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## **HONBRIDGE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

### **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — SALES AGREEMENTS**

#### **Independent Financial Adviser to the Company**



**GOLDIN FINANCIAL LIMITED**  
**高銀融資有限公司**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the EGM to be held at 10:00 a.m., Hong Kong on Friday, 29 June 2018, at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on page EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish.

13 June 2018

## **CHARACTERISTICS OF GEM**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed of 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 higher 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.**

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## DEFINITIONS

*In this circular, the following expressions have the following meanings, unless the context otherwise requires:*

“Announcements”	the announcements of the Company dated 23 October 2017, 25 October 2017 and 13 June 2018 in relation to the Sales Agreements
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“CMA”	Compact Modular Architecture, which is owned by Zhejiang Geely and used for developing compact vehicle models
“Company”	Honbridge Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock Code: 8137)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held for Independent Shareholders to consider and, if thought fit, approve the sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder
“First Sales Agreement”	the sales agreement dated 23 October 2017 entered into between Zhejiang Forever New Energy and Volvo Car in relation to the sales of lithium-ion battery packs
“Geely International”	Geely International (Hong Kong) Limited, a company incorporated in Hong Kong and is a substantial shareholder of the Company
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	with respect to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, the Shareholders excluding Geely International, Zhejiang Geely, Mr. Li and their associates
“kWh”	kilowatt-hour
“Latest Practicable Date”	12 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Mr. Li”	Mr. Li Shufu, a substantial shareholder of the Company who holds directly and indirectly approximately 19.83% interest in the Company and holds 90% equity interest in Zhejiang Geely
“NEV”	new energy vehicle
“PRC”	the People’s Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Revised Annual Caps”	the proposed revised annual caps applicable to the transactions under the Sales Agreements, details of which are set out in the sections headed “REVISED ANNUAL CAPS”
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreements”	the First Sales Agreement and the Second Sales Agreement

## DEFINITIONS

“Second Sales Agreement”	the sales agreement dated 25 October 2017 entered into between Zhejiang Forever New Energy and Zhejiang Geely Components in relation to the sales of lithium-ion battery packs
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax at the rate of 17%
“Volvo Car”	Volvo Car Corporation, a limited liability company incorporated in Sweden and is a non-wholly owned subsidiary of Zhejiang Geely
“Zhejiang Forever New Energy”	浙江衡遠新能源科技有限公司, transliterated as Zhejiang Forever New Energy Co., Ltd.*, a limited liability company incorporated in the PRC and a non- wholly owned subsidiary held indirectly as to 49% by the Company
“Zhejiang Geely”	浙江吉利控股集團有限公司, transliterated as Zhejiang Geely Holding Group Co., Ltd.*, a limited liability company incorporated in the PRC
“Zhejiang Geely Components”	浙江吉利汽車零部件採購有限公司, transliterated as Zhejiang Geely Automobile Parts & Components Stock Co., Ltd.*, a limited liability company incorporated in the PRC and is a non-wholly owned subsidiary of Zhejiang Geely

\* *The English translation of the Chinese name is for identification purposes only, and should not be regarded as the official English translation of such name.*

*If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.*

**LETTER FROM THE BOARD**



**HONBRIDGE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

*Executive Directors:*

He Xuechu (*Chairman*)

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

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

*Non-executive Directors:*

Yan Weimin

Ang Siu Lun, Lawrence

*Independent Non-executive Directors:*

Chan Chun Wai, Tony

Ma Gang

Ha Chun

*Registered Office:*

P.O. Box 31119 Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman, KY1-1205

Cayman Islands

*Principal Place of Business*

*in Hong Kong:*

Unit 5402, 54th Floor

Central Plaza

18 Harbour Road

Wanchai, Hong Kong

13 June 2018

*To the Shareholders and for information only*

Dear Sir/Madam,

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS —  
SALES AGREEMENTS**

**INTRODUCTION**

Reference is made to the Announcements in relation to the Sales Agreements.

The purpose of this circular is to provide, among other things, (i) further details of the Sales Agreements for the purpose of the revision of the proposed annual caps; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the Independent Financial Adviser to both the Independent Board Committee and the Independent Shareholders.

## LETTER FROM THE BOARD

### (1) The First Sales Agreement

On 23 October 2017, Zhejiang Forever New Energy, a subsidiary of the Company, entered into the First Sales Agreement with Volvo Car in relation to the sale and purchase of high performance ternary lithium-ion battery pack for a term from 23 October 2017 to 22 October 2020.

Under the First Sales Agreement, the prices and quantities of the goods purchased by Volvo Car from Zhejiang Forever New Energy and the relevant dates of delivery are subject to negotiation and are specified in individual purchase orders.

#### *Original annual caps*

The Board approved the following annual caps (excluding VAT) in respect of the First Sales Agreement for the two financial years ending 31 December 2018:

	<b>2017</b>	<b>2018</b>
	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	30,000,000	280,000,000

#### *Historical transaction values*

There was no historical transaction amount for the period from 23 October 2017 to 31 December 2017; and the unaudited transaction amount for the period from 1 January 2018 to 30 April 2018 was approximately RMB2,191,000.

#### *Revised Annual Caps*

The Board proposed to apply for the revised annual cap for the financial year ending 31 December 2018, the annual cap for the financial year ending 31 December 2019 and the cap for the period from 1 January 2020 to 22 October 2020. The annual caps in respect of the First Sales Agreement will be revised as follows:

	<b>For the year ending</b>	<b>For the year ending</b>	<b>For the period from</b>
	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2018</b>	<b>2019</b>	<b>2020 to</b>
	<i>RMB</i>	<i>RMB</i>	<b>22 October</b>
			<i>RMB</i>
Proposed annual caps	178,000,000	278,000,000	251,000,000

The proposed revised annual caps were determined primarily based on the estimated transaction amount to be conducted under the First Sales Agreement after taking into account, among others, (i) the expected demand from Volvo Car for high performance ternary lithium-ion powered battery packs having considered, among others, a previous

## LETTER FROM THE BOARD

announcement of Volvo Car that all its car models to be launched after 2019 will not be powered solely by internal combustion engine; (ii) the estimated selling price of high performance ternary lithium-ion powered battery packs, which, as an industrial norm, is expected to decrease slightly throughout the relevant contract period due to factors such as enhancement in technology and entries of other manufacturers into the industry over time; (iii) the expected increase in the production capacity of Zhejiang Forever New Energy; and (iv) the expected positive future prospect of the NEV market as supported by several governmental plans and policies including but not limited to 《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》(Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption and New Energy Vehicle Credits\*), a dual-credit system released by the Ministry of Industry and Information Technology of the PRC in September 2017 and effective in April 2018 (the “**Governmental Plans and Policies**”) in order to promote the usage of the NEVs in the PRC, the announcement made by the PRC government in December 2017 in relation to the continuous waiver of purchase taxes on the NEVs in the next three years, and the announcements made by the government of several European countries in relation to the potential law enactment to ban the sales of petrol-only vehicles.

### (2) The Second Sales Agreement

On 25 October 2017, Zhejiang Forever New Energy entered into the Second Sales Agreement with Zhejiang Geely Components in relation to the sale and purchase of high performance ternary lithium-ion battery pack for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely for a term from 25 October 2017 to 24 October 2020.

Under the Second Sales Agreement, the prices and quantities of the goods purchased by Zhejiang Geely Components from Zhejiang Forever New Energy and the relevant dates of delivery are subject to negotiation and will be specified in individual purchase orders.

