



HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

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UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

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

	Notes	Three months ended 31 March	
		2021 HK\$'000	2020 HK\$'000
Revenue	2	94,346	35,172
Cost of sales		(65,168)	(25,382)
Gross profit		29,178	9,790
Other operating income	3	115,800	17,793
Selling and distribution costs		(3,450)	(3,909)
Administrative expenses		(18,807)	(21,513)
Share of results of associates		(2,992)	(2,231)
Gain on disposal of financial assets		45,400	–
Loss on deemed disposal of a subsidiary		–	(58,767)
Finance costs	4	(3,325)	(5,998)
Profit/(loss) before tax		161,804	(64,835)
Income tax	5	–	–
Profit/(loss) for the period		161,804	(64,835)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(369,261)	(983,473)
Exchange reserves released upon deemed disposal of a subsidiary		–	32,024
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		9,734	(15,229)
Other comprehensive income, net of tax		(359,527)	(966,678)
Total comprehensive income for the period		(197,723)	(1,031,513)
Profit/(loss) for the period attributable to:			
Owners of the Company		154,992	(67,983)
Non-controlling interests		6,812	3,148
		161,804	(64,835)
Total comprehensive income attributable to:			
Owners of the Company		(201,070)	(1,032,991)
Non-controlling interests		3,347	1,478
		(197,723)	(1,031,513)
Earnings/(loss) per share attributable to the owners of the Company during the period	7		
— Basic		HK1.59 cents	HK(0.70) cent
— Diluted		HK1.59 cents	HK(0.70) cent

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months ended 31 March 2021 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

These financial statements should be read, where relevant, in conjunction with the 2020 annual report.

The accounting policies adopted in the 2020 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2021.

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies. The Group has not applied any new or amended HKFRSs that are not yet effective.

2. REVENUE

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

	For the three months ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Sale of lithium batteries	92,714	34,258
Battery swapping service income	1,632	914
	94,346	35,172

3. OTHER OPERATING INCOME

	For the three months ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Bank interest income	853	751
Government grants	544	12,470
Rental income	30	186
Sundry income and exchange gain	5,149	1,012
Gain on financial assets at fair value through profit or loss	109,224	102
Imputed interest income of amounts due from non-controlling interests	–	3,272
	115,800	17,793

4. FINANCE COSTS

	For the three months ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Interest charges on bank and other borrowings	3,278	5,918
Others	47	80
	3,325	5,998

5. INCOME TAX

	For the three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Overseas tax		
Current period	–	–
Deferred tax	–	–
Income tax credit	–	–

During the period ended 31 March 2020 and 2021, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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% is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

6. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2021 is based on the profit attributable to the owners of the Company of approximately HK\$154,992,000 (loss for the three months ended 31 March 2020: HK\$67,983,000) and on 9,737,433,606 (31 March 2020: 9,737,433,606) weighted average number of shares (after adjusting the effect of treasury shares held by the Company).

Diluted earnings/loss per share for the three months ended 31 March 2021 and 2020 is the same as basic earnings/loss per share because the impact of the exercise of share options was anti-dilutive.

8. MOVEMENT OF RESERVES

Movement of reserves for the Group during the period is set out below:

	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 through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021	9,855	3,563,686	(142,864)	9,958	(5,976,822)	(83,450)	7,489,983	(71,324)	4,799,022
Capital Contribution from non-controlling interests	-	-	-	-	-	-	-	89,103	89,103
Transactions with owners	-	-	-	-	-	-	-	89,103	89,103
Profit for the period	-	-	-	-	-	-	154,992	6,812	161,804
Other comprehensive income									
Currency translation	-	-	-	-	(365,796)	-	-	(3,465)	(369,261)
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	9,734	-	-	9,734
Total comprehensive income	-	-	-	-	(365,796)	9,734	154,992	3,347	(197,723)
At 31 March 2021	9,855	3,563,686	(142,864)	9,958	(6,342,618)	(73,716)	7,644,975	21,126	4,690,402

