



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

FIRST QUARTERLY  
REPORT  
2020



NEW ENERGY AND  
DIVERSIFIED BUSINESS

## 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.

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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 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 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 Jian (*Vice Chairman and  
Co-Chief Executive Officer*)

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

#### Non-Executive Directors

Mr. Yan Weimin

Mr. Ang Siu Lun, Lawrence

#### Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony

Mr. Ma Gang

Mr. Ha Chun

#### 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 Bankers

Standard Chartered Bank (Hong Kong) Limited

Nanyang Commercial Bank, 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 ended 31 March 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

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

	Notes	Three months ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	35,172	98,528
Cost of sales		(25,382)	(102,466)
Gross profit/(loss)		9,790	(3,938)
Other operating income	4	17,793	14,833
Selling and distribution costs		(3,909)	(788)
Administrative expenses		(21,513)	(30,669)
Share of results of associate		(2,231)	—
Loss on deemed disposal		(58,767)	—
Finance costs	5	(5,998)	(2,651)
<b>Loss before tax</b>		<b>(64,835)</b>	<b>(23,213)</b>
Income tax	6	—	—
<b>Loss for the period</b>		<b>(64,835)</b>	<b>(23,213)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(983,473)	(25,217)
Release of translation reserve upon disposal of a subsidiary		32,024	—
Items that will not reclassify subsequently to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(15,229)	11,281
<b>Other comprehensive income, net of tax</b>		<b>(966,678)</b>	<b>(13,936)</b>
<b>Total comprehensive income for the period</b>		<b>(1,031,513)</b>	<b>(37,149)</b>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(67,983)	(10,348)
Non-controlling interests		3,148	(12,865)
		(64,835)	(23,213)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(1,032,991)	(26,503)
Non-controlling interests		1,478	(10,646)
		(1,031,513)	(37,149)
<b>Loss per share attributable to the owners of the Company during the period</b>	8		
— Basic		HK(0.70) cent	HK(0.11) cent
— Diluted		N/A	N/A

Notes:

## 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months ended 31 March 2020 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 2019 annual report.

The accounting policies adopted in the 2019 annual financial statements have been consistently applied to these financial statements except that in the current period, the Group has applied for the first time certain new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

### 3. REVENUE

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

	For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Sale of lithium batteries	34,258	98,528
Battery swapping service income	914	–
	<b>35,172</b>	<b>98,528</b>

### 4. OTHER OPERATING INCOME

	For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Bank interest income	751	1,434
Interest income from loan receivable	–	7,969
Government grants	12,470	1,162
Rental income	186	186
Sundry income	1,012	1,040
Gain/(Loss) on financial assets at fair value through profit or loss	102	(230)
Imputed interest income of amounts due from non-controlling interests	3,272	3,272
	<b>17,793</b>	<b>14,833</b>

### 5. FINANCE COSTS

	For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Interest charges on bank and other borrowings	5,918	2,651
Others	80	–
	<b>5,998</b>	<b>2,651</b>

## 6. INCOME TAX

	For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Overseas tax		
Current period	-	-
Deferred tax	-	-
Income tax credit	-	-

During the period ended 31 March 2019 and 2020, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

## 7. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

## 8. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2020 is based on the loss attributable to the owners of the Company of approximately HK\$67,983,000 (loss for the three months ended 31 March 2019: HK\$10,348,000) and on 9,737,433,606 (31 March 2019: 9,737,433,606) weighted average number of shares (after adjusting the effect of treasury shares held by the Company).

For the three months ended 31 March 2019 and 2020, diluted losses per share attributable to owners of the Company were not presented because the impact of the exercise of share options was anti-dilutive.

## 9. MOVEMENT OF RESERVES

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

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

	Share capital HK\$'000	Share premium HK\$'000	Treasury shares reserve HK\$'000	Share based payment reserve HK\$'000	Translation reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2019</b>	9,855	3,563,686	(142,864)	12,170	(4,910,983)	-	5,983,566	180,329	4,695,759
Acquisition of interests in a subsidiary	-	-	-	-	145	-	(7,396)	(3,320)	(10,571)
Transactions with owners	-	-	-	-	145	-	(7,396)	(3,320)	(10,571)
<b>Loss for the period</b>	-	-	-	-	-	-	(10,348)	(12,865)	(23,213)
<b>Other comprehensive income</b>									
Currency translation	-	-	-	-	(27,436)	-	-	2,219	(25,217)
Changes of fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	11,281	-	-	11,281
<b>Total comprehensive income</b>	-	-	-	-	(27,436)	11,281	(10,348)	(10,646)	(37,149)
<b>At 31 March 2019</b>	9,855	3,563,686	(142,864)	12,170	(4,938,274)	11,281	5,965,822	166,363	4,648,039



