities	<u>113,785</u>	<u>394,029</u>	<u>30,494</u>	<u>43,075</u>	<u>581,383</u>
Capital expenditure	–	1,919	–	–	1,919
Depreciation	<u>375</u>	<u>1,596</u>	<u>540</u>	<u>9,869</u>	<u>12,380</u>

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue	<u>71,447</u>	<u>135,921</u>
Reportable segment loss	(23,178)	(20,749)
Other operating income	229	252
Impairment loss on amount due from an associate	(25,955)	–
Administrative expenses	(5,854)	(6,941)
Gain/(loss) on financial assets at fair value through profit or loss	1,759	(19,353)
Share of results of an associate	(89)	(459)
Finance costs	<u>(35)</u>	<u>(106)</u>
Loss before income tax	<u>(53,123)</u>	<u>(47,356)</u>

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Reportable segment assets	6,842,991	7,867,734
Prepayments, deposits and other receivables	1,681	26,295
Financial assets at fair value through profit or loss	45,857	44,128
Financial assets at fair value through other comprehensive income	730	539
Right-of-use assets	932	1,554
Interests in an associate	5,492	5,412
Cash and cash equivalents	1,070	10,420
	<u>6,898,753</u>	<u>7,956,082</u>
Reportable segment liabilities	538,160	551,722
Other payables, accruals and deposits received	10,559	6,512
Lease liabilities	1,776	2,941
Deferred tax liabilities	2,084,118	2,420,928
	<u>2,634,613</u>	<u>2,982,103</u>

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

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Revenue from external customers		
PRC	9,868	9,780
United Kingdom	36,186	98,834
France	25,393	27,307
	<u>71,447</u>	<u>135,921</u>
Reportable segment revenue	<u>71,447</u>	<u>135,921</u>

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current assets (excluding financial assets)		
Hong Kong	6,425	6,966
PRC	60,023	64,451
France	53,275	61,197
Brazil	<u>6,477,986</u>	<u>7,467,603</u>
Reportable segment non-current assets	<u><u>6,597,709</u></u>	<u><u>7,600,217</u></u>

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

Information about major customers

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

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Customer A ¹	<u><u>38,836</u></u>	<u><u>100,000</u></u>

¹ Revenue from lithium battery production segment

4. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,611	2,385
Government grants	666	1,220
Net gain/(loss) on financial assets at fair value through profit or loss	1,759	(19,353)
Exchange gain	6	6,825
Impairment loss on amount due from an associate	(25,955)	–
Sundry income	7,920	7,577
	<u>13,993</u>	<u>(1,346)</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on borrowings wholly repayable within five years	3,655	3,531
Finance costs on lease liabilities	400	462
Interest on other financial liabilities	906	915
	<u>4,961</u>	<u>4,908</u>

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax are arrived at after charging:		
Depreciation and amortisation	8,514	14,405

7. INCOME TAX

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Overseas tax		
Current period	–	–
Deferred tax	–	–
Income tax	–	–

During the six months ended 30 June 2023 and 2024, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

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

8. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2024 are based on the loss attributable to the owners of the Company of approximately HK\$42,484,000 and on 9,737,500,828 weighted average number of shares in issue respectively, after adjusting the effect of treasury shares of the Company. (For the six months ended 30 June 2023, loss attributable to the owners of the Company was HK\$38,759,000 and on 9,737,433,606 weighted average number of shares, after adjusting the effect of treasury shares of the Company.)

Diluted loss per share figure are the same as basic earnings per share for the six months ended 30 June 2023 and 2024 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 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Listed:		
Equity instruments measured at FVOCI	<u>730</u>	<u>539</u>

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 AN ASSOCIATE

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Interest in an associate:		
Cost of investment in unlisted associate	110,922	110,922
Share of post-acquisition losses and other comprehensive loss	<u>(105,430)</u>	<u>(105,510)</u>
Share of net assets	<u>5,492</u>	<u>5,412</u>

Movement of interests in an associate is as follows:

	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
As at 1 January	5,412	5,829
Share of results of an associate	(89)	(459)
Share of other comprehensive income	<u>169</u>	<u>–</u>
As at 30 June	<u>5,492</u>	<u>5,370</u>

Details of the Group's associate as at 30 June 2024 are as follows:

