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 2019

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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 2019, together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

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

		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	3	**70,564**	51,111	**196,082**	85,495
Cost of sales		**(71,079)**	(66,025)	**(196,096)**	(111,665)
Gross loss		**(515)**	(14,914)	**(14)**	(26,170)
Other operating income		**28,522**	19,278	**57,848**	42,003
Selling and distribution costs		**(861)**	(753)	**(2,618)**	(2,002)
Administrative expenses		**(10,563)**	(18,808)	**(99,636)**	(79,584)
Share of loss of an associate		**(7)**	–	**(7)**	–
Reverse of impairment/(impairment) of prepayments, deposits and other receivables	4	**–**	(88,128)	**20,497**	(360,557)
Finance costs	5	**(4,468)**	(2,921)	**(12,969)**	(7,440)
Profit/(Loss) before income tax	6	**12,108**	(106,246)	**(36,899)**	(433,750)
Income tax credit	7	**–**	–	**–**	–
Profit/(Loss) for the period		**12,108**	(106,246)	**(36,899)**	(433,750)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange loss on translation of financial statements of foreign operations		**(271,940)**	(114,632)	**(249,675)**	(501,303)
Equity investments at fair value through other comprehensive income		**(7,837)**	–	**(5,892)**	–
Total comprehensive income for the period		**(267,669)**	(220,878)	**(292,466)**	(935,053)
Profit/(Loss) for the period attributable to:					
Owners of the Company		**(6,172)**	(95,223)	**(18,874)**	(395,716)
Non-controlling interests		**18,280**	(11,023)	**(18,025)**	(38,034)
		12,108	(106,246)	**(36,899)**	(433,750)
Total comprehensive income attributable to:					
Owners of the Company		**(283,565)**	(205,448)	**(273,082)**	(889,973)
Non-controlling interests		**15,896**	(15,430)	**(19,384)**	(45,080)
		(267,669)	(220,878)	**(292,466)**	(935,053)
Losses per share	9				
— Basic		**HK(0.06) cent**	HK(0.98) cent	**HK(0.19) cent**	HK(4.06) 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 2019 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 2018 annual report.

The accounting policies adopted in the 2018 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 2019. Except as disclosed in note 2, 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. APPLICATION OF NEW HKFRSS

The Group has applied HKFRS 16 "Leases", for the first time in the current reporting period.

HKFRS 16 Leases

The Group has applied the standard from 1 January 2019. HKFRS 16 superseded HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. APPLICATION OF NEW HKFRSS — CONTINUED

HKFRS 16 Leases — CONTINUED

The Group applied the modified retrospective approach as permitted by HKFRS 16 and did not restate comparative amounts for the year prior to first-time adoption. On the first day of implementation, the Group measured the leasing liabilities on the basis of the present value of the remaining lease payment at the interest rate of the lessee's incremental borrowing for the first day of implementation and the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

3. REVENUE

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

	Nine months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Sale of lithium batteries	**195,875**	85,495
Battery swapping service income	**207**	–
	196,082	85,495

4. IMPAIRMENT OF PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Pursuant to the Loan Agreement entered into on 11 April 2016, an aggregate principal amount of HK$540,000,000 was drawn down in two tranches on two respective dates (Tranche A: HK$251,100,000 (the "Tranche A Loan") on 22 April 2016 and Tranche B: HK$288,900,000 (the "Tranche B Loan") on 12 May 2016). The initial maturity date for each of the Tranche A Loan and the Tranche B Loan was 21 April 2017 and 11 May 2017, respectively, which was further extended by the Borrower to 21 April 2018 and 11 May 2018, respectively.

During the period, the borrower has defaulted in repaying the full amount of the loan receivables and the outstanding accrued interests. A default interest rate of 6% per annum was applied. In 2019, a revaluation was performed and the fair values of the underlying securities of the loan receivables, which mainly comprising 450,357,200 shares of Yuxing Infotech Investment Holdings Limited, a company listed on the GEM, was approximately HK$170.8 million, reverse of impairment of HK$20,497,000 was recognised in profit or loss for the nine months ended 30 September 2019.

