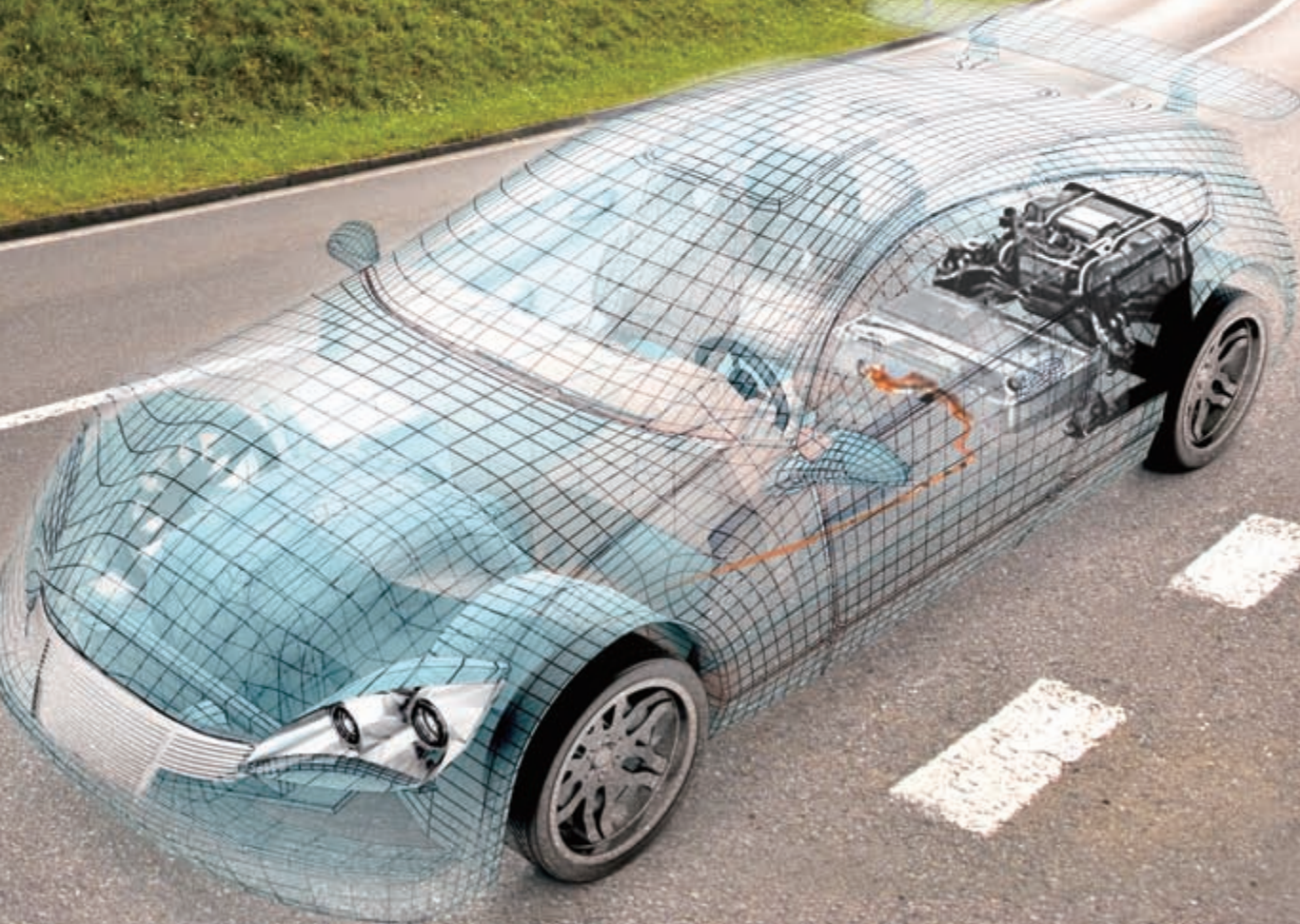




HONBRIDGE HOLDINGS LIMITED
洪橋集團有限公司
(Stock Code: 8137)

2016

THIRD QUARTERLY
REPORT



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 Growth Enterprise Market 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 report 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 report misleading.

CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Directors**

Mr. He Xuechu (*Chairman*)
Mr. Liu Wei, William (*Chief Executive Officer*)
Mr. Shi Lixin

Non-Executive Directors

Mr. Yan Weiminh
Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony
Mr. Ma Gang
Mr. Ha Chun

COMPLIANCE OFFICER

Mr. Liu Wei, William

COMPANY SECRETARY

Mr. Yeung Ho Ming, CPA (HK)

AUTHORISED REPRESENTATIVES

Mr. Liu Wei, William
Mr. Yeung Ho Ming

AUDIT COMMITTEE

Mr. Chan Chun Wai, Tony (*Committee Chairman*)
Mr. Ma Gang
Mr. Ha Chun

REMUNERATION COMMITTEE

Mr. Ha Chun (*Committee Chairman*)
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

NOMINATION COMMITTEE

Mr. Chan Chun Wai, Tony (*Committee Chairman*)
Mr. Liu Wei, William
Mr. Ang Siu Lun, Lawrence
Mr. Ma Gang
Mr. Ha Chun

AUDITOR

BDO Limited

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman
KY1-1205 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 5402, 54th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

8137

COMPANY 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 2016, together with the comparative unaudited figures for the corresponding periods in 2015, as follows:

