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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Honbridge Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHARES AND LOANS OF TRIUMPHANT GLORY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Financial adviser to the Company



Guotai Junan Capital Limited

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



A notice convening an extraordinary general meeting of Honbridge Holdings Limited (the "Company") to be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 19 September 2014, at 10:00 a.m. is set out on pages 56 to 58 of this circular.

A proxy form for use at the extraordinary general meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of posting and on the website of Honbridge Holdings Limited at www.8137.hk.

1 September 2014

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 on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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DEFINITIONS

Unless the context otherwise requires, the following terms in this circular shall have the meanings set out below:

“Acquisition”	the acquisition of the Sale Shares and Sale Loan by the Company from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 2 July 2014 entered into between the Company and the Vendors in relation to the Acquisition
“Ah”	amp-hour
“associate(s)”	the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays and Sundays and public holidays) on which licensed banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Honbridge Holdings Limited, an exempted company incorporated in the Cayman Islands and with limited liability, the Shares of which are listed on the GEM (Stock Code: 8137)
“Completion”	the completion of the Acquisition pursuant to the terms and conditions contained in the Acquisition Agreement
“Completion Date”	5 Business Days immediately following the date on which all conditions are satisfied or waived
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	HK\$634,760,000, being the aggregate consideration payable by the Company to the Vendors for the Acquisition pursuant to the Acquisition Agreement
“Consideration Shares”	a total of 428,891,890 Shares to be allotted and issued by the Company to the Vendors pursuant to the Acquisition Agreement as the Consideration at a price of HK\$1.48 per Share
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Shareholders to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the granting of Specific Mandate)
“Enlarged Group”	the Group as enlarged by the Acquisition
“GAAP”	generally accepted accounting principles
“Geely”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (Stock code: 175)
“Geely Group”	Geely and its subsidiaries
“Geely HK”	Geely International (Hong Kong) Limited, a company incorporated in Hong Kong
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Growth Enterprise Market of the Stock Exchange
“Good Cheer”	Good Cheer Holdings Limited, a company incorporated in the BVI with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Bridge”	Hong Bridge Capital Limited, a private limited liability company incorporated in the BVI, and is owned as to 68% by Mr. He and as to 32% by Mr. Li Xing Xing, respectively
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, established for the purpose of advising Independent Shareholders on the terms of the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated therein

DEFINITIONS

“Independent Financial Adviser” or “Goldin Financial”	Goldin Financial Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined in the SFO, which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated therein
“Independent Shareholders”	Shareholders other than Mr. Li Shufu, Hong Bridge and certain shareholders (excluding Mr. He) of Good Cheer
“Kandi Group”	Kandi Technologies and its subsidiaries
“Kandi New Energy”	金華市康迪新能源車輛有限公司 (Jinhua Kandi New Energy Vehicle Co., Ltd), a limited liability company incorporated in the PRC
“Kandi Technologies”	Kandi Technologies Group, Inc., a limited liability company incorporated in Delaware, the United States of America, the shares of which are listed on the National Association of Securities Dealers Automated Quotations (NASDAQ)
“kWh”	kilowatt-hour
“Last Trading Day”	2 July 2014, being the last full trading day on which the Shares were traded on the GEM prior to the publication of the announcement dated 4 July 2014
“Latest Practicable Date”	28 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contain herein
“Leads Top”	Leads Top Limited, a company incorporated in the BVI with limited liability
“Long Stop Date”	30 September 2014, or such later date as may be mutually agreed by the Company and the Vendors pursuant to the Acquisition Agreement
“Mr. He”	Mr. He Xuechu, the chairman of the Company and executive Director

DEFINITIONS

“Possible Acquisition Announcement”	the announcement of the Company dated 28 May 2014 in relation to the intention to acquire interests in a company that is principally engaged in lithium battery research, production and sales in the PRC
“PRC”	the People’s Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the aggregate amounts due from Triumphant Glory Group to the Vendors upon Completion
“Sale Shares”	9,068 ordinary shares of US\$1.00 each, representing 90.68% of the issued share capital of Triumphant Glory to be acquired by the Company pursuant to the Acquisition Agreement
“Specific Mandate”	the mandate to be sought from the Independent Shareholders at the EGM for the issue and allotment of the Consideration Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Forever New Energy”	山東衡遠新能源科技有限公司 (Shandong Forever New Energy Co., Ltd.), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Triumphant Glory
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Triumphant Glory”	Triumphant Glory Investments Limited, a company incorporated in the BVI with limited liability
“Triumphant Glory Group”	Triumphant Glory and Shandong Forever New Energy
“US\$”	American dollars, the lawful currency of the United States of America
“Vendors”	Good Cheer, Geely HK and Leads Top