## MANAGEMENT DISCUSSION AND ANALYSIS

### New Energy Vehicles-Related Business

#### **Zhejiang Forever New Energy Company Limited (“Zhejiang Forever New Energy”)**

Zhejiang Forever New Energy, a 52% owned subsidiary of the Group, is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of lithium-ion battery and battery system. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 2,000,000 kWh ternary lithium-ion battery annually. The first 500,000 kWh production line has commenced mass production since the second quarter of 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells. The product testing center was completed in December 2019. It is expected to strengthen the research and development and product testing and matching ability of Zhejiang Forever New Energy and may have a positive impact on future customer development. The time for installation of the new production line will be decided based on the market demand and development strategy.

The car models installed with battery packs of the Zhejiang Forever New Energy include the PHEV model “XC60” and “S90” of Volvo and “Lynk 01 PHEV”, “Lynk 02 PHEV” and “Lynk 03 PHEV” model of Lynk & Co. Besides the sale of battery packs, the battery modules produced by the Group are also used in the production of battery packs of “Polestar 01 PHEV” and “XC90 PHEV” of Volvo.

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

On 20 January 2020, Triumphant Glory, a direct non-wholly owned subsidiary of the Company, entered into a reorganisation agreement with Zhejiang Geely Automobile Co., Ltd. (浙江吉利汽車有限公司) and Jiangsu Tiankai Energy Co., Ltd. (江蘇天開能源技術有限公司) (“Jiangsu Tiankai”), pursuant to which Jiangsu Tiankai agreed to make capital contribution in the amount of US\$20,408,100 (or its equivalent in RMB) into Shandong Forever New Energy.

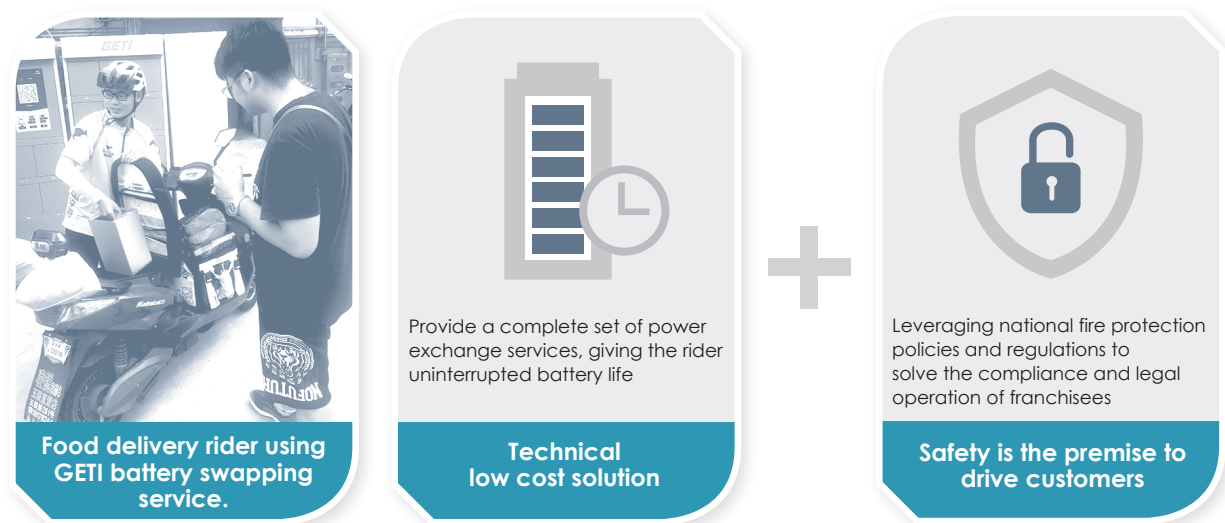
The transaction was completed on 19 March 2020 and, Jiangsu Tiankai now owns 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory’s equity interest in Shandong Forever New Energy has been diluted from 49% to 24.5%. Shandong Forever New Energy has been accounted for an associate of the Company since 19 March 2020. More details in relation to the reorganization agreement is set out in the circular of the Company dated 24 February 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Lithium-Ion Battery Business — Continued