5. FINANCE COSTS

	Nine months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Interest charges on bank and other borrowings wholly repayable within five years	**12,634**	7,440
Finance cost on lease liabilities	**335**	–
	12,969	7,440

6. PROFIT/(LOSS) BEFORE INCOME TAX

	Nine months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Profit/(Loss) before income tax are arrived at after charging:		
Cost of inventories recognised as expense	**196,096**	111,665
Depreciation and amortisation	**33,475**	18,074

7. INCOME TAX CREDIT

	Nine months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Overseas tax:		
Current period	**–**	–
Deferred tax:	**–**	–
Income tax credit	**–**	–

During the nine months ended 30 September 2018 and 2019, 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 during the period.

During the period, corporate income tax rates in Brazil of 34% (2018: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

8. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

9. LOSSES PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2019 are based on the loss attributable to the owners of the Company of approximately HK$6,172,000 and HK$18,874,000 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 2018, loss attributable to the owners of the Company was HK$95,223,000 and HK$395,716,000 respectively and basic loss per share in the period was calculated based on 9,737,433,606 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 2019 and 30 September 2018 respectively because the impact of the share options and convertible bonds was anti-dilutive.

10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Treasury shares reserve HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Fair value reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
2019										
At 1 January 2019	**9,855**	**3,563,686**	**(142,864)**	**12,170**	**(4,910,983)**	**–**	**5,983,566**	**4,515,430**	**180,329**	**4,695,759**
Acquisition of interests in a subsidiary	**–**	**–**	**–**	**–**	**145**	**–**	**(7,396)**	**(7,251)**	**(3,320)**	**(10,571)**
Capital contribution to a non-wholly owned subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(6,846)**	**(6,846)**	**6,846**	**–**
	–	**–**	**–**	**–**	**145**	**–**	**(14,242)**	**(14,097)**	**3,526**	**(10,571)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(18,874)**	**(18,874)**	**(18,025)**	**(36,899)**
Other comprehensive income										
Currency translation	**–**	**–**	**–**	**–**	**(248,316)**	**–**	**–**	**(248,316)**	**(1,359)**	**(249,675)**
Equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(5,892)**	**–**	**(5,892)**	**–**	**(5,892)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(248,316)**	**(5,892)**	**(18,874)**	**(273,082)**	**(19,384)**	**(292,466)**
At 30 September 2019	**9,855**	**3,563,686**	**(142,864)**	**12,170**	**(5,159,154)**	**(5,892)**	**5,950,450**	**4,228,251**	**164,471**	**4,392,722**
2018										
At 1 January 2018	9,855	3,563,686	(142,864)	136,741	(4,511,262)	–	4,909,365	3,965,521	298,436	4,263,957
Loss for the period	–	–	–	–	–	–	(395,716)	(395,716)	(38,034)	(433,750)
Other comprehensive income										
Currency translation	–	–	–	–	(494,257)	–	–	(494,257)	(7,046)	(501,303)
Total comprehensive income	–	–	–	–	(494,257)	–	(395,716)	(889,973)	(45,080)	(935,053)
At 30 September 2018	9,855	3,563,686	(142,864)	136,741	(5,005,519)	–	4,513,649	3,075,548	253,356	3,328,904

MANAGEMENT DISCUSSION AND ANALYSIS

New Energy Vehicles-Related Business

Following the procurement arrangement with Volvo Car, a famous brand in the world and also with the vehicle models including Lynk & Co under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely"), the Group is also promoting the product matching with Volvo XC40 Plug-in Hybrid Electric Vehicle (PHEV) Polestar 01 PHEV, London Electric Vehicle Company, 山東豐沃, 西安中力科技 and 珠海億華 and also exploring new customers including major automobile enterprises and new energy vehicle enterprises. The Group has been constantly negotiating and conducting products matching with major and new automobile manufacturers and potential new customers in the energy storage field.

Lynk 01 PHEV battery pack produced by Zhejiang Forever New Energy

The car models installed with battery packs of the Group listed in the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products《道路機動車輛生產企業及產品公告》and the Catalogue of Recommended Models for the Popularization and Application of New Energy Automobiles《新能源汽車推廣應用推薦車型目錄》of Ministry of Industry and Information Technology of the PRC include the PHEV model "XC60" and "S90" of Volvo and "Lynk 01 PHEV", "Lynk 02 PHEV" and "Lynk 03 PHEV" model of Lynk & Co. Other than the customers mentioned above, the Group also has customers such as Shandong Telangsi (山東特朗斯) and Suzhou Pulaier (蘇州普萊爾).