DEFINITIONS

“Zhejiang Geely”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Co., Ltd.), a limited liability company incorporated in the PRC
“Zhejiang Kandi”	康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.), a limited liability company incorporated in the PRC
“%”	per cent

LETTER FROM THE BOARD



HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

Executive Directors:

Mr. HE Xuechu (*Chairman*)
Mr. LIU Wei, William (*Chief Executive Officer*)
Mr. SHI Lixin

Non-Executive Directors:

Mr. YAN Weimin
Mr. ANG Siu Lun, Lawrence

Independent Non-Executive Directors:

Mr. CHAN Chun Wai, Tony
Mr. FOK Hon
Mr. MA Gang

Registered Office:

4th Floor
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

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

1 September 2014

To the Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF SHARES AND LOANS
OF TRIUMPHANT GLORY INVOLVING ISSUE OF CONSIDERATION
SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 July 2014. On 2 July 2014 (after trading hours), the Company (as purchaser) and the Vendors entered into the Acquisition Agreement pursuant to which the Company conditionally agreed to acquire and accept the assignment of, and the Vendors conditionally agreed to sell and assign, the Sale Shares and the Sale

LETTER FROM THE BOARD

Loan at the Consideration of HK\$634,760,000. The Consideration will be satisfied by the issue and allotment of 428,891,890 Consideration Shares at an issue price of HK\$1.48 per Consideration Share.

The Sale Shares represent 90.68% of the issued share capital of Triumphant Glory as at the Latest Practicable Date. The principal asset of Triumphant Glory is its holding of the entire issued share capital in Shandong Forever New Energy. The Sale Loan represents the aggregate amount owing by Triumphant Glory Group to Vendors, which amounts to approximately HK\$157,922,000.

The purpose of this circular is to provide, among other things, (i) information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition; and (iv) other information as required under the GEM Listing Rules, together with the notice of the EGM and the form of proxy.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date

2 July 2014 (after trading hours)

Parties

Purchaser: the Company

Vendors: (1) Good Cheer;
(2) Geely HK; and
(3) Leads Top

As at the Latest Practicable Date, Mr. He, being an executive Director, owns 35% interest in Good Cheer. As such, Good Cheer is an associate of Mr. He and is a connected person of the Company under Chapter 20 of the GEM Listing Rules. To the best of the Directors' knowledge, information and believe, certain shareholders (excluding Mr. He) of Good Cheer hold 78,642,000 Shares in aggregate (representing about 1.3% of the total number of issued Shares) as at the Latest Practicable Date. Such Shareholders has no relationship with the Company or Directors save for being Shareholders and they are not connected persons of the Company.

As at the Latest Practicable Date, Geely HK holds a principal amount of HK\$740,000,000 convertible notes of the Company with a conversion price of HK\$0.37 per conversion Share. Based on the Directors' knowledge, apart from the aforesaid convertible notes, Geely HK does not have any interests in the Company and hence, Geely HK is not a connected person to the Company under Chapter 20 of the GEM Listing Rules.

Leads Top is owned as to 25% by Geely HK and as to 75% by Independent Third Parties.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and believe, Good Cheer and Leads Top are principally engaged in investment holding; Geely HK is principally engaged in investment holding while its holding company, Zhejiang Geely, is principally engaged in automobile manufacturing.

Assets to be acquired

The Sale Shares represent 90.68% of the issued share capital of Triumphant Glory as at the Latest Practicable Date. The principal asset of Triumphant Glory is its holding of the entire issued share capital of Shandong Forever New Energy. Upon Completion, Triumphant Glory will become a 90.68%-owned subsidiary of the Company, and the financial results of Triumphant Glory Group will be consolidated into the Group.