	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 through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020	9,855	3,563,686	(142,864)	12,170	(5,065,260)	(68,535)	6,391,778	65,765	4,766,595
Capital Contribution from non-controlling interests	-	-	-	-	-	-	-	95,910	95,910
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	(155,638)	(155,638)
Transactions with owners	-	-	-	-	-	-	-	(59,728)	(59,728)
Profit/(loss) for the period	-	-	-	-	-	-	(67,983)	3,148	(64,835)
Other comprehensive income									
Currency translation	-	-	-	-	(981,803)	-	-	(1,670)	(983,473)
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(15,229)	-	-	(15,229)
Deemed disposal of a subsidiary	-	-	-	-	32,024	-	-	-	32,024
Total comprehensive income	-	-	-	-	(949,779)	(15,229)	(67,983)	1,478	(1,031,513)
At 31 March 2020	9,855	3,563,686	(142,864)	12,170	(6,015,039)	(83,764)	6,323,795	7,515	3,675,354

MANAGEMENT DISCUSSION AND ANALYSIS

Lithium-Ion Battery Business

Except 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 new product matching with Volvo Car, London Electric Vehicle Company etc. Although the batteries produced by the Group were top quality technically, the small production capacity and low utilisation rate of the battery plant lead to a higher average costs when compared to the main competitors, customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with automobile manufacturers and potential new customers in the energy storage field. Expect for lithium ion battery for PHEVs, the Group also has 12V and 48V batteries in the product list.

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. Besides the sale of battery packs, the battery modules produced by the Group are also used in the battery packs of “Polestar 01 PHEV” and “XC90 PHEV” of Volvo.



Polestar 01 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 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells.

Shandong Forever New Energy Company Limited (“Shandong Forever New Energy”)

The production plant of Shandong Forever New Energy, 24.5% owned associate of the Company, covers a total area of approximately 130,000 square meters and its current factory and office facilities cover a floor area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Battery Sharing Business

Under the brand “GETI”, the Company has launched a battery sharing business in mid-2019 which target electric bicycles with business model include self-operation and franchising in the PRC. “GETI” has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By March 2021, GETI has approximately 229 battery swapping stations and 2,100 package users.

Battery Swapping Station



Automatic battery adaptation

Intelligent charging strategy

16 measures for safety protection

Intelligent charging power distribution

Online failure diagnosis and maintenance

Active fire explosion-proof

Standardised Battery Modules

- Stan unified connector
- 10000+ plug-in number guarantee
- Safer and more worry-free
- multiple charge and discharge protection functions
- Intelligent charge and discharge matrix management
- Battery status real-time monitoring
- Troubleshooting and remote maintenance
- Historical data recording and traceability system
- Battery positioning recovery (Beidou positioning)
- Multi-mode communication component network coverage
- Isolated communication, safety management power channel
- Online OTA upgrade, update hardware features

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM

Background

As of 31 March 2021, the Group had accumulatively provided US\$76.8 million to Sul Americana de Metais S.A. (“SAM”), an indirect wholly owned subsidiary of the Company in Brazil, for preliminary work of the iron ore project in Brazil (“Block 8 Project” or “SAM Project”). In addition to the acquisition consideration of US\$78.42 million, the cumulative investment had reached approximately US\$155.22 million.

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

The license application procedure of the mine project in Brazil involves three most important licenses: Preliminary License (“LP”), Installation License (“LI”) and Operation License (“LO”). Among them, the LP is the most important to the project as it confirms environmental feasibility and approves the location and design of the project, and establishes basic requirements and conditions to be met in the next phases of the implementation of the project. The LP is also a prerequisite for obtaining the LI, LO, and other necessary approvals or implementing the project.

Updates on the Project Development Plan

Expected Timetable

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

Capex and Opex

The total investment of Block 8 Project is estimated to be US\$2.24 billion, excluding the pipeline project led by Lotus Brasil and the port project led by Bahia State Government. The Opex per ton of pellet feed for the first 18 years is approximately US\$20.4 and thereafter will rise to approximately US\$25.7. Taking into account the pipeline transportation and concentrate dewatering service fees payable to Lotus Brasil, as well as fees payable to the port, FOB costs are expected to be approximately US\$33.7 per ton for the first 18 years and then increase to US\$39.0 per ton.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

LP Application

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

LP Application — Continued

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Shareholding in Yuxing Infotech

On 19 June 2020 (after trading hours), the Company and Bronze Pony Investments Limited (the “Purchaser”) entered into an agreement in relation to the disposal of 400,000,000 shares (the “Sale Shares”) of Yuxing InfoTech Investment Holdings Ltd. (“Yuxing InfoTech”) (the “Sale Shares Agreement”).