#### *Original annual caps*

The Board approved the following annual caps (excluding VAT) in respect of the Second Sales Agreement for the two financial years ending 31 December 2019:

	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	600,000,000	900,000,000

#### *Historical transaction values*

There was no historical transaction value for the period from 25 October 2017 to 31 December 2017; and the unaudited transaction amount for the period from 1 January 2018 to 30 April 2018 was approximately RMB2,033,000.

## LETTER FROM THE BOARD

### *Revised Annual Caps*

The Board proposed to apply for the revised annual cap for the financial year ending 31 December 2018, the annual cap for the financial year ending 31 December 2019 and the cap for the period from 1 January 2020 to 24 October 2020. The annual caps in respect of the First Sales Agreement will be revised as follows:

	<b>For the year ending 31 December 2018 RMB</b>	<b>For the year ending 31 December 2019 RMB</b>	<b>For the period from 1 January 2020 to 24 October 2020 RMB</b>
Proposed annual caps	207,000,000	739,000,000	951,000,000

The proposed revised annual caps were determined primarily based on the estimated transaction amount to be conducted under the Second Sales Agreement after taking into account, among others, (i) the expected increase in the demand from Zhejiang Geely and its subsidiaries for high performance ternary lithium-ion powered battery packs having considered, among others, an announcement previously made by Zhejiang Geely that it will target pure electric and hybrid vehicles to make up 90% of its sales by 2020; (ii) the estimated selling price of high performance ternary lithium-ion powered battery packs, which, as an industrial norm, is expected to decrease slightly throughout the relevant contract period due to factors such as enhancement in technology and entries of other manufacturers into the industry over time; (iii) the expected increase in the production capacity of Zhejiang Forever New Energy; and (iv) the expected positive future prospect of the NEV market as supported by the Governmental Plans and Policies.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The transactions contemplated under the Sales Agreements between the Group and Volvo Car/Zhejiang Geely Components or its associate(s) were entered into in the ordinary and usual course of business of the Group. The Directors are of the view that securing such world renowned customers is an affirmation for the quality of the lithium-ion batteries produced by Zhejiang Forever New Energy and can effectively improve the Group's financial performance and deliver a stable income to the Group given there will be different vehicle brands under Zhejiang Geely using the powered batteries produced by Zhejiang Forever New Energy.

In view of the above-mentioned reasons and taking into account: (i) the estimated sales volume of lithium-ion powered battery packs for the coming years; (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Agreements; and (iii) the current and forecast market price of ternary lithium-ion powered battery packs in the market, and the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the Sales Agreements were entered into in the ordinary course of the Group's business and on normal commercial terms, and the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### PRICING PRINCIPLES OF THE SALES AGREEMENTS

The price of goods under the Sales Agreements will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders. The price of goods above would be set after making reference to the prevailing market price of same or substantially similar products from other independent third party lithium-ion powered battery manufacturers on normal commercial terms and in the ordinary course of business. Subject to any future change in the internal control system, the Group would conduct market research on a quarterly basis and gather relevant information to assess the prevailing market price of similar products. Products price will be reviewed quarterly to ensure that the price set is consistent with the prevailing market price of similar products and is no less favourable to the price of similar products offered to the independent third parties.

More specifically, for the products sold to Volvo Car, the Company has made reference to the quotation to Volvo Car from an internationally renowned powered battery brand; and for the products sold to Zhejiang Geely Components, the Company has made reference to the quotation from one of the largest global lithium ion battery producers. After obtaining the quotations from the above third party suppliers, the sales team of the Company performs analysis against factors including but not limited to the general market supply and demand of the products, raw material costs, available production capacity and delivery time, etc (the "**Other Factors**") to determine the price ranges and ensure that the price ranges are not lower than the quotations offered by third party suppliers.

The Directors consider that the above methods and systems ensure that the transactions contemplated under the Sales Agreements will be conducted on normal commercial terms without prejudice to the interests of the Company and its Shareholders.

### INTERNAL CONTROL MEASURES

In order to comply with the pricing principles of the Sales Agreements and safeguard the interests of the Shareholders as a whole, the Company takes the following internal control measures:

The Group has a business unit designated to keep track of selling prices of similar lithium-ion batteries in the market through market quotations, public available industry research reports issued by investment banks or securities firms, news or information on a quarterly basis and share their findings with the sales teams and finance department. The Group also maintains a database, which is updated monthly, to save all the transaction pricing information under the Sales Agreements and other market intelligence. Such database allows the sales department of the Group to keep up-to-date records of the unit prices of products sold by the Group so that its sales teams can timely obtain the relevant pricing information as the basis to compare with the other Factors and determine the price range for the lithium-ion batteries to be sold under the Sales Agreements. This ensures the lithium-ion batteries are sold at prices that are no less favourable than the products available in the market.

## **LETTER FROM THE BOARD**

If it is required to revise the selling price of the lithium-ion batteries, the sales and finance departments will hold a meeting to confirm and revise the selling price with reference to the market. The finance department of the Group will also ensure the relevant transactions under the Sales Agreements are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interest of the Company and the Shareholders as a whole. The finance department of the Group is responsible to track, monitor and evaluate the transaction amounts under the Sales Agreements. The amounts are reported to the sales department on a monthly basis so as to ensure the annual caps are not exceeded.

The above internal control measures are supervised and monitored by the general manager of Zhejiang Forever New Energy to ensure the Sales Agreements are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

The Group will conduct assessment at least annually on the internal control measures for all continuing connected transactions to ensure such internal control measures have been adhered to and are effective.

The independent non-executive Directors also conduct a review on all continuing connected transactions each year and confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company also engages its independent auditors to report on transactions under the Sales Agreements each year. The independent auditors reviews and confirms in the annual report whether transactions under the Sales Agreements have been approved by the Board, are in compliance with the pricing policies of the relevant agreement governing the transactions, and have not exceeded the relevant annual caps.

The Board will consider the results from the above reviews and take action to further strengthen the internal control measures on all continuing connected transactions of the Group, where necessary.

### **RELIANCE ON ZHEJIANG GEELY AND ITS SUBSIDIARIES**

In the short term, the Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New energy after mass production. The strategy of Zhejiang Forever New Energy is to get an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, given Zhejiang Forever New Energy is a new factory without a track record and not well known by most of the automobile enterprises. The Company aims to become the main powered battery supplier of different vehicle brands under Zhejiang Geely. The use of the Company's powered batteries in different brands under Zhejiang Geely is beneficial for the Company to get orders from other world's mainstream automobile manufacturers. The Company will however continue to strengthen its sales team and research and development department, develop relationships with new customers from different segments, different countries to diversify the concentration risk in medium and long term. As such, the Group

## LETTER FROM THE BOARD

may be subject to concentration risk from Zhejiang Geely. Zhejiang Geely is not obliged in any way to continue placing orders to the Group. Should Zhejiang Geely reduce substantially the size of its purchase orders placed with the Group or terminate their business relationship with the Group entirely, the results of operations and financial performance of the Group may be adversely affected.

Notwithstanding the above, the Company is confident that the reliance on Zhejiang Geely is likely to decrease after Zhejiang Forever New Energy's battery quality is proven by Zhejiang Geely and Volvo Car and when the market further expands with more NEV manufacturers in the coming years, having considered that (i) Zhejiang Forever New Energy is building up a sales team and will strengthen it along with expansion plan; (ii) the products of Zhejiang Forever New Energy will gradually become more competitive and therefore attract orders from other customers in the future; and (iii) the Group also attaches great importance to the exploration of independent customers for Zhejiang Forever New Energy. Currently, Shandong Forever New Energy Ltd., another subsidiary of the Company, has developed new independent customers including Jinhua Kandi New Energy Vehicle Co., Ltd., Zhidou Electric Vehicle Co., Ltd., Shandong Telangsi (山東特朗斯), Suzhou Pulaier (蘇州普萊爾), etc. The Group is actively arranging roadshows to introduce Zhejiang Forever New Energy and its products to potential customers, conducting business meetings to understand customers' specifications, timetable and pricing requirement and conducting products matching with major automobile enterprises, NEV enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with the key customers.