The Sale Loan represents the aggregate amount owing by Triumphant Glory Group to the Vendors as at the Completion Date. The amount of the Sale Loan as at the date of the Acquisition Agreement is approximately HK\$157,922,000.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of HK\$634,760,000 shall be satisfied by the issue and allotment of a total of 428,891,890 Consideration Shares at an issue price of HK\$1.48 per Consideration Share to the Vendors or person(s) nominated by the relevant Vendor as follow:

Vendors	Number of Sale Shares	Amount of Sale Loan HK\$	Consideration HK\$	Number of Consideration Shares to be issued to the respective Vendors (or their nominees)
Geely HK	5,300	95,114,298	371,000,000	250,675,675
Good Cheer	3,500	62,807,702	245,000,000	165,540,540
Leads Top	<u>268</u>	<u>—</u>	<u>18,760,000</u>	<u>12,675,675</u>
Total	<u>9,068</u>	<u>157,922,000</u>	<u>634,760,000</u>	<u>428,891,890</u>

The original cost of investment of Good Cheer in the Triumphant Glory Group amounted to approximately HK\$95.8 million.

LETTER FROM THE BOARD

The Consideration Shares will be issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM, and will rank *pari passu* in all respects among themselves and with the existing issued Shares outstanding at the date of issue and all Consideration Shares shall include rights to participate in all dividends and other distributions. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors. The Board considers that the Consideration is justifiable because, as further discussed in the paragraph headed "the Consideration Shares", the Consideration is to be fully settled by the issuance of Consideration Shares at an issue price higher than recent Share price and the net asset value per Share. In other words, the cost to be borne by the Shareholders is mainly the mild dilution of shareholding in the Company. As illustrated in the shareholding table in the paragraph headed "Shareholding structure of the Company" above, the shareholding of other public Shareholders would be diluted from 32.5% to 30.5% as a result of the issuance of the Consideration Shares. On the other hand, the Board also consider some non-numerical factors. Given the business and prospects of Shandong Forever New Energy and the prospects of lithium battery industry as further discussed in the paragraphs headed "Information on Shandong Forever New Energy" and "Reasons for and benefits of the Acquisition" below, in particular and among other things, (i) Shandong Forever New Energy has commenced mass production and has started generating profit in the first half of 2014. Although the net profit margin of the Triumphant Glory Group for the six months ended 30 June 2014 was thin, the Directors consider that the profit margin would be improved as the production volume and thus the utilization of production capacity continue to increase given the purchase orders on hand; (ii) Shandong Forever New Energy possesses technical team and knowhow; (iii) Shandong Forever New Energy has secured major customers and purchase orders; and (iv) the demand for battery applicable in electrical or hybrid vehicle is expected to increase given the encouraging PRC government policy and environmental protection concerns, the Board considers that the Acquisition represents a good opportunity for the Company to tap into the battery business with a view to expanding income source of the Group.

Condition Precedent

Completion shall be subject to and conditional upon the fulfillment of the following conditions (or the Company may waive the conditions precedent (except conditions precedent set out in paragraphs (a) which cannot be waived in any circumstance) in writing):

- (a) to obtain the necessary approvals from the Independent Shareholders, government and regulatory authorities (including PRC, Hong Kong and any other applicable regions);
- (b) the completion of due diligence by the Company and notify the Vendors in writing within three weeks after the date of the Acquisition Agreement on the satisfactory of the result. Such notice will not prejudice any claims for the breach of warranties and covenants from the Vendors. If the Company does not response within three weeks, it will be deemed as satisfied with the due diligence result;

LETTER FROM THE BOARD

- (c) to obtain a legal opinion of Triumphant Glory from the BVI lawyers appointed by the Company and a legal opinion of Shandong Forever New Energy and the Acquisition from the PRC lawyers appointed by the Company in such substance to the satisfaction of the Company;
- (d) the warranty given by each of the Vendors in the Acquisition Agreement remains true and accurate, and there be no event which causes material breach of obligations or warranty given by the Vendors; and
- (e) there is no material adverse change in the business, operation, financial status or prospects of Triumphant Glory Group from the date of the Acquisition Agreement.

In the event the conditions set out above are not fulfilled or waived on or before the Long Stop Date, or such other date as the Company and the Vendors may mutually agree in writing, the Acquisition Agreement shall be terminated. On termination, unless the conditions precedents are not fulfilled due to the breach from the Vendors, no party to the Acquisition Agreement shall raise any claims against another party. Any rights and obligations shall be null and void, save with respect to any antecedent breaches.

Completion

Completion shall take place on the fifth Business Day after the date on which all the conditions have been satisfied or waived or such other date as the Company and the Vendors may mutually agree in writing.