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Turnover	2	364	10,155	30,277	62,778
Cost of sales		(209)	(10,111)	(29,388)	(45,616)
Gross profit		155	44	889	17,162
Other operating income	3	9,900	612	19,674	2,402
Selling and distribution costs		(248)	(360)	(938)	(1,480)
Administrative expenses		(26,036)	(23,758)	(64,494)	(69,641)
Share-based payment expenses		—	—	—	(10,812)
Impairment on exploration and evaluation assets	4	—	—	(1,248,080)	—
Fair value gain on contingent consideration payable	5	—	—	1,048,406	—
Finance costs	6	(18,401)	(16,222)	(53,451)	(47,208)
Loss before income tax	7	(34,630)	(39,684)	(297,994)	(109,577)
Income tax credit	8	5,504	2,864	431,507	3,792
(Loss)/Profit for the period		(29,126)	(36,820)	133,513	(105,785)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		(15,083)	(1,171,335)	404,318	(2,031,410)
Total comprehensive income for the period		(44,209)	(1,208,155)	537,831	(2,137,195)
(Loss)/Profit for the period attributable to:					
Owners of the Company		(26,824)	(35,757)	136,655	(103,588)
Non-controlling interests		(2,302)	(1,063)	(3,142)	(2,197)
		(29,126)	(36,820)	133,513	(105,785)
Total comprehensive income attributable to:					
Owners of the Company		(41,802)	(1,206,823)	541,852	(2,134,813)
Non-controlling interests		(2,407)	(1,332)	(4,021)	(2,382)
		(44,209)	(1,208,155)	537,831	(2,137,195)
(Losses)/Earnings per share attributable to the owners of the Company during the period	10				
— Basic		HK(0.34) cent	HK(0.46) cent	HK1.74 cents	HK(1.35) cents (restated)
— Diluted		N/A	N/A	N/A	N/A

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and nine months ended 30 September 2016 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 2015 annual report.

The accounting policies adopted in the 2015 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016. The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. TURNOVER

Turnover represents total invoiced value of goods supplied and income from provision of services. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Sale of lithium batteries	30,277	61,386
Revenue from trading commodity contracts	–	1,392
	30,277	62,778

3. OTHER OPERATING INCOME

	Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Bank Interest income	2,668	801
Loan interest income	6,764	–
Government grant	8,176	–
Rental income	450	450
Overprovision of interests on loans from ultimate holding company	–	1,044
Sundry income	1,616	107
	19,674	2,402

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais and Bahia, Brazil and the expenditures incurred in the search for mineral resources.

During the period, the Company reviewed the carrying amount of exploration and evaluation assets, impairment loss of approximately HK\$1,248 million had been identified and recognised. The impairment is mainly due to the increase in the estimated operating cost ("OPEX") to US\$29.9/ton (31 December 2015: US\$24.8/ton) and capital expenditure ("CAPEX") to US\$3,082 million (31 December 2015: US\$2,932 million) of the SAM iron ore project mainly because of the appreciation of Brazilian Reals against the US dollar.

The recoverable amount of exploration and evaluation assets were valued by an independent valuer at US\$270 million (31 December 2015: US\$ 350 million), based on the income based approach and the excess earning method.

5. CONTINGENT CONSIDERATION PAYABLE

After the completion of the acquisition of Sul Americana de Metais S.A. ("SAM") on 28 March 2013, the Group is committed to pay Votorantim, the vendor of SAM, the consideration outstanding i.e. third instalment of US\$115 million, fourth instalment of US\$100 million and fifth instalment of US\$100 million upon completion of approvals of required licenses and permits, commencement of port operation and commencement of mining production respectively. The fair value of the outstanding contingent consideration payable in accordance with the SAM share purchase agreement (the "SAM SPA") was approximately HK\$1,215,829,000.

On 12 May 2016 (Brazil time), the Company, Infinite Sky Investments Limited, New Trinity Holdings Limited, SAM, Votorantim entered into a settlement agreement (the "Settlement Agreement").

Pursuant to the Settlement Agreement, the Company paid Votorantim a settlement payment of US\$3,000,000 (equivalent to approximately HK\$23,320,000) (the "Settlement Payment") and Votorantim has executed SAM's share transfer book and transferred the preferred shares to Infinite Sky. After the transfer of the preferred shares, SAM become a wholly owned subsidiary of the Company. Other terms of the Settlement Agreement has been disclosed in the management discussion and analysis section in this report.

Under the Settlement Agreement, the Company is no longer liable to pay the third, fourth and fifth instalment payment with the total amount of US\$315 million under the SAM SPA but the Company is committed to pay a maximum aggregate amount of US\$60,000,000 contingent additional payment and conditional mining production payment to Votorantim upon occurrence of certain events.

The US\$18,600,000 (equivalent to approximately HK\$144,103,000) contingent consideration payables represent the fair value of the obligation for the contingent additional payment and conditional mining production payment in accordance with the Settlement Agreement and are estimated by independent professional valuers. After debiting the HK\$23,320,000 Settlement Payment, the remaining HK\$1,048,406,000 difference between the fair value of contingent consideration payables was recognised as a fair value gain on contingent consideration payable for the period ended 30 September 2016.

6. FINANCE COSTS

	Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest charges on other borrowings wholly repayable within five years	979	716
Imputed interest on convertible bonds	52,472	46,492
	53,451	47,208

7. OPERATING LOSS

	Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Operating losses are arrived at after charging:		
Rental expenses	3,493	3,832
Amortisation of other intangible assets	19,303	31,085
Cost of inventories recognised as expense	29,388	45,616
Depreciation and amortisation	12,230	11,665

8. INCOME TAX CREDIT (EXPENSE)

	Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Overseas tax:		
Current period	2,167	(4,146)
Deferred tax:	429,340	7,938
Income tax credit	431,507	3,792

During the nine months ended 30 September 2015 and 2016, 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, the PRC corporate income tax rate of 25% (2015: 25%) is applicable to Zhejiang Forever New Energy Co., Ltd. ("Zhejiang Forever New Energy") while the PRC corporate income tax rate for Shandong Forever New Energy Co., Ltd. ("Shandong Forever New Energy") is 15% (2015: 25%), being the Group's subsidiaries established in the PRC.

During the period, corporate income tax rates in Brazil of 34% (2015: 34%) is applicable to Sul Americana de Metais S.A. ("SAM"), being the Group's subsidiary established in Brazil.

9. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

10. LOSSES/EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2016 are based on the loss and profit attributable to the owners of the Company of approximately HK\$26,824,000 and HK\$136,655,000 respectively and on 7,861,821,606 weighted average number of shares. (For the three months and nine months ended 30 September 2015, loss attributable to the owners of the Company was HK\$35,757,000 and HK\$103,588,000 respectively and basic losses per share in the period was calculated based on 7,744,716,171 and on 7,673,596,075 weighted average number of shares respectively, after adjusting the weighted average number of shares for the nine months ended 30 September 2015 for the bonus elements in the shares issued under share subscription and share placing in June 2015).

No such figure was presented for three months and nine months ended 30 September 2015 and 30 September 2016 because the impact of the share options and convertible bonds was anti-dilutive.

11. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Equity attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares reserve	Share-based		Translation reserve	Convertible bonds equity reserve	Retained earnings			Total
				Other reserve	payment reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
2016											
At 1 January 2016	7,862	2,627,306	(142,864)	-	136,741	(4,869,117)	258,836	3,488,507	1,507,271	44,205	1,551,476
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	86,738	86,738	213,062	299,800
Transactions with owners	-	-	-	-	-	-	-	86,738	86,738	213,062	299,800
Profit/(loss) for the period	-	-	-	-	-	-	-	136,655	136,655	(3,142)	133,513
Other comprehensive income											
Currency translation	-	-	-	-	-	405,197	-	-	405,197	(879)	404,318
Total comprehensive income	-	-	-	-	-	405,197	-	136,655	541,852	(4,021)	537,831
At 30 September 2016	7,862	2,627,306	(142,864)	-	136,741	(4,463,920)	258,836	3,711,900	2,135,861	253,246	2,389,107
2015											
At 1 January 2015	6,645	1,266,484	(203,132)	48,708	136,873	(2,887,758)	258,836	5,421,107	4,047,763	24,742	4,072,505
Proceeds from placing and share subscription	1,200	1,342,800	-	-	-	-	-	-	1,344,000	-	1,344,000
Share issuance costs	-	(7,903)	-	-	-	-	-	-	(7,903)	-	(7,903)
Shares issued under share option scheme	17	18,435	-	-	(7,490)	-	-	7,490	18,452	-	18,452
Lapse of share options	-	-	-	-	(2,885)	-	-	2,885	-	-	-
Equity-settled share-based transactions	-	-	-	-	10,812	-	-	-	10,812	-	10,812
Sales of treasury shares	-	-	60,490	-	-	-	-	-	60,490	-	60,490
Repayment of loans from ultimate holding company	-	-	-	(48,708)	-	-	-	48,708	-	-	-
Transaction with owners	1,217	1,353,332	60,490	(48,708)	437	-	-	59,083	1,425,851	-	1,425,851
Loss for the period	-	-	-	-	-	-	-	(103,588)	(103,588)	(2,197)	(105,785)
Other comprehensive income											
Currency translation	-	-	-	-	-	(2,031,225)	-	-	(2,031,225)	(185)	(2,031,410)
Total comprehensive income	-	-	-	-	-	(2,031,225)	-	(103,588)	(2,134,813)	(2,382)	(2,137,195)
At 30 September 2015	7,862	2,619,816	(142,642)	-	137,310	(4,918,983)	258,836	5,376,602	3,338,801	22,360	3,361,161

MANAGEMENT DISCUSSION AND ANALYSIS

New Energy Vehicles-Related Business

In the lithium-ion batteries business field, the Company acquired Shandong Forever New Energy Co., Ltd. (“Shandong Forever New Energy”) in September 2014 and established Zhejiang Forever New Energy Company Limited (“Zhejiang Forever New Energy”) in December 2015. In order to fulfill one of the pre-requisite (i.e. foreign shareholding should not be higher than 50%) to be listed in the catalog according to the Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件) (the “Catalog”), a shareholding change has been completed in July 2016 which the shareholding of Triumphant Glory Investments Limited (“Triumphant Glory”), a British Virgin Islands (BVI) incorporated and a 90.68% owned subsidiary of the Company, in Shandong Forever New Energy was diluted from 100% to 49%. Shandong Forever New Energy was successfully listed in the Catalog on 13 July 2016.

Following the termination of the proposed acquisition of a North America based company, the Group will focus on the expansion of the lithium-ion batteries business in the current stage. As a long term business strategy, the Group is still determined to further develop in the field of new energy vehicles and intended to acquire all the core technology such as battery management system, electric motor system and vehicle control module by acquisition. Through integration of technology and innovation, ultimately, manufacture and sell new energy vehicles and following this direction to seek for merger and acquisition opportunities.

Formation of the Zhejiang Forever New Energy

On 16 December 2015, Honbridge Power Limited, a wholly owned subsidiary of the Company, Shanghai Maple Automobile Company Limited (“Shanghai Maple”), a subsidiary of Zhejiang Geely Holding Group Company Limited (“Zhejiang Geely”) and Jiaxing Jiale Investment Partnership Corporation (limited partnership) (“Jiaxing Jiale”) established a joint investment named Zhejiang Forever New Energy in Jinhua New Energy Automobile Industrial Park. The headquarters of Zhejiang Geely is established in Zhejiang Province and is principally engaged in manufacturing and sales of automobile. Zhejiang Geely owns and control the automobile brand “Geely” in the PRC and luxury European automobile brand “Volvo”, and Zhejiang Geely is also one of the Fortune Global 500 companies.

Zhejiang Forever New Energy is owned as 49%, 48% and 3% by Honbridge Power Limited, Shanghai Maple and Jiaxing Jiale respectively. As the Company will be able to appoint the majority of the board of directors of Zhejiang Forever New Energy and the Board considers that the Group will be able to exercise significant influence, Zhejiang Forever New Energy is an indirect non-wholly owned subsidiary of the Company and its financial performance and results are consolidated into the results of the Company.