### **Internal control measures for reliance on Zhejiang Geely and its Subsidiaries**

The Company does not have specific internal control measures in place to ensure that the Company will not have excess reliance on its connected persons. It is because whenever the Company conducts any transactions with connected persons, the treatment is the same (other than the consideration and compliance of the Chapter 20 of the GEM listing rule) as independent third party.

However, the Company does have a guideline to manage customer concentration risk. Every year, the Company assesses a customer's relative size in terms of the total revenue of the Group. If the percentage is equal to or greater than a set percentage, a customer concentration risk is identified. The management will consider guidelines such as: increasing sales to other customers or entering new markets to dilute the percentage of concentration; enhancing relationship with the customers or diversifying the products and service to the customers to make the Company a supplier which is not easy to be replaced; considering entering into a LTSA (long term supply agreement) with the customer; and ensuring there is a multiple contacts so that the relationship with the customer is not tie by a single person, etc.

The Directors will also further discuss and assess the risk of excess reliance on its connected person and design an internal control measures if considered necessary.

## LETTER FROM THE BOARD

The Company is able to manage customer concentration risk to ensure that the entering into the Sales Agreements would not result in extreme reliance on Zhejiang Geely based on the following grounds:

### *Domination of a few suppliers:*

The powered battery industry is currently dominated by a few suppliers, it is the same case for the NEV industry in the PRC. If a powered battery manufacturer wants to get a sizeable order, the manufacturer has to form a business relationship with the top 10 passenger NEV manufacturers. The top NEV manufacturer BYD (比亞迪) used its own brand powered batteries while runner up NEV manufacturer BAIC BJEV (北汽新能源汽車股份有限公司) signed a purchase agreement with an amount approximately RMB1,900 million with Guoxuan High-Tech Co. Ltd. (國軒高科股份有限公司) in May 2017. In June 2017, SAIC Motor (上汽集團) (the largest automobile manufacturer in the PRC) announced that they have agreed to set up two joint ventures with CATL (寧德時代新能源科技股份有限公司) with a total investment of approximately RMB10 billion in order to secure powered battery supply in the future. Zhejiang Geely, being one of the top 10 passenger NEV manufacturers in the PRC, is also one of the shareholders of Zhidou Electric Vehicle Co. Ltd. (知豆電動車有限公司), which is a very important and valuable anchor customer for Zhejiang Forever New Energy.

### *Customer concentration is not uncommon in the industry:*

As the NEV industry is only in the infant stage and is currently dominated by a few powered battery suppliers and a few NEV manufacturers, customer concentration is not uncommon. For example, Panasonic, which was ranked number 2 powered battery supplier in the world in 2017, provided most of its batteries to NEV manufacturer Tesla, Inc. The powered battery manufactured by BYD is consumed by its own group. CATL, which is currently considered the best and most successful powered battery supplier in the PRC disclosed in its prospectus that in 2017, its top 5 customers accounted for around 51.9% of its total sales. Whereas in the years 2015 and 2016, the top 5 customers of CATL accounted for around 82.6% and 79.5% of its total sales, respectively. As the above-mentioned, BAIC BJEV signed a purchase agreement in an amount approximately RMB1,900 million in May 2017 with Guoxuan High-Tech Co. Ltd. and such agreement accounted for nearly 40% of total sales of Guoxuan High-Tech Co. Ltd. in 2016.

### *Change of business model to reduce the level of reliance:*

Although there are over a hundred of powered battery manufacturers in the PRC, the top 10 powered battery manufacturers dominated around 80.1% of the market share according to a public source. It was mainly because of a lack of high quality powered batteries which can supply in a large scale in the market. This also explains why major NEV manufacturers are eager to form joint ventures and sign large purchase agreements with the top powered battery suppliers. For the new products in Zhejiang Forever New Energy, the Company is confident that it can be considered as one of the best products in the industry. Shandong Forever New Energy Ltd. and Zhejiang Forever New Energy, both subsidiaries of the Company, have been recruiting talent in the market in recent years, including senior research & development experts who have worked in internationally renowned lithium battery enterprises.

## LETTER FROM THE BOARD

*The reliance is mutual and complementary:*

It takes months or years for testing and matching for a powered battery to be used in a NEV. Before proceeding with mass production and for sale, each vehicle model is required to submit its details specification (including powered batteries used) to the Ministry of Industry and Information Technology in the PRC for approval, which takes months. Given Zhejiang Forever New Energy has involved in the above processes with Zhejiang Geely and Volvo Car, Zhejiang Geely and Volvo Car cannot find substitute suppliers easily within a short period of time.

*The reliance is likely to decrease in the future:*

The Company targets to reduce its reliance on its connected person or top customers like CATL when its top 5 customers concentration decreased from 82.6% in 2015 to 51.9% in 2017. The Company is confident to diversify its customer base after the batteries produced by Zhejiang Forever New Energy are proven by Zhejiang Geely and Volvo Car and when the market further expands with more new NEV manufacturers in the coming years. To build up contact with potential customers, Zhejiang Forever New Energy will continue to strengthen its sales team. On the other hand, Shandong Forever New Energy Ltd., another subsidiary of the Company, also maintains a sales team focusing on customers in the field of mid and low-speed electric car, storage battery and bus, etc. Apart from the lithium-ion batteries segment, the Group also has an iron ore project in Brazil. When the iron ore project commences operation in the future, it will sell its products to independent customers. This will further decrease the Group's reliance on its connected persons.

*The Company is capable of maintaining its revenue in light of the reliance:*

It is expected that the sales of NEV in the PRC will be increased substantially in the coming years. On the other hand, traditional vehicles manufacturers in the world will strengthen their development in the NEV sector and many countries have already announced timetables to limit the sales of petrol fuelled vehicles. The Company believes the NEV and powered battery industry will expand explosively in the coming years and the Company will be ready to become one of the key players.

### **INFORMATION ON THE PARTIES**

#### **Zhejiang Forever New Energy**

Zhejiang Forever New Energy is a non-wholly owned subsidiary held indirectly as to 49% by the Company. Zhejiang Forever New Energy 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 high performance lithium-ion battery and battery system.

#### **The Group**

The Group is principally engaged in manufacturing and trading of lithium-ion battery, investment in new energy and resource sector and exploration of mineral resources.

## LETTER FROM THE BOARD

### **Volvo Car**

Volvo Car is an automobile manufacturer incorporated in Sweden. It owns and controls the luxury European automobile brand “Volvo” and is principally engaged in the development, manufacture, and distribution of cars that includes sedans, sports wagons, cross country cars, and sport utility vehicles (SUVs) worldwide. Volvo Car has announced that all Volvo car models launched after 2019 will not be powered solely by internal combustion engine.

### **Zhejiang Geely Components**

Zhejiang Geely Components is a limited liability company incorporated in the PRC and is principally engaged in the wholesale, sales and related after-sale services of vehicle parts and engine parts. Zhejiang Geely has announced publicly that it will target pure electric and hybrid vehicles to make up 90% of sales by 2020. Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely.