Undertaking from Vendors before Completion

The Vendors have undertaken to the Company that unless with the written consent of the Company, they will procure Triumphant Glory Group:

- (a) to properly maintain the current business, comply with relevant laws, rules and regulations, retain of personnel and provide information to the Company if there is any material situation (including litigations, or any events which have or may have material adverse impact on the business, financial status, assets or operations of Triumphant Glory Group);
- (b) not to change capital structure, conduct financing activities or investments, amend constitutional documents, initiate winding up process, adopt, substantially amend or terminate any employee benefit scheme, appoint new director, distribute profits or conduct any activities which may have material adverse impact on the current financial status and rights of Triumphant Glory Group; and not to adopt or approve any resolutions in shareholders meeting of Triumphant Glory Group except general matters in the annual general meeting or anything related to the Acquisition Agreement.

LETTER FROM THE BOARD

Undertaking from Geely HK after Completion

Geely HK has undertaken to the Company that upon Completion or such other date as the Company and Geely HK may mutually agree in writing, Geely HK shall follow the instructions of the Company to:

- (a) procure the PRC subsidiary of Geely Group and/or other related third parties to transfer a part of Sale Loan of Geely HK, in the amount of HK\$46,977,275, to a designated subsidiary of the Company; or
- (b) provide the amount of HK\$46,977,275 to the Company without consideration in lieu of the transfer of loan as described in (a) above; until the said amount is provided by Geely HK, Shandong Forever New Energy is not obligated to repay the part of Sale Loan of Geely HK as described.

The Consideration Shares

The Consideration would be satisfied by the Company's allotment and issue of the Consideration Shares to the Vendors at an issue price of HK\$1.48 per Consideration Share. The issue price of the Consideration Shares of HK\$1.48 represents:

- (i) the closing price of per Share on the Last Trading Day;
- (ii) a premium of approximately 3.5% over the average closing price of HK\$1.43 per Share for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 5.7% over the average closing price of HK\$1.40 per Share for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 6.5% over the average closing price of HK\$1.39 per Share for the last thirty trading days up to and including the Last Trading Day;
- (v) a discount of approximately 4.5% to the closing price of HK\$1.55 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 17.5% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK\$1.26, calculated based on the Group's audited consolidated net asset value of HK\$7,811.5 million as at 31 December 2013 and 6,215,679,716 Shares in issue on 31 December 2013.

The 428,891,890 Consideration Shares represent approximately 6.9% of the issued share capital of the Company prior to the issue of the Consideration Shares and approximately 6.5% of the issued share capital of the Company as enlarged by the Consideration Shares.

LETTER FROM THE BOARD

The Consideration Shares shall at all times rank pari passu among themselves and with the Shares in issue as at the date of issue of the Consideration Shares. The Consideration Shares will be issued pursuant to a Specific Mandate to be sought at the EGM. The Company will make application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. There is no restriction which apply to the subsequent sale of the Consideration Shares.

Fund raising activities in the past twelve months

The Company had no equity fund raising activities in the past twelve (12) months immediately prior to the Latest Practicable Date.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table summarised the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) after the allotment and issue of the Consideration Shares:

Shareholders	As at the Latest Practicable Date		After the allotment and issue of the Consideration Shares	
	No. of Shares	%	No. of Shares	%
Hong Bridge (<i>Note 1</i>)	4,065,000,000	65.4	4,065,000,000	61.1
Ms. Foo Yatyan (<i>Note 2</i>)	22,460,000	0.4	22,460,000	0.3
Mr. Li Shufu (<i>Note 3</i>)	103,064,000	1.7	103,064,000	1.6
Good Cheer	—	—	165,540,540	2.5
Geely HK (<i>Note 4</i>)	—	—	250,675,675	3.8
Leads Top	—	—	12,675,675	0.2
Other public Shareholders	<u>2,025,155,716</u>	<u>32.5</u>	<u>2,025,155,716</u>	<u>30.5</u>
Total	<u><u>6,215,679,716</u></u>	<u><u>100.00</u></u>	<u><u>6,644,571,606</u></u>	<u><u>100.00</u></u>

Note 1: As at the Latest Practicable Date, Mr. He is a controlling Shareholder and an executive Director, and holds 68% equity interest of Hong Bridge, and Mr. Li Xing Xing holds 32% equity interest of Hong Bridge.

Note 2: Ms. Foo Yatyan is the spouse of Mr. He.