#### Battery Sharing Business

Under the brand “GETI”, the Company has launched a battery sharing business in mid-2019 which target electric motorcycles with business model include self-operation and franchising in the PRC. “GETI” has set up battery swapping stations in the Jiangsu Province and Zhejiang Province. By March 2020, GETI has approximately 230 battery swapping stations and 1,500 active users. The revenue for the segment was approximately HK\$0.9 million for the period ended 31 March 2020, GETI’s major features are set out below:



#### Battery Swapping Station

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

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Lithium-Ion Battery Business — Continued

#### Standardised Battery Modules



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

#### Business Review

For the period ended 31 March 2020, the Group recorded a revenue of approximately HK\$35.2 million, representing a significant 64.3% decrease when compared to revenue of HK\$98.5 million recognised in the last corresponding period. The loss for the period ended 31 March 2020 attributable to owners of the Company was approximately HK\$68 million (31 March 2019: HK\$10.3 million).

Over 97% revenue of the Group were contributed by our Zhejiang lithium-ion battery plant. Due to the pandemic of COVID-19, the worldwide economic activities are substantially halted, and new energy vehicle and lithium-ion battery industry are no exception. According to the data released by China Association of Automobile Manufactures (中國汽車工業協會), the production and sales number of new energy vehicles in the PRC were only 105,000 and 114,000 respectively for the first quarter of 2020, decreased by approximately 60.2% and 56.4% when compared to the corresponding period in 2019. Decrease in operating days due to quarantine measures, decrease in sales orders, disruption in supply chain and logistic, etc. all led to a decrease in revenue in the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Business Review — Continued

The Group recorded a gross profit of approximately HK\$9.8 million (gross profit ratio: 27.8%) for the period ended 31 March 2020 as compared with the gross loss of approximately HK\$3.9 million (gross profit ratio: -4.0%) in the last corresponding period. Gross profit ratio improved because the upgraded product of our Zhejiang battery plant has a better profit margin. On the other hand, the Group has improved the overall operating efficiency of the plant, the overhead costs such as depreciation expenses also decreased after impairment provision on property, plant and equipment during the last financial year. Without compromise of the battery quality, the Group also optimised the human resources structure of the battery plant. The Group will continue to control and improve the costs structure of lithium-ion battery products by negotiating with key suppliers to obtain more beneficial terms, increasing the energy density and decreasing the failure rate of our products, strengthening the management skill and promoting effective use of materials, etc.

The compulsory “Technical Specifications for Safety of Electric Bicycles” 《電動自行車安全技術規範》 national standard (the “New National Standard”) was effective from 15 April 2019 in the PRC. It regulates electric bicycles’ safety performance, speed limit, production quality and pedal riding performance, etc., these policies will accelerate the transition of lead-acid battery in electric bicycles to lithium battery. To seize this opportunity, in mid-2019 the Group has launched the battery sharing business focusing on food delivery electric motorcycle branded “GETI” in the PRC in Jiangsu Province and Zhejiang Province. In March 2020, GETI has approximately 230 battery swapping stations and 1,500 active users. The Group will initially focus on serving the customers in the two Province and expand the service to other region in the PRC based on the future business strategy. Ultimately, it is the vision of the Group to provide safety, convenient and reliable battery swapping service to customers all over China. For the period ended 31 March 2020, GETI has recognised approximately HK\$0.9 million revenue.

Other operating income of approximately HK\$17.8 million (31 March 2019: HK\$14.8 million) was recognised during the current period. It consists of government grants of HK\$12.5 million (31 March 2019: HK\$1.2 million), imputed interest income of amounts due from non-controlling interests of HK\$3.3 million (31 March 2019: 3.3 million) and bank interest income of HK\$0.8 million (31 March 2019: \$1.4 million). The increase in other operating income was mainly due to the release of government grants by local government in the PRC in the current period.

The administrative expenses decreased substantially by approximately HK\$9.0 million when compared to the last corresponding period. The decreased was mainly due to the decrease in research and development expenses by approximately HK\$6.6 million as more testings were conducted on new battery product in the last corresponding period. The overall administrative expenses of Shandong Forever New Energy were also decreased by approximately HK\$1.2 million compared to the last corresponding period.

The finance costs of approximately HK\$6.0 million recognised during the period ended 31 March 2020 were mainly interest expense related to the bank borrowings from a commercial bank in the PRC and loans from Zhejiang Geely Holding Group Co., Ltd.