Zhejiang Forever New Energy will develop 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 will occupy an area of approximately 130,000 square meters. Construction work has been commenced in mid-2016 and it can produce approximately 1,500,000 kWh lithium-ion battery for new energy vehicles annually after completion of the construction of the production facilities, which is scheduled in the third quarter of 2017. The total investment is approximately RMB1,500 million (including cost of acquiring the land use rights for constructing production site, equipment and working capital) which will be funded by equity capital and loan.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Lithium-ion Batteries Business

During the period ended 30 September 2016, Shandong Forever New Energy, recorded a revenue of approximately HK\$30.3 million (equivalent to approximately RMB25.4 million), which decreased by 50.7% when compared to HK\$61.4 million (equivalent to approximately RMB50.5 million) revenue recognised in the last corresponding period. The decrease is mainly due to the policy change of the PRC government. In around April 2016, there was news reported that only new energy vehicle models using vehicle power battery listed in the Catalog according to the “Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件)” will be approved to list in the Car Catalog and enjoy the relevant government subsidies. Shandong Forever New Energy was only listed in the Catalog on 13 July 2016 which negatively affected the performance of the company. The decrease was also due to the investigation carried out by the PRC Government on the misappropriation of the government subsidies by the automobile enterprises for new energy vehicle. Since the investigation began in late 2015, the PRC Government has not distributed subsidies to the automobile enterprises in a timely manner. The automobile enterprises have occupied a large amount of their own working capital as they are unable to receive the government subsidies. This also reduced working capital of the batteries manufacturing enterprise as the automobile enterprises may delay their payment to suppliers. Under these uncertainties, the production volume of the automobile enterprises decreased substantially. 康迪電動車 and 新大洋電動車, the major customers of Shandong Forever New Energy have also reduced their production volume, hence reducing their demand for lithium-ion batteries. The Company also takes a more cautious approach before accepting new orders in order to mitigate the potential credit risk. The overall gross profit percentage has changed from last corresponding period’s 27.3% to 2.9% mainly because of the decrease in production in the current period, results in higher average unit cost of products.

Capital Contribution Agreement and Joint Investment Agreement

Capital Contribution Agreement

On 9 May 2016, Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the capital contribution agreement with Zhejiang Geely Automobile Co., Ltd. (“Zhejiang Geely Auto”) and Jiaxing Jiale, whereby Zhejiang Geely Auto and Jiaxing Jiale have conditionally agreed to contribute capital into Shandong Forever New Energy, which was a direct wholly-owned subsidiary of Triumphant Glory (the “Capital Contribution Agreement”). According to the terms of the Capital Contribution Agreement, Zhejiang Geely Auto and Jiaxing Jiale shall contribute approximately US\$42.15 million and US\$2.62 million into Shandong Forever New Energy respectively. Geely Auto has paid the 10% of its capital contribution amount (i.e. US\$4.215 million) according to the Capital Contribution Agreement and up to the date of this report, no further capital contribution has been paid by Geely Auto and Jiaxing Jiale. After the completion of the capital contribution, the registered capital of Shandong Forever New Energy will be increased from US\$10 million to approximately US\$20.41 million. After the Capital Contribution Agreement became effective, Triumphant Glory, Zhejiang Geely Auto and Jiaxing Jiale hold 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

Joint Investment Agreement

Triumphant Glory appointed the majority of the directors to the board of directors of Shandong Forever New Energy pursuant to the joint investment agreement dated 9 May 2016 (the “Joint Investment Agreement”), and the Group is able to exercise significant influence over Shandong Forever New Energy, Shandong Forever New Energy remains as a subsidiary of the Company and its financial performance and results will continue to be consolidated into the financial results of the Group. More details on the Capital Contribution Agreement, Supplement Agreement and Joint Investment Agreement has been disclosed in the circular of the Company dated 11 July 2016. They have been approved by the independent shareholders of the Company in the extraordinary general meeting on 26 July 2016.

CONTINUING CONNECTED TRANSACTIONS

To secure long-term customer, improve the Group's financial performance and ensure the delivery of stable income to the Group, Shandong Forever New Energy entered into a sales agreement with Ninghai Zhidou Electric Vehicles Company Limited ("Ninghai Zhidou", 寧海知豆電動汽車有限公司) in relation to the sales of lithium-ion battery modules (the "Sale Agreement") on 2 September 2016.

Ninghai Zhidou

Ninghai Zhidou is a limited liability company incorporated in the PRC. It is principally engaged in the research and production of automobile parts, components and engines, electric vehicles and the provision of related after-sale services in the PRC.

Zhejiang Geely Auto is a substantial shareholder of Shandong Forever New Energy as it holds 48% equity interest in Shandong Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Zhejiang Geely Auto is held as to 90% by Zhejiang Geely Holding Group Co., Ltd. ("Zhejiang Geely", 浙江吉利控股集團有限公司), and Zhejiang Geely holds 45% interest in Ninghai Zhidou. As such, both Zhejiang Geely and Ninghai Zhidou are associates of Zhejiang Geely Auto in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

Sales of lithium-ion battery modules from Shandong Forever New Energy to Ninghai Zhidou under the Sales Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Proposed annual caps

The total proposed Annual Caps in respect of the Sales Agreement for the financial years ending 31 December 2016 and 31 December 2017 are RMB35,000,000 and RMB40,000,000 respectively and the six months ending 30 June 2018 is RMB25,000,000.

The proposed Annual Caps were determined based on:

- (i) the estimated sales volume of lithium-ion battery modules for the year ending 31 December 2016, 2017 and six months ending 30 June 2018;
- (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Agreement; and
- (iii) the current and forecast market price of lithium-ion battery modules in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Statement of profit or loss for Shandong Forever New Energy prepared in accordance with PRC accounting standards

