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 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 Growth Enterprise Market 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the day of its posting and on the Company's website www.8137.hk.

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 2017, together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	**2017**	2016
		HK$'000	HK$'000	**HK$'000**	HK$'000
Turnover	2	**4,956**	364	**16,996**	30,277
Cost of sales		**(5,205)**	(209)	**(18,160)**	(29,388)
Gross profit/(loss)		**(249)**	155	**(1,164)**	889
Other operating income	3	**13,842**	9,900	**38,356**	19,674
Selling and distribution costs		**(924)**	(248)	**(2,518)**	(938)
Administrative expenses		**(22,800)**	(26,036)	**(69,967)**	(64,494)
Impairment of exploration and evaluation assets	4	**–**	–	**–**	(1,248,080)
Gain on changes in fair value and terms of contingent consideration payables	5	**–**	–	**–**	1,048,406
Finance costs	6	**(20,385)**	(18,401)	**(59,514)**	(53,451)
Loss before income tax	7	**(30,516)**	(34,630)	**(94,807)**	(297,994)
Income tax credit	8	**382**	5,504	**1,145**	431,507
(Loss)/Profit for the period		**(30,134)**	(29,126)	**(93,662)**	133,513
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		**119,084**	(15,083)	**160,613**	404,318
Total comprehensive income for the period		**88,950**	(44,209)	**66,951**	537,831
(Loss)/Profit for the period attributable to:					
Owners of the Company		**(25,270)**	(26,824)	**(78,019)**	136,655
Non-controlling interests		**(4,864)**	(2,302)	**(15,643)**	(3,142)
		(30,134)	(29,126)	**(93,662)**	133,513
Total comprehensive income attributable to:					
Owners of the Company		**89,541**	(41,802)	**77,136**	541,852
Non-controlling interests		**(591)**	(2,407)	**(10,185)**	(4,021)
		88,950	(44,209)	**66,951**	537,831
(Losses)/Earnings per share	10				
— Basic		**HK(0.33) cent**	HK(0.34) cent	**HK(1.01) cents**	HK1.74 cents
— Diluted		**N/A**	N/A	**N/A**	N/A

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and nine months ended 30 September 2017 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 2016 annual report.

The accounting policies adopted in the 2016 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 certain new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2017. The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. TURNOVER

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

	Nine months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Sale of lithium batteries	**16,996**	30,277

3. OTHER OPERATING INCOME

	Nine months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Bank Interest income	**5,057**	2,668
Loan interest income	**12,287**	6,764
Government grant	**8,171**	8,176
Rental income	**450**	450
Imputed interest income of amounts due form non-controlling interests of a subsidiary	**10,016**	1,287
Gain on financial assets at fair value through profit or loss	**1,713**	–
Sundry income	**662**	329
	38,356	19,674

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais and Bahia, Brazil and the expenditures incurred in the search for mineral resources. During the last corresponding period, the Company reviewed the carrying amount of exploration and evaluation assets, impairment loss of approximately HK$1,248 million were identified and recognised.

5. CONTINGENT CONSIDERATION PAYABLE

After the completion of the acquisition of Sul Americana de Metais S.A. (“SAM”) on 28 March 2013, the Group is committed to pay Votorantim, the vendor of SAM, the consideration outstanding i.e. third instalment of US$115 million, fourth instalment of US$100 million and fifth instalment of US$100 million upon completion of approvals of required licenses and permits, commencement of port operation and commencement of mining production respectively.

On 12 May 2016 (Brazil time), the Company, Infinite Sky Investments Limited, New Trinity Holdings Limited, SAM, Votorantim entered into a settlement agreement (the “Settlement Agreement”).

Under the Settlement Agreement, the Company is no longer liable to pay the third, fourth and fifth instalment payment with the total amount of US$315 million under the SAM share purchase agreement but the Company is committed to pay a maximum aggregate amount of US$60,000,000 contingent additional payment and conditional mining production payment to Votorantim upon occurrence of certain events.

The HK$1,048,406,000 gain on fair value and terms of contingent consideration payable recognised in the last corresponding period represents the difference of fair value of contingent consideration payable before and after the Settlement Agreement. More detail information was set out in the third quarterly report of 2016.

6. FINANCE COSTS

	Nine months ended 30 September	
	2017	2016
	HK$’000	HK$’000
Interest charges on bank and other borrowings wholly repayable within five years	**293**	979
Imputed interest on convertible bonds	**59,221**	52,472
	59,514	53,451

7. LOSS BEFORE INCOME TAX

	Nine months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Loss before income tax are arrived at after charging:		
Rental expenses	**3,332**	3,493
Amortisation of other intangible assets	**7,633**	19,303
Cost of inventories recognised as expense	**19,336**	29,388
Depreciation and amortisation	**7,048**	12,230

8. INCOME TAX CREDIT

	Nine months ended 30 September	
	2017	2016
	HK$'000	HK$'000
Overseas tax:		
Current period	**–**	2,167
Deferred tax:	**1,145**	429,340
Income tax credit	**1,145**	431,507

During the nine months ended 30 September 2016 and 2017, 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.