Lynk 02 PHEV

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 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 2,000,000 kWh ternary lithium-ion battery annually. The first 500,000 kWh production line has commenced mass production since the second quarter of 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells. The time for installation of the new production line will be decided based on the market demand and development strategy.

Lynk 03 PHEV

New Energy Vehicles-Related Business (Continued)

The customers of our Zhejiang factory are Volvo Car and the Lynk & Co brand under Zhejiang Geely Holding Group Company Limited ("Zhejiang Geely Group").

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

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.

To increase the overall competitiveness of Shandong Forever New Energy, the Company is currently working on a number of proposals, including introduction of new investors.

Battery Sharing Business

Under the brand "GETI", the Company has launched a battery sharing business which target electric bicycles which include self-operation and franchising in the PRC. GETI's major features are set out below:

Food delivery rider using GETI battery swapping service

Provide a complete set of power exchange services, giving the rider uninterrupted battery life

Technical low cost solution

+

Leveraging national fire protection policies and regulations to solve the compliance and legal operation of franchisees

Safety is the premise to drive customers

Battery Swapping Station

- Constant temperature control system
- Intelligent charging strategy
- Fireproof and explosionproof
- Intelligent fault management

Standardised Battery Modules

- Standardized 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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review

For the period ended 30 September 2019, the Group recorded a revenue of HK$196.1 million, representing a significant 129% increase when compared to revenue of HK$85.5 million recognised in the last corresponding period. The loss for the period ended 30 September 2019 attributable to owners of the Company was approximately HK$18.8 million (30 September 2018: HK$395.7 million).

The revenue of the Group increased explosively because the mass production of our factory plant in Zhejiang only commenced in the second quarter of 2018 and no revenue was recorded in the first quarter last year. In addition, new car models were launched by our customer in 2019. Under the brand "GETI", the Company has launched a battery sharing business which target electric bicycles which include self-operation and franchising in the PRC and HK$0.2 million revenue was recognised during the period.

The Group recorded a gross loss of approximately HK$14,000 (gross profit ratio: -0.007%) for the period ended 30 September 2019 as compared with the gross loss of approximately HK$26.2 million (gross profit ratio: -30.6%) in the last corresponding period. The gross margin improved substantially during the period, it was mainly because of the lower average raw material costs as key suppliers agreed to lower the price, more optimise human resources structure and the higher capacity utilisation rate of the battery plant in Zhejiang when compared to the last corresponding period. 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, 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 consists of imputed interest income of amounts due from non-controlling interests of a subsidiary, bank interest income and interest income from loan receivable. The increase in other operating income was mainly due to the reversal of bad debt provision after long ageing trade receivables were recovered.

The administrative expenses for the period ended 30 September 2019 mainly consists of research and development expenses and staff costs. The research and development expenses increased during the period because intensive testing have been conducted on our new battery product.

HK$7,000 share of loss of an associate (吉行國際科技有限公司, 20% owned by the Company) was recognised during the period. The associate is going to provide online car-hailing services in Europe.

The finance costs of HK$13.0 million recognised during the period ended 30 September 2019 (30 September 2018: HK$7.4 million) were mainly interest expense related to the loans from Zhejiang Geely and a loan from a commercial bank in the PRC.

For the period ended 30 September 2019, the loss attributable to the owners of the Company was HK$18.9 million (30 September 2018: HK$395.7 million). The decrease in loss was mainly due to the one-off HK$360.5 million impairment loss of other receivable recognised during the period ended 30 September 2018.

Business Review — Continued

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. As at 30 September 2019, the Company has settled USD12 million and Luokung Technology Corp. has issued 2 million ordinary shares to the Company. Luokung Technology Corp. is one of the world's leading companies in spatial-temporal big data technology, a leading interactive location-based data services ("LBS") company in China, and a pioneer of the railway Wi-Fi market in China. The Company may co-operate with Luokung Technology Corp. in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

The Joint Venture Agreement

On 16 April 2019, Honbridge Technology Limited ("Honbridge Tech"), a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement for the formation of the Joint Venture with two other parties, namely 杭州優行科技有限公司 (Hangzhou UGO Tech Co., Ltd.) ("Hangzhou UGO") and 杭州禾曦嬌科技有限公司 (Hangzhou Hexijiao Technology Co., Ltd.) ("Hangzhou Hexijiao").

The Joint Venture (吉行國際科技有限公司) will be initially engaged in online car-hailing services in Paris, France and related services and will gradually extend its online car-hailing services to other cities in Europe depending on its business development strategy. Through the Joint Venture, the Group enters the online car-hailing business in partnership with Hangzhou UGO, which successfully executed this business in the PRC under the brand "Cao Cao" (「曹操」), giving the Joint Venture a head-start from using the technology of Hangzhou UGO, which in itself should come at considerable savings, both financially and in terms of time otherwise required for testing.

The registered capital of the Joint Venture is RMB80 million, Honbridge has contributed RMB16 million and own 20% interests of the Joint Venture while Hangzhou UGO and Hangzhou Hexijiao has each contributed RMB32 million and control 40% interests of the joint venture.

The board of directors of the Joint Venture comprise of five members, one of whom was nominated by Honbridge Tech, two of whom were nominated by Hangzhou UGO and two of whom were nominated by Hangzhou Hexijiao.

Progress of SAM

As of the date of this announcement, the Group has provided funding with principal amount of approximately US$73.4 million to the iron ore project in Brazil ("Block 8 Project" or "SAM Project"), through shareholders' loans and increase of registered capital in Sul Americana de Metais S.A. ("SAM"), an indirect wholly owned subsidiary of the Company in Brazil.

SAM is devoted to develop Block 8 Project as phase I operation with an annual production capacity of 27.5 million tons with an average grading of 66.2% Fe in the first 18 years' operation. The project will have an integrated system comprised an open–pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam.

SAM has started licensing process for the mine and its facilities in the Secretariat of Environment and Sustainable Development ("SEMAD") in the state of Minas Gerais in Brazil since November 2017.

On 21 December 2018, Brandt, a consultant of SAM, finished the EIA (Environmental Impact Study) and RIMA (Environmental Impact Report) of the Block 8 Project. This EIA/RIMA contains 13 volumes, 2953 pages, drafted by a multidisciplinary team of 39 professionals. The core contents include characteristic of the project, study area definition, physical environment diagnosis, biotic environment diagnosis, socio–economic environment diagnosis, environmental quality, environmental impact assessment, mitigation measures propositions, following and monitoring programs of environmental impact, influence area, environmental prognosis etc.

Despite of the decent progress of the SAM project in 2018, unfortunately, on 25 January 2019, one inactive upstream tailings dam belonging to mining company Vale in Brumadinho collapsed. As this dam–break happened again only 3 years after Samarco dam–break 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.

On 30 January 2019, SAM suspended its licensing process of Block 8 Project in order to wait for the aforementioned update and revision of the National Policy on Dams Security.

On 22 February 2019, the Legislative Assembly of Minas Gerais approved a Bill which deals with environmental licensing and supervision of dams in the State. On 25 February 2019, the Minas Gerais State Governor signed it and thus became a State law (law No.23.291, of 25 February 2019), which was published on 26 February 2019. One of the most important articles is that upstream method for dam construction is forbidden.

SAM studied the abovementioned and other new State Law/resolution/bill and concluded that it will not affect its environmental licensing process since SAM adopted center line method for tailings dams' construction and very strict technical and environmental criterions for the project, which make the project is in conformity with the new law/resolution/bill. From technical point of view, SAM is extremely confident in the safety of its tailings dams.

Progress of SAM — Continued

On 2 August 2019, considering that Block 8 Project complies with the environmental legislation, SAM sent an official letter to SUPPRI and requested resumption of analyzing the environmental licensing process.

Although the Block 8 Project is in conformity with all updated law/resolution/bill, in order to reduce the environmental risk in case of dam-breach and to make the society more comfortable with the Project, SAM hired WALM to design a "Tailings Flood Wave Containment Structure"(a type of dike) and review the corresponding dam-breach studies at the end of July 2019. In mid-September 2019, WALM finished the studies and reached a very positive conclusion that all the tailings could be contained in the Auto Rescue Zone ("ZAS") with the existence of the dike in case of dam-breach under the extreme worst scenario. ZAS is an area defined below a dam that is at least 30 minutes from the arrival of a wave (in the event of a dam-breach), or at 10 km. Block 8 Project will not have facilities for administrative, living, health and recreation activities in its ZAS, which already followed the updated legislation. Brandt has finished the risk analysis based on the new dam-breach studies and updated the EIA-RIMA.

On 12 September 2019, SAM together with the Consulate-general of the People`s Republic of China in Rio de Janeiro co-organized "1st China-Brazil Service Trade Innovation Seminar" in Montes Claros, the biggest city in north of Minas Gerais State which is close to Block 8 Project. The Governor of Minas Gerais State Romeu Zema, the Consul-general Li Yang, the Commercial Consul Xu Yuansheng, and around 28 Chinese institutions/companies such as China Development Bank, State Grid, HUAWEI, CITIC Construction, China Power, CTG, CGN, Sinosteel etc. attended this seminar. SAM`s CEO made a presentation titled "Block 8 Project, a Platform of Development and Service Trade Promotion". On the seminar, SAM announced its intention to use 5G technology for unmanned mining operation in the open pit, and ultimately use 100% of renewable energy to supply Block 8 Project after 5-years' operation considering that the project region is one of the regions with richest solar energy, wind energy and bio-mass energy potential in Brazil.

1st China Brazil Service Trade Innovation Seminar in Montes Claros

MOU Signing Ceremony

Progress of SAM — Continued

Right before the seminar, SAM and the Minas Gerais State government signed an investment memorandum of understanding ("MOU"), the State is committed to finish analyzing the licensing process as soon as possible and give full support to the SAM project.

SAM has been communicating and having meetings with government institutions, environmental organs, State and Federal deputies, senators, municipals to present Block 8 project, especially SAM's new tailings disposal technology. SAM is planning to have two public hearings in mid-December 2019.

SAM introductory session to the public

The Company has been considering the introduction of strategic investors to develop the SAM Project. In October 2018, SAM and an independent third party, Lotus Fortune Holdings Limited ("Lotus Fortune"), established a company called Lotus Brasil comércio e Logistica Ltda ("Lotus Brasil") in Brazil which is 95% owned by Lotus Fortune and 5% by SAM. In November 2018, SAM reach a preliminary contract with Lotus Brasil. Based on the preliminary contract, Lotus Brasil will license, construct and operate the logistic system of the SAM Project. The logistic system consists of an underground pipeline of approximately 480km (involves 9 municipalities in the state of Minas Gerais and 12 municipalities in Bahia), a dewatering station and an ore storage yard located in Porto Sul (the "Port") in Ilhéus of Bahia State.

In December 2018, Lotus Brasil submitted the FCA to IBAMA and thus initiated the process. In the future, Lotus Brasil will provide SAM with services of logistics, dewatering, trading and contracting for the use of Porto Sul. SAM will pay Lotus Brasil for such services. The Group believes that the cooperation with Lotus Brasil will promote the exploitation of Block 8 Project and will be mutually beneficial. In this way, SAM could focus more on the development of the mine, beneficiation plant and other facilities.

Progress of SAM — Continued

As disclosed previously, SAM will export its mineral products through Porto Sul (the "Port") in Bahia State which has been granted all environmental licenses for construction. On 1 September 2017, a Chinese Consortium led by China Railway Group Limited (中國中鐵股份有限公司) and including China Communications Construction Company Ltd. (中國交通建設股份有限公司), Dalian Huarui Heavy Industry Group Co., Ltd (大連華銳重工集團股份有限公司) signed a MOU with Bahia State government and intends to lead and participate in an investment group to finance the development of Porto Sul, including equity investment and procurement of debt financing. SAM will be a pure user of the Port and will coordinate with Lotus Brasil to monitor the progress and development of the Port.

Loan Agreement Entered Into With Cloudrider Limited

Pursuant to the Loan Agreement entered into with Cloudrider Limited (the "Borrower") on 11 April 2016, an aggregate principal amount of HK$540,000,000 was drawn down in two tranches on two respective dates (Tranche A: HK$251,100,000 (the "Tranche A Loan") on 22 April 2016 and Tranche B: HK$288,900,000 (the "Tranche B Loan") on 12 May 2016). The initial maturity date for each of the Tranche A Loan and the Tranche B Loan was 21 April 2017 and 11 May 2017, respectively, which was further extended by the Borrower to 21 April 2018 and 11 May 2018, respectively.

Despite numerous communication between the Company and the Borrower, the Company did not receive any repayment since 6 November 2018 and the Borrower also failed to propose a proper repayment plan. On 15 July 2019, the Company issued a notice letter to notify the Borrower that the Company decided to exercise its right under the Loan Agreement and would start the procedures for the enforcement of the Security, including the enforcement of 450,357,200 shares of Yuxing InfoTech. According to the latest number of issued shares of Yuxing InfoTech, 450,357,200 shares represents approximately 21.72% of the issued shares of Yuxing InfoTech.

Although the Company has started the enforcement procedures, the Company will continue to reserve all its rights under the Loan Agreement and update the Shareholders on any material development as and when appropriate.

Prospects

The Group is determined to invest into the battery sharing business in 2019.

The Ministry of Industry and Information Technology of China released the compulsory "Technical Specifications for Safety of Electric Bicycles"《電動自行車安全技術規範》national standard in May 2018 (the "New National Standard") which was effective from 15 April 2019, regulates electric bicycles' safety performance, speed limit, production quality and pedal riding performance, etc., these policies will accelerate the transition of lead-acid battery in electric bicycles to lithium battery. The number of electric bicycles in mainland China is about 250 million at present and the production and sales number in 2017 was 31.13 million, which approximately 30% were for express delivery and food delivery. According to the New National Standard, one single set of electric bicycle battery is not enough to support the daily commercial range requirement, this has created a huge market demand for battery swapping.

Prospects — Continued

The Group has recently launched the battery sharing business branded "GETI" in the PPC and has set up over a hundred of battery swapping stations in the Jiangsu Province and Zhejiang Province. The Group will initially focus on serving the customers in the two Province and expand the service to other region in the PRC based on the future business strategy. Ultimately, it is the vision of the Group to provide safety, convenient and reliable battery swapping service to customers all over China.

Despite the central government of China has announced that subsidies for new energy vehicles will be gradually decreased in the coming years, the Group and new energy vehicle industry both believe 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 addition, in the post-subsidy period new energy vehicle manufacturers and customers are going to put more focus on the overall quality of the car models. This could be positive for premium and high-end car models, which are the target customer segment of our Group.

Nevertheless, the global economy continues to be weakened by rising trade barriers and increasing geopolitical tensions. The monthly sales of new energy vehicles in the PRC decreased for the first time in two years on a year-on-year basis in July 2019. The economic uncertainty may affect the sales of the Group in the coming months.

Since 2018, the battery packs produced by Zhejiang Forever New Energy were provided to Volvo Car and Zhejiang Geely Components and assembled in premium car models such as Volvo XC60 PHEV, S90 PHEV and Lynk & Co Lynk 01, 02, 03 PHEV. 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.

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. As at 30 September 2019, the Company has settled USD12 million and Luokung Technology Corp. has issued 2 million ordinary shares to the Company. Luokung Technology Corp. is one of the world's leading companies in spatial-temporal big data technology, a leading interactive location-based data services ("LBS") company in China, and a pioneer of the railway Wi-Fi market in China. The Company may co-operate with Luokung Technology Corp. in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

Prospects — Continued

Honbridge Technology Limited ("Honbridge Tech"), a wholly-owned subsidiary of the Company, has set up a Joint Venture with two other parties, namely 杭州優行科技有限公司 (Hangzhou UGO Tech Co., Ltd.) ("Hangzhou UGO") and 杭州禾曦嬌科技有限公司 (Hangzhou Hexijiao Technology Co., Ltd.) ("Hangzhou Hexijiao").