For the period ended 31 March 2020, the loss attributable to the owners of the Company was approximately HK\$68 million (31 March 2019: HK\$10.3 million). The increase in loss was mainly due to the HK\$58.8 million non-recurring, non-cash loss on disposal of a subsidiary (Shandong Forever New Energy) during the current period. The transaction was completed on 19 March 2020 and, Jiangsu Tiankai now owns 50% equity interest in Shandong Forever New Energy, whereas Triumphant Glory’s equity interest in Shandong Forever New Energy has been diluted from 49% to 24.5%. Shandong Forever New Energy has been accounted for an associate of the Company since 19 March 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Business Review — Continued

In 2019, Honbridge Technology Limited (“Honbridge Tech”), a wholly-owned subsidiary of the Company, set up a Joint Venture with 杭州優行科技有限公司 (Hangzhou UGO Tech Co., Ltd.) (“Hangzhou UGO”) and 杭州禾曦嬌科技有限公司 (Hangzhou Hexijiao Technology Co., Ltd.) (“Hangzhou Hexijiao”). The Joint Venture, 20% owned by Honbridge Tech, is initially engaged in online car-hailing services in Paris, France and related services and will gradually extend its online car-hailing services to other cities in Europe depending on its business development progress. The service was launched in Paris in January 2020 with a positive feedback from the market.

As at 31 March 2020, the cash and cash equivalent balance of the Group was approximately HK\$272.0 million. The Group will continue to prudently control its costs and monitor its expenditure under current challenging and difficult economic situation.

### Progress of SAM

COVID-19 has been spreading fast worldwide and there is a huge shortage of surgical masks in Brazil. As a responsible and social caring company, the Group has donated 70,000 pieces surgical masks to the Minas Gerais State of Brasil.



As at 31 March 2020, the Group has provided funding with principal amount of approximately US\$74 million to the iron ore project in Brazil (“Block 8 Project” or “SAM Project”), through shareholders’ loans and increase of registered capital in Sul Americana de Metais S.A. (“SAM”), an indirect wholly owned subsidiary of the Company in Brazil. Combined with the consideration for the acquisition of the entire equity interests in SAM of US\$78 million and other expenses, the aggregate amount invested in the project was approximately US\$154 million.

SAM is devoted to develop Block 8 Project as phase I operation with an annual production capacity of 27.5 million tons with an average grading of 66.2% Fe in the first 18 years’ operation. The project will have an integrated system comprised an open — pit mine, a beneficiation plant, tailings disposal facilities, a power transmission line, water supply pipelines, and a Vacaria water dam. SAM has started licensing process for the mine and its facilities in the Secretariat of Environment and Sustainable Development (“SEMAD”) in the state of Minas Gerais in Brazil.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Progress of SAM — Continued

COVID-19 pandemic has widely affected the normal business and operation of government in Brazil. If there is any breakthrough in the SAM Project, announcement will be made in accordance with the GEM Listing Rules.

### Shareholding in Yuxing InfoTech

The Company is trying to dispose of the 450,357,200 shares of Yuxing InfoTech held by it and has communicated with a few potential buyers, however, no agreement has been reached. In light of the share price performance of Yuxing InfoTech and various factors, even with the completion of the disposal, it is estimated that the Company will not be able to recover the principal amount of the Loans to Cloudrider Limited in full and the Company will update the Shareholders on any material development as and when appropriate.

### Prospects

Despite the central government of China has announced that subsidies for new energy vehicles will be extended to 2022, the Group believe that the government of China will continue to introduce other measures to promote the development of new energy vehicle industry which is one of the national development strategies. In addition, in the post-subsidy period new energy vehicle manufacturers and customers are going to put more focus on the overall quality of the car models. This could be positive for premium and high-end car models, which are the target customer segment of our Group.

Nevertheless, the global economy continues to be weakened by rising trade barriers and increasing geopolitical tensions. The novel coronavirus (COVID-19) outbreak since the end of 2019 adds another significant challenge to the world economy, the economic uncertainty is expected to affect the sales of the Group in 2020. COVID-19 pandemic is also likely to accelerate the elimination and reorganisation in the new energy vehicle and lithium-ion battery industry. The Group will take a more prudent approach in business operation and development.

For the resource sector, the latest progress of the SAM Project was covered in the Progress of SAM section in this report and 2019 annual report. Despite the exceptional time and efforts spent for the SAM iron ore project, it is disappointing and helpless that the Company was still unable to obtain the Preliminary License (LP) in relation to the environmental feasibility, however, the Company will continue to push forward the project and review its status and development continuously in order to make the best decision for the shareholders of the Company. While the iron ore project is currently progressing in the direction of self-development, the introduction of strategic investors for joint development or collective sale cannot be ruled out should suitable opportunities arise in a suitable time. If there is any breakthrough in the matter, announcement will be made in accordance with the GEM Listing Rules.