### **IMPLICATION OF THE GEM LISTING RULES**

As at the date of the Sales Agreements, Zhejiang Geely was a substantial shareholder of subsidiaries of the Company and connected person at subsidiary level. The transactions contemplated under the Sales Agreements constituted continuing connected transactions of the Company and were exempted from the circular, independent financial advice and Shareholders’ approval requirements under Rule 20.99 of the GEM Listing Rules. On 6 November 2017, Zhejiang Geely, through a wholly-owned subsidiary, converted certain convertible bonds of the Company into 1,600 million conversion shares which represented 16.9% of the enlarged issued shares of the Company. Zhejiang Geely has then become a substantial shareholder at the Company’s level and a connected person of the Company. The Company was required to comply the relevant requirements in respect of the continuing connected transactions contemplated under the Sales Agreements under Chapter 20 of the GEM Listing Rules. No approval from the Independent Shareholders was obtained by the Company for the transactions conducted during the period from 1 January 2018 to 30 April 2018 under the Sales Agreements.

As at the Latest Practicable Date, Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. Given each of Volvo Car and Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely, each of Volvo Car and Zhejiang Geely Components is an associate of the connected person of the Company. As such, the transactions contemplated under the Sales Agreements are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.52(2) of the GEM Listing Rules, if the Company proposes to revise the existing annual caps, the Company will have to re-comply with the relevant announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

## **LETTER FROM THE BOARD**

As one or more of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules in respect of the revised annual caps for the Sales Agreements exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **EGM**

The EGM will be held at 10:00 a.m., Hong Kong on Friday, 29 June 2018, at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, approve, among other matter (if any), the Sales Agreements, the Revised Annual Caps and the transaction contemplated thereunder.

To the best of the Director's knowledge, information and belief, having made all reasonable enquires, none of the Directors is materially interested in the Sales Agreements and the proposed Revised Annual Caps, and therefore none of the Directors is required to abstain from voting on the Board resolutions to approve the Sales Agreements, the proposed Revised Annual Caps and the transaction contemplated thereunder.

Given Zhejiang Geely indirectly holds 1,850,675,675 ordinary shares of the Company which carry voting right at the general meetings of the Company, representing approximately 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 90% equity interest in Zhejiang Geely, Zhejiang Geely, Geely International, Mr. Li and their associates will be required to abstain from voting at the EGM to be convened and, if thought fit, to approve the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Save for Zhejiang Geely, Geely International, Mr. Li and their associates, no Shareholder has any material interest in the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolutions in respect of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM is enclosed herewith. If you are not able to attend the EGM, you are requested to complete the proxy form and return it to the Company's share registrar, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

### **INDEPENDENT BOARD COMMITTEE**

Pursuant to the GEM Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been established to consider the terms of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

## LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from Independent Financial Adviser as set out on pages 18 to 33 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder.

### RECOMMENDATION

Having considered the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Advisers) consider that the terms of the Sales Agreements and the Revised Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

On behalf of the Board  
**Honbridge Holdings Limited**  
**Liu Wei, William**  
*Director and Joint Chief Executive Officer*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder.*



### **HONBRIDGE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

### **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — SALES AGREEMENTS**

We refer to the circular of the Company dated 13 June 2018 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, to advise you as to whether such terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the Sales Agreements, the Revised Annual Caps and the transactions contemplated therein. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 4 to 15 of this circular and the letter from the Independent Financial Adviser set out on pages 18 to 33 of this Circular which contains its advice to us and Independent Shareholders in respect of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder; and the additional information set out in the appendices to this Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taking into account, among other things, the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the transactions contemplated under the Sales Agreements are in the ordinary and usual course of business and the terms of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sales Agreements, the Revised Annual Caps and the transactions completed thereunder.

**Mr. CHAN Chun Wai, Tony**

Yours faithfully,

**Mr. MA Gang**

**Mr. HA Chun**

*Independent Board Committee*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



**GOLDIN FINANCIAL LIMITED**  
**高銀融資有限公司**

**Goldin Financial Limited**  
22/F.  
Far East Financial Centre  
16 Harcourt Road  
Hong Kong

13 June 2018

*To: The Independent Board Committee and  
the Independent Shareholders of Honbridge Holdings Limited*

Dear Sirs and Madams,

### **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — SALES AGREEMENTS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 13 June 2018 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

References are made to the Announcements. On 23 October 2017, Zhejiang Forever New Energy, a subsidiary of the Company, entered into the First Sales Agreement with Volvo Car in relation to the sale and purchase of high performance ternary lithium-ion battery pack for a term from 23 October 2017 to 22 October 2020. On 25 October 2017, Zhejiang Forever New Energy entered into the Second Sales Agreement with Zhejiang Geely Components in relation to the sale and purchase of high performance ternary lithium-ion battery pack for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely for a term from 25 October 2017 to 24 October 2020.

As at the Latest Practicable Date, Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International. Zhejiang Geely is therefore a substantial shareholders and a connected person of the Company. Given each of Volvo Car and Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely, each of Volvo Car and Zhejiang Geely Components is an associate of the connected person of the Company. As such, the transactions contemplated thereunder the Sales Agreements are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 20.52(2) of the GEM Listing Rules, if the Company proposes to revise the existing annual caps, the Company will have to re-comply with the relevant announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules in respect of the revised annual caps for the Sales Agreements exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement and the shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The EGM will be held to consider and, if thought fit, approve, among others (if any), the Sales Agreements and the transactions contemplated thereunder.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been formed to advise the Independent Shareholders in respect of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreement, the Revised Annual Caps and the transactions contemplated thereunder. Our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Goldin Financial. In the last two years, Goldin Financial has been appointed as the independent financial adviser to the then Independent Board Committee and the then independent shareholders of the Company, details of such appointments are set out in the circular of the Company dated 11 July 2016. Apart from the normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder.

### BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the First Sales Agreements, the Second Sales Agreement, the Announcements, the annual report of the Company for the year ended 31 December 2017 (the "**Annual Report**"), the first quarterly report of the Company for the three months ended 31 March 2018 (the "**Q1 Report**"). We have also reviewed certain information provided by the management of the Company relating

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant, and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Sales Agreement, and the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, or be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

### **1 Reasons for and benefit of the entering into the Sales Agreements and the transactions contemplated thereunder (including the Revised Annual Caps)**

Zhejiang Forever New Energy 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, and sales of high performance lithium-ion battery and battery system. The Group is principally engaged in manufacturing of lithium-ion battery, investment in new energy and resource sector and exploration of mineral resources.

Recently, the Group has been developing the lithium-ion battery project actively and cautiously by improving technology, upgrading products, expanding the production capacity and conducting product matching with automobile enterprises. According to the Annual Report, the existing product portfolio of the Group consists of various types of lithium-ion powered batteries, specifications of which including, among others, energy density, power density, life cycle, consistency and safety have reached an advance level. In order to develop its powered battery business, the Group has been exploring business opportunities with existing and potential new customers including major automobile enterprises and NEV enterprises.

Established in 1986, Zhejiang Geely commenced its automobile business in 1997 and ranked for the sixth consecutive year in 2017 as one of the Fortune Global 500 (<http://fortune.com/global500/>) companies, the ranking of which is measured by annual revenue generated by corporations worldwide. In terms of return on equity, Zhejiang Geely ranked fourth among the all companies in the PRC and ranked first among all automobile companies in the PRC, demonstrating its consecutively high profitability as compared to other competitors within the industry. On the other hand, Volvo Car, a non-wholly owned subsidiary of Zhejiang Geely, was established in 1927 and owns sale channels across about 100 countries worldwide, according to the official website of Volvo Car (<https://www.volvocars.com/>) (the “**Volvo Website**”). Considering the long establishment and immense business operations of Zhejiang Geely and Volvo Car, the entering into of the Sales Agreements will not only allow the Group to secure a source of revenue through the transactions to be conducted thereunder, the business relationships with Zhejiang Geely and Volvo Car, being world renowned automobile companies, will help affirm the quality of lithium-ion batteries produced by Zhejiang Forever New Energy, potentially attracting new customers of both the high performance ternary lithium-ion powered battery packs and other products of Zhejiang Forever New Energy, which will in turn enhance the profitability of the Group and ultimately, returns to the Shareholders.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the foregoing, we are of the view that the entering into of the Sales Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### 2 Principal terms of the Sales Agreements

On 23 October 2017, Zhejiang Forever New Energy, as supplier, and Volvo Car, as purchaser, entered into the First Sales Agreement in relation to the supply and purchase of high performance ternary lithium-ion powered battery packs for a term of three years from 23 October 2017 to 22 October 2020.