	Nine months ended 30 September		Year ended	
	2016 RMB Unaudited	2015 RMB Unaudited	2015 RMB Audited	2014 RMB Audited
Revenue	25,432,487.52	50,530,524.67	101,744,903.90	137,274,477.83
Cost of sales	(24,685,689.54)	(37,516,211.57)	(82,998,002.92)	(113,000,695.82)
Gross profit	746,797.98	13,014,313.10	18,746,900.98	24,273,782.01
Selling and distribution costs	(788,084.87)	(1,179,350.08)	(1,850,484.72)	(1,270,764.10)
Administrative expenses	(7,402,547.39)	(8,068,707.75)	(11,621,263.23)	(10,753,655.24)
Finance costs	(749,310.16)	(198,292.36)	(597,443.16)	(943,941.69)
Write-down of inventories	—	—	—	(1,004,723.48)
Operating profit (loss)	(8,193,144.44)	3,567,962.91	4,677,709.87	10,300,697.50
other income	7,311,018.67	6,858,013.04	10,599,774.72	9,181,371.69
other expenses	—	(165,659.68)	(566,743.95)	(113,112.30)
Profit (loss) before tax	(882,125.77)	10,260,316.27	14,710,740.64	19,368,956.89
Income tax expenses	(140,224.81)	(3,395,493.99)	(4,508,100.11)	(4,842,239.23)
Net Profit (loss)	(1,022,350.58)	6,864,822.28	10,202,640.53	14,526,717.66

(Note: The figures presented here is not prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. They are for reference purpose only.)

Possible Acquisition of a Target Company Based in North America With Mass Production Facility Located in China

The Company has been negotiating with the major shareholder of a target company (the "Target Company") for a possible acquisition for more than a year. The Target Company is principally engaged in the research and development, manufacture and sale of electric vehicle power system as well as provides electric vehicle integration solution for automobile manufacturers. The products of the Target Company include high power motors, inverters, high power chargers, energy regeneration system, vehicle control module and battery management system. The Target Company has a number of patented technologies (and a few pending patents) and the reliability of its advanced technology has been validated by a numbers of leading automobile manufacturers worldwide. The research and development headquarter of the Target Company is located in North America and a mass production facility which is under construction will be located in China. As the parties could not reach consensus on certain trading conditions, the negotiation has been terminated during the period.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Loan agreement entered into with Cloudrider Limited

On 11 April 2016, the Company entered into a loan agreement with Cloudrider Limited (the “Borrower”), pursuant to which the Company granted to the Borrower the loan with principal amount of HK\$54.0 million (the “Loan”) with an interest rate of 3% per annum (the “Loan Agreement”) for funding Borrower’s merger and acquisitions. HK\$251,100,000 and HK\$288,900,000 were lent to the Borrower on 22 April 2016 and 12 May 2016 respectively. The Borrower shall repay the outstanding amount of the Loan and the unpaid interest accrued 12 months after the drawdown date. The Borrower may, at its option extend the repayment date by 12 months. The Loan is secured by the share charges provided by two of the shareholders of the Borrower over all of their shareholdings in the Borrower and a debenture consisting of a fixed and floating charge over all of the assets of the Borrower in favour of the Company. During the nine months ended 30 September 2016, a loan interest income of approximately HK\$6.8 million was recognised by the Company in accordance with the Loan Agreement. Other major terms and details of the Loan Agreement have been disclosed in the circular of the Company dated 24 May 2016.

Progress of SAM

As of the date of this report, the Group has provided funding with aggregate amount of approximately USD66.0 million to SAM through shareholders’ loans and increase of registered capital in SAM.

LP Application

Although the Group has been working diligently aiming to get the Preliminary License (“LP”) as early as possible, Brazilian Institute of Environment and Renewable Natural Resources (“IBAMA”), the Brazilian Federal Environmental agency issued a technical opinion to SAM on 29 March 2016, declined SAM’s request on LP issuance saying that “based on the current engineering design, IBAMA technical staff are not allowed to certify environmental viability.”

On 26 April 2016, IBAMA agreed to extend the licensing process for a period of four months, which could be extended later with justification. After consolidation of all proposals from consultant companies, SAM estimated that the necessary complementary studies will take around 12 months. On 13 July 2016, SAM made a presentation to IBAMA on SAM’s next step working plan, and then applied for an extension of 12 months. On 5 October 2016, IBAMA distributed an official letter to SAM concluding that the complementary studies proposed by SAM is a reformulation of design of the Vale do Rio Pardo project. According to the applicable law and rules, in case that there are changes in the original concept of the project which was used for environmental licensing, the enterprise has to open a new licensing administrative process in the competent environmental institution (herein refers to IBAMA) for the project to be redesigned. The Group is currently studying the quoted law and rules in the letter and also evaluating the details, including how many studies and works finished in the old process could be reused, and time and costs required.

Others

Regarding to the Civil Action against SAM and IBAMA which was filed by Minas Gerais State Public Ministry on 23 May 2014 (see previous reports for more details), the court of second instance made a decision to extinguish the case on 5 August 2016. By the end of 4 October 2016, the deadline for further appeal in this case, the court confirmed that no appeal was filed. Therefore, the Civil Action was completely terminated in favor of SAM and IBAMA.

Other details related to the SAM iron ore project have been disclosed in previous reports.

Impairment of exploration and evaluation assets

During the period, the Company reviewed the carrying amount of exploration and evaluation assets, impairment loss of HK\$1,248 million had been identified and recognised. The impairment is mainly due to the increase in the estimated operating cost (“OPEX”) to US\$29.9/ton (31 December 2015: US\$24.8/ton) and capital expenditure (“CAPEX”) to US\$3,082 million (31 December 2015: US\$2,932 million) of the SAM iron ore project mainly because of the appreciation of Brazilian Reals against the US dollar.

The recoverable amount of exploration and evaluation assets were valued by an independent valuer at US\$270 million (31 December 2015: US\$350 million), based on the income based approach and the excess earning method.

