HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

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

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UNAUDITED CONSOLIDATED QUARTERLY 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 three months and nine months ended 30 September 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

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

	Notes	Three months ended 30 September **2021** ***HK$'000***	2020 *HK$'000*	Nine months ended 30 September **2021** ***HK$'000***	2020 *HK$'000*
Revenue	2	**121,868**	85,602	**327,154**	177,435
Cost of sales		**(85,685)**	(65,028)	**(233,298)**	(139,838)
Gross profit		**36,183**	20,574	**93,856**	37,597
Other operating (expenses)/income	3	**(13,282)**	(31,899)	**78,643**	(18,073)
Selling and distribution costs		**(2,439)**	(8,777)	**(8,875)**	(15,020)
Administrative expenses		**(21,960)**	(12,307)	**(58,946)**	(51,556)
Share of results of associates		**(2,917)**	(4,558)	**(9,826)**	(48,770)
Gain on disposal of financial assets		**–**	–	**45,400**	–
Loss on deemed disposal of a subsidiary		**–**	–	**–**	(58,767)
Finance costs	4	**(2,034)**	(3,672)	**(7,474)**	(13,578)
Profit/(Loss) before income tax	5	**(6,449)**	(40,639)	**132,778**	(168,167)
Income tax	6	**–**	–	**–**	–
Profit/(Loss) for the period		**(6,449)**	(40,639)	**132,778**	(168,167)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange loss on translation of financial statements of foreign operations		**(372,671)**	(67,250)	**(203,119)**	(1,230,772)
Exchange reserve released upon disposal of a subsidiary		**–**	–	**–**	32,024
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity investments at fair value through other comprehensive income		**(21,509)**	(2,672)	**7,536**	(17,854)
Total comprehensive income for the period		**(400,629)**	(110,561)	**(62,805)**	(1,384,769)
Profit/(Loss) for the period attributable to:					
Owners of the Company		**(16,237)**	(43,726)	**108,736**	(163,021)
Non-controlling interests		**9,788**	3,087	**24,042**	(5,146)
		(6,449)	(40,639)	**132,778**	(168,167)
Total comprehensive income attributable to:					
Owners of the Company		**(410,223)**	(116,258)	**(87,248)**	(1,380,827)
Non-controlling interests		**9,594**	5,697	**24,443**	(3,942)
		(400,629)	(110,561)	**(62,805)**	(1,384,769)
Earnings/(loss) per share attributable to the owners of the Company during the period	8				
— Basic		**HK(0.17) cent**	HK(0.44) cent	**HK1.12 cents**	HK(1.67) cents
— Diluted		**HK(0.17) cent**	HK(0.44) cent	**HK1.12 cents**	HK(1.67) cents

Notes:

1. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated financial statements for the nine months ended 30 September 2021 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 2020 annual report.

The accounting policies adopted in the 2020 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 financial results for the current accounting period:

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

The new or amended HKFRSs that are effective from 1 January 2021 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.

	Nine months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Sale of lithium batteries	**322,644**	172,997
Battery swapping service income	**4,510**	4,438
	327,154	177,435

3. OTHER OPERATING (EXPENSES)/INCOME

	Nine months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**3,023**	1,496
Government grant	**2,153**	18,529
Rental income	**90**	432
Imputed interest income of amounts due from non-controlling interests of a subsidiary	**–**	3,272
Gain/(Loss) on financial assets at fair value through profit or loss	**65,447**	(45,936)
Sundry income and exchange gain	**7,930**	4,134
	78,643	(18,073)

4. FINANCE COSTS

	Nine months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Interest charges on bank and other borrowings wholly repayable within five years	**7,336**	13,338
Finance cost on lease liabilities	**138**	240
	7,474	13,578

5. PROFIT/(LOSS) BEFORE INCOME TAX

	Nine months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Profit/(Loss) before income tax are arrived at after charging:		
Depreciation and amortisation	**9,866**	16,822

6. INCOME TAX

	Nine months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Overseas tax:		
Current period	**–**	–
Deferred tax:	**–**	–
Income tax credit	**–**	–

During the nine months ended 30 September 2020 and 2021, 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.

7. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2021 are based on the loss attributable to the owners of the Company of approximately HK$16,237,000 and profit of HK$108,736,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company. (For the three months and nine months ended 30 September 2020, loss attributable to the owners of the Company was HK$43,726,000 and HK$163,021,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company.)

Diluted earnings (loss) per share figure are the same as basic earnings per share for the three months and nine months ended 30 September 2020 and 2021 because the impact of the exercise of share options was anti-dilutive.

9. 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*
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 a non-controlling interests to a non-wholly owned subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89,103**	**89,103**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89,103**	**89,103**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**108,736**	**108,736**	**24,042**	**132,778**
Other comprehensive income										
Currency translation	**–**	**–**	**–**	**–**	**(203,520)**	**–**	**–**	**(203,520)**	**401**	**(203,119)**
Changes of fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**7,536**	**–**	**7,536**	**–**	**7,536**
Total comprehensive income	**–**	**–**	**–**	**–**	**(203,520)**	**7,536**	**108,736**	**(87,248)**	**24,443**	**(62,805)**
At 30 September 2021	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,180,342)**	**(75,914)**	**7,598,719**	**4,783,098**	**42,222**	**4,825,320**
2020										
At 1 January 2020	9,855	3,563,686	(142,864)	12,170	(5,065,260)	(68,535)	6,391,778	4,700,830	65,765	4,766,595
Capital contribution from a non-controlling interests to a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	95,910	95,910
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(155,638)	(155,638)
Share options expired	–	–	–	(2,212)	–	–	2,212	–	–	–
Share of equity reduction of an associate	–	–	–	–	–	–	(60,600)	(60,600)	(6,228)	(66,828)
	–	–	–	(2,212)	–	–	(58,388)	(60,600)	(65,956)	(126,556)
Loss for the period	–	–	–	–	–	–	(163,021)	(163,021)	(5,146)	(168,167)
Other comprehensive income										
Currency translation	–	–	–	–	(1,231,976)	–	–	(1,231,976)	1,204	(1,230,772)
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(17,854)	–	(17,854)	–	(17,854)
Release of translation reserve upon disposal of a subsidiary	–	–	–	–	32,024	–	–	32,024	–	32,024
Total comprehensive income	–	–	–	–	(1,199,952)	(17,854)	(163,021)	(1,380,827)	(3,942)	(1,384,769)
At 30 September 2020	9,855	3,563,686	(142,864)	9,958	(6,265,212)	(86,389)	6,170,369	3,259,403	(4,133)	3,255,270

MANAGEMENT DISCUSSION AND ANALYSIS

Lithium-Ion Battery Business

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.

Polestar 01 PHEV

Although the batteries produced by the Group were 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. In the PRC, the top ten powered battery manufacturers accounted for over 90% of the market share in the first six months of 2021. The business relationship between the powered battery manufacturer and the NEV manufacturers is stable, making it not easy for the companies in the industry to break off reliance on a major supplier or customer. Customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with automobile manufacturers and potential new customers in the energy storage field. Expect for lithium ion battery for PHEVs, the Group also has 12V and 48V batteries in the product list.

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

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Battery Sharing Business

Under the brand “GETI”, the Company has launched a battery sharing business in mid-2019 which target electric bicycles with business model include self-operation and franchising in the PRC. “GETI” has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By September 2021, GETI has approximately 480 battery swapping stations and 2,500 package users.

Battery Swapping Station

Automatic battery adaptation

Intelligent charging strategy

Multi-measures for safety protection

Intelligent charging power distribution

Online failure diagnosis and maintenance

Active fire explosion-proof

Standardised Battery Modules

- Stan 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 September 2021, the Group had accumulatively provided US$78.0 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$156.4 million.

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

Progress of SAM — Continued

Background — Continued

The license application procedure of the mine project in Brazil involves three most important 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.

Updates on the Project Development Plan

Expected Timetable

Assuming that the LP is obtained between the fourth quarter of 2021 and the first quarter of 2022, there is a chance to obtain the LI in the second quarter of 2023 and start trial production in the second quarter of 2026. Many uncertainties, however, may affect the timetable.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$2.24 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$20.4 and thereafter will rise to approximately US$25.7. 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$33.7 per ton for the first 18 years and then increase to US$39.0 per ton.

LP Application

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

LP Application — Continued

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

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

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

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

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

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

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

More details in relation to the SAM Project was set out in the 2020 annual report of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Shareholding in Yuxing Infotech

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

Business Review

For the nine months ended 30 September 2021, the Group recognised HK$327.1 million in revenue, representing a 84.4% increase when compared to HK$177.4 million revenue recognised in the last corresponding period. The profit for the nine months ended 30 September 2021 attributable to owners of the Company was approximately HK$108.7 million (30 September 2020: loss of HK$163.0 million).

Approximately 98.6% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The rose in revenue of the Group was driven by the increase in demand of lithium-ion batteries from our major customer Volvo Car.

The Group is running the battery sharing business focusing on food delivery electric bicycle branded "GETI" in the PRC. By September 2021, GETI has approximately 480 battery swapping stations and 2,500 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 nine months ended 30 September 2021, GETI has recognised approximately HK$4.5 million revenue, 2.3% increase compared to the HK$4.4 million revenue for the nine months ended 30 September 2020. Revenue growth has slowed down because of the keen competition in the industry.

The Group recorded a gross profit of approximately HK$93.9 million (gross profit ratio: 28.7%) for nine months ended 30 September 2021 as compared with the gross profit of approximately HK$37.6 million (gross profit ratio: 21.2%) in the last corresponding period.

Gross profit ratio improved because the demand for our high margin products increased and Zhejiang Forever New Energy has improved the overall operating efficiency of the plant and decreased the overhead costs, depreciation expenses also decreased for the period after impairment provision on property, plant and equipment in the past. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, sourcing of raw materials from different suppliers, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

Other operating income of approximately HK$78.6 million (30 September 2020: expenses of HK$18.1 million) was recognised during the current period. Other operating income increased despite the government grant recognised in the current period was only HK$2.2 million (30 September 2020: HK$18.5 million). It was mainly because approximately HK$65.4 million gain was recognised on financial assets at fair value through profit or loss due to the increase in share price of a listed equity investments (i.e. Yuxing InfoTech Investment Holdings Limited ("Yuxing InfoTech"), a company listed in the GEM of Hong Kong Stock Exchange Limited) of the Company during the current period (30 September 2020: loss of HK$45.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

Because of the improved quality control, the maintenance cost for the battery products decreased during the current period and the selling and distribution costs during the nine months ended 30 September 2021 was approximately HK$8.9 million (30 September 2020: HK$15.0 million).

The administrative expenses increased by approximately HK$7.4 million or 14.3% when compared to the last corresponding period. The increase was mainly contributed by the increased in research and development costs by Zhejiang Forever New Energy.

On 23 February 2021, 98,490,000 shares of Yuxing InfoTech were disposed by the Company at the price of HK$0.66 per shares and a HK$45.4 million gain on disposal was recognised.

Approximately HK$7.5 million finance costs were recognised during the period ended 30 September 2021 (30 September 2020: HK$13.6 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC and loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary. The Group has repaid all the loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary during the period ended 30 September 2021. 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 September 2021, the profit attributable to the owners of the Company was approximately HK$108.7 million (30 September 2020: loss of HK$163.0 million). The profit was mainly attributable to (1) the increased in share price of Yuxing InfoTech during the period, generated approximately HK$65.4 million other operating income; (2) HK$45.4 million gain on disposal of shares of Yuxing InfoTech and (3) increase in gross profit of approximately HK$56.3 million.

For the associate (20% owned by the Group) which engaged in online car-hailing services in Paris, France under the brand Caocao, the service was launched in Paris in January 2020 and although Caocao has received positive feedback from the market and its revenue has surged and reached record high in the second quarter of 2021 as worries about the COVID-19 pandemic have eased amid rising vaccinations, COVID-19 control measures such as quarantine requirement are still affecting its operation and a share of HK$8.3 million loss of associate was recognised by the Group during the period.

Since 19 March 2020, Shandong Forever New Energy became an associate of the Company. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement, Jiangsu Tiankai shall complete the Capital Increase by payment of the Capital Contribution Sum in cash into a designated account of Shandong Forever New Energy within 30 days after the Industrial and Commercial Administration Bureau has completed the registration of increase in share capital of Shandong Forever New Energy and issued the corresponding Business License (issued on 19 March 2020). 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 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$1.5 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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

As at 30 September 2021, the cash and cash equivalent balance of the Group was approximately HK$291.7 million (31 December 2020: HK$372.7 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 30 September 2021, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 5.8% (31 December 2020: 8.9%). The gearing ratio of the Group has improved because the total loans and borrowings decreased due to loan repayment during the period ended 30 September 2021.

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. The Company expected that the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Nevertheless, the keen competition and quick technological advancement and standards in the industry is expected to possibly affect the sales of the Group. It is also likely to accelerate the elimination and reorganisation in the new energy vehicle and lithium-ion battery industry. The Group will take a more prudent and progressive approach in business operation and development.

Given the development trend of going electric, intelligent and shared mobility in the automobile sector, the Group has entered into a non-legally binding acquisition memorandum (the "Memorandum") with Hangzhou UGO Technology Company Limited ("Hangzhou UGO") and Hangzhou Hexijiao Technology Company Limited ("Hangzhou Hexijiao") on 11 October 2021. According to the Memorandum, Honbridge Tech intends to acquire 32% equity interest of Jixing International Technology Co., Ltd. ("Jixing International") from Hangzhou UGO ("Potential Acquisition"). If the Potential Acquisition is completed, Honbridge Tech will hold 52% equity interest in Jixing International, and Jixing International will become a non-wholly-owned subsidiary of the Company. Jixing International currently control 100% interests of Caocao Mobility Europe, which is engaged in online car-hailing service under the brand "CaoCao Mobility" in Paris, France since January 2020, the Group will also continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as chips and parts for automobile, electric controlling, Internet of Vehicle, autonomous driving, high-definition map and light-weighting of vehicles.

For the resource sector, the latest progress of the Brazil SAM iron ore project was covered in the Progress of SAM section in this announcement. As mentioned in the 2020 annual report of the Company, despite the long time and extraordinary efforts spent for the SAM iron ore project, it is disappointing that the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility, however, as some positive progress has been made for obtaining the approval of the LP application in the State of Minas Gerais in recent months, we consider it's in the best interests of the shareholders of the Company to continue to push forward the project and review its status and development continuously. 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. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

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

The overall business strategy of the Group is the dual development of new energy vehicles related business and resources, creating value for our shareholders.

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 September 2021, the contingent consideration payable was approximately HK$106.3 million (equivalent to approximately US$13.7 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

Corporate Governance

Throughout the nine months ended 30 September 2021, 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 September 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

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

	Number of shares in the Company				
Name of director	**Beneficial owner**	**Interest of spouse**	**Interest of controlled corporation**	**Total**	**Approximate percentage of shareholding** *(%)*
HE Xuechu	57,939,189	22,460,000	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 September 2021, 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 21 May 2012 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 16 April 2012.

Details of options granted

Particulars of the outstanding share options granted under the share option scheme adopted by the Company on 21 May 2012 were as follows:

	Number of share options				
Category of participant	**Outstanding as at 01/01/2021 and 30/09/2021**	**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 September 2021, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

	Number of Shares in the Company				
Name of Shareholder	**Beneficial owner**	**Interest of spouse**	**Interests of controlled corporation**	**Total number of shares held**	**Approximate percentage of shareholding** *(%)*
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
LI Xing Xing	–	–	4,065,000,000 *(Note 3)*	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 Co., Ltd. *(Note 4)*	–	–	1,850,675,675	1,850,675,675	18.78
LI Shufu *(Note 5)*	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. Mr. LI Xing Xing holds 30.8% equity interest of Hong Bridge.

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

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

Save as disclosed above, as at 30 September 2021, 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

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

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

During the period ended 30 September 2021, a finance costs of approximately HK$0.8 million was recognised by the Company in relation to the above short term loans. The Board considers the above loan arrangements were conducted on normal commercial terms or better.

CONTINUING CONNECTED TRANSACTIONS

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

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

On 28 September 2020 and 10 August 2021, the Company entered into a sales framework agreement and supplemental sales framework agreement respectively with Zhejiang Geely, pursuant to which the Group will supply ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder (the "Sales Framework Agreements").

Annual Caps for the Sales Framework Agreement

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

	For the year ending 31 December 2021 *RMB*	**For the year ending 31 December 2022** *RMB*	**For the period from 1 January 2023 to 22 October 2023** *RMB*
Annual caps	460,000,000	300,000,000	350,000,000

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Annual Caps for the Sales Framework Agreement — Continued

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 September 2021 was approximately HK$322.6 million.

There was no other connected transaction entered into by the Company during the period ended 30 September 2021.

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 September 2021.

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 nine months ended 30 September 2021.

AUDIT COMMITTEE

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

The Group's unaudited results for the nine months ended 30 September 2021 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the nine months ended 30 September 2021, 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
Mr. Ang Siu Lun, Lawrence (retired on 18 May 2021)

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 November 2021