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

### 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. The first and the second instalment payment amount to US\$75 million were settled before the date of Settlement Agreement. The third, fourth and fifth instalment payment amount to US\$115 million, US\$100 million and US\$100 million were required to be settled according to certain milestones.

## MANAGEMENT DISCUSSION AND ANALYSIS — CONTINUED

### Contingent Consideration and Liabilities — Continued

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 and the 2019 annual report.

As at 31 March 2020, the contingent consideration payable was approximately HK\$161 million (equivalent to approximately US\$20.7 million). Saved as disclosed above the Group did not have any significant contingent liabilities.

### Corporate Governance

Throughout the three months ended 31 March 2020, the Company has complied with all Code Provisions as set out in Appendix 15 of the GEM Listing Rules.

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

As at 31 March 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
HE Xuechu	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	42.07
LIU Wei, William	9,002,000	—	—	9,002,000	0.09
YAN Weimin	30,000,000	—	—	30,000,000	0.30
CHAN Chun Wai, Tony	1,000,000	—	—	1,000,000	0.01

Note:

- The 4,065,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"), Mr. HE Xuechu is the controlling shareholder and director holding 51% equity interest of Hong Bridge.

## 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 31 March 2020, 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

#### Details of options granted

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

Category of participant	Number of share options			Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note a) HK\$
	Outstanding as at 01/01/2020 and 31/03/2020	Date of grant of share options	Exercise period of share option		
Employee	5,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91
	8,750,000	14/05/2015	15/05/2015 – 14/05/2023	2.61	2.55
Total	<u>13,750,000</u>				

Note:

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 March 2020, 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 31 March 2020, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
Hong Bridge	4,065,000,000 (Note 1)	–	–	4,065,000,000	41.25
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	42.07
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	–	4,145,399,189	42.07
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	41.25
Geely International (Hong Kong) Limited	1,850,675,675	–	–	1,850,675,675	18.78
Zhejiang Geely Holding Group Co., Ltd. (Note 4)	–	–	1,850,675,675	1,850,675,675	18.78
LI Shufu (Note 5)	103,064,000	–	1,850,675,675	1,953,739,675	19.83
Shagang International (Hong Kong) Co., Ltd.	446,000,000	–	–	446,000,000	4.53
Jiangsu Shagang Group Co., Ltd. (Note 6)	–	–	446,000,000	446,000,000	4.53
Shen Wenrong (Note 7)	–	–	446,000,000	446,000,000	4.53

Notes:

- 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.
- Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
- Mr. LI Xing Xing holds 30.8% equity interest of Hong Bridge.
- Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
- Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.
- Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.
- Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.

Save as disclosed above, as at 31 March 2020, 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.

## CONTINUING CONNECTED TRANSACTIONS

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

### Volvo Car Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor)
		Volvo Car (as the purchaser)
Date	:	23 October 2017
Term	:	From 23 October 2017 to 22 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
2020 cap for the period from 1 January 2020 to 22 October 2020	:	RMB251 million
Sales for the period ended 31 March 2020	:	approximately RMB20.2 million (HK\$22.5 million)

### Zhejiang Geely Components Sales Agreement

Parties	:	Zhejiang Forever New Energy (as the vendor)
		Zhejiang Geely Components (as the purchaser)
Date	:	25 October 2017
Term	:	From 25 October 2017 to 24 October 2020
Nature of transaction	:	Sale and purchase of high performance ternary lithium-ion battery packs
2020 cap for the period from 1 January 2020 to 24 October 2020	:	RMB951 million
Sales for the period ended 31 March 2020	:	approximately RMB10.6 million (HK\$11.8 million)

## 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 three months ended 31 March 2020.

## DIRECTORS' INTERESTS IN CONTRACTS

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the three months ended 31 March 2020.

## AUDIT COMMITTEE

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

The Group's unaudited results for the three months ended 31 March 2020 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the three months ended 31 March 2020, 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 report were:

### Executive Director:

Mr. He Xuechu (*Chairman*)  
Mr. Liu Jian (*Vice Chairman and Co-Chief Executive Officer*)  
Mr. Liu Wei, William (*Co-Chief Executive Officer*)

### Non-Executive Director:

Mr. Yan Weimin  
Mr. Ang Siu Lun, Lawrence

### Independent Non-Executive Director:

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

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

Hong Kong, 13 May 2020