Note 3: As at the Latest Practicable Date, Mr. Li Shufu holds 90% equity interest of Zhejiang Geely, and Zhejiang Geely held the entire issued share capital of Geely HK.

Note 4: As at the Latest Practicable Date, Geely HK holds HK\$740,000,000 convertible notes of the Company with a conversion price of HK\$0.37 per conversion Share.

INFORMATION ON TRIUMPHANT GLORY

Triumphant Glory is principally engaged in investment holding. As at the Latest Practicable Date, the Triumphant Glory Group comprises Triumphant Glory and Shandong Forever New Energy, and the principal asset of Triumphant Glory is its holding of the entire issued share capital of Shandong Forever New Energy.

LETTER FROM THE BOARD

Upon Completion, Triumphant Glory will become a 90.68%-owned subsidiary of the Company while the remaining 9.32% of the equity interest in Triumphant Glory are owned by Leads Top. Following Completion, the profit and loss and assets and liabilities of the Triumphant Glory Group will be consolidated into the accounts of the Company.

It is noted that Leads Top are owned as to 75% by three individual technical experts in Shandong Forever New Energy who assisted Shandong Forever New Energy in obtaining a utility model patent for lithium battery and a patent for production design of poles of lithium battery. The Company considers that it is essential for Shandong Forever New Energy to have a strong technical team for research and development purpose, and that by retaining Leads Top's interest in Triumphant Glory, it would help aligning the interest of the technical team of Shandong Forever New Energy with that of the Group. The Company currently does not have intention to acquire the remaining 9.32% equity interest in Triumphant Glory held by Leads Top.

INFORMATION ON SHANDONG FOREVER NEW ENERGY

Shandong Forever New Energy is a company established in 2010 in Zoucheng, Shandong Province, the PRC, principally engaged in lithium battery research, production and sales in the PRC. It commenced trial production in mid-2012 and mass production from late 2013.

Currently, the production plant of Shandong Forever New Energy covers a total area of approximately 130,000 square meters and its current factory and office facilities covers an area of about 70,000 square meters. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually. Following the Acquisition, depending on the production needs and funds available, the Group may consider to further expand the production capacity of Shandong Forever New Energy by stages.

The products of Shandong Forever New Energy mainly includes 10Ah, 20Ah, 50Ah, 66Ah and 100Ah lithium battery cells. By using its battery cells, Shandong Forever New Energy also provides battery pack assembly service in accordance with specifications and requirements set out by customers, and such products can be used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices. According to Shandong Forever New Energy, the production of Shandong Forever New Energy has attained consistency with scrap rate of less than 3%, and the battery products of Shandong Forever New Energy has reached 106 Wh/kg (for lithium iron phosphate battery) and 160 Wh/kg (for LiCoMnNi ternary battery) in terms of power density and 3,000 times in terms of life cycle.

LETTER FROM THE BOARD

Currently, the products of Shandong Forever New Energy are mainly sold to Zhejiang Kandi and Kandi New Energy for their production of electric and hybrid vehicles. Zhejiang Kandi is a joint venture company between the Geely Group and the Kandi Group, and Zhejiang Kandi is principally engaged in the investment, research and development, production, marketing and sales of electric vehicles in the PRC with the “KANDI” brand. Kandi New Energy is a 50% owned company of Kandi Group, and is principally engaged in research and development, production and sales of electric vehicles in the PRC. Apart from Zhejiang Kandi and Kandi New Energy, Shandong Forever New Energy’s products have also passed testing conducted by certain other automobile companies. According to Shandong Forever New Energy, it has received purchase orders from Kandi New Energy for the year ending 31 December 2014 for about 14,000 battery packs (composed of about 350,000 lithium iron phosphate battery cells), of which the total contract value is approximately RMB199.8 million (inclusive of 17% value-added tax (“VAT”)) amounting to RMB29.0 million). Furthermore, Shandong Forever has received purchase orders from Kandi New Energy for not less than 750,000 and 1,250,000 lithium iron phosphate battery cells for the years ending 31 December 2015 and 2016, respectively. The then contract values will be determined with reference to the prevailing market price after negotiation. Assuming the unit price in 2015 and 2016 is the same as that of purchase order in 2014, for indication purpose only, the contract values for the years ending 31 December 2015 and 2016 will be approximately RMB317 million (inclusive of 17% VAT amounting to RMB46.0 million) and approximately RMB528 million (inclusive of 17% VAT amounting to RMB