Termination of the Share Purchase Agreement in relation to Acquisition of SAM (The “SPA”)

On 12 May 2016 (Brazil time), the Company, Infinite Sky, New Trinity, SAM, Votorantim (for itself and as successor in interest to VNN, Lit Mining, Lit Quad, Esperanto and Mineral Ventures) entered into the settlement agreement to settle and resolve the disputes presented in the arbitration dated 10 June 2015 (the “Settlement Agreement”) and otherwise arising under the Share Purchase Agreement and related agreements between the parties, without any admission of wrongdoing by any party.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Termination of the Share Purchase Agreement in relation to Acquisition of SAM (The “SPA”) — continued

Major terms of the Settlement Agreement are as follows:

- (i) the Company shall pay to Votorantim a settlement payment of US\$3,000,000 (the “Settlement Payment”);
- (ii) Votorantim and Infinite Sky shall execute SAM’s share transfer book to effect transfer of the preferred share (the “Golden Share”) to Infinite Sky free and clear of any encumbrance;
- (iii) SAM shall execute SAM’s share register to record Infinite Sky as owner of the Golden Share;
- (iv) Votorantim and Infinite Sky shall execute a joint notice to the Custodian directing it to release and deliver the New Trinity Certificate to Infinite Sky; and
- (v) Votorantim as successor to VNN and Lit Mining shall execute a release to effectuate and evidence the termination of the Brazilian Security Agreement.

The Company has settled the Settlement Payment on 13 May 2016 and terms (ii) to (v) have been executed before mid-June 2016. After that, SAM become a wholly-owned subsidiary of the Group. The Group may at its discretion decide the pace of the SAM iron ore project’s development according to the circumstances and may dispose of the relevant assets when opportunities arise.

The Settlement Agreement also has a conditional additional payment clause and a conditional mining production payment clause to Votorantim. Their details have been set out in the “Contingent Consideration and Liabilities” section.

Contingent Consideration and Liabilities

Pursuant to the SPA, the total consideration of US\$390.0 million for the acquisition of SAM was to be satisfied in cash in five instalment payments. The first and the second instalment payment amount to US\$75.0 million were settled. The third, fourth and fifth instalment payment amount to US \$115.0 million, US\$100.0 million and US \$100.0 million were required to be settled according to certain milestones.

After execution of the Settlement Agreement (details set out in the “Termination of the Share Purchase Agreement in Relation to Acquisition of SAM”), the Group shall no longer be liable to pay third, fourth and fifth instalment payment with the total amount of US\$315.0 million under the SPA.

Conditional additional payment

If, however:

- (i) the Company disposes of any or all of its interests in Infinite Sky to a party other than New Trinity or SAM;
- (ii) Infinite Sky disposes of any or all of its interests in New Trinity to a party other than the Company or SAM;
- (iii) New Trinity disposes of any or all of its interests in SAM to a party other than the Company or Infinite Sky; or
- (iv) SAM disposes of all or a significant portion of its assets other than the sale of inventory (i.e., pellet feed or other minerals) in the ordinary course of business after the production or extraction of minerals has begun, to a party other than the Company, Infinite Sky or New Trinity;

(each a “Disposal Event”) after the execution of the Settlement Agreement but before (a) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the exploration permits issued to SAM has been shipped commercially (the “New Mining Production Commencement Date”); or (b) any final and non-appealable order, by any Brazilian regulatory authority, permanently restraining, enjoining or otherwise preventing the consummation of the New Mining Production Commencement Date, whichever is earlier, and the net proceeds from such a Disposal Event exceeds 120% of the Company’s investment in SAM and the Project, which comprises:

- (1) the amount of US\$75,000,000, being part of the Consideration and US\$420,000, an incentive payment previously paid to VNN;
- (2) the Settlement Payment of US\$3,000,000 under the Settlement Agreement;

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Contingent Consideration and Liabilities — continued

Conditional additional payment — continued

- (3) an amount of US\$1,500,000, paid to a third party as fees for preparation of SAM's feasibility study report;
- (4) the amount of US\$64,175,000, representing the funds loaned to SAM and capital invested by the Company, Infinite Sky and/or New Trinity in SAM as of the date of the Settlement Agreement; and
- (5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("Honbridge's Investment"), provided that the Group shall present documentation reasonably satisfactory to Votorantim of such additional loans and capital contributions, with the aggregate of items (1) to (5) above in no event exceeding US\$250,000,000, then the net proceeds from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US\$60,000,000 (the "Additional Payment"). As at the date of this report, the additional loans and capital invested was approximately US\$1,800,000.

Conditional mining production payment to Votorantim

If, prior to the expiry of 10 years after the date of the Settlement Agreement, the New Mining Production Commencement Date occurs and all Additional Payments made by the Company to Votorantim in the aggregate prior to that date are less than US\$30,000,000, then the Company shall pay US\$30,000,000 to Votorantim ("New Mining Production Payment") within 10 Business Days after the New Mining Production Commencement Date.

The US\$18,600,000 (equivalent to approximately HK\$144,103,000) contingent consideration payables represent the fair value of the obligation for the contingent additional payment and conditional mining production payment in accordance with the Settlement Agreement and are estimated by independent professional valuers.

As at 30 September 2016, saved as disclosed above the Group did not have any significant contingent liabilities.

Use of proceeds from placing and share subscription

Upon completion of the placing of 754,000,000 new shares (the "Placing") and the subscription of 446,000,000 new shares (the "Share Subscription") under the Company's circular dated 29 May 2015, the Company received an aggregate of HK\$1,336 million of net proceeds.

As at 30 September 2016, out of the total net proceeds that have been raised from the Placing and the Share Subscription, HK\$540.0 million has been lent to Cloudrider Limited, HK\$109.1 million has been utilised to repay the loans from the ultimate holding company, approximately HK\$33.1 million has been used for general working capital and approximately HK\$53.1 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK\$600.7 million, HK\$410 million will be invested into the new energy vehicle related business, HK\$146.9 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK\$43.8 million will be used as working capital or/and the supplementary funding to the two investments mentioned above. Once the Loan is repaid by Cloudrider Limited, the whole amount will continue to be invested into the new energy vehicle related business or other identified business at that time.

Business review and liquidity

For the period ended 30 September 2016, the Group recorded a HK\$30.3 million turnover which decreased by 51.8% when compared to HK\$62.8 million revenue recognised in the last corresponding period. Group results changed from loss of HK\$105.8 million for the period ended 30 September 2015 to profit of HK\$133.5 million in current period.