The principal terms of the Sale Shares Agreement are set out below:

Consideration

The consideration for the Sale Shares is HK\$240,000,000, which represents HK\$0.6 per share of Yuxing InfoTech (the “Target Share”) subject to the adjustment as set out in the paragraph headed “Adjustment to the number of the Sale Shares” below. The consideration shall be payable in cash, check or cashier order in the following manner.

	Date	Amount payable (HK\$)
First instalment	Before 20 July 2020	25,000,000
Second instalment	On or before 30 September 2020	95,000,000
Third instalment	On or before 30 June 2021	120,000,000

Adjustment to the number of the Sale Shares

If the Purchaser defaults in the payment of the second instalment, the Company may elect to forfeit the first instalment or increase the consideration per share from HK\$0.6 per Sale Share to HK\$0.66 per Sale Share, such that the number of shares to be transferred to the Purchaser upon completion of the disposal will be reduced to the number equal to the consideration received by the Company divided by HK\$0.66 per share.

If the Purchaser defaults in the payment of the third instalment, the Company will increase the consideration per share from HK\$0.6 per Sale Share to HK\$0.66 per Sale Share.

Supplemental Agreement to the Sale Shares Agreement Dated 19 June 2020

On 22 February 2021, the Company and the Purchaser entered into a supplemental agreement (the “Supplemental Agreement”).

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Shareholding in Yuxing Infotech — Continued

Supplemental Agreement to the Sale Shares Agreement Dated 19 June 2020 — Continued

Main terms of the Supplemental Agreement

On or before 30 June 2021, the Purchaser shall pay HK\$175,000,000 (the “Final Payment”) to the Company.

If the Purchaser has paid part of the Final Payment before 30 June 2021, by the request of the Purchaser, the Company may choose to transfer a portion of Sale Shares such that the number of Target Shares to be transferred to the Purchaser will be equal to the amount of Final Payment received by the Company divided by HK\$0.66 per Target Share.

It was agreed that if the Purchaser settles the Final Payment in full before 30 June 2021, the transfer price of the Sale Shares previously transferred at a price of HK\$0.66 per Target Share will be adjusted to HK\$0.60 per Target Share.

It was also agreed that the Company would transfer 98,490,000 shares of Yuxing InfoTech to the Purchaser at the price of HK\$0.66 per Target Share for the HK\$65,000,000 already received by the Company (the “Shares Transfer”). 98,490,000 shares of Yuxing InfoTech were transferred to the Purchaser on 23 February 2021. After entering into the Supplemental Agreement, no additional consideration was received by the Company.

The Supplemental Agreement does not change the total consideration of the Sale Shares Agreement, which remains at HK\$240,000,000.

Business Review

For the period ended 31 March 2021, the Group recognised a HK\$94.3 million in revenue, representing a 168% increase when compared to HK\$35.2 million revenue recognised in the last corresponding period. The profit for the period ended 31 March 2021 attributable to owners of the Company was approximately HK\$155.0 million (31 March 2020: loss of HK\$68.0 million).

Approximately 98.3% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were mainly generated by our electric bicycle battery swapping service in China. The total revenue of the Group increased because the demand of lithium-ion batteries from our major customer increased.

The battery packs produced by Zhejiang Forever New Energy were supplied to Volvo Car and Zhejiang Geely and assembled in premium car models such as Volvo XC60 PHEV, S90 PHEV and Lynk & Co Lynk 01, 02, 03 PHEV. Batteries modules were also supplied to Volvo Polestar 01 PHEV and XC90 PHEV.

The compulsory “Technical Specifications for Safety of Electric Bicycles” 《電動自行車安全技術規範》 national standard (the “New National Standard”) has accelerated the transition of lead-acid battery in electric bicycles to lithium battery. To seize this opportunity, the Group is running the battery sharing business focusing on food delivery electric motorcycle branded “GETI” in the PRC. By March 2021, GETI has approximately 229 battery swapping stations and 2,100 active users. The Group is currently one of the leading service providers in Jiangsu Province and is planning expand the service to other region in the PRC. It is the vision of the Group to provide safe, convenient and reliable battery swapping service to customers all over China. For the period ended 31 March 2021, GETI has recognised approximately HK\$1.6 million revenue, 78.6% increase compared to the HK\$0.9 million revenue for the period ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

The Group recorded a gross profit of approximately HK\$29.2 million (gross profit ratio: 30.9%) for period ended 31 March 2021 as compared with the gross profit of approximately HK\$9.8 million (gross profit ratio: 27.8%) in the last corresponding period.