On 25 October 2017, Zhejiang Forever New Energy, as supplier, and Zhejiang Geely, as purchaser, entered into the Second Sales Agreement in relation to the supply and purchase of high performance ternary lithium-ion powered battery packs for a term of three years from 25 October 2017 to 24 October 2020.

The price of goods under the Sales Agreements will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders. Such price would be set after making reference to the prevailing market price of same or substantially similar products from other independent third party lithium-ion powered battery manufacturers on normal commercial terms and in the ordinary course of business.

As at the Latest Practicable Date, the Group has not entered into any agreements with independent third parties in relation to the sale and purchase of powered battery packs of similar quality and attribute to those under the Sales Agreements. For the purpose of our analysis, we have conducted research from the public domain and made reference to a research report (the "**GF Research Report**") relating to the development of NEV and powered batteries as published by GF Securities Co., Ltd. ("**GF**", and collectively with its subsidiaries, the "**GF Group**") (<http://en.gf.com.cn/>) on 9 March 2018, being the latest available source for the market price of ternary lithium-ion powered batteries at the time of our assessment. We have, in such regard, assessed the background of GF from the public domain and noted that GF is a company listed on the Main Board of the Stock Exchange. Based on the official website of GF, GF was established in 1991 in the PRC as one of the first batch of pilot compliance management companies selected by the China Securities Regulatory Commission. According to the annual report of GF for the year ended 31 December 2017, the GF Group possesses licenses for providing comprehensive financial services and the equity research of GF covers over 750 listed companies in the PRC in 26 industries, and over 86 companies listed on the Stock Exchange. It is also noted that the research and reports published by GF are widely made reference to in the mainstream financial and news media in the PRC. Taking into account the above and the date of publication of the GF Research Report, which in our view is reasonably recent to reflect the latest market conditions of the NEV and the powered battery industries, we consider it fair and reasonable to make reference to the GF Research Report in conducting our analysis.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the pricing terms of the Sales Agreements, we have reviewed all sample invoices (the “**Sample Invoices**”) for the transactions conducted under each of (i) the First Sales Agreement since 23 October 2017; and (ii) the Second Sales Agreement since 25 October 2017 up to and including 30 April 2018, and noted that all of such transactions were conducted in 2018. Based on our review, the pricing terms under the reviewed Sample Invoices are no less favourable than the prevailing market price of ternary lithium-ion powered battery as set out in the GF Research Report, being consistent with the pricing principle under the Sales Agreements.

The Company has established a series of internal control measures in order to ensure the compliance with the pricing principles of the Sales Agreements. As set out in the Letter from the Board, among others, the business unit keeps track of selling prices of similar lithium-ion batteries in the market and the sales department keeps records which is updated on a monthly basis of the unit prices of products sold by the Group such that relevant pricing information could be obtained timely and analysis could be performed by the sales teams when determining the price ranges for the lithium-ion batteries to be sold under the Sales Agreements in order to ensure the lithium-ion batteries are being sold at prices that are no less favourable than the products available in the market. The finance department of the Group will also ensure the relevant transactions under the Sales Agreements are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interest of the Company and the Shareholders as a whole. The finance department of the Group is responsible to track, monitor and evaluate the transaction amounts under the Sales Agreements. The amounts are reported to the sales department on a monthly basis so as to ensure the annual caps are not exceeded. The above internal control measures are supervised and monitored by the general manager of Zhejiang Forever New Energy. In addition, various procedures including annual reviews by the independent non-executive Directors and independent auditors will be conducted to confirm the compliance with the pricing principles of the Sales Agreements following execution of the individual purchase orders. Taking into account that, among others, internal control measures will be implemented with clear lines of responsibilities, we are of the view that there are sufficient internal control measures in place to ensure the compliance with the pricing principles of the Sales Agreements.

Accordingly, having considered that (i) the price of goods under the Sales Agreements shall be determined with reference to and no less favourable than the prevailing market price of same or substantially similar products from other independent third party lithium-ion powered battery manufacturers; (ii) the pricing terms under the reviewed Sample Invoices are no less favourable than the market price of ternary lithium-ion powered battery; and (iii) the abovementioned internal control measures in place to ensure the compliance with the pricing principles of the Sales Agreements, we are of the view that the terms of the Sales Agreements and the transactions contemplated thereunder are normal commercial terms, are fair, reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **3 The Revised Annual Caps**

#### ***3.1 The First Sales Agreement***

Summarised in Table 1 below are the Revised Annual Caps in respect of the First Sales Agreement (the “**First Revised Annual Cap(s)**”) for each of the years ending 31 December 2018 and 31 December 2019, and the period from 1 January 2020 to 22 October 2020 (the “**First 2020**”, and collectively with 2018 and 2019, the “**First Relevant Period**”), respectively.

Table 1: A summary of the First Revised Annual Caps

	<b>For the year ending 31 December 2018 RMB</b>	<b>For the year ending 31 December 2019 RMB</b>	<b>For the period from 1 January 2020 to 22 October 2020 RMB</b>
First Revised Annual Caps	178,000,000	278,000,000	251,000,000

It can be seen that the First Revised Annual Caps demonstrate an increasing trend throughout the First Relevant Period with a significant increase in 2019.

As advised by the management of the Company, the First Revised Annual Caps were determined primarily based on the estimated transaction amount to be conducted under the First Sales Agreement during the First Relevant Period, which were in turn derived from (i) the estimated sales volume to be conducted under the First Sales Agreement during the First Relevant Period; and (ii) the estimated selling prices to be charged pursuant to the First Sales Agreement during the First Relevant Period.

##### ***3.1.1 The estimated sales volume to be conducted under the First Sales Agreement***

Based on the calculations of the First Revised Annual Caps, it is expected that the sales volume to be conducted under the First Sales Agreement, with the estimated sales volume for the First 2020 being considered on an annualised basis, will experience an increasing trend throughout the First Relevant Period with a relatively significant growth in 2019. The aforesaid trend is consistent with the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

trend of the First Revised Annual Caps. In assessing the determination of the estimated sales volume to be conducted under the First Sales Agreement, we have primarily taken into account the factors below:

(i) *The prospect of the NEV market and the lithium-ion powered battery market*

The NEV market and the lithium-ion powered battery market have been growing rapidly in recent years. According to a research report “Electric Vehicle Outlook 2017” (the “**Bloomberg Report**”) published in July 2017 by Bloomberg Finance L.P. (<https://www.bloomberg.com/>), a well-known privately held financial software, data and media company headquartered in the United States, the annual global sales of energy vehicles has been increasing since 2015 and it is expected that by 2040, 54% of new car sales and 33% of the global car fleet will be electric. On the other hand, global annual demand for lithium-ion batteries from the NEV is expected to grow from 21 gigawatt-hour in 2016 to 1,300 gigawatt-hour in 2030. It is suggested in the Bloomberg Report that supply chain of lithium-ion battery should scale up in order to meet the increasing demand.