The decrease in turnover is mainly due to the policy change of the PRC government. In around April 2016, there was news reported that only new energy vehicle models using vehicle power battery listed in the Catalog according to the "Vehicle Power Battery Industry Standard Conditions (汽車動力蓄電池行業規範條件)" will be approved to list in the Car Catalog and enjoy the relevant government subsidies. Shandong Forever New Energy was only listed in the Catalog on 13 July 2016 which negatively affected the performance of the company. The decrease was also due to the investigation carried out by the PRC Government on the misappropriation of the government subsidies by the automobile enterprises for new energy vehicle. Since the investigation began in late 2015, the PRC Government has not distributed the subsidies to the automobile enterprises in a timely manner. The automobile enterprises have occupied a large amount of their own working capital as they are unable to receive the government subsidies. This also reduced the working capital of the batteries manufacturing enterprise as the automobile enterprises may delay their payment to suppliers. Under these uncertainties, the production volume of the automobile enterprises in this quarter decreased substantially. 康迪電動車 and 新大洋電動車, the major customers of Shandong Forever New Energy have also reduced their production volume, hence reducing their demand for lithium-ion batteries. The Company also takes a more cautious approach before accepting new orders in order to mitigate the potential credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Business review and liquidity — continued

Despite the weak performance in the lithium-ion batteries sector, the Company recorded a HK\$133.5 million profit for the period. This was mainly due to the Settlement Agreement entered into with Votorantim during the period which made the Company no longer be liable to pay the third, fourth and fifth instalment payment with a total amount of US\$315 million. Instead, the Company has committed to pay a maximum of US\$60 million conditional contingent payment. The decrease in the contingent payment generated a HK\$1,048 million non-cash fair value gain to the Company during the period. But the gain was substantially decreased by the impairment loss of HK\$1,248 million on exploration and evaluation assets recognised during the period. The impairment was recognised due to the increase in OPEX and CAPEX of the SAM iron ore project in Brazil. After netting HK\$424 million deferred tax credit associated with the impairment, the impairment decreased the profit for the period for approximately HK\$824 million. Excluding the fair value gain and impairment loss in current period and the share-based payment expenses in the last corresponding period, the loss for the current period and last corresponding period were approximately HK\$88.0 million and HK\$95.0 million respectively.

During the period ended 30 September 2016, the operation of the Group was mainly financed by the proceeds received from Placing and Share Subscription completed in June 2015.

As at 30 September 2016, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.31 (31 December 2015: 0.38).

Capital Commitments

As at 30 September 2016, the Group has capital commitments amounted to approximately HK\$117.7 million for the addition of property, plant and equipment.

Litigation

On 22 June 2016, the Company received a writ of summons (the “Writ”) dated 18 June 2016 filed by Zhi Charles as the plaintiff (the “Plaintiff”) (under High Court Action No. 1618 of 2016 (“HCA 1618 Action”)) against 16 defendants which include the Company and the Company’s auditor, some other companies listed on the Stock Exchange and their respective auditors.

The Plaintiff has been adjudicated a “vexatious litigant” in another legal action in Hong Kong on 20 June 2016. Although the Company did not understand the legal grounds of the Plaintiff to commence the HCA 1618 Action, the Company appointed a legal representative and attend several hearings to fulfill its legal responsibility.

Finally on 7 October 2016, the Plaintiff wholly withdrew his action against the Company in the HCA 1618 Action. The Plaintiff also agreed that after the withdrawal of the said claims against the Company, there shall be no claims whatsoever arising out of or in connection with any matter or issue raised in this action against the Company, all or any of the Company’s directors and/or servants or agents whatsoever.

Other detail of the HCA 1618 Action has been disclosed in the 2016 interim report.

As at the date of this report, no member of the Group was engaged in any litigation of material importance and no litigation or claim of material importance was known against any member of the Group.

Prospect

In 2016 and 2017, the Group will focus on developing Zhejiang Forever New Energy into 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 will occupy an area of approximately 130,000 square meters, and it can produce approximately 1,500,000 kWh lithium-ion battery for new energy vehicles annually after completion of the construction of the production facilities, which is scheduled in the third quarter of 2017.

Shandong Forever New Energy and Zhejiang Forever New Energy will focus on the research and development of ternary lithium battery as most of the sedan car manufacturing enterprises in China mostly prefer ternary lithium battery so as to achieve a better travel range for their new energy vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

Prospect — Continued

After Shandong Forever New Energy was listed in the Catalog for Batteries Manufacturing Enterprises on 13 July 2016, the Group will continue to make huge effort to achieve diversification of customers and obtain purchase order from customers other than 康迪電動車 and 新大洋電動車.

For the resource sector, after execution of the Settlement Agreement, SAM became a wholly-owned subsidiary of the Group. The Group may at its discretion decide the pace of the SAM iron ore project's development according to the circumstances and may dispose of the relevant assets when opportunities arise. On the other hand, there were still no breakthrough in the progress of the Group's efforts in obtaining necessary approvals for starting the construction in respect of the SAM iron ore project. As previously stated, the Group is experiencing difficulty in obtaining one of the licenses and approvals, i.e. the LP. The Group is currently studying the law and rules quoted in the letter from IBAMA and also evaluating the details, including how many studies and works finished in the old process could be reused, and time and costs required to open a new licensing administrative process. The Group has also been keeping close contact with IBAMA, and has taken initiatives to meet the new requirements and guidances issued by the government. However, this obstacle makes the future prospect of the whole project be uncertain. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

Corporate Governance

Throughout the nine months ended 30 September 2016, the Company complied with all Code Provisions 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 2016, 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	Number of Share option ²		
HE Xuechu	57,939,189	22,460,000	4,065,000,000 ¹	–	4,145,399,189	52.73
LIU Wei, William	9,002,000	–	–	30,000,000	39,002,000	0.50
SHI Lixin	–	–	–	25,000,000	25,000,000	0.32
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.76
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.19
CHAN Chun Wai, Tony	1,000,000	–	–	2,000,000	3,000,000	0.04
MA Gang	–	–	–	3,000,000	3,000,000	0.04
HA Chun	–	–	–	–	–	–