The PRC corporate income tax rate of 25% is applicable to the Group's PRC subsidiaries except that Shandong Forever New Energy is granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2015. It is subject to income tax rate of 15%.

During the period, corporate income tax rates in Brazil of 34% (2016: 34%) is applicable to SAM, being the Group's subsidiary established in Brazil.

9. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

10. LOSSES/EARNINGS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2017 are based on the loss attributable to the owners of the Company of approximately HK$25,270,000 and HK$78,019,000 respectively and on 7,744,722,000 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 2016, loss and profit attributable to the owners of the Company was HK$26,824,000 and HK$136,655,000 respectively and basic profits per share in the period was calculated based on 7,744,722,000 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company.)

No diluted earnings per share was presented for the three months and nine months ended 30 September 2017 and 30 September 2016 respectively because the impact of the share options and convertible bonds was anti-dilutive.

11. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Equity attributable to owners of the Company									
	Share capital	Share premium	Treasury shares reserve	Share-based payment reserve	Translation reserve	Convertible bonds equity 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
2017										
At 1 January 2017	**7,862**	**2,627,306**	**(142,864)**	**136,741**	**(4,533,024)**	**258,836**	**4,233,302**	**2,588,159**	**222,463**	**2,810,622**
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	**87,500**	**87,500**
Transactions with owners	–	–	–	–	–	–	–	–	**87,500**	**87,500**
Loss for the period	–	–	–	–	–	–	**(78,019)**	**(78,019)**	**(15,643)**	**(93,662)**
Other comprehensive income										
Currency translation	–	–	–	–	**155,155**	–	–	**155,155**	**5,458**	**160,613**
Total comprehensive income	–	–	–	–	**155,155**	–	**(78,019)**	**77,136**	**(10,185)**	**66,951**
At 30 September 2017	**7,862**	**2,627,306**	**(142,864)**	**136,741**	**(4,377,869)**	**258,836**	**4,155,283**	**2,665,295**	**299,778**	**2,965,073**
2016										
At 1 January 2016	7,862	2,627,306	(142,864)	136,741	(4,869,117)	258,836	3,488,507	1,507,271	44,205	1,551,476
Capital contribution from non-controlling interests	–	–	–	–	–	–	86,738	86,738	213,062	299,800
Transactions with owners	–	–	–	–	–	–	86,738	86,738	213,062	299,800
Profit/(loss) for the period	–	–	–	–	–	–	136,655	136,655	(3,142)	133,513
Other comprehensive income										
Currency translation	–	–	–	–	405,197	–	–	405,197	(879)	404,318
Total comprehensive income	–	–	–	–	405,197	–	136,655	541,852	(4,021)	537,831
At 30 September 2016	7,862	2,627,306	(142,864)	136,741	(4,463,920)	258,836	3,711,900	2,135,861	253,246	2,389,107

MANAGEMENT DISCUSSION AND ANALYSIS

New Energy Vehicles-Related Business

In 2016 and 2017, the Group has been developing the lithium-ion battery project actively and cautiously by improving its technology, upgrading its products and expanding its capacity, as well as conducting product matching with mainstream vehicle manufacturers, and has developed a product portfolio which consists of lithium iron phosphate batteries, prismatic type ternary batteries and pouch type ternary batteries, their energy density, power density, life cycle, consistency, safety, etc. have reached an advanced level. Following the procurement arrangement with Volvo Car, a famous brand in the world and also with the CMA platform vehicle models including Lynk & Co under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely"), the Group is also promoting the product matching with Geely Emgrand EC7, Geely Yuancheng Commercial Vehicle and London Electric Vehicle. The Group is going to seize the historic opportunity of the development of new energy vehicle industries and is committed to develop in the powered battery industry.

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

Zhejiang Forever New Energy is an indirect non-wholly owned subsidiary of the Company and is owned as 49%, 48% and 3% by the Group, Shanghai Maple Automobile Company Limited ("Shanghai Maple"), a subsidiary of Zhejiang Geely and Jiaxing Jiale Investment Partnership Corporation (limited partnership) ("Jiaxing Jiale") respectively. Zhejiang Geely owns and controls the automobile brand "Geely", "Lynk & Co" as well as luxury European automobile brand "Volvo", and Zhejiang Geely is also one of the Fortune Global 500 companies.

Zhejiang Forever New Energy is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion battery and battery system. 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 1,500,000 kWh ternary lithium-ion battery annually. All of the major construction works have been completed and the first 500,000 kWh production line is in a final installation stage. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells and the trial production will begin in the fourth quarter of 2017 while mass production will be ready by the end of the year. The second 500,000 kWh production line which will be used to produce prismatic type cell is scheduled to be installed and begin trial production by the end of the second quarter of 2018. The time for installation of the third 500,000 kWh production line will be decided based on the market demand.