With respect to the PRC market, being one of the largest NEV market, performance of the NEV market has been continuously strong. According to the statistics published by the Ministry of Industry and Information Technology of the PRC (“**MIIT**”) (<http://www.miit.gov.cn/>), the sales of NEV in the PRC recorded a year-on-year growth of approximately 53.3% in 2017 and a significant period-on-period growth of approximately 149.2% during the first four months of 2018. On the other hand, total income and total profit from the business of lithium-ion battery products amounted to approximately RMB374.93 billion and approximately RMB25.58 billion, respectively, representing respective significant year-on-year growths of approximately 34.47% and approximately 25.8%.

The PRC government has published various guidelines and established a series of policies to demonstrate its interest in promoting the development of NEV. With reference to 《促進汽車動力電池產業發展行動方案》 (“The Action Plan for the Promotion of automotive Power Battery Industry Development\*”) jointly issued by several local state agencies including MIIT in 2017, it is the intention of the PRC government to accelerate the development of electric automotive industry by, among others, advancing the industry capacity in order to achieve a healthy and sustainable development of the industry. Also, it is expected that by 2020, the total capacity of the power battery industry will exceed 100 billion watts, and the production and sales thereof will exceed 40 billion watts, which are in line with the international standards. Further, according to 《新能源汽車推廣補貼方案及產品技術要求》 (“The Subsidy Promotion Scheme of NEV and Product Technological Requirements\*”) jointly published by several local state agencies including the Ministry of Finance of the PRC in February 2018, the requirements on the energy density

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of electric vehicles' battery systems to be qualified for relevant subsidies have been adjusted upward. It is expected that such adjustment will potentially stimulate the demand for those batteries with a higher energy density such as ternary lithium-ion powered batteries. In fact, according to an article published in March 2018 by China Battery Enterprise Alliance ([www.cbea.com](http://www.cbea.com)), a publication platform officially recognised by China Industrial Association of Power Sources, the installation of ternary-material powered batteries reached 1,370.16 megawatt-hour with a significant year-on-year increase of approximately 460.76% in 2017, and the market share of the ternary-material powered battery reached approximately 59.83% of the overall NEV powered battery market during the first two months of 2018. It is further expected that the advantages of ternary-material powered batteries including, among others, high energy density will lead to an increase its demand in the future.

In light of the above, it is expected that the prospect of both the NEV market and the lithium-ion powered battery market will be positive in the coming years.

### *(ii) The development of the automobile business of Volvo Car*

Having established for more than 90 years, Volvo Car is one of the world renowned automobile manufacturers which owns and controls the luxury European automobile brand “Volvo”, and has increasingly outstanding performance within the industry. According to the interim report of the Volvo Car group for the fourth quarter and full year of 2017 (the “**Volvo Interim Report**”), the Volvo Car group recorded a year-on-year increase in both the net revenue and net income in 2017. China remained as the largest market of the Volvo Car group and achieved a significant annual growth of approximately 25.82% in total retail sale units in 2017, outperforming the overall market. As announced on the Volvo Website in June 2018, sales momentum of the Volvo Car group continued in May 2018 with its monthly global sales increased by approximately 13.3% as compared to that for the preceding corresponding month.

Volvo Car has been proactively seeking to expand its business and enhance its position in the automobile industry by different means. Following the entering into of a framework agreement with Uber Technologies Inc. in relation to the sale of its autonomous driving compatible base vehicles in 2017, Volvo Car announced in April 2018 that it will partner with Amazon.com, Inc. to bring in-car delivery of packages to customers, thereby expanding its customer portfolio and demand for its vehicles. On the other hand, Volvo Car has been consistently showing its commitment to electrification of vehicles. According to the Volvo Website, in 2017, Volvo Car announced that all new models to be released from 2019 onwards will be available as either hybrid or electric (the “**Volvo 2019 Target**”). In April 2018, Volvo Car further

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

announced that it targets to generate half of its global sales from electric cars by 2025. Recently, a new stand-alone electrified car brand was launched by Volvo Car with its production in the PRC to be commenced in 2019.

As advised by the management of the Company, the high performance ternary lithium-ion powered battery packs under the First Sales Agreement have been and will be used by Volvo Car for the production of plugin-hybrid-electric vehicles (“**PHEV**”) of certain models (the “**Volvo Models**”) including the best-selling model of Volvo Car. According to the Bloomberg Report, it is expected that PHEV shall continue to play a role in the adoption of NEV until 2025. On the other hand, it is noted that the Volvo Models consistently achieved exceptional sales performance and are generally well recognised by the market. With reference to the Volvo Interim Report, two of the Volvo Models were the main drivers of the significant increase in both of Volvo Car’s total retail sales in China and global sales in 2017. On the other hand, the best-selling model of Volvo Car has won a large number of awards since its launch including the Best in Class safety awards in 2017 organised by The European New Car Assessment Programme (<https://www.euroncap.com/>), a prestigious European car safety assessment programme founded in 1997 and backed by several European government as well as the European Union.

Considering, among others, the positive outlook of the NEV market and lithium-ion powered battery market as mentioned in the above sub-section, the solid historical financial performance of both Volvo Car in general and the Volvo Models, and the ongoing business development and electrification strategy of Volvo Car, we are of the view that the future prospect of the automobile business of Volvo Car is expected to be positive in the coming years, which shall in turn have a positive influence on the demand for the high performance ternary lithium-ion powered battery packs under the First Sales Agreement.

### *(iii) The expected production capacity of Zhejiang Forever New Energy*

According to the Q1 Report, the production plant of Zhejiang Forever New Energy is designed to possess a maximum production capacity of approximately 1,500,000 kWh ternary lithium-ion batteries annually. We were advised that as at the Latest Practicable Date, the first 500,000 kWh production line has been installed and up and running. The second 700,000 kWh production line is scheduled to be installed by the end of 2018, and its operation is expected to become capable for mass production to a full capacity from the second quarter of 2019.

Based on the expected operation schedule of the production lines, it is noted that the production capacity of Zhejiang Forever New Energy will generally increase throughout the First Relevant Period, and will be adequate to meet the estimated sales volume to be conducted under the First Sales Agreement for each of 2018, 2019 and the First 2020.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the discussions with the management of the Company, we learnt that the relatively significant growth in the estimated sales volume to be conducted under the First Sales Agreement in 2019 is primarily attributable to, among others, the Volvo 2019 Target, the potential launch(es) of electrified brand(s) and/or model(s) by Volvo Car in 2019 under its electrification incentives, and the expected commencement of the second production line's mass production in 2019. Considering the above and, among others, the generally positive outlook of the NEV market and the lithium-ion powered battery market, the general promising prospect of the automobile business of Volvo Car and the expected operation schedule of Zhejiang Forever New Capacity's production lines, we are of the view that the estimation of the sales volume to be conducted under the First Sales Agreement with that for the First 2020 being considered on an annualised basis, which is expected to experience an increasing trend throughout the First Relevant Period with a relatively significant growth in 2019, is justifiable.

### *3.1.2 The estimated selling prices to be adopted under the First Sales Agreement*

Based on our review, we noticed that the estimation of the selling price to be adopted under the First Sales Agreement for 2018 was made on the terms generally comparable to those under the reviewed Sample Invoices, and is no less favourable than the prevailing market price of ternary lithium-ion powered battery, which is consistent with the pricing principles stipulated under the First Sales Agreement. We further noticed that the estimated selling prices to be adopted under the First Sales Agreement is expected to decrease slightly annually in each of 2019 and the First 2020. As advised by the management of the Company, it is a common phenomenon that the average selling price of power battery packs will decrease as time passes due to, among others, the enhancement in technology, the entry of new battery manufactures into the industry manufacturers and the launches of other battery models. We have, in this regard, conducted independent research from the public domain and obtained consistent insights. According to a research report published in 2017 by McKinsey & Company (<https://www.mckinsey.com/>), an international management consulting firm with an establishment history of over 90 years, it is noted that the average price of battery pack has been decreasing from 2010 to 2016, and it is expected that the price of battery pack will continue to decrease up to 2020.