Notes:

- 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 68% equity interest of Hong Bridge.
- This refers to the number of underlying shares of the Company covered by its share option scheme.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2016, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

Long positions in the underlying shares of the Company — Continued

Details of options granted

The Company's existing share option scheme (the "Scheme") was adopted on 21 May 2012 and became effective on the same date. Particulars and movements of the outstanding share options granted under the Scheme during the nine months ended 30 September 2016 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30/09/2016	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note b) HK\$	Price immediately preceding the exercise date of share options (Note c) HK\$
	Outstanding as at 01/01/2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
Director											
LIU Wei, William	30,000,000	-	-	-	-	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
SHI Lixin	20,000,000	-	-	-	-	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	5,000,000	-	-	-	-	5,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
YAN Weimin	30,000,000	-	-	-	-	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	-	-	-	-	15,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	2,000,000	-	-	-	-	2,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
MA Gang	3,000,000	-	-	-	-	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
Sub-total	105,000,000	-	-	-	-	105,000,000					
Employee	5,000,000	-	-	-	-	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	8,750,000	-	-	-	-	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55	N/A
Total	118,750,000	-	-	-	-	118,750,000					

Notes:

- (a) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

Share options granted on 28 May 2012 and 14 May 2015 under the Share Option Scheme are 100% exercisable on the date of grant of the share options and on 15 May 2015 respectively.

- (b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2016, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2016, 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:

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

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	51.71
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	52.73
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	52.73
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	51.71
Geely International (Hong Kong) Limited	2,250,675,675 (Note 4)	–	–	2,250,675,675	28.63
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,250,675,675	2,250,675,675	28.63
LI Shufu (Note 6)	103,064,000	–	2,250,675,675	2,353,739,675	29.94
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	5.67
Jiangsu Shagang Group Co., Ltd. (Note 7)	–	–	446,000,000	446,000,000	5.67
Shen Wenrong (Note 8)	–	–	446,000,000	446,000,000	5.67
Yue Xiu Great China Fixed Income Fund II LP	694,000,000	–	–	694,000,000	8.83
Yue Xiu Investment Management Limited (Note 9)	–	–	694,000,000	694,000,000	8.83
Yue Xiu Investment Consultants Limited (Note 10)	–	–	694,000,000	694,000,000	8.83
Yue Xiu Securities Holdings Limited (Note 11)	–	–	694,000,000	694,000,000	8.83
Yue Xiu Enterprises (Holdings) Limited (Note 12)	–	–	694,000,000	694,000,000	8.83
Guangzhou Yuexiu Holdings Limited (Note 13)	–	–	694,000,000	694,000,000	8.83

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

Long positions of Substantial Shareholders in the ordinary shares of HK\$0.001 each of the Company — continued

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.
4. The 2,250,675,675 shares held by Geely International (Hong Kong) Limited represent 2,000,000,000 shares through a HK\$740,000,000 convertible notes with a conversion price of HK\$0.37 per conversion share of the Company and the remaining 250,675,675 represents ordinary shares held.
5. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
6. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.
7. Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.
8. Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.
9. Yue Xiu Investment Management Limited holds 100% equity interest of Yue Xiu Great China Fixed Income Fund II LP.
10. Yue Xiu Investment Consultants Limited holds 100% equity interest of Yue Xiu Investment Management Limited.
11. Yue Xiu Securities Holdings Limited holds 100% equity interest of Yue Xiu Investment Consultants Limited.
12. Yue Xiu Enterprises (Holdings) Limited holds 100% equity interest of Yue Xiu Securities Holdings Limited.
13. Guangzhou Yuexiu Holdings Limited holds 100% equity interest of Yue Xiu Enterprises (Holdings) Limited.

Save as disclosed above, as at 30 September 2016, 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 connected transaction as set out in the “Capital Contribution Agreement and Joint Investment Agreement” section in the management discussion and analysis was entered into on 9 May 2016 and completed on 26 July 2016.

On 2 September 2016, Shandong Forever New Energy entered into a sales agreement with Ninghai Zhidou Electric Vehicles Company Limited (“Ninghai Zhidou”, 寧海知豆電動汽車有限公司) in relation to the sales of lithium-ion battery modules (the “Sale Agreement”). The details of the Sale Agreement and the relationship between Shandong Forever New Energy and Ninghai Zhidou has been disclosed in the “Continuing Connected Transactions” section in the management discussion and analysis section.

There was no other connected transaction entered into by the Company during the period ended 30 September 2016.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the nine months ended 30 September 2016.

COMPLIANCE WITH THE MODEL CODE

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 2016.

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 primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures and risk management system of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Ma Gang and Mr. Ha Chun, who are Independent Non-Executive Directors of the Company.

The Group's unaudited results for the nine months ended 30 September 2016 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.

REMUNERATION COMMITTEE

Current Remuneration Committee members are Mr. HA Chun (Chairman of the Committee), Mr. MA Gang, Mr. CHAN Chun Wai, Tony, Mr. HE Xuechu and Mr. LIU Wei, William. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates remuneration policy for approval by the Board, which takes into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance is measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration laid down by the Board.

NOMINATION COMMITTEE

Current Nomination Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun Lawrence, Mr. MA Gang, and Mr. HA Chun. The Committee meets at least once every year. Additional meetings shall be held as the work of the Committee demands. The Committee formulates nomination policy for the Board's consideration and implement the Board's approved nomination policy.

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

During the nine months ended 30 September 2016, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at the date of this report, the Board comprises (1) Mr. HE Xuechu, Mr. LIU Wei, William and Mr. SHI Lixin as Executive Directors; (2) Mr. YAN Weimin and Mr. ANG Siu Lun Lawrence as Non-Executive Directors and (3) Mr. CHAN Chun Wai, Tony, Mr. MA Gang and Mr. HA Chun as Independent Non-Executive Directors.

On behalf of the Board
LIU Wei, William
Director and Chief Executive Officer

Hong Kong, 8 November 2016