Gross profit ratio improved because Zhejiang Forever New Energy has improved the overall operating efficiency of the plant and decreased the overhead costs, depreciation expenses also decreased for the period ended 31 March 2021 after impairment provision on property, plant and equipment during the last financial year. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, sourcing of raw materials from different suppliers, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

Other operating income of approximately HK\$115.8 million (31 March 2020: HK\$17.8 million) was recognised during the current period. Other operating income increased despite the government grant received in the current period was only HK\$0.5 million (31 March 2020: HK\$12.5 million). It was mainly because approximately HK\$109 million gain was recognised on financial assets at fair value through profit or loss due to the increase in share price of a listed equity investments (i.e. Yuxing InfoTech Investment Holdings Limited (“Yuxing InfoTech”), a company listed in the GEM of Hong Kong Stock Exchange Limited) of the Company during the current period.

The selling and distribution costs during the period ended 31 March 2021 was approximately HK\$3.5 million (31 March 2020: HK\$3.9 million). The decrease was mainly due to the decrease in product maintenance costs.

The administrative expenses decreased by approximately HK\$2.7 million or 12.6% when compared to the last corresponding period. The decreased was mainly due to the disposal of a subsidiary on 19 March 2020 and its administrative expenses were not included in current period.

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

Finance costs decreased because the amount of borrowings and loans decreased compared to the last corresponding period. Approximately HK\$3.3 million finance costs were recognised during the period ended 31 March 2021 (31 March 2020: HK\$6.0 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC and loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary. The Group has repaid all the loans from Zhejiang Geely Holding Group Co., Ltd and its subsidiary during the period ended 31 March 2021.

For the period ended 31 March 2021, the profit attributable to the owners of the Company was approximately HK\$155.0 million (2020: loss of HK\$68.0 million). The profit was mainly attributable to (1) the increased in share price of Yuxing InfoTech during the period, generated approximately HK\$109 million other operating income; (2) HK\$45.4 million gain on disposal of shares of Yuxing InfoTech and (3) increase in gross profit of approximately HK\$19.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

For the associate (20% owned by the Group) which initially engaged in online car-hailing services in Paris, France under the brand Caocao, the service was launched in Paris in January 2020 and although Caocao has received positive feedback from the market, city lockdown in Paris and other COVID control measures are affecting its operation and a share of HK\$3.2 million loss of associate was recognised by the Group during the period.

Since 19 March 2020, Shandong Forever New Energy became an associate of the Company. In accordance with the Reorganisation Agreement and the Amended and Restated Joint Investment Agreement, Jiangsu Tiankai shall complete the Capital Increase by payment of the Capital Contribution Sum in cash into a designated account of Shandong Forever New Energy within 30 days after the Industrial and Commercial Administration Bureau has completed the registration of increase in share capital of Shandong Forever New Energy and issued the corresponding Business License (issued on 19 March 2020). However, despite repeated demands from the Company, Jiangsu Tiankai has not yet settled the unpaid capital contribution up to the date of this announcement. Shandong Forever New Energy has made an impairment loss on such receivable in view of its long overdue status and the existence of uncertainty to receive the capital contribution sum from Jiangsu Tiankai. Approximately HK\$0.2 million share of gain was recognised by the Company during the period. The Group is exploring the feasibility of retrieving equity or reverting the transaction through negotiation or legal proceedings, and is also constantly exploring the possibility of finding other partners or further developing equity structure and business.

As at 31 March 2021, the cash and cash equivalent balance of the Group was approximately HK\$363.7 million (31 December 2020: HK\$372.6 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and difficult economic situation.

As at 31 March 2021, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 7.3% (31 December 2020: 8.9%). The gearing ratio of the Group has improved because the total loans and borrowings decreased during the period ended 31 March 2021.

Prospects

The world is undergoing an evolution of the replacement of traditional petrol cars by electric vehicles with low and even zero emission as several countries in Europe have set out their timetable to gradually phase out production of combustion-engine vehicles.

