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## **HONBRIDGE HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

(stock code : 8137)

### **SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 AND THE INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2019**

Reference is made to the annual report for the year ended 31 December 2018 (the “2018 Annual Report”) and the interim report for period ended 30 June 2019 (the “2019 Interim Report”) of Honbridge Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) which were dated 28 March 2019 and 12 August 2019. Unless otherwise defined, terms used herein shall bear the same meanings as those defined in the 2018 Annual Report and the 2019 Interim report.

In addition to the information to the paragraphs headed “Use of Proceeds from Placing and Share Subscription” of the 2018 Annual Report and 2019 Interim Report on the detailed usage of the HK\$1,366 million net proceeds, the board (the “Board”) of directors (the “Directors”) of the Company would like to provide the following additional information regarding the utilisation of the proceeds to the 2018 Annual Report and 2019 Interim Report.

#### **The Use of Net Proceeds from Placing and Share Subscription**

The below table sets out the proposed applications of the net proceeds from Placing and Share Subscription as at 31 December 2018 and 30 June 2019:

<b>Intended use of proceeds</b>	<b>Total net proceeds</b>	<b>Actual use of net proceeds up to 31 December 2018</b>	<b>Actual use of net proceeds up to 30 June 2019</b>	<b>Remaining balance of net proceeds up to 30 June 2019</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Lent to the Borrower	540.0	540.0	540.0	Nil

New energy vehicle related business	410.0	113.1	325.7	84.3
Brazilian iron ore project	200.0	97.1	104.5	95.5
Repayment of loans from the ultimate holding company	109.1	109.1	109.1	Nil
General working capital of the Company	76.9	40.0	40.0	36.9
<b>Total</b>	<b>1,336.0</b>	<b>899.3</b>	<b>1,119.3</b>	<b>216.7</b>

As at 30 June 2019, the unutilised portion of approximately HK\$216.7 million were expected to be utilised in the following specific uses:

#### **New energy vehicle related business**

On 16 January 2019, the Company entered into a security purchase agreement with Luokung Technology Corp. (NASDAQ: LKCO) and agreed to subscribe 2 million ordinary shares of LKCO shares with a total consideration of USD12 million. On 21 January 2019, the Company has settled USD6 million (equivalent to approximately HK\$46.6 million) and Luokung Technology Corp. has issued 1 million ordinary shares to the Company. The remaining USD6 million (equivalent to approximately HK\$46.6 million) was expected to be settled in the third quarter of 2019.

Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while proactively exploring the lithium-ion battery business in a prudent manner, the Group will also consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as battery charging and swapping, shared mobility, high-definition map, vehicle use radar, electric motor, electric controlling, Internet of Vehicle, autonomous driving and light-weighting of vehicles. If suitable target or opportunity is identified, the Company will utilise the unutilised proceeds to make investment.

#### **Brazilian iron ore project**

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

#### **General working capital**

The unutilised proceeds of HK\$36.9 million are expected to be utilised to maintain the headquarter in Hong Kong. Major expenditures include director and staff costs, rental expenses and various professional fees. Subject to the change based on the future

development of the operations of the Group, the amount is expected to be utilised on or before 30 June 2021.

### **Impairment loss related to loans to Cloudrider Limited for the year ended 31 December 2018**

During the year ended 31 December 2018, impairment loss of approximately HK\$357.4 million was recognised in relation to the loans to Cloudrider Limited (the “Loans”). The Board would like to provide the following additional information in relation to the impairment loss and valuation (the “Valuation”).

The Valuation was performed by an independent professional valuer, Valtech Valuation Advisory Limited. Impairment on the Loans was prepared based on the Expected Credit Loss (“ECL”) assessment under Hong Kong Financial Reporting Standard 9 – Financial Instruments (“HKFRS 9”). General approach is applied to provide the ECL, which the lifetime ECL is assessed, prescribed by HKFRS 9.

Key valuation inputs:

Valuation date	31 Dec 2017	31 Dec 2018
Approach	General Approach	General Approach
Stage of Credit Quality	2	3
Probability of Default	7.15%	100%
Recoverable Amount (1 – Loss Given Default)	37.62% (i.e. 1 - 62.38%)	Expected recovery of the pledged asset

For the ECL Assessment for 31 December 2017, there was no default event noted on the Loans. However, it was noted that Cloudrider Limited may face financial difficulties. As such, the stage of credit quality is considered as stage 2, which significant risk was increased. By applying the general approach, the lifetime ECL was determined by performing credit assessment by making reference to financial metrics by rating issued by Moody’s. Probability of Default, which was made reference to S&P’s Statistics and Recoverable Amount that was made reference to Moody’s Statistics.

For the ECL Assessment for 31 December 2018, the loan repayment was default. By applying the general approach, the lifetime ECL was determined by the specific circumstances of the Loans. As such, the Probability of Default is considered as 100%. Loss Given Default is calculated by carrying amount of the Loans minus the expected recoverable amount of the pledged asset. The expected recovery of the pledged asset is estimated based on the expected realisable value of the assets of Cloudrider Limited pledged to the Company i.e. the shares of Yuxing InfoTech Investment Holdings Ltd. Although the shares of Yuxing InfoTech Investment Holdings Ltd are publicly traded, based on option pricing models 13.7% discount for lack of liquidity has been applied in estimating the recoverable amount. There is no subsequent change in the valuation methodology.

**The supplementary information provided in this announcement does not affect other information contained in the 2018 Annual Report and the 2019 Interim Report and, save as disclosed above, the contents of the 2018 Annual Report and the 2019 Interim Report remain unchanged.**

On behalf of the Board  
Honbridge Holdings Limited  
**YEUNG Ho Ming**  
*Company Secretary*

Hong Kong, 22 October 2019

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

***Executive Directors:***

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

***Non-Executive Directors:***

Mr. YAN Weimin  
Mr. ANG Siu Lun, Lawrence

***Independent Non-Executive Directors:***

Mr. CHAN Chun Wai, Tony  
Mr. MA Gang  
Mr. HA Chun

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