In light of the foregoing, we are of the view that the determination of the First Revised Annual Caps is fair and reasonable.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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### ***3.2 The Second Sales Agreement***

Summarised in Table 2 below are the Revised Annual Caps in respect of the Second Sales Agreement (the “**Second Revised Annual Cap(s)**”) for each of the years ending 31 December 2018 and 31 December 2019, and the period from 1 January 2020 to 24 October 2020 (the “**Second 2020**”, and collectively with 2018 and 2019, the “**Second Relevant Period**”), respectively.

Table 2: A summary of the Second Revised Annual Caps

	<b>For the year ending 31 December 2018 RMB</b>	<b>For the year ending 31 December 2019 RMB</b>	<b>For the period from 1 January 2020 to 24 October 2020 RMB</b>
Second Revised Annual Caps	207,000,000	739,000,000	951,000,000

It can be seen that the Second Revised Annual Caps demonstrate an increasing trend throughout the Second Relevant Period with a significant increase in 2019.

As advised by the management of the Company, the Second Revised Annual Caps were determined primarily based on the estimated transaction amount to be conducted under the Second Sales Agreement during the Second Relevant Period, which were in turn derived from (i) the estimated sales volume to be conducted under the Second Sales Agreement during the Second Relevant Period; and (ii) the estimated selling prices to be charged pursuant to the Second Sales Agreement during the Second Relevant Period.

#### ***3.2.1 The estimated sales volume to be conducted under the Second Sales Agreement***

According to the calculations of the Second Revised Annual Caps, it is expected that the sales volume to be conducted under the Second Sales Agreement will experience an increasing trend throughout the Second Relevant Period with a relatively significant growth in 2019. The aforesaid trend is consistent with the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

trend of the Second Revised Annual Caps. In assessing the determination of the estimated sales volume to be conducted under the Second Sales Agreement, we have primarily taken into account the factors below:

(i) *The prospect of the NEV market and the lithium-ion powered battery market*

As set out in the sub-section above headed “3.1.1(i) The prospect of the NEV market and the lithium-ion powered battery market”, owing to, among others, the anticipated increasing trends of the global sales of NEVs and the global demand for lithium-ion batteries from NEVs, the solid historical sales figures of NEVs and lithium-ion battery products as well as the supportive governmental policies of the PRC, it is expected that the prospect of both the NEV market and lithium-ion powered battery market will be positive in the coming years.

(ii) *The development of the automobile business of Zhejiang Geely and its subsidiaries (the “Zhejiang Geely Group”)*

According to the annual report (the “**Geely Automobile Annual Report**”) of Geely Automobile Holdings Limited (“**Geely Automobile**”), a member of the Zhejiang Geely Group, for the year ended 31 December 2017, financial performance of Geely Automobile and its subsidiaries (the “**Geely Automobile Group**”) beat the management’s expectations by recording a year-on-year increase in revenue of approximately 72.67% and a year-on-year increase in net profit of approximately 107.64% in 2017, attributable to, among others, the increase in overall sales which was in turn mainly due to the satisfactory demand for its new models launched over the last two years and the stable sales performance of other existing models. Further, the PRC remained as the largest market of the Geely Automobile Group with its domestic sales volume having achieved a robust growth of approximately 66% in 2017, far exceeding the annual growth of the overall Chinese passenger vehicle market of 1.4% in 2017 according to the statistics of China Association of Automobile Manufacturers.

In November 2016, Geely Automobile Group announced its implementation of “Blue Geely Initiatives”, under which the Geely Automobile Group targets that up to 90% of its total sales volume will be in the form of NEVs by 2020. With reference to the Geely Automobile Annual Report, the Geely Automobile Group plans to significantly increase the proportion of NEVs in its sales volume in 2018 and, among others, following the official launch of a model for PHEV in 2017, it is expected that more PHEV models will be offered over the next few years.

As advised by the management of the Company, the high performance ternary lithium-ion powered battery packs to be sold under the Second Sales Agreement will be primarily used for, among others, the production of PHEV under “Lynk & Co”, a vehicle brand owned by Zhejiang Geely Group which

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

emphasises innovative brand concepts such as personalisation, open platform and full connectivity. Based on the official website of LYNK & CO International AB (<https://www.lynkco.com/>), the first model of “Lynk & Co” has achieved exceptionally satisfactory sales performance since its launch in the PRC in November 2017, with all the vehicles initially planned for the three-day pre-sales being sold out in 137 seconds. With reference to the results announcement of Geely Automobile dated 8 January 2018, the sales order for the first model of “Lynk & Co” in December 2017 was better than management’s expectation, and the sales volume target in 2018 has been set as a significant increase over that in 2017. It was also set out in the Geely Automobile Annual Report that “Lynk & Co” will be a key element for Geely Automobile Group to expand into the upper-end vehicle segment in the PRC market as well as the global market in the future. On 26 March 2018, it was announced on the official website of Zhejiang Geely Group that production of the first model of “Lynk & Co” in Europe will be carried out by a manufacturing plant in Belgium from 2019, demonstrating the potential increase in production capacity of “Lynk & Co” models as well as the demand for high performance ternary lithium-ion powered battery packs in 2019. As advised by the management of the Company, the second model and the third model of “Lynk & Co” are expected to launch during the second half of 2018.

Taking into account, among others, the positive outlook of the NEV market and lithium-ion powered battery market as mentioned in the above sub-section, the solid historical financial performance of the Geely Automobile Group as well as the expected increase in the portion of its sales volume to be accounted for by NEVs including PHEV, the implementation of “Blue Geely Initiatives” by Zhejiang Geely Group, and the successful launch and development of “Lynk & Co”, we are of the view that the future prospect of the automobile business of the Zhejiang Geely Group is expected to be positive in the coming years, which shall in turn have a positive influence on the demand for the high performance ternary lithium-ion powered battery packs under the Second Sales Agreement.

*(iii) The expected production capacity of Zhejiang Forever New Energy*

As set out in the sub-section above headed “3.1.1(iii) The expected production capacity of Zhejiang Forever New Energy”, as at the Latest Practicable Date, the first 700,000 kWh production line of Zhejiang Forever New Energy’s production plant has been installed and up and running, whereas the second 500,000 kWh production line is scheduled to be installed by the end of 2018 with its operation being expected to become capable for mass production to a full capacity from the second quarter of 2019.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the expected operation schedule of the production lines, it is noted that the production capacity of Zhejiang Forever New Energy will generally increase throughout the Second Relevant Period, and will be adequate to meet the estimated sales volume to be conducted under the Second Sales Agreement for each of 2018, 2019 and the Second 2020.

According to the discussions with the management of the Company, we learnt that the relatively significant growth in the estimated sales volume to be conducted under the Second Sales Agreement in 2019 is primarily attributable to, among others, the expected increase in sales of the vehicle models under “Lynk & Co” as supported by, among others, the commencement of production in Europe in 2019, and the expected commencement of the mass production of Zhejiang Forever New Energy’s second production line in 2019. Considering the above and, among others, the generally positive outlook of the NEV market and the lithium-ion powered battery market, the generally promising prospect of the automobile business of the Zhejiang Geely Group and the expected operation schedule of Zhejiang Forever New Capacity’s production lines, we are of the view that the estimation of the sales volume to be conducted under the Second Sales Agreement, which is expected to experience an increasing trend throughout the Second Relevant Period with a relatively significant growth in 2019, is justifiable.