Meanwhile, the General Office of the State Council of the PRC released the “New Energy Vehicle Industry Development Plan (2021-2035)” (《新能源汽车产业发​​展规划(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. By 2025, the competitiveness of new energy vehicle market in the PRC will improve significantly with major breakthroughs achieved in terms of key technologies such as powered batteries, electric motors and vehicle operating systems, as well as comprehensively enhanced safety level. The new car sales of new energy vehicles will account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The PRC government will also deepen the research and development layout of “three-vertical-three-horizontal” (三縱三橫), under which pure electric vehicles, plug-in hybrid electric vehicles (including extended range models) and fuel cell electric vehicles serve as “three-vertical”, which is the layout for vehicle technology innovation chain; while powered batteries and management systems, electric motors and power electronics, networking and intelligent technologies serve as “three-horizontal”, which is the supply system for critical parts, components and technologies. The Company expected that with the launch of the policies, the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospects — Continued

Nevertheless, the global economy continues to be influenced by trade barriers and geopolitical tensions. The novel coronavirus (COVID-19) outbreak since the end of 2019 adds another significant challenge to the world economy, the economic uncertainty is expected to possibly affect the sales of the Group. COVID-19 pandemic is also likely to accelerate the elimination and reorganisation in the new energy vehicle and lithium-ion battery industry. The Group will take a more prudent and progressive approach in business operation and development.

Given the development trend of going electric, intelligent and shared mobility in the automobile sector, while steadily exploring the existing lithium-ion battery business, the Group will continue to consider seeking opportunities of merger and acquisition, investment and collaboration in areas such as smart car cockpit, chips and parts for automobile, 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 Brazil SAM iron ore project was covered in the Progress of SAM section in this announcement. Despite the long time and extraordinary efforts spent for the SAM iron ore project, it is disappointing and disappointing that the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility, however, as some positive progress has been made for obtaining the approval of the LP application in the State of Minas Gerais in recent months, we consider it's in the best interests of the shareholders of the Company to continue to push forward the project and review its status and development continuously. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

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 three months ended 31 March 2021, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

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

As at 31 March 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
HE Xuechu	57,939,189	22,460,000	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:

- 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 31 March 2021, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 21 May 2012 and became effective on the same date.

Details of the principal terms of the Scheme are summarised under the sub-section headed "SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME" in Appendix III to the Circular of the Company dated 16 April 2012.

Details of options granted

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

Category of participant	Number of share options			Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note a) HK\$
	Outstanding as at 01/01/2021 and 31/03/2021	Date of grant of share options	Exercise period of share option		
Employee	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	<u>8,750,000</u>				

Note:

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

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

As at 31 March 2021, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
Hong Bridge	4,065,000,000 (Note 1)	–	–	4,065,000,000	41.25
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	42.07
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	42.07
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	41.25
Geely International (Hong Kong) Limited	1,850,675,675	–	–	1,850,675,675	18.78
Zhejiang Geely Holding Group Co., Ltd. (Note 4)	–	–	1,850,675,675	1,850,675,675	18.78
LI Shufu (Note 5)	103,064,000	–	1,850,675,675	1,953,739,675	19.83

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 51% equity interest of Hong Bridge.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. Mr. LI Xing Xing holds 30.8% equity interest of Hong Bridge.
4. Zhejiang Geely Holding Group Co., Ltd. ("Zhejiang Geely") holds 100% equity interest of Geely International (Hong Kong) Limited.
5. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 31 March 2021, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

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

During the period ended 31 March 2021, a finance costs of approximately HK\$0.8 million was recognised by the Company in relation to the above short term loans. The Board considers the above loan arrangements were conducted on normal commercial terms or better.

For the period ended 31 March 2021, the Group has sold approximately HK\$92.7 million lithium-ion batteries to Zhejiang Geely.

There was no other connected transaction entered into by the Company during the period ended 31 March 2021.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the period ended 31 March 2021.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the three months ended 31 March 2021.

AUDIT COMMITTEE

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

The Group's unaudited results for the three months ended 31 March 2021 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the three months ended 31 March 2021, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors of the Company during the period and up to the date of this announcement were:

Executive Director:

Mr. He Xuechu (*Chairman*)

Mr. Liu Jian (*Vice Chairman and Joint Chief Executive Officer*)

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

Non-Executive Director:

Mr. Yan Weimin

Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Director:

Mr. Chan Chun Wai, Tony

Mr. Ma Gang

Mr. Ha Chun

On behalf of the Board

LIU Wei, William

Director and Joint Chief Executive Officer

Hong Kong, 11 May 2021