HONBRIDGE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(stock code：8137)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual report for the year ended 31 December 2019 (the "2019 Annual Report") of Honbridge Holdings Limited (the "Company", together with its subsidiaries, the "Group") which was dated 27 March 2020. Unless otherwise defined, terms used herein shall bear the same meanings as those defined in the 2019 Annual Report.

Impairment assessment of Zhejiang CGU for the year ended 31 December 2019

Reference is made to the paragraphs headed "Business Review" and note 14 of the financial statements of the 2019 Annual Report, the board (the "Board") of directors (the "Directors") of the Company would like to provide the following information regarding the impairment assessment of the relevant assets of cash generating unit (the "CGU") of Zhejiang Forever New Energy Company Limited ("Zhejiang Forever New Energy") ("Zhejiang CGU") for the year ended 31 December 2019.

During the year ended 31 December 2019, impairment loss of approximately HK$331.9 million was recognised in relation to the Zhejiang CGU because of the downward adjustment in forecast sales amount for Zhejiang Forever New Energy after it failed to meet the sales target in 2019.

The actual sales of Zhejiang Forever New Energy during the year ended 31 December 2019 did not meet the sales forecast target to the reasons as follow: A revised subsidy policy for new energy vehicles was introduced in late March 2019 with a transition period ended in late June. Generally, under the new policy, the total government subsidies enjoyed by a new energy vehicle will decrease by more than 50%; In addition, due to the implementation of "China VI" vehicle emission standards in the PRC in the second half of 2019, major customers of the Group proactively reduce the aggregate inventories of its dealers in the second quarter of 2019, resulting in a slower production of new energy vehicle models, the launched of new vehicle models was also delayed; Finally, the arising trade barriers and increasing geopolitical tensions caused economic uncertainty and the total annual sales of new energy vehicles in the PRC decreased first time since 2013.

The Valuation was performed by an independent professional valuer, Valtech Valuation Advisory Limited, with the discount cash flow method under the income approach on the basis of value in use in accordance with the Hong Kong Accounting Standard 36 – Impairment of Assets ("HKAS 36") published by Hong Kong Institute of Certified Public Accountants.

The valuation for the impairment assessment was based on the following key assumptions and inputs:

1. The post-tax discount rate of 13.78% based on the weighted average cost of capital. The post-tax discount rate is determined based on the prevailing market data, including risk free rate, equity risk premium, financial information of selected comparable companies, size premium, lending rate, etc. The pre-tax discount rate of 19.84% determined by an iterative computation so that the value in use determined by the pre-tax cash flows and a pre-tax discount rate equals value in use determined by the post-tax cash flows and a post-tax discount rate.

2. The five-year budget plans from 31 December 2020 to 31 December 2024 based on the management expectation of future business performance and prospect of the CGU. Budgeted gross margin had been determined based on the market comparables.

   For the 2020 forecast revenue growth rate, there was a sudden deterioration in economy in the end of 2019 and in the first quarter of 2020, the actual sales in the first quarter of 2020 was badly affected. Because of the uncertainty, the forecast sales quantity in 2020 is expected to decrease when compared to year 2019.

   For the 2021 forecast revenue growth rate, according to an independent market research report, the sales of new energy vehicle is expected to increase in the coming years, mainly because of the tightening of vehicles gas emission requirements imposed by the government of different counties, provision of government grants or tax exemption and traditional vehicles manufacturers have set out their new energy vehicle road map and committed to launch more new energy vehicles models in the coming years.

   In addition to the general market trend, the forecast sales in 2021 is expected to increase significantly mainly because the sales orders from a major customer of the Company are expected to increase. The major customer has performed well in the PRC market recently and has announced a global electrification strategy that every new car launch from 2019 onwards will have an electric motor and there are two major targets: 50% of sales volume to be fully electric by 2025 and committed to putting one million electrified cars on the road by 2025.

   To fulfil the strategy, the major customer of the Company needs substantial amount of lithium batteries. Zhejiang Forever New Energy Co. Ltd has supplied lithium batteries to popular car models of the major customer and has maintain a good business relationship so more sales order is expected.

   Excluding the exceptional market situation for the year 2020, the forecast sales quantity growth to the major customer in year 2021 is estimated using the sales quantity of the major customer in 2019 as a base with an adoption of a growth rate based on the average sales quantity growth rate of the major customer from 2017 to 2019. As a result, the sales growth rate is expected to increase substantially for the year 2021 compared to year 2020.

For the 2022 – 2024 forecast revenue growth rate, although revenue growth is still expected, the forecast revenue growth is expected to slow down compared to year 2021 because although the total sales quantity is still expected to increase, orders from certain car models are expected to decrease.

3. The growth rate beyond the five-year budget plans was 0%, considering the expected sale quantity growth and decreasing trend in unit price of batteries.

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

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

Hong Kong, 12 October 2020

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

Executive Directors:

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

Non-Executive Directors:

Mr. YAN Weimin
Mr. ANG Siu Lun, Lawrence

Independent Non-Executive Directors:

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

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.8137.hk.