The Joint Venture will be initially engaged in online car-hailing services in Paris, France and related services and will gradually extend its online car-hailing services to other cities in Europe depending on its business development progress. The service is expected to be launched in Paris in late 2019 or early 2020.

The Company may co-operate with Luokung Technology Corp. and the online car-hailing joint venture in the area of autonomous driving, smart commuting, etc., mutually help each other to build up their eco-system and service.

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 charging and swapping, electric motor, electric controlling, Internet of Vehicle, autonomous driving, shared mobility, high-definition map and light-weighting of vehicles.

For the resource sector, the latest progress of the SAM Project was covered in the Progress of SAM section in this announcement and the Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

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

Corporate Governance

Throughout the nine months ended 30 September 2019, 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 2019, 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 2019, 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.

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 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 01/01/2019 and 30/09/2019**	**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	5,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91
	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	13,750,000				

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.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2019, 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 2019, 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
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	4.53
Jiangsu Shagang Group Co., Ltd. (Note 6)	–	–	446,000,000	446,000,000	4.53
Shen Wenrong (Note 7)	–	–	446,000,000	446,000,000	4.53

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. holds 100% equity interest of Geely International (Hong Kong) Limited.

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

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

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

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

Save as disclosed above, as at 30 September 2019, 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 November 2017, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely Holding Group Co., Ltd. ("Zhejiang Geely"), one of the substantial shareholders of the Company, provided a loan with the principal amount of RMB100 million (approximately HK$114 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 16 November 2018 with a repayment date on 20 May 2019. The loan was fully repaid.

On 16 March 2018, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely provided a loan with the principal amount of RMB100 million (approximately HK$114 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 4.75% per annum. The loan agreement was extended on 20 February 2019 with a repayment date on 14 March 2020.

On 27 March 2019 and 16 May 2019, for the working capital requirement of Zhejiang Forever New Energy, Zhejiang Geely provided loans with the principal amount of RMB52.8 million (approximately HK$60.1 million) and RMB100 million (approximately HK$114 million) to Zhejiang Forever New Energy respectively. The loans are not secured by the assets of the Company, repayable 12 months after the drawdown date and have a fixed interest rate of 4.35% per annum.

During the period ended 30 September 2019, a finance costs of HK$9.1 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.

For the period ended 30 September 2019, the Group has sold approximately HK$116.1 million and HK$75.5 million lithium-ion batteries to Volvo Car and Zhejiang Geely Components respectively.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the reporting period are set out below:

Volvo Car Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Volvo Car (as the purchaser)
Date	:	23 October 2017
Term	:	From 23 October 2017 to 22 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
Pricing basis	:	The price of goods under the Volvo Car Sales Agreement 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.
Payment term	:	All transactions contemplated in the under the Volvo Car Sales Agreement 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.
2019 annual cap	:	RMB278 million
2020 cap for the period from 1 January 2020 to 22 October 2020	:	RMB251 million
Sales for the period ended 30 September 2019	:	approximately RMB101.7 million (HK$116.1 million)

CONTINUING CONNECTED TRANSACTIONS — CONTINUED

Zhejiang Geely Components Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor) Zhejiang Geely Components (as the purchaser)
Date	:	25 October 2017
Term	:	From 25 October 2017 to 24 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
Pricing basis	:	The price of goods under the Zhejiang Geely Components Sales Agreement 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.
Payment term	:	All transactions contemplated in the under the Zhejiang Geely Components Sales Agreement 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.
2019 annual cap	:	RMB739 million
2020 cap for the period from 1 January 2020 to 25 October 2020	:	RMB951 million
Sales for the period ended 30 September 2019	:	approximately RMB66 million (HK$75.5 million)

The two continuing connected transactions mentioned above were reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as whole.

The Company will comply in full with applicable reporting, disclosure and if applicable, independent shareholders' approval requirements under Chapter 20 of GEM Listing Rules if the Company entered into any transactions with the connected persons or its associates.

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 2019.

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 2019.

AUDIT COMMITTEE

The Group's unaudited results for the nine months ended 30 September 2019 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 2019, 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 Jian and Mr. LIU Wei, William 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 Joint Chief Executive Officer

Hong Kong, 8 November 2019