The Company has been evaluating the possibilities of massive expansion in areas other than Jinhua in Zhejiang.

Volvo Car Sales Agreement

On 23 October 2017, Zhejiang Forever New Energy, entered into a three years sales agreement with Volvo Car Corporation ("Volvo Car") in relation to the sales of high performance ternary lithium-ion powered battery packs for one of the hybrid models of Volvo Car planning to be manufactured in the PRC (the "Volvo Car Sales Agreement"). The total proposed annual caps (excluding VAT) in respect of the Volvo Car Sales Agreement for the financial years ending 31 December 2017 and 31 December 2018 are RMB30 million and RMB280 million respectively.

Zhejiang Geely Components Sales Agreement

On 25 October 2017, Zhejiang Forever New Energy entered into a three years sales agreement with Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. 浙江吉利汽車零部件採購有限公司 ("Zhejiang Geely Components") in relation to the sales of high performance ternary lithium-ion powered battery packs for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely (the "Zhejiang Geely Components Sales Agreement"). The total proposed annual caps (excluding VAT) in respect of the Zhejiang Geely Components Sales Agreement for the financial years ending 31 December 2018 and 31 December 2019 are RMB600 million and RMB900 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

New Energy Vehicles-Related Business — Continued

Reasons for and Benefits of the Volvo Car Sales Agreement and Zhejiang Geely Components Sales Agreement

Securing world-renowned customer such as Volvo Car and Zhejiang Geely Components is an affirmation for the quality of the lithium-ion batteries produced by Zhejiang Forever New Energy and can effectively improve the Group's financial performance and deliver stable income to the Group.

The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New Energy after mass production. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other world's mainstream automobile manufacturers to reduce the sales concentration risk. Other details of the above two sales agreement have been disclosed in the announcements of the Company dated 23 October 2017 and 25 October 2017.

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

Currently, the production plant of Shandong Forever New Energy, an indirect non-wholly owned subsidiary 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.

As Mr. Zhang Lei, who was appointed by the Company as a director of Shandong Forever New Energy and Zhejiang Forever New Energy, fell ill and passed away unexpectedly on 30 October 2017, the Company is in the process of identifying a suitable candidate to fill the vacancy he left.

Shandong Forever New Energy Capital Contribution Agreement

Capital Contribution Agreement

On 9 May 2016, Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the capital contribution agreement with Zhejiang Geely Automobile Co., Ltd. ("Zhejiang Geely Auto") and Jiaxing Jiale, whereby Zhejiang Geely Auto and Jiaxing Jiale have agreed to contribute capital into Shandong Forever New Energy, which was a direct wholly-owned subsidiary of Triumphant Glory (the "Capital Contribution Agreement"). According to the terms of the Capital Contribution Agreement, Zhejiang Geely Auto and Jiaxing Jiale shall contribute approximately US$42.15 million and US$2.62 million into Shandong Forever New Energy respectively. Zhejiang Geely Auto has paid the 10% of its capital contribution amount (i.e. US$4.215 million) according to the Capital Contribution Agreement and up to the date of this announcement, no further capital contribution has been paid by Geely Auto and Jiaxing Jiale. After the Capital Contribution Agreement became effective, Triumphant Glory, Zhejiang Geely Auto and Jiaxing Jiale hold 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

Progress of SAM

As of the date of this announcement, the Group has provided funding with principal amount of approximately USD69.1 million to the iron ore Project in Brazil, through shareholders' loans and increase of registered capital in SAM an indirect wholly owned subsidiary of the Company in Brazil

SAM is devoted to develop Block 8 as phase I operation with an annual production capacity of 27.5 million tons of 66.5% or above iron concentrate. The project will have an integrated system comprised an open-pit mine, a beneficiation plant, a 480km underground slurry pipeline, filtering plant and port for product export. According to local topographic features, Block 8 was named as project Vale do Rio Pardo.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Environmental Licensing Progress of the Project

Since March 2016 when the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA") issued a negative conclusive technical opinion — "based on the current engineering design mode, IBAMA technical staff are not able to certify environmental viability", in which the main concerns are related to tailing dam, SAM has been working on engineering optimization to reduce the potential environmental impacts of the Project and keeping close contact with IBAMA.

In November 2016, as IBAMA suggested, SAM decided to reopen a new environmental licensing administrative process and hired Brandt Meio Ambiente ("Brandt") to prepare the Terms of Reference ("TR"), which outlines the terms for the new Environmental Impact Study ("EIA") and Environmental Impact Report ("RIMA"). IBAMA agreed that SAM could use most of the studies finished in the previous EIA/RIMA.

On 12 January 2017, SAM submitted the proposed TR to IBAMA.

On 12 April 2017, SAM received a TR draft from IBAMA, which was a general TR for any new mine project, without considerations of SAM's project specifics and licensing history.

On 12 May 2017, after deep analysis of the TR draft from IBAMA by SAM's environmental consultants, lawyers and other professional parties, SAM replied IBAMA officially and make it clear item by item how SAM will use the information from the previous EIA/RIMA, and what supplementary studies will be undertaken.

Since then, SAM has been keeping close contact and communicating with IBAMA, consultants and other professional parties, pursing that IBAMA could confirm the specific details and the proposed supplementary studies in the TR so that SAM could start the required work for the new EIA/RIMA as soon as possible.

In order to speed up the licensing process, SAM had meetings with the governments of Minas Gerais State and Bahia State of Brazil to get more support in the Project. As the Project could generate thousands of jobs and significant economic benefits to the two States. On 18 April 2017, the Strategic Affairs Committee of Minas Gerais State made a decision to list SAM's Vale do Rio Pardo project as a priority project for the Minas Gerais State. On 11 September 2017, together with SAM, Minas Gerais State Government has sent two representatives to have meeting with IBAMA to show their support on SAM`s project aiming to speed up the TR confirmation. The State of Minas Gerais has a specialized administrative unit under the Secretariat of Environment and Sustainable Development ("SEMAD") which is responsible for the environmental analysis of priority projects. Thus, listing if the project can process its environmental licensing procedures in the Mina Gerais state, the approval time required by SEMAD is expected to be faster than IBAMA.

To reduce environmental impact and risk, SAM is making great efforts to optimize the engineering design of the project. By the date of this announcement, SAM has finished revising the mining plan which shows a significant reduction of tailings volume and favor of environment. SAM is also reconsidering the project model to eliminate the environmental uncertainties raised by IBAMA previously.

SAM is investigating various practicable strategies with a target to commence operation in late 2023.

Other details of the Vale do Rio Pardo project including the history of license application and the major licenses, permits, approvals obtained have been set out in the 2016 annual report of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Consideration and Liabilities

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SPA"), the total consideration of US$390.0 million for the acquisition of SAM was to be satisfied in cash in five instalment payments. The first and the second instalment payment amount to US$75.0 million were settled at the date of settlement Agreement. The third, fourth and fifth instalment payment amount to US$115.0 million, US$100.0 million and US$100.0 million were required to be settled according to certain milestones.

After execution of the Settlement Agreement in June 2016 (details set out in the announcement of the Company dated 13 May 2016, the Group shall no longer be liable to pay third, fourth and fifth instalment payment with the total amount of US$315.0 million under the SPA.

Conditional additional payment

If, however:

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

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

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

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

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

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

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

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

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

(5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), with the aggregate of items (1) to (5) above in no event exceeding US$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US$60,000,000 (the "Additional Payment"). As at the date of this announcement, the additional loans and capital invested was approximately US$4,800,000.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Consideration and Liabilities — Continued

Conditional mining production payment to Votorantim

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

As at 30 September 2017, saved as disclosed above the Group did not have any significant contingent liabilities.

Loan Agreement Entered into with Cloudrider Limited

On 11 April 2016, the Company entered into a loan agreement with Cloudrider Limited (the "Borrower"), pursuant to which the Company granted to the Borrower the loan with principal amount of HK$540 million (the "Loan") with an interest rate of 3% per annum (the "Loan Agreement") for funding Borrower's merger and acquisitions. HK$251,100,000 and HK$288,900,000 were lent to the Borrower on 22 April 2016 and 12 May 2016 respectively. Since the Borrower has exercised its option to extend the repayment date by 12 months' the repayment period has extended from 12 months to 24 months. The Loan is secured by the share charges provided by two of the shareholders of the Borrower over all of their shareholdings in the Borrower and a debenture consisting of a fixed and floating charge over all of the assets of the Borrower in favour of the Company. During the period ended 30 September 2017, a loan interest income of approximately HK$12.3 million was recognised by the Company. Other details of the Loan Agreement have been disclosed in the circular of the Company dated 24 May 2016.

Statement of profit or loss for Shandong Forever New Energy prepared in accordance with PRC accounting standards

	Nine months ended 30 June		**Year ended**	
	2017	2016	**2016**	2015
	RMB	RMB	**RMB**	RMB
	Unaudited	Unaudited	**Audited**	Audited
Revenue	**14,857,285.13**	25,432,487.52	**30,469,187.67**	101,744,903.90
Cost of sales	**(15,875,197.52)**	(24,685,689.54)	**(29,544,683.25)**	(82,998,002.92)
Gross profit (loss)	**(1,017,912.39)**	746,797.98	**924,504.42**	18,746,900.98
Selling and distribution costs	**(2,201,262.53)**	(788,084.87)	**(2,953,799.58)**	(1,850,484.72)
Administrative expenses	**(14,911,952.15)**	(7,402,547.39)	**(9,577,892.58)**	(11,621,263.23)
Finance costs	**(113,782.64)**	(749,310.16)	**(825,226.58)**	(597,443.16)
Write-down of inventories	**–**	–	**(24,360.00)**	–
Operating (loss) profit	**(18,244,909.71)**	(8,193,144.44)	**(12,456,774.32)**	4,677,709.87
other income	**7,686,555.15**	7,311,018.67	**9,877,278.32**	10,599,774.72
other expenses	**(10,000.00)**	–	**–**	(566,743.85)
Profit (loss) before tax	**(10,568,354.56)**	(882,125.77)	**(2,579,496.00)**	14,710,740.74
Income tax expenses	**–**	(140,224.81)	**–**	(4,508,100.11)
Net loss	**(10,568,354.56)**	(1,022,350.58)	**(2,579,496.00)**	10,202,640.63

(Note: The figures presented here is not prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. They are for reference purpose only.)

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review

For the three months ended 30 September 2017, the Group recorded approximately HK$5.0 million turnover from the sale of lithium-ion batteries, which increased substantially when compared to approximately HK$0.36 million revenue recognised in the last corresponding period. Nevertheless, the total turnover of the Group recognised was HK$17.0 million for the nine months ended 30 September 2017, representing a 43.9% decrease when compared to the HK$30.3 million turnover recognised for the nine months ended 30 September 2016.

The decrease in turnover in lithium-ion batteries business for the nine months ended 30 September 2017 was generally due to the policy change of the PRC government. The revised central government subsidies system for new energy vehicles was only released in late December 2016 and generally each vehicle sold this year will receive 20% less central government subsidies than it would have in 2016, and the subsidy policies of local government in many cities in China were released only in mid-2017, which affects the sales strategies and pricing policy of new energy vehicles manufacturing enterprises. If a new energy vehicle manufacturer wants to apply for subsidies for its new energy vehicle models, one of the conditions precedents is their new energy vehicle models need to be included in the"Recommended Models Directory of New Energy Vehicles"《新能源汽車推廣應用推薦車型目錄》(the "Directory"). The Central Government released a notice about the re-examination of the Directory on 30 December 2016, this notice directly overturned the first to the fifth batches of directory released in 2016, announced these five batches which covered over 1000 vehicle models need to be re-examined by the government agency.

According to the notice above, these models need to be re-examined before selling. The models which have not yet included in the Directory are not eligible to receive subsidies, if these vehicle models failed to enter into the Directory, the manufacturers face the risk of losing the subsidies, therefore many production plans and sales of new energy vehicles has been halted or delayed.

The decrease was also due to the investigation carried out by the PRC Government on the misappropriation of the government subsidies by the automobile enterprises for new energy vehicle. Since the investigation began in late 2015, the PRC Government has not distributed the subsidies to the automobile enterprises in a timely manner. The automobile enterprises have occupied a large amount of their own working capital as they are unable to receive the government subsidies. This also reduced the working capital of the batteries manufacturing enterprise as the automobile enterprises delayed their payment to suppliers. Under these uncertainties, the production volume of some automobile enterprises in this period decreased substantially. Certain customers of Shandong Forever New Energy have also taken a conservative approach and control their production plan, hence reducing their demand for lithium-ion batteries. The Company also takes a more cautious approach before accepting new orders in order to mitigate the potential credit risk.

The above reasons negatively affected the atmosphere of the lithium-ion battery industry, especially in the first quarter. According to the statistics released by the China Association of Automobile Manufacturers (中國汽車工業協會), sales of new energy automobiles in the PRC for first quarter of 2017 were 54,000, representing a 8.5% decrease when compared with the 59,000 sales in the first quarter of 2016. Only HK$0.9 million turnover was recognised by the Group in the first quarter of 2017, with the adjustment and adaptation of the market, coupled with the release of the re-examined "Recommended Models Directory of New Energy Vehicles"《新能源汽車推廣應用推薦車型目錄》in succession, the industry has gradually recovered and Shandong Forever New Energy has recorded approximately HK$16.1 million in the second and third quarter.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

The Group recorded a gross loss of approximately HK$1.16 million (gross profit ratio: -6.8%) in current period as compared with the gross profit of approximately HK$0.89 million (gross profit ratio: 2.9%) in the last corresponding period. Gross loss was recorded and the major reason is the difficulty to decrease the unit cost of battery cells under the current low production level. In addition, the increase in average cost of raw materials and the decrease in average selling price of battery cells in the current period also led to the gross loss in the current period.

For the last period ended 30 September 2016, the profit attributable to the owners of the Company was HK$136.7 million which was mainly due to the net extraordinary gain of approximately HK$226.5 million recognised by the Group due to the revaluation of the contingent consideration payables and impairment on exploration and evaluation assets. After excluding such extraordinary gain/loss, the loss attributable to the owners of the Company for the period ended 30 September 2016 was approximately HK$89.8 million. For the current period ended 30 September 2017, the loss attributable to the owners of the Company was approximately HK$78.0 million. The decrease in loss was mainly due to the increase in other operating income during the current period.

The other operating income was increased by approximately HK$18.7 million in the current period mainly due to the increase in loan interest income from Cloudrider Limited by HK$5.5 million and the increase in imputed interest income of amounts due from non-controlling interests of a subsidiary by HK$8.7 million. The bank interest income also increased by approximately HK$2.4 million in the current period as the Group has been placing short term fixed deposits in banks to generate more income from idle cash.

The administrative expenses were increased by HK$5.5 million mainly because of the increase in research and development costs and wages and salaries of approximately HK$9.9 million and HK$6.0 million respectively in the current period. The increase in administrative expenses were mainly net-off by the decrease in amortisation of other intangible assets by HK$11.7 million.

During the period ended 30 September 2017, the operation of the Group was mainly financed by the proceeds received from the Placing and Share Subscription completed in June 2015 as well as by the loan interests received from Cloudrider Limited.

The use of proceeds from placing and share subscription

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") of the Company in June 2015, the Company received an aggregate of HK$1,336 million of net proceeds, HK$410 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK$200 million of which was intended to be used in the Brazilian iron ore project and HK$186 million of which was intended to be used for general working capital of the Company. However, the Company has yet to identify suitable investment and acquisition targets in the new energy vehicle-related field and the Company decided to improve the Group's capital efficiency and to better utilise its cash by making short term investment to generate better returns to its Shareholders. In April 2016, the Company has entered into a Loan Agreement with Cloudrider Limited (the "Borrower") and a loan with principal amount of HK$540 million has been granted.

As at 30 September 2017, out of the HK$1,336 million net proceeds that have been raised from the Placing and the Share Subscription, HK$540.0 million has been lent to the Borrower, HK$109.1 million has been utilised to repay the loans from the ultimate holding company, approximately HK$36.5 million has been used for general working capital and approximately HK$70.5 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK$579.9 million, HK$410 million will be invested into the new energy vehicle related business, HK$129.5 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK$40.4 million will be used as working capital or/and the supplementary funding to the two investments mentioned above. Once the Loan is repaid by the Borrower, the whole amount will continue to be invested into the new energy vehicle related business or other identified business at that time.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospect

Despite the unsatisfactory performance in the current period and the central government of China has announced that subsidies will be gradually decreased in the coming years, the Group and new energy vehicle industry both believes that the government of China will continue to introduce other measures to promote the development of new energy vehicle industry which is one of the national development strategies.

In April 2017 the central government of china released a Medium and Long Term Development plan of the Automobile Industry 《汽車產業中長期發展規劃》, one of the key plans mentioned is the promotion and development of new energy vehicles and its related industries. In September 2017, the Ministry of Industry and Information Technology officially released the dual–credit system "Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credits"《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》and said the system will be effective starting from 1 April 2018. The combination of credits and dis–incentives in this system are designed to improve the fuel efficiency of vehicles on the road, as well as to promote the usage of NEVs in China. Automakers with annual production over 30,000 units will be evaluated and the required NEV output ratio in 2019 is equivalent to 10% of the vehicles they produce in China while the ratio increased to 12% in 2020. Under the dual-credit system, traditional vehicle enterprises will be more motivated to develop and produce new energy vehicles. Last but not least, government of several European countries have announced that laws will be enacted to establish a schedule to ban the sales of petrol–only vehicles. Meanwhile, Ministry of Industry and Information Technology of the PRC has also stated that it has been exploring a schedule to ban the sales of petrol–only vehicles. Therefore the market size of new energy vehicles and related industries is expected to expand in the coming years. Lithium-ion battery is deemed as the most critical component in new energy vehicles so this sector will continue to be the focal point in this industry.

Zhejiang Forever New Energy has secured Volvo car and Zhejiang Geely Components as customers. The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New Energy after mass production. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other world's mainstream automobile manufacturers to reduce the sales concentration risk.

For the resource sector, the latest progress of SAM's Vale do Rio Pardo Project was covered in the Progress of SAM section in this announcement and there were still no breakthrough in the progress of the Group's efforts in obtaining necessary approvals for starting the construction in respect of the SAM iron ore project. The Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

Corporate Governance

Throughout the nine months ended 30 September 2017, 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 2017, 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**	**Number of Share option**[2]	**Total**	**Approximate percentage of shareholding** (%)
HE Xuechu	57,939,189	22,460,000	4,065,000,000[1]	–	4,145,399,189	52.73
LIU Wei, William	9,002,000	–	–	30,000,000	39,002,000	0.50
SHI Lixin	–	–	–	25,000,000	25,000,000	0.32
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.76
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.19
CHAN Chun Wai, Tony	1,000,000	–	–	2,000,000	3,000,000	0.04
MA Gang	–	–	–	3,000,000	3,000,000	0.04
HA Chun	–	–	–	–	–	–

Notes:

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 68% equity interest of Hong Bridge.

2. This refers to the number of underlying shares of the Company covered by its share option scheme.

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

Long positions in the underlying shares of the Company

Details of options granted

Particulars and movements during the period of the outstanding share options granted under the Scheme were as follows:

	Number of share options										
Name or category of participant	Outstanding as at 01/01/2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30/09/2017	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK$	Price immediately preceding the grant date of share options (Note b) HK$	Price immediately preceding the exercise date of share options (Note c) HK$
Director											
LIU Wei, William	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
SHI Lixin	20,000,000	–	–	–	–	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	5,000,000	–	–	–	–	5,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
YAN Weimin	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	–	–	–	–	15,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	2,000,000	–	–	–	–	2,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
MA Gang	3,000,000	–	–	–	–	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
Sub-total	105,000,000	–	–	–	–	105,000,000					
Employee	5,000,000	–	–	–	–	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	8,750,000	–	–	–	–	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55	N/A
Total	118,750,000	–	–	–	–	118,750,000					

Notes:

(a) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

Share options granted on 28 May 2012 and 14 May 2015 under the Share Option Scheme are 100% exercisable on the date of grant of the share options and on 15 May 2015 respectively.

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

(c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

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

Long positions in the underlying shares of the Company — Continued

Details of options granted — Continued

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2017, 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.

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

As at 30 September 2017, 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	51.71
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	52.73
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	52.73
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	51.71
Geely International (Hong Kong) Limited	2,250,675,675 (Note 4)	–	–	2,250,675,675	28.63
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,250,675,675	2,250,675,675	28.63
LI Shufu (Note 6)	103,064,000	–	2,250,675,675	2,353,739,675	29.94
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	5.67
Jiangsu Shagang Group Co., Ltd. (Note 7)	–	–	446,000,000	446,000,000	5.67
Shen Wenrong (Note 8)	–	–	446,000,000	446,000,000	5.67
Yue Xiu Great China Fixed Income Fund II LP (Note 9)	694,000,000	–	–	694,000,000	8.83
Pan Shangcong (Note 9)	–	–	694,000,000	694,000,000	8.83
Jifu Financial Investment Company Limited (Note 9)	–	–	694,000,000	694,000,000	8.83
Maxwealth Investment Management Limited (Note 9)	–	–	694,000,000	694,000,000	8.83

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

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

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

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

3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.

4. The 2,250,675,675 shares held by Geely International (Hong Kong) Limited represent 2,000,000,000 shares through a HK$740,000,000 convertible notes with a conversion price of HK$0.37 per conversion share of the Company and the remaining 250,675,675 represents ordinary shares held.

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

6. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

7. Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.

8. Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.

9. Maxwealth Investment Management Limited was wholly owned by Jifu Financial Investment Company Limited, which is in turn wholly owned by Mr. Pan Shangcong. Maxwealth Investment Management Limited has indirect interest of 694,000,000 shares through its interest in Yue Xiu Great China Fixed Income Fund II LP.

Save as disclosed above, as at 30 September 2017, 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.

Events After the Reporting Period

The Company received a conversion notice from Geely International (Hong Kong) Limited, in respect of the conversion of the Convertible Bonds issued by the Company on 4 June 2013 in an aggregate principal amount of HK$592,000,000 at the Conversion Price of HK$0.37 per Share (the "Conversion"). In accordance with the notice, the Company allotted and issued 1,600,000,000 Conversion Shares (the "Conversion Shares") to Geely International (Hong Kong) Limited on 6 November 2017.

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

Events After the Reporting Period — Continued

The table below sets out the shareholding structure of the Company immediately before and after the allotment and issue of the Conversion Shares:

Shareholders	Immediately before the Conversion		Upon completion of the Conversion	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Hong Bridge Holdings Limited *(Note 1)*	4,065,000,000	51.71%	4,065,000,000	42.96%
He Xuechu *(Note 1)*	57,939,189	0.74%	57,939,189	0.61%
Foo Yatyan *(Note 2)*	22,460,000	0.29%	22,460,000	0.24%
Li Shufu *(Note 3)*	103,064,000	1.31%	103,064,000	1.09%
Geely International (Hong Kong) Co., Ltd.	250,675,675	3.19%	1,850,675,675	19.56%
Yue Xiu Great China Fixed Income Fund II LP	694,000,000	8.83%	694,000,000	7.33%
Shagang International (Hong Kong) Co., Limited	446,000,000	5.67%	446,000,000	4.71%
Liu Wei *(Note 4)*	9,002,000	0.11%	9,002,000	0.10%
Yan Weimin *(Note 4)*	30,000,000	0.38%	30,000,000	0.32%
Chan Chun Wai *(Note 4)*	1,000,000	0.01%	1,000,000	0.01%
Other Public shareholders	2,182,680,742	27.76%	2,182,680,742	23.07%
	7,861,821,606	100.00%	9,461,821,606	100.00%

Notes:

1. He Xuechu ("**Mr. He**") is the chairman and an executive Director, and holds 68% equity interest of Hong Bridge Holdings Limited, and Li Xing Xing holds 32% equity interest of Hong Bridge Holdings Limited.

2. Foo Yatyan is the spouse of Mr. He.

3. Li Shufu is the controlling shareholder of Zhejiang Geely Holding Group Co., Ltd. (the "**Zhejiang Geely**"), and Zhejiang Geely held the entire issued share capital of Geely International (Hong Kong) Co., Ltd..

4. Liu Wei is an executive Director; Yan Weimin is a non-executive Director and Chan Chun Wai is an independent non-executive Director.

CONVERTIBLE BONDS

As at 30 September 2017, a convertible bonds of HK$740 million with a conversion price of HK$0.37 per conversion share of the Company were outstanding.

During the nine months ended 30 September 2017, there was no conversion of the Company's outstanding convertible bonds. However, after the period end date, part of the convertible bonds were converted into the shares of the Company. Details have been set out in "Events After the Reporting Period" above.

CONNECTED TRANSACTIONS

There were two continuing connected transactions entered into by the Company during the period ended 30 September 2017.

CONTINUING CONNECTED TRANSACTIONS

Volvo Car Sales Agreement

Volvo Car is an automobile manufacturer incorporated in Sweden. It owns and controls the luxury European automobile brand "Volvo" and is principally engaged in the development, manufacture, and distribution of cars that includes sedans, sports wagons, cross country cars, and sport utility vehicles (SUVs) worldwide.

Shanghai Maple is a substantial shareholder of Zhejiang Forever New Energy as it holds 48% equity interest in Zhejiang Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Shanghai Maple is held as to 90% by Zhejiang Geely, and Volvo Car is a non-wholly owned subsidiary of Zhejiang Geely. As such, both Zhejiang Geely and Volvo Car are associates of Shanghai Maple in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

Zhejiang Geely Components Sales Agreement

Zhejiang Geely Components is a limited liability company incorporated in the PRC and is principally engaged in the wholesale, sales and related after-sale services of vehicle parts and engine parts.

Shanghai Maple is a substantial shareholder of Zhejiang Forever New Energy as it holds 48% equity interest in Zhejiang Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Shanghai Maple is held as to 90% by Zhejiang Geely, and Zhejiang Geely Components is a subsidiary of Zhejiang Geely. As such, both Zhejiang Geely and Zhejiang Geely Components are associates of Shanghai Maple in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

Sales of high performance ternary lithium-ion powered battery packs from Zhejiang Forever New Energy to Volvo Car and Zhejiang Geely Components under the Sales Agreement constitutes continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Pricing Basis and the Payment Term of the Above Two Sales Agreement

Pricing basis: The price of goods under the above two Sales Agreements will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.

The price of goods above would be set after making reference to the prevailing market price of same or substantially similar products from other independent third party lithium-ion powered battery manufacturers on normal commercial terms and in the ordinary course of business. The management would regularly conduct market research and gather relevant information to assess the prevailing market price of similar products. In the event that there are no sufficient comparable prices for similar products or there are no similar products in the market, the pricing policy will ensure the consideration of suitable market price information, thorough consideration of product specifications, cost structure (including the design and tooling costs of a specific products), profit margin, transaction volume, transaction amount, freight terms, market condition and development strategy. Products price will be reviewed every twelve months to ensure that the price set is consistent with the prevailing market price of similar products and is no less favourable to the price of similar products offered to the independent third parties.

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Pricing Basis and the Payment Term of the Above Two Sales Agreement — Continued

The Directors consider that the above method and policy shall be able to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

Payment term: All transactions contemplated in the under the above two Sales Agreements are satisfied in cash. A credit period of 75 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.

The Directors (including the independent non-executive Directors) are of the view that the above two sales agreement was entered into in the ordinary course of the Group's business and on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties, and the terms and Annual Caps set out in the above two Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Other details of the above two continuing connected transactions have been disclosed in the announcements of the Company dated 23 October 2017 and 25 October 2017 and the Management Discussion and Analysis Section in this announcement.

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 nine months ended 30 September 2017.

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 2017.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures and risk management system of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Ma Gang and Mr. Ha Chun, who are Independent Non-Executive Directors of the Company.

The Group's unaudited results for the nine months ended 30 September 2017 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.

REMUNERATION COMMITTEE

Remuneration Committee was set up in 2005. Current Committee members are Mr. HA Chun (Chairman of the Committee), Mr. MA Gang, Mr. CHAN Chun Wai, Tony, Mr. HE Xuechu and Mr. LIU Wei, William. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates remuneration policy for approval by the Board, which takes into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance is measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration laid down by the Board.

NOMINATION COMMITTEE

Nomination Committee was set up in 2012. Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun Lawrence, Mr. MA Gang. and Mr. HA Chun. The Committee meets at least once every year and additional meetings shall be held as the work of the Committee demands. The Committee formulates nomination policy for the Board’s consideration and implement the Board’s approved nomination policy.

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

During the nine months ended 30 September 2017, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

As at the date of this announcement, the Board comprises (1) Mr. HE Xuechu, Mr. LIU Wei, William and Mr. SHI Lixin as Executive Directors; (2) Mr. YAN Weimin and Mr. ANG Siu Lun Lawrence as Non-Executive Directors and (3) Mr. CHAN Chun Wai, Tony, Mr. MA Gang and Mr. HA Chun as Independent Non-Executive Directors.

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

Hong Kong, 7 November 2017