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

13. RIGHT-OF-USE ASSETS

	<i>HK\$'000</i> (Unaudited)
As at 1 January 2024	37,671
Amortisation	(1,212)
Exchange difference	<u>(1,024)</u>
At 30 June 2024	<u><u>35,435</u></u>

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

14. TRADE AND BILL RECEIVABLES

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

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade receivable — Gross	47,320	37,174
Less: Impairment losses	<u>(373)</u>	<u>(373)</u>
Trade receivables — Net	46,947	36,801
Bill receivables	<u>—</u>	<u>1,789</u>
	<u><u>46,947</u></u>	<u><u>38,590</u></u>

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
0 to 30 days	11,584	16,230
31 to 90 days	7,287	18,830
91 to 180 days	20,547	3,903
Over 180 days	7,529	–
	<u>46,947</u>	<u>38,963</u>

As at 30 June 2024 and 31 December 2023, the Group did not hold any collateral as security or other credit enhancements over trade receivables.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Listed equity investments, at market value,		
— in Hong Kong — held for trading	45,743	43,983
— in overseas — held for trading	114	145
	<u>45,857</u>	<u>44,128</u>

The balance mainly represented the fair value of 14.14% equity interests (31 December 2023: 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 bill payables based on invoice date:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade payables	19,609	40,979
Bill payables	53,587	31,065
	73,196	72,044
0–30 days	4,137	30,388
31–60 days	13,048	14,475
61–90 days	13,779	9,823
91–180 days	23,515	16,788
Over 180 days	18,717	570
	73,196	72,044

17. PROVISION

On 31 December 2022, Zhejiang Forever New Energy Company Limited (“Zhejiang Forever”), a subsidiary of the Company, entered into an agreement with certain local government entities in Zhejiang, PRC (the “Government”), pursuant to which, Zhejiang Forever shall repay the Government (a) by 31 December 2022, the government loan in the principal amount of RMB100 million (which Zhejiang Forever had already fully repaid in December 2022); and (b) by 29 February 2024, the government grants (the “Grants”) received by Zhejiang Forever in relation to its production facilities in the aggregate amount of around RMB208.4 million, net of 20% to 30% of Zhejiang Forever’s accumulated qualified plant and equipment investment as at 31 January 2024 (the percentage being subject to the category classification of the production facilities as at 31 January 2024) (the “Deductible Amount”). The maximum of the Deductible Amount shall not exceed the amount of the Grants received of around RMB208.4 million and if the maximum of Deductible Amount is reached as at 31 January 2024, no repayment of the Grants shall be made. Based on the directors’ best estimate, anticipated repayment amount of approximately RMB134.2 million was recognised for this obligation as provision and included in “Other expenses” in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and 2023. As at 30 June 2024, accumulated provision of approximately RMB144.1 million has been recognised in accordance with the agreement below.

Subsequent to the end of the reporting period, Zhejiang Forever has entered into an agreement with the Government on 15 July 2024. Pursuant to which, Zhejiang Forever shall repay the Government a total of approximately RMB144.1 million (equivalent to approximately HK\$154.8 million) by instalments. Zhejiang Forever shall repay the Government (a) by 15 July 2024, the Grants in the principal amount of RMB34.1 million (which Zhejiang Forever had already fully repaid on 15 July 2024); (b) RMB30 million on or before 31 December 2025; (c) RMB40 million on or before 31 December 2026; and (d) RMB40 million on or before 31 December 2027.

Further provision of approximately RMB9.9 million (equivalent to approximately HK\$10.7 million) was recognised for the six months ended 30 June 2024 in accordance with the 15 July 2024 agreement.

18. BORROWINGS

		As at 30 June 2024	As at 31 December 2023
	Original currency	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Bank loans (<i>Note (a)</i>)	RMB	<u>116,144</u>	<u>128,951</u>
Represented by:			
Current liabilities	RMB	19,554	20,025
Non-current liabilities	RMB	<u>96,590</u>	<u>108,926</u>
		<u>116,144</u>	<u>128,951</u>

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

19. DEFERRED TAX LIABILITIES

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

20. CONTINGENT CONSIDERATION PAYABLES

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

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

21. FAIR VALUE AND FAIR VALUE HIERARCHY 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.

As at 30 June 2024	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
— financial assets measured at FVOCI:				
Listed shares	730	–	–	730
— financial assets measured at FVTPL:				
Listed shares	<u>45,857</u>	<u>–</u>	<u>–</u>	<u>45,857</u>
	<u><u>46,587</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>46,587</u></u>
Liabilities				
Contingent consideration payables	<u>–</u>	<u>–</u>	<u>119,047</u>	<u>119,047</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>119,047</u></u>	<u><u>119,047</u></u>
As at 31 December 2023	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
— financial assets measured at FVOCI:				
Listed shares	539	–	–	539
— financial assets measured at FVTPL:				
Listed shares	<u>44,128</u>	<u>–</u>	<u>–</u>	<u>44,128</u>
	<u><u>44,667</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>44,667</u></u>
Liabilities				
Contingent consideration payables	<u>–</u>	<u>–</u>	<u>119,047</u>	<u>119,047</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>119,047</u></u>	<u><u>119,047</u></u>

During the six months ended 30 June 2024, there was no transfer between different levels of fair value hierarchy.

MANAGEMENT DISCUSSION AND ANALYSIS

Lithium-ion Battery Business

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

Parking and Starting Battery For Heavy Trucks

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

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.

During the six months ended 30 June 2024 (“First Half 2024”), the lithium-ion battery segment recorded a revenue of approximately HK\$46.1 million, which was decreased by approximately 56.6% when compared to HK\$106.2 million revenue recognised in the last corresponding period. The reasons were discussed in the Business Review section in the Management Discussion and Analysis of this announcement.

The lithium-ion battery segment loss was approximately HK\$10.5 million for the First Half 2024 (for the six months ended 30 June 2023 (“First Half 2023”) of: HK\$13.2 million gain). The segment turned to loss in First Half 2024 mainly because of the recognition of HK\$10.7 million provision of repayment to government and the significant decreased in revenue.

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. Shandong Forever New Energy has stopped production for a few years because of the aging production line, challenges in retaining skilled staff, outdated product offerings, lack of working capital. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement in 2020, 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. Shandong Forever has completed its downsizing and operation simplification and shareholders of Shandong Forever New Energy are actively looking for potential buyer or new investor for the company.

Online Car-Hailing Business

On 10 August 2022, the Group closed the acquisition of controlling interests of Jixing International Technology Co. Ltd (“Jixing International”), which engaged in online car-hailing services in France under the brand Caocao. The service was launched in Paris in January 2020. Despite the COVID pandemic posed severe challenges. Caocao has received positive feedback from passengers and B2B business partners, affirming the quality of our service. Caocao also completed a round of funding in 2022, which demonstrate confidence our investors have in Caocao’s growth potential. In a strategic move, we have also begun cooperating with Uber, a market competitor, to explore synergies and enhance our service offerings. However, Caocao faces challenges, particularly in terms of high administrative, drivers and IT costs. We are actively working on strategies to optimise our operations and reduce these costs, while maintaining the high level of service our customers expect and put more efforts to develop B2B and advertising business, which have a better margin. For the First Half 2024, Caocao has contributed approximately HK\$25.4 million revenue to the Group (First Half 2023: HK\$27.3 million).

Destination France International Travel and Tourism Summit

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

Paris Olympic Games

Paris hosted the Olympic Games from 26 July to 11 August 2024, as a company based in Paris, Caocao had the pleasure to provide airport/train station pick-up and local logistic service, car advertising service to several sports organisations and companies. Our major customers during the Olympic Games period included (in alphabetical order): Alibaba, Allianz, AXA, Brazil Olympic Committee, Bucket List Events, CCTV, Foot Locker, Hisense, P&G, United States swimming, wrestling and track & field team, United States Olympic & Paralympic Committee, etc.

Progress of SAM

Background

As of 30 June 2024, the Group had accumulatively provided US\$81.8 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\$160.22 million.

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

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

Capex and Opex

The total investment of Block 8 Project is estimated to be US\$3.25 billion, excluding the pipeline project led by Lotus Brasil and the port project led by Bahia State Government. The Opex per ton of pellet feed for the first 18 years is approximately US\$19.5 and thereafter will rise to approximately US\$23.9. Taking into account the pipeline transportation and concentrate dewatering service fees payable to Lotus Brasil, as well as fees payable to the port, FOB costs are expected to be approximately US\$32.8 per ton for the first 18 years and then increase to US\$37.3 per ton.

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.

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.

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.

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

Reasons for the further delay of the Block 8 Project:

In February 2023, SAM received the technical report from SUPPRI. The technical report requests some gap studies because of the modification of the project and the update of the laws and regulations.

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

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

SAM is actively engaged in discussions with internal teams, consultants and mining equipment suppliers to optimise the project based on the comments of FEAM, with a particular focus on tailings disposal alternatives. A key focus was the technological solutions involved in all or part of dry stacking tailings and their impacts on Capex and Opex.

Mining Concession

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

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

For more details regarding the SAM project, please refer to annual report 2023 of the Company.

Potential Lithium Brine Project Investment

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

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

According to the Letter of Intent, the Company intends to acquire approximately 38.75% equity interests of Tibet Summit Resources Hongkong Limited (西藏珠峰資源(香港)有限公司) (“Tibet Summit Hong Kong”) at a total consideration of approximately US\$350 million through acquisition of existing shares and/or subscription of new shares, and Tibet Summit owns the remaining 61.25%. Tibet Summit Hong Kong indirectly holds 100% interest in POTASIO Y LITIO DE ARGENTINA S.A. (“PLASA”) (controlling the Sal de Los Angeles lithium brine project (“Angeles Project”)) and TORTUGA DE ORO S.A. (“TOSA”) (controlling the Arizaro lithium brine project (“Arizaro Project”)). For more details, please refer to the announcements of the Company dated 6 April 2023 and 22 August 2023.

Considering the significant fluctuation in lithium carbonate prices and other relevant factors, our company has made the decision to discontinue further discussions with the Tibet Summit regarding the potential investment.

Memorandum of Understanding for Technical Consulting Service

On 3 May 2024, a non-legally binding Memorandum of Understanding for Technical Consulting Service was entered into between the Company and Zangge Mining Company Limited (“Zangge Mining”) (Shenzhen Stock Exchange stock code: 000408).

Main terms and conditions of the Memorandum of Understanding for Technical Consulting Service:

(1) Brine Project Evaluation and Analysis

Zangge Mining will assist the company in conducting comprehensive brine project assessment, including but not limited to geological survey, mineral resource estimation, environmental impact assessment, process flow, etc. The goal is to determine the feasibility of the project and determine the best development strategy.

(2) Brine Cost Calculation

Zangge Mining will conduct detailed calculations of the capital expenditure (CAPEX) and operating expenditure (OPEX) of the Company's proposed investment project. This will include initial construction costs, equipment procurement and installation costs, operation and maintenance costs, etc.

(3) Zangge Mining serves as the main contractor or build-operate-transfer ("BOT") partner of the proposed investment project

Considering the professional expertise and experience of Zangge Mining, the Company is inclined to prioritise engaging Zangge Mining as the main contractor for the proposed investment project. This engagement would encompass the design, procurement, construction, and operation of the project.

(4) Fees and considerations

In relation to consulting services which include project evaluation analysis and cost estimation, Zangge Mining will receive consulting fees in accordance with certain benchmarks. Regarding the contracting or Build-Operate-Transfer (BOT) collaboration model, mutual agreement will be sought on the rights, obligations, and advantages for each party, in the principle of mutually beneficial cooperation.

Business Review

For the six months ended 30 June 2024 ("First Half 2024"), the Group recognised HK\$71.4 million in revenue, representing over 47.5% decrease when compared to HK\$135.9 million revenue recognised in the last corresponding period. The loss for First Half 2024 attributable to owners of the Company was approximately HK\$42.5 million (for the six months ended 30 June 2023 ("First Half 2023"): HK\$38.8 million).

Approximately 64.5% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were generated by the online car-hailing business in France (35.5% of revenue). The substantial decrease in revenue of the Group was due to the substantial decrease in lithium-ion battery pack orders for our major product as the demand of the car model which installed our battery pack was lower than expected. On the other hand, the sales of parking and starting battery for heavy trucks was not satisfactory as the product faced keen competition and certain distributors endured a difficult period on cashflow.