### ***3.2.2 The estimated selling prices to be adopted under the Second Sales Agreement***

Based on our review, we noticed that the estimation of the selling price to be adopted under the Second Sales Agreement for 2018 was made on the terms generally comparable to those under the reviewed Sample Invoices, and is no less favourable than the prevailing market price of ternary lithium-ion powered battery, which is consistent with the pricing principles stipulated under the Second Sales Agreement. We further noticed that the estimated selling prices to be adopted under the Second Sales Agreement is expected to decrease slightly annually in each of 2019 and the Second 2020. As set out in the sub-section above headed “3.1.2 The estimated selling prices to be adopted under the First Sales Agreement”, based on our discussions with the management of the Company and the results of our independent research, it is a common phenomenon that the average selling price of power battery packs will decrease as time passes due to various reasons including, among others, the enhancement in technology, the entry of new battery manufacturers into the industry and the launches of other battery models.

In light of the foregoing, we are of the view that the determination of the Second Revised Annual Caps is fair and reasonable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the Sales Agreement and the transactions contemplated thereunder have been and will be conducted in the ordinary and usual course of business of the Group, and the terms of the Sales Agreement and the transactions contemplated thereunder including the Revised Annual Caps, are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Sales Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Goldin Financial Limited**  
**Billy Tang**  
*Director*

\* *For identification purposes only*

*Notes:*

*Mr. Billy Tang is a licensed person registered with the Securities and Futures Commissions and a responsible officer of Goldin Financial Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong). He has over 10 years of experience in the corporate finance profession.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' interests

As at the Latest Practicable Date, 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 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 <i>(Note 1)</i>	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
ANG Siu Lun, Lawrence	—	—	—	—	—
CHAN Chun Wai, Tony	1,000,000	—	—	1,000,000	0.01
MA Gang	—	—	—	—	—
HA Chun	—	—	—	—	—

*Note:*

- The 4,065,000,000 shares were held by Hong Bridge Capital Limited (“Hong Bridge”), Me. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

Save as disclosed above, none of the Directors or chief executives of the Company or their associates had, as at the Latest Practicable Date, 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) which are 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 are taken or deemed to have under the provisions of the SFO), or which are 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 to be notified to the Company and the Stock Exchange.

### Substantial Shareholders' interests

As at the Latest Practicable Date, 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 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 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 <i>(Note 1)</i>	—	—	4,065,000,000	41.25
HE Xuechu <i>(Note 2)</i>	57,939,189	22,460,000	4,065,000,000 <i>(Note 1)</i>	4,145,399,189	42.07
FOO Yatyan <i>(Note 2)</i>	22,460,000	4,122,939,189	—	4,145,399,189	42.07
LI Xing Xing	—	—	4,065,000,000 <i>(Note 3)</i>	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. <i>(Note 4)</i>	—	—	1,850,675,675	1,850,675,675	18.78%
LI Shufu <i>(Note 5)</i>	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. <i>(Note 6)</i>	—	—	446,000,000	446,000,000	4.53%
Shen Wenrong <i>(Note 7)</i>	—	—	446,000,000	446,000,000	4.53%
Maxwealth Great China Fixed Income Fund II LP <i>(Note 8)</i>	662,186,000	—	—	662,186,000	6.72%
Pan Shangcong <i>(Note 8)</i>	—	—	662,186,000	662,186,000	6.72%

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		
Jifu Financial Investment Company Limited ( <i>Note 8</i> )	—	—	662,186,000	662,186,000	6.72%
Maxwealth Investment Management Limited ( <i>Note 8</i> )	—	—	662,186,000	662,186,000	6.72%

*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. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
5. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.
6. Jiangsu Shagang Group Co., Ltd. holds 100% equity interest of Shagang International (Hong Kong) Co., Ltd.
7. Mr. Shen Wenrong is the controlling shareholder holding 46.99% equity interest of Jiangsu Shagang Group Co., Ltd.
8. Maxwealth Investment Management Limited was wholly owned by Jifu Financial Investment Company Limited, which is in turn wholly owned by Mr. Pan Shangcong. Maxwealth Investment Management Limited has indirect interest of 694,000,000 shares through its interest in Maxwealth Great China Fixed Income Fund II LP.

Save as disclosed above, as at the Latest Practicable Date, 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.

### Share Option Scheme

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\$	Price immediately preceding the exercise date of share options (Note b) HK\$
	Outstanding as at the Latest Practicable Date	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	N/A
	8,750,000	14/05/2015	15/05/2015 — 14/05/2023	2.61	2.55	N/A
Total	<u>13,750,000</u>					

Notes:

- (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.
- (b) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, 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.

### 3. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

### 4. INTERESTS IN CONTRACTS

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

## 5. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

## 7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERTS AND CONSENT

The following are the qualifications of the expert who has given opinions in this circular:

<b>Name</b>	<b>Qualification</b>
Goldin Financial Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group, nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Up to the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had since 31 December 2017, the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 9. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change to the financial or trading position of the Group since 31 December 2017, being the date to which the latest audited consolidated financial statement of the Company were published.

**10. DOCUMENT AVAILABLE FOR INSPECTION**

Copy of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular, up to and including the date of the EGM:

- a. the memorandum and articles of association of the Company;
- b. the annual reports of the Company for the two financial years ended 31 December 2017;
- c. the quarterly report for the three months ended 31 March 2018;
- d. the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- e. the written consents referred to under the paragraph headed "Expert and consent" in this appendix;
- f. the Sales Agreements; and
- g. this circular.

**11. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman, KY1-1205, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Yeung Ho Ming, who is a Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Liu Wei, William, an executive Director and joint chief executive officer of the Company.
- (e) The principal share registrar and transfer office of the Company is Union Registrars Limited, Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (f) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



## HONBRIDGE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Honbridge Holdings Limited (the “**Company**”) will be held at 10:00 a.m., Hong Kong on Friday, 29 June 2018, at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the “**EGM**”) for the purpose of considering and, if thought fit, pass each of the following resolutions as an ordinary resolution of the Company. Capitalised terms defined in the circular dated 13 June 2018 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the First Sales Agreement, the Revised Annual Caps under the First Sales Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to paragraph (a) of this resolution and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company; and
- (c) all previous acts done and documents executed by any director of the Company to give effect to or in connection with the First Sales Agreement, the Revised Annual Caps under the First Sales Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

2. “**THAT**

- (a) the Second Sales Agreement, the Revised Annual Caps under the Second Sales Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the board of directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to paragraph (a) of this resolution and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company; and
- (c) all previous acts done and documents executed by any director of the Company to give effect to or in connection with the Second Sales Agreement, the Revised Annual Caps under the Second Sales Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

Yours faithfully,  
By Order of the Board  
**Honbridge Holdings Limited**  
**Liu Wei, William**  
*Director and Joint Chief Executive Officer*

Hong Kong, 13 June 2018

*Notes:*

1. For the purpose of determining shareholders' eligibility to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from Tuesday, 26 June 2018 to Friday, 29 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 June 2018.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjourned meeting thereof should he so wishes.
4. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholdings.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7: 00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement on the website of Company at [www.8137.hk](http://www.8137.hk) and on the HKExnews website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the Board consists of three executive Directors, Mr. He Xuechu, Mr. Liu Jian and Mr. Liu Wei, William, two non-executive Directors Mr. Yan Weimin and Mr. Ang Siu Lun, Lawrence and three independent non-executive Directors, Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun.