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 2022

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2022, together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

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

		Three months ended 30 September		Nine months ended 30 September	
		2022	2021	**2022**	2021
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*2*	**60,065**	121,868	**97,297**	327,154
Cost of sales		**(44,570)**	(85,685)	**(68,271)**	(233,298)
Gross profit		**15,495**	36,183	**29,026**	93,856
Other operating (expenses)/income	*3*	**2,151**	(13,282)	**(50,787)**	78,643
Selling and distribution costs		**(1,831)**	(2,439)	**(5,632)**	(8,875)
Administrative expenses		**(29,876)**	(21,960)	**(72,730)**	(58,946)
Share of results of associates		**(44)**	(2,917)	**(1,043)**	(9,826)
Gain on disposal of financial assets		**–**	–	**–**	45,400
Gain on deemed disposal of an associate	*4*	**30,877**	–	**30,877**	–
Finance costs	*5*	**(1,813)**	(2,034)	**(5,888)**	(7,474)
Profit/(Loss) before income tax	*6*	**14,959**	(6,449)	**(76,177)**	132,778
Income tax	*7*	**–**	–	**–**	–
Profit/(Loss) for the period		**14,959**	(6,449)	**(76,177)**	132,778
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		**(165,164)**	(372,671)	**145,272**	(203,119)
Exchange reserves released upon deemed disposal of an associate		**(894)**	–	**(894)**	–
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		**(3,364)**	(21,509)	**(6,518)**	7,536
Total comprehensive income for the period		**(154,463)**	(400,629)	**61,683**	(62,805)
Profit/(Loss) for the period attributable to:					
Owners of the Company		**18,604**	(16,237)	**(71,017)**	108,736
Non-controlling interests		**(3,645)**	9,788	**(5,160)**	24,042
		14,959	(6,449)	**(76,177)**	132,778
Total comprehensive income attributable to:					
Owners of the Company		**(143,150)**	(410,223)	**76,029**	(87,248)
Non-controlling interests		**(11,313)**	9,594	**(14,346)**	24,443
		(154,463)	(400,629)	**61,683**	(62,805)
Earnings/(loss) per share attributable to the owners of the Company during the period	*9*				
— Basic		**HK0.19 cent**	HK(0.17) cent	**HK(0.73) cent**	HK1.12 cents
— Diluted		**HK0.19 cent**	HK(0.17) cent	**HK(0.73) cent**	HK1.12 cents

Notes:

1. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated financial statements for the nine months ended 30 September 2022 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 ("HKICPA"), 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 2021 annual report.

The accounting policies adopted in the 2021 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 the following amendments to HKFRSs issued by the HKICPA to this financial report for the current accounting period:

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020

The new or amended HKFRSs that are effective from 1 January 2022 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.

	Nine months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Sale of lithium batteries	**85,854**	322,644
Online car-hailing service income	**6,925**	–
Battery swapping service income	**4,518**	4,510
	97,297	327,154

3. OTHER OPERATING (EXPENSES)/INCOME

	Nine months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**6,999**	3,023
Government grant	**6,575**	2,153
Rental income	**135**	90
Gain/(Loss) on financial assets at fair value through profit or loss	**(70,373)**	65,447
Sundry income and exchange gain	**5,877**	7,930
	(50,787)	78,643

4. GAIN ON DEEMED DISPOSAL OF AN ASSOCIATE

On 10 August 2022, Honbridge Technology Limited, a wholly owned subsidiary of the Company, acquired an additional equity interest of Jixing International Technology Co., Ltd. 吉行國際科技有限公司 ("Jixing International") at the consideration of RMB 25,600,000 (equivalent to approximately HK$30,000,000). Jixing International was previously an associate of the Group. After the additional acquisition, Honbridge Technology Limited has 35.56% effective equity interest in Jixing International. As (i) Honbridge Technology Limited has the right to nominate the majority of directors on the board of Jixing International; (ii) Honbridge Technology Limited will hold 35.56% equity interest in Jixing International; and (iii) a shareholder of Jixing International, Hangzhou Hexijiao holding 27.35% equity interest in Jixing International, will vote in the same manner as Honbridge Technology Limited may decide pursuant to a concert party agreement, Jixing International will be treated as a subsidiary of the Company for accounting purpose as the Board considers the Company will be able to control Jixing International. Accordingly, the results of Jixing International have been consolidated into the financial statements of the Company since 10 August 2022.

The Group accordingly remeasured the fair value of its pre-existing interest in Jixing International at the date of completion and recognised the resulting gain of approximately HK$30,877,000 on the remeasurement of the Group's pre-existing interest in Jixing International (including the other comprehensive income previously recognised) to acquisition date fair value.

5. FINANCE COSTS

	Nine months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Interest charges on bank and other borrowings wholly repayable within five years	**5,646**	7,336
Finance cost on lease liabilities	**242**	138
	5,888	7,474

6. PROFIT/(LOSS) BEFORE INCOME TAX

	Nine months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Profit/(Loss) before income tax are arrived at after charging:		
Depreciation and amortisation	**12,069**	9,866

7. INCOME TAX

	Nine months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Overseas tax:		
Current period	**–**	–
Deferred tax:	**–**	–
Income tax credit	**–**	–

During the nine months ended 30 September 2021 and 2022, 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.

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

The PRC corporate income tax rate of 25% is applicable to the Group's PRC subsidiaries during the period.

The subsidiaries of the Group in France is subject to a corporate income tax rate of 25% during the period.

8. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30 September 2022 are based on the profit attributable to the owners of the Company of approximately HK$18,604,000 and loss of HK$71,017,000 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 2021, loss attributable to the owners of the Company was HK$16,237,000 and profit of HK$108,736,000 respectively and on 9,737,433,606 weighted average number of shares respectively, after adjusting the effect of treasury share held by the Company.)

Diluted earnings (loss) per share figure are the same as basic earnings per share for the three months and nine months ended 30 September 2021 and 2022 because the impact of the exercise of share options 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*
2022										
At 1 January 2022	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,264,838)**	**(84,688)**	**7,562,937**	**4,654,046**	**31,745**	**4,685,791**
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	**108,238**	**108,238**
Transaction with owner	–	–	–	–	–	–	–	–	**108,238**	**108,238**
Loss for the period	–	–	–	–	–	–	**(71,017)**	**(71,017)**	**(5,160)**	**(76,177)**
Other comprehensive income										
Currency translation	–	–	–	–	**154,458**	–	–	**154,458**	**(9,186)**	**145,272**
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	**(6,518)**	–	**(6,518)**	–	**(6,518)**
Deemed disposal of an associate	–	–	–	–	**(894)**	–	–	**(894)**	–	**(894)**
Total comprehensive income	–	–	–	–	**153,564**	**(6,518)**	**(71,017)**	**76,029**	**(14,346)**	**61,683**
At 30 September 2022	**9,855**	**3,563,686**	**(142,864)**	**9,958**	**(6,111,274)**	**(91,206)**	**7,491,920**	**4,730,075**	**125,637**	**4,855,712**
2021										
At 1 January 2021	9,855	3,563,686	(142,864)	9,958	(5,976,822)	(83,450)	7,489,983	4,870,346	(71,324)	4,799,022
Capital contribution from a non-controlling interests to a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	89,103	89,103
	–	–	–	–	–	–	–	–	89,103	89,103
Profit for the period	–	–	–	–	–	–	108,736	108,736	24,042	132,778
Other comprehensive income										
Currency translation	–	–	–	–	(203,520)	–	–	(203,520)	401	(203,119)
Changes of fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	7,536	–	7,536	–	7,536
Total comprehensive income	–	–	–	–	(203,520)	7,536	108,736	(87,248)	24,443	(62,805)
At 30 September 2021	9,855	3,563,686	(142,864)	9,958	(6,180,342)	(75,914)	7,598,719	4,783,098	42,222	4,825,320

MANAGEMENT DISCUSSION AND ANALYSIS

Lithium-ion Battery Business

Since its mass production in 2018, our lithium-ion battery plant has supplied batteries to several premium car models, the car models installed with battery packs of the Group include the PHEV model "XC90", "XC60", "S60" 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" of Volvo.

Although the batteries produced by the Group are top quality, reliable and safe technically, the small production capacity and low utilisation rate of the battery plant lead to a higher average costs when compared to the other competitors. In the PRC, the top ten powered battery manufacturers accounted for over 90% of the market share. The business relationship between the powered battery manufacturer and the NEV manufacturers is stable, making it not easy for the companies in the industry to break off reliance on a major supplier or customer. Customer exploration remains a huge challenge but the Group has been constantly negotiating and promoting products matching with automobile and motorcycle 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.

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. 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 which produce pouch type cells has commenced mass production since 2018.

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.

Battery Sharing Business

Under the brand "GETI", the Company is running a battery sharing business 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 September 2022, GETI has 676 battery swapping stations and 1,562 package users.

Battery Swapping Station

Standardised Battery Modules

- 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

Progress of SAM

Background

As of 30 September 2022, the Group had accumulatively provided US$79.9 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$78.4 million, the cumulative investment had reached approximately US$157.5 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 grade 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.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

Job Opportunities

The project is expected to create approximately 6,200 direct jobs during construction and approximately 1,100 direct jobs and 5,600 indirect jobs during operation.

Expected Timetable

Assuming that the LP (preliminary license) is obtained between the fourth quarter of 2022 and the first quarter of 2023, there is a chance to obtain the LI in the second quarter of 2024 and start trial production in the second half of 2027. Many uncertainties, however, may affect the timetable.

Capex and Opex

The total investment of Block 8 Project is estimated to be US$2.78 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$27.6 and thereafter will rise to approximately US$33.8. 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$40.9 per ton for the first 18 years and then increase to US$47.1 per ton.

Environmental License

The environmental license of the Block 8 project in Brazil involves three types of 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.

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 mines operated by other companies in Brazil, resulting in a severe delay in the granting LP for the SAM project. Only recently have there been some positive progress in the environmental licensing process.

In August 2021, SAM's Block 8 Project was selected as a priority project of Brazilian federal government by the Inter-ministerial Committee for the Analysis of Strategic Minerals Projects (CTAPME). CTAPME was established in 2021 to select projects considered highly important for the development of Brazil and it coordinates government agencies to implement and expand production of strategic minerals on an environmentally sustainable basis. CTAPME comprises the Ministry of Mines and Energy (MME), the Ministry of Science, Technology and Innovation (MCTI), the Institutional Security Office of the Presidency (GSI/PR), the Special Secretariat of the Investment Partnerships Program of the Ministry of Economy (SEPPI/ME) and the Special Secretariat of Strategic Affairs of the Presidency (SAE/PR). To minimise risks and solve conflicts that may be identified, the projects that are selected will be supported by the SEPPI/ME in monitoring the environmental licensing processes which are carried out by the relevant environmental bodies.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

Environmental License — Continued

On 10 and 11 May 2022, the Superintendence of Priority Projects (SUPPRI) of the Secretariat of Environment and Sustainable Development (SEMAD), the licensing organisation responsible for SAM's project, held two public hearings for the environmental licensing process for Block 8 Project in the cities of Grão Mogol and Fruta de Leite. The public hearing is a fundamental instrument of an environmental licensing process, whose purpose is to present the results of environmental studies to the public, resolve doubts and collect criticisms and suggestions from those present. Around 1,150 people in total registered and attended the two public hearings. Those present including representatives of important institutions in the northern region of Minas Gerais, the mayors and councillors of the municipalities in the project area, people from the communities, all manifested their support for Block 8 project and made it clear that they are looking forward to the installation of the project in the region.

Over a thousand of people has attended the two public hearings regarding the Block 8 Project.

From 18 to 22 July 2022, SUPPRI's technical team made a field technical inspection of the area of the Block 8 project.

SAM is waiting for SUPPRI to issue an official report for complementary information if necessary. Usually the licensing organisation will request some clarifications and/or some complementary studies during this phase. After SAM submit the complementary information, SUPPRI will then issue a final technical opinion which will be submitted to the State Environmental Policy Council (COPAM) to vote on whether to issue the LP for the Block 8 Project.

Mining Concession

Due to significant optimisations and changes in the engineering and the development model of the project, SAM updated the Integrated Economic Utilisation Plan ("PIAE"). PIAE is an essential document for any mining project, being a fundamental requirement for the Mining Concession. On 7 January 2022, SAM submitted the updated PIAE to the National Mining Agency ("ANM").

On 22 May 2022, ANM approved SAM's PIAE, which means that once SAM obtains the Installation License ("LI") from the licensing organisation, ANM will issue the Mining Concession for Block 8 Project to SAM. The approval of the PIAE is a very important step for the project.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Progress of SAM — Continued

Others

The China-Brazil International Service Trade Innovation Seminar was held on 20 June 2022 in Belo Horizonte, the capital city of Minas Gerais. More than 90 representatives of governments, enterprises, business associations and media from China and Brazil participated in the seminar.

The seminar was co-organised by the Consulate-general of the PRC in Rio de Janeiro and the government of Minas Gerais. The participants carried out in-depth discussion on three topics, including the sustainable development of mining projects, intelligent transformation of infrastructure and the promotion of industry development with technological innovation.

The SAM Project received high attention and expectation from the participants in the seminar. Jin Yongshi, the Chief Executive Officer of SAM, was invited to deliver a speech in the seminar and introduced the company's innovative and sustainable mining projects in northern Minas Gerais, such as the company's application of 5G technology in the mining operation, the plan of promoting renewable energy for power supply of the projects after the commencement of operation, the promotion of construction of water dam facilities in the region to provide water supply solution for the surrounding communities, etc.


Jin Yongshi, the CEO of SAM, delivered a speech in the China-Brazil International Service Trade Innovation Seminar.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Acquisition of Jixing International Technology Co., Ltd.

The Sale and Purchase Agreement and the Capital Increase Agreement

On 10 June 2022, Honbridge Technology Limited, a wholly-owned subsidiary of the Company and holding 20% of the equity interest of Jixing International Technology Co., Ltd. 吉行國際科技有限公司 (the "Target Company") entered into a sale and purchase agreement with Hangzhou UGO Technology Company Limited 杭州優行科技有限公司 ("Hangzhou UGO") and Hangzhou Hexijiao Technology Company Limited 杭州禾曦嬌科技有限公司 ("Hangzhou Hexijiao") (the "Sale and Purchase Agreement") in relation to the acquisition of 32% equity interest of the Target Company held by Hangzhou UGO. Pursuant to the Sale and Purchase Agreement, Honbridge Technology Limited has conditionally agreed to acquire and Hangzhou UGO has conditionally agreed to dispose 32% equity interest of the Target Company at the consideration of RMB25,600,000 (equivalent to approximately HK$30,000,000).

On the same date of the signing of the Sale and Purchase Agreement, Zheijiang Geely New Energy Commercial Vehicles Group Co., Ltd., 浙江吉利新能源商用車集團有限公司 ("Geely Commercial Vehicles"), the Target Company, Honbridge Technology Limited, Hangzhou UGO and Hangzhou Hexijiao entered into a capital increase agreement ("Capital Increase Agreement").

Geely Commercial Vehicles has advanced a loan in the principal amount of RMB200,000,000 (equivalent to approximately HK$234,000,000) to the Target Company (the "Loan"). Geely Commercial Vehicles agreed to fully capitalise the Loan in order to subscribe for the registered capital of RMB37,000,000 (equivalent to approximately HK$43,300,000) of the Target Company. Of such capitalisation of RMB200,000,000 (equivalent to approximately HK$234,000,000), (i) RMB37,000,000 (equivalent to approximately HK$43,300,000) shall constitute registered capital of the Target Company; and (ii) RMB163,000,000 (equivalent to approximately HK$190,700,000) shall constitute capital reserve (資本公積) of the Target Company.

The Sale and Purchase Agreement is inter-conditional with the Capital Increase Agreement. Upon closing of the two agreements, the capital contribution and shareholding percentage of the Target Company will be as follows.

Parties	Form of contribution	Amount	Shareholding
Honbridge Technology Limited	Cash	RMB41,600,000	35.56%
Hangzhou UGO	Cash	RMB6,400,000	5.47%
Hangzhou Hexijiao	Cash	RMB32,000,000	27.35%
Geely Commercial Vehicles	Cash	RMB37,000,000	31.62%
Total:		RMB117,000,000	100%

Acquisition of Jixing International Technology Co., Ltd. — Continued

The Concert Party Agreement

On 10 June 2022, to shorten the decision making process and strengthen the strategy implementation of the Target Company which can facilitate the development and operation of the Target Company and its subsidiaries (the "Target Group"), Honbridge Technology Limited and Hangzhou Hexijiao have entered into a concert party agreement ("Concert Party Agreement"). The Concert Party Agreement shall become effective upon Honbridge Technology Limited and Hangzhou Hexijiao having become the Target Company's shareholders holding 35.56% and 27.35% respectively.

Under the Concert Party Agreement, Hangzhou Hexijiao agrees to exercise its voting rights or to approve any written resolutions as a shareholder of the Target Company in the same manner as Honbridge Technology Limited may decide, save for those resolutions relating to alteration of the Articles of Association, increase or reduction of registered capital of the Target Company, the merger, segregation, dissolution or change of company type of the Target Company. During the term of the Concert Party Agreement, Hangzhou Hexijiao agrees, before proposing any resolutions at general meetings or exercising its voting rights at general meetings, to coordinate with Honbridge Technology Limited regarding voting. Honbridge Technology Limited's decision shall be final.

Consolidation of the Target Group

Upon registration of the Sale and Purchase Agreement and the Capital Increase Agreement with the the State Administration for Industry and Commerce of the PRC, Honbridge Technology Limited and Hangzhou Hexijiao shall become the Target Company's shareholders holding 35.56% and 27.35% respectively. As (i) Honbridge Technology Limited has the right to nominate the majority of directors on the board of the Target Company; (ii) Honbridge Technology Limited will hold 35.56% equity interest in the Target Company; and (iii) Hangzhou Hexijiao holding 27.35% equity interest in the Target Company will vote in the same manner as Honbridge Technology Limited may decide pursuant to the Concert Party Agreement, the Target Company will be treated as a subsidiary of the Company for accounting purpose as the Board considers the Company will be able to control the Target Group. Accordingly, the results of the Target Group will be consolidated into the financial statements of the Company so long as the Concert Party Agreement is in force.

Reasons for and Benefit of the Acquisition

The Target Group is principally engaged in the business of online car-hailing services and related services in Europe. The Target Group owns approximately 300 LEVC TX range extended electric vehicles which are capable of zero-emission transport. Through employee drivers, vehicle leasing drivers and affiliated drivers, the Target Group launched an online car-hailing service under the brand "CaoCao" in Paris, France in January 2020.

The Target Group offers online car-hailing service through a user-friendly Caocao mobile App, as well as the iconic LEVC TX which has low carbon emission, been equipped with panoramic roof and wheelchair passenger-friendly feature, etc. The service was widely welcomed by citizens, travelers, companies and wheelchair passengers in Paris.

In May 2022, the online car-hailing service expanded to Nice and Cannes in France. The Target Group plans to further expand its online car-hailing service to other countries and major cities in Europe gradually. In September 2022, the Target Group had 481,000 downloaded users and 136,000 registered users respectively. The iconic LEVC TX is also a movable advertising board. The Target Group has provided advertising service to world renowned brands such as Huawei Honor, Chanel and Burberry, etc.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Reasons for and Benefit of the Acquisition — Continued

Sharing economy, intelligent mobility, etc. is a long-term common direction of the global automotive industry. Accordingly, their popularity will gradually increase and may eventually become the mainstream travel pattern, as their potential market and economic scale are huge. France and other European countries have also accelerated the tightening of carbon emissions, which is beneficial to the business development of the Target Group (where all service vehicles are new energy vehicles) in France and other European countries in the future. The Acquisition will enable the Company to seize this historical opportunity and create value for the Shareholders. In view of the growing demand of online car-hailing service in Europe, the Group plans to re-brand the Target Group within 18 months after completion of the Sale and Purchase Agreement, and will cease to operate under the brand of "Caocao".

On 10 August 2022, Honbridge Technology Limited has closed the Sale and Purchase Agreement and the Capital Increase Agreement and the results of the Target Group have been consolidated into the financial statements of the Company since 10 August 2022.

More details of the Sale and Purchase Agreement, the Capital Increase Agreement and the Concert Party Agreement were disclosed in the announcement of the Company dated 10 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review

For the period ended 30 September 2022, the Group recognised HK$97.3 million in revenue, representing a 70.3% decrease when compared to HK$327.1 million revenue recognised in the last corresponding period. The loss for the period ended 30 September 2022 attributable to owners of the Company was approximately HK$71.0 million (30 September 2021: profit of HK$108.7 million).

Approximately 88.2% (30 September 2021: 98.6%) revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. The remaining revenue were mainly generated by the online car-hailing service recently acquired by the Group in France (7.1% of revenue) and our electric bicycle battery swapping service in China (4.7% of revenue). The substantial decrease in revenue of the Group was due to the decrease in demand of lithium-ion batteries from our major customer Volvo Car. While the new battery product for a new customer has commenced mass production ahead of the schedule, delivery to a car model under a connected person of the Company was only started in mid-June 2022.

On 10 August 2022, the Group closed the acquisition of controlling interests of Jixing International, which engaged in online car-hailing services in Paris, France under the brand Caocao. The service was launched in Paris in January 2020 and Caocao has received positive feedback from the market. By September 2022, there were 481,000 downloaded users and 136,000 registered users respectively. From 10 August 2022 (acquisition closing date) to 30 September 2022, the revenue recognised by Caocao was approximately HK$6.9 million. However, COVID-19 control measures such as quarantine requirement imposed by some countries for returning citizens and economic uncertainty in Europe are still affecting the tourism industry in Paris (tourist is one of the key target customer group) and a loss was recognised by Caocao during the period.

The Group is running the battery sharing business focusing on food delivery electric bicycle branded “GETI” in the PRC. By September 2022, GETI has 676 battery swapping stations and 1,562 package 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 30 September 2022, GETI has recognised approximately HK$4.5 million revenue (30 September 2021: HK$4.5 million). There was no growth in revenue because of the keen competition in the industry and the recovery of economic activities was also slower than expected.

The Group recorded a gross profit of approximately HK$29.0 million (gross profit ratio: 29.8%) for the period ended 30 September 2022 as compared with the gross profit of approximately HK$93.9 million (gross profit ratio: 28.7%) in the last corresponding period. Gross profit ratio was higher in the current period because certain long ageing inventories which were written-down previously were sold in the current period.

Other operating expenses of approximately HK$50.8 million (30 September 2021: income of HK$78.6 million) was recognised during the current period. The change from income to expense was mainly due to the net loss of approximately HK$70.4 million (30 September 2021: gain of HK$65.4 million) recognised on financial assets at fair value through profit or loss as the share price of Yuxing InfoTech, a listed equity investments listed in the GEM of Hong Kong Stock Exchange Limited dropped during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business Review — Continued

Because of the decreased in revenue, the maintenance cost for the battery products decreased during the current period and the selling and distribution costs during the period ended 30 September 2022 was approximately HK$5.6 million (30 September 2021: HK$8.9 million).

The administrative expenses increased by approximately HK$13.8 million or 23.4% when compared to the last corresponding period. The increase was mainly contributed by the increased in research and development costs.

Upon closing of the acquisition of controlling interests of Jixing International, the Group accordingly remeasured the fair value of its pre-existing interest in Jixing International at the date of completion and recognised the resulting non-cash gain of approximately HK$30.9 million on the remeasurement of the Group's pre-existing interest in Jixing International (including the other comprehensive income previously recognised) to acquisition date fair value.

Approximately HK$5.9 million finance costs were recognised during the period ended 30 September 2022 (30 September 2021: HK$7.5 million) which were mainly interest expense related to the bank borrowings from a commercial bank in the PRC. The decrease in borrowings and loans of the Group has led to a lower finance costs during the current period.

For the period ended 30 September 2022, the loss attributable to the owners of the Company was approximately HK$71.0 million (30 September 2021: profit of HK$108.7 million). The change from profit to loss was mainly because there was a net loss of HK$70.4 million on financial assets at fair value through profit or loss (30 September 2021: net gain of HK$65.4 million) and decrease in gross profit to HK$29.0 million during the period (30 September 2021: HK$93.9 million). Their negative impact was partially set-off by the HK$30.9 million non-cash gain on deemed disposal of an associate recognised due to the acquisition of controlling interests of Jixing International in the current 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. However, despite repeated demands from the Company, Jiangsu Tiankai has not yet settled the unpaid capital contribution up to the date of this announcement. In 2020, 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$1.0 million share of loss 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 30 September 2022, the cash and cash equivalent balance of the Group was approximately HK$323.7 million (31 December 2021: HK$396.4 million). The Group will continue to prudently control its costs and monitor its expenditure under current challenging and uncertain economic situation.

As at 30 September 2022, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 5.6% (31 December 2021: 6.1%). The gearing ratio of the Group has improved because the net assets value of the iron ore project in Brazil increased mainly due to the appreciation of Brazil Reais against Hong Kong dollar during the period ended 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

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 sales 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)" (《新能源汽車產業發展規劃(2021–2035年)》) in November 2020, which aims to guide the development of the new energy vehicle industry in the next fifteen years. The new car sales of new energy vehicles is expected to account for about 20% of the overall new car sales, which is expected to reach 5 million units in 2025. The Company expects the new energy vehicle industry will continue to maintain a high growth trend in the next few years.