In 2022, the Group closed the acquisition of controlling interests of Jixing International Technology Co. Ltd (“Jixing International”), which engaged in online car-hailing services in France under the brand Caocao in both B2C and B2B business models. For First Half 2024, the revenue recognised by Caocao was approximately HK\$25.4 million (First Half 2023: HK\$27.3 million). For First Half 2024, a high level of vehicles experienced breakdown now and then and unfortunately the repair process was sluggish. This limited Caocao’s capacity to fulfill customer orders.

The Group recorded a gross profit of approximately HK\$21.3 million (gross profit ratio: 29.8%) for First Half 2024 as compared with the gross profit of approximately HK\$21.5 million (gross profit ratio: 15.8%) last corresponding period. Gross profit ratio was higher in the current period mainly because gross profit recognised by the online-car hailing service segment improved because of the decreased in motor vehicles depreciation (impairment provision on motor vehicles was recognised for the year ended 31 December 2023) and decreased in drivers headcount and salaries. On the other hand, the battery swapping business (disposed in the second half of 2023) recorded a 96% gross loss for First Half 2023, which dragged down the gross profit ratio for First Half 2023.

Other operating expenses of approximately HK\$14.0 million (First Half 2023: expense of HK\$1.3 million) was recognised during the period. The significant increase in expenses was mainly due to the HK\$26.0 million impairment loss on amount due from Shandong Forever New Energy Company Limited (“Shandong Forever”), an associate of the Company. Shandong Forever has no revenue for First Half 2024 and it may encounter liquidity issue in the short term without further capital injection. Its negative impact was partially set-off by the net gain recognised on financial assets at fair value through profit or loss increased significantly during the current period to approximately HK\$1.8 million (First Half 2023 net loss: HK\$19.4 million) as the share price of Yuxing InfoTech Investment Holdings Limited (“Yuxing InfoTech”), a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited was relatively stable for First Half 2024. The Group owned 351,867,200 shares of Yuxing InfoTech, representing 14.14% equity interests in Yuxing InfoTech as at 30 June 2024.

The maintenance and repairment cost for the battery products decreased during the current period so the selling and distribution costs in First Half 2024 was decreased to approximately HK\$2.1 million (First Half 2023: HK\$3.1 million).

The administrative expenses decreased by approximately HK\$16.5 million or 27.9% when compared to last corresponding period. The decrease was mainly contributed by the decreased in staff costs and depreciation expense. The administrative staff costs for First Half 2024 was reduced by over HK\$7.0 million compared to First Half 2023 due to the optimisation of staff structure since the second half of 2023.

Further provision of approximately RMB9.9 million (equivalent to approximately HK\$10.7 million) was recognised for First Half 2024. Details has been set out in note 17 of the financial statements.

Since 2020, Shandong Forever New Energy became an associate of the Company. Shandong Forever New Energy has stopped production and approximately HK\$0.1 million share of loss was recognised by the Company during the period. Shareholders of Shandong Forever are actively looking for potential buyer or new investor for Shandong Forever.

Approximately HK\$5.0 million finance costs were recognised during First Half 2024 (First Half 2023: HK\$4.9 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC. As at 30 June 2024, the bank borrowings were denominated in RMB with a principal amount equivalent to approximately HK\$116.1 million and were interest bearing at 4.9% per annum.

For First Half 2024, the loss attributable to the owners of the Company was approximately HK\$42.5 million (First Half 2023: loss of HK\$38.8 million). Loss increased mainly because of the HK\$26.0 million impairment loss on amount due from an associate and HK\$10.7 million provision recognised related to a refund of grants to certain local government entities in Zhejiang, PRC. Their negative impact was partially set-off because of the relatively stable share price of the listed investments owned by the Group during the current period. For First Half 2023, loss on financial assets at fair value through profit or loss was HK\$19.4 million mainly attributed by the decrease in share price of Yuxing InfoTech. On the other hand, gain on financial assets at fair value through profit or loss was HK\$1.8 million in the current period.

As at 30 June 2024, the cash and cash equivalent balance of the Group was approximately HK\$151.3 million (31 December 2023: HK\$167.0 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 2024, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 2.7% (31 December 2023: 2.6%).

Prospects

Our Zhejiang lithium-ion manufacturing plant was focused on producing lithium-ion batteries for PHEV models when the plant commenced production in 2018. After that, the growth in the EV outpaced PHEV for a few years. Although PHEV sales growth surpassed EV sales growth recently, the electric powered range for PHEV has been increasing, while 50–70KM range was the mainstream in the past few years, PHEV models with over 100KM range has become the norm. The keen competition and the new industry norm poses a challenge for the Group. Since 2022, the Group has also put efforts to explore customers in electric bicycle and commercial vehicle sectors. The Group also awares that a switch from lead acid battery to lithium battery in vehicles is an unavoidable trend and the Group has launched parking and starting lithium battery for heavy truck (駐車電池) in 2023. However, the overall performance of the lithium battery business is not satisfactory, The Group is trying to further improve the cost structure of the products without significant investment in fixed assets. One direction is to outsource more manufacturing process to other manufacturers.

In 2022, the Company has closed the acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France under the brand “Caocao”. After closing of the acquisition, Caocao has promoted its core values (safe, reliable, low carbon, etc.) to customers continuously. However, under the current challenging economic situation, expansion of service outside Paris is not planned.

For the iron ore project in Brazil, despite the exceptional time and efforts spent for the SAM iron ore project, it is mainly due the two tailing dam disasters in Brazil in November 2015 and January 2019 that all the licensing process of other projects with tailing dam has been badly affected, therefore the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility. The Company will continue to review the comments from organisation which is responsible for environmental licensing and study the latest law and requirements in order to set out a plan to improve and update the technical report of the Block 8 project, mainly focus on tailing reduction and disposal.

Considering the current market conditions in the lithium carbonate industry and other relevant factors, our company has made the decision to discontinue further discussions with the Tibet Summit regarding the potential investment in brine project. Nevertheless, the Group is still identifying suitable investment opportunity in the resource sector. As resource related projects may also have a sizable funding requirement, the Group is exploring the possibility of securing various financing facilities. The overall business strategy of the Group is the dual development of new energy vehicles related business and resources, creating value for shareholders.

Treasury Policies and Exposure to Fluctuations in Exchange Rates

The Group's operations are carried out in Hong Kong, the PRC, France and Brazil. The Group's subsidiaries in Hong Kong and overseas use local currencies, including Hong Kong dollar, RMB, EURO and Brazilian Reais. The Group has a partial amount of cash and bank deposits denominated in Hong Kong dollar, RMB, EURO, Brazilian Reais and US Dollar. The Group continues to adopt a conservative approach in its foreign exchange exposure management. The Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group reviews its foreign exchange risks periodically.

Employees and Remuneration Policies

As at 30 June 2024, the Group had 193 employees (30 June 2023: 242 employees; 31 December 2023: 201 employees). The number of headcount decreased during the period after implementation of strategic workforce alignment and cost optimisation measures. Remuneration of employees (including directors' emoluments) amounted to HK\$28.8 million for First Half 2024 (First Half 2023: HK\$45.0 million). 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.

The Group believes that providing training opportunities and continuous development to its employees provides a solid foundation for the Group's continued success. The Group provides internal and external training for all employees. Employees will receive training depending on their different positions and ranks, so as to achieve different training purposes and effects that enable the Group to improve work efficiency and enhance employees' independent ability to work.

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 2024, the contingent consideration payable was approximately HK\$119.0 million (equivalent to approximately US\$15.2 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

Corporate Governance

Throughout the six months ended 30 June 2024, 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 2024, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

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

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2024, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

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

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

1. Purpose of the Scheme

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

2. Participants of the Scheme

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

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

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

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

As at 30 June 2024, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 985,453,360, representing 10% of the issued share capital of the Company as at 30 June 2024.

No share option was granted, exercised, cancelled or lapsed under the Scheme during the period ended 30 June 2024.

4. Maximum entitlement of each participant

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

5. Time of acceptance and exercise of options

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

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

6. Basis of determining the exercise price of the option

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

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares on the Offer Date.

7. Remaining life of the Scheme

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

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

As at 30 June 2024, no share options were outstanding under the Scheme.

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

As at 30 June 2024, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

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

Notes:

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

Save as disclosed above, as at 30 June 2024, 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.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

Reasons for and Benefits of the 2023 Sales Agreement

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

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

Term	:	From 23 October 2023 to 22 October 2026
Subject matters	:	Pursuant to the 2023 Sales Agreement, the Group shall supply lithium-ion battery pack and related products to Zhejiang Geely Group. The exact model and volume of goods purchased by Zhejiang Geely Group from the Group and the dates of delivery will be provided in separate purchase orders.

- Pricing basis : The price of goods under the 2023 Sales Agreement will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered or available to independent third parties and will be specified in separate purchase orders.
- Payment terms : Payments for the products under the 2023 Sales Agreement shall be settled within 75 days from the date of receipt of the invoice and are satisfied in cash. The payment terms under the 2023 Sales Agreement are determined in the ordinary course of business and are on normal commercial terms or on terms no less favourable to the Company than those offered or available to independent third parties.

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

Sales Annual Caps for the 2023 Sales Agreement

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

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

Should the actual annual sales amount exceed the above annual caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

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

Mr. Li Xingxing is the controlling shareholder of Zhejiang Yaoning and is also the son of Mr. Li Shufu, the controlling shareholder of the Company. Thus, Zhejiang Yaoning is an associate of Mr. Li Shufu and is a connected person of the Company.

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

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

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

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

Payment terms : Payments for the products under the Purchase Framework Agreement shall be settled within 60 days from the date of receipt of the invoice and are satisfied in cash. The payment terms under the Purchase Framework Agreement are determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered by independent third parties.

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

Purchase Annual Caps for the Purchase Framework Agreement

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

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

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 Operation Agreement for Battery Pilot Line Project

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

Background

In April 2022, Zhejiang Forever New Energy and Ningbo Geely reached an initial framework agreement, pursuant to which, Zhejiang Forever New Energy would, upon the request of Ningbo Geely, provide certain battery testing services and certain support to assist Ningbo Geely to install a battery pilot line, develop and produce batteries. After several months of experimental cooperation, Zhejiang Forever New Energy and Ningbo Geely decided to enter into a long-term agreement for the provision of services from Zhejiang Forever New Energy to Ningbo Geely to install a battery pilot line, develop and produce batteries and the Operation Agreement was arranged and signed.

Term: From 1 July 2022 to 1 July 2024

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

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

Annual Caps for the Operation Agreement

For the period ended 31 December 2022, for the year ended 31 December 2023 and for the period ended 30 June 2024, the Annual Caps for the transactions contemplated under the Operation Agreement are set out as follows:

	For the period from 1 July 2022 to 31 December 2022 RMB	For the year ended 31 December 2023 RMB	For the period from 1 January 2024 to 30 June 2024 RMB
Annual caps	<u>9,000,000</u>	<u>18,000,000</u>	<u>9,000,000</u>

Pricing policies

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

Reasons for and Benefits of the Operation Agreement

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

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

Should the transaction amount under the Operation Agreement exceed the above annual caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. New continuing connected transactions’ agreement (if required) will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

The sales under the Sales Framework Agreement for First Half 2024 was approximately RMB35.8 million (equivalent to approximately HK\$38.8 million).

The purchase under the Purchase Framework Agreement for First Half 2024 was approximately RMB1.5 million (equivalent to approximately HK\$1.6 million).

The transaction amount under the Operation Agreement for First Half 2024 was approximately RMB1.3 million (equivalent to approximately HK\$1.4 million).

Save as disclosed in this announcement, there was no other continuing connected transaction entered into by the Company in First Half 2024.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

There was no change in the Company’s constitutional documents for First Half 2024.

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 First Half 2024.

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 First Half 2024.

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 First Half 2024 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 First Half 2024, 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*) (Resigned on 28 March 2024)

Mr. Liu Wei, William (*Chief Executive Officer*)

(Re-designated from Joint Chief Executive Officer to Chief Executive Officer on 28 March 2024)

Mr. Dai Qing (Appointed on 28 March 2024)

Non-Executive Director:

Mr. Yan Weimin

Independent Non-Executive Director:

Mr. Chan Chun Wai, Tony

Mr. Ma Gang

Mr. Ha Chun

Details of appointment, resignation and re-designation of directors have been set out in the announcement of the Company dated 28 March 2024.

On behalf of the Board

LIU Wei, William

Director and Chief Executive Officer

Hong Kong, 30 August 2024