Our Zhejiang lithium-ion manufacturing plant has been focusing on producing lithium-ion batteries for PHEV models in the past few years. Nevertheless, PHEV is only a niche market for the battery segment in new energy vehicles, accounting for approximately 20% of the total new energy vehicles sales in the PRC, which around half of the total sales were derived by a single manufacturer which is also a battery manufacturer. Also, the electric powered range for PHEV has been increasing, while 50-70KM range was the mainstream in the past few years, it is expected PHEV models with over 80-100KM range will become the norm from 2022 onwards. The keen competition and the new industry norm poses a challenge for the Group and revenue of the Group is expected to decrease substantially in 2022, which was mainly attributable to the substantial decrease in PHEV battery orders from Volvo Car. On the other hand, to obtain new orders and meet the requirements of the new orders, new production facilities have been installed in the Zhejiang manufacturing plant and the Company has successfully started delivering its new product to customer since June 2022.

On 10 August 2022, the Company has closed the acquisition of controlling interests of Jixing International Technology Co., Ltd., which is providing online car-hailing service in Paris, France. After closing of the acquisition, Jixing International Technology Co., Ltd. will continue to expand its service and promote its core values (safe, reliable, low carbon, etc.) to other cities in France and other countries in Europe and the online car-hailing business will become an important revenue stream of the Company.

For the resource sector, the recent positive progress of the Brazil SAM iron ore project such as completion of two public hearings and approval of Integrated Economic Utilization Plan by National Mining Agency were covered in the Progress of SAM section in this announcement. Despite the exceptional time and efforts spent for the SAM iron ore project, it is mainly due the two tailing dam disasters in Brazil in November 2015 and January 2019 that all the licensing process of other projects with tailing dam has been badly affected, therefore the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility. Despite unexpected challenges and tests, the Group still proactively promoted the SAM project which was widely supported locally by general public as well as enterprises in Brazil and the PRC. 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Consideration and Liabilities

Pursuant to the Share Purchase Agreement in relation to the acquisition of SAM (the "SPA"), the total consideration of US$390 million for the acquisition of SAM was to be satisfied in cash in five instalment payments.

After execution of the Settlement Agreement in June 2016 (details set out in the announcement of the Company dated 13 May 2016), the Group shall no longer be liable to pay third, fourth and fifth instalment payment with the total amount of US$315 million under the SPA. For the details of the Conditional Additional Payment and Conditional Mining Production Payment to Votorantim, please refer to the announcement of the Company dated 13 May 2016.

As at 30 September 2022, the contingent consideration payable was approximately HK$109.7 million (equivalent to approximately US$13.7 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

Corporate Governance

Throughout the nine months ended 30 September 2022, 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 2022, 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

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

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

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 2022, 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 share option scheme adopted on 21 May 2012 (the "Old Share Option Scheme") was expired on 20 May 2022. The Company's existing share option scheme (the "Scheme") was adopted on 26 May 2022 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 3 May 2022.

Details of options granted

Particulars of the outstanding share options granted under the Old Share Option Scheme were as follows:

	Number of share options				
Category of participant	**Outstanding as at 01/01/2022 and 30/09/2022**	**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	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	8,750,000				

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.

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

As at 30 September 2022, 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

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 of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 30 September 2022, 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

The Sales Framework Agreement with Zhejiang Geely Holding Group Co. Ltd. ("Zhejiang Geely")

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International (Hong Kong) Limited. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company.

On 28 September 2020 (after trading hours), the Company entered into a sales framework agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder (the "Sales Framework Agreement").

Annual Caps for the Sales Framework Agreement

An extraordinary general meeting of the Company was held on 16 November 2020 and passed the resolution in relation to the Sales Framework Agreement with the following annual caps.

	For the year ended 31 December 2021	**For the year ending 31 December 2022**	**For the period from 1 January 2023 to 22 October 2023**
	RMB	*RMB*	*RMB*
Annual caps	250,000,000	300,000,000	350,000,000

Should the actual annual purchase amount exceed the above annual caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The annual caps after the period ending 22 October 2023 will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

The sales under the Sales Framework Agreement for the period ended 30 September 2022 was approximately HK$77.0 million.

Except for the Sale and Purchase Agreement and the Capital Increase Agreement covered in the Management Discussion and Analysis section, there was no other connected transaction entered into by the Company during the period ended 30 September 2022.

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 30 September 2022.

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 2022.

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 nine months ended 30 September 2022 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 2022, 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

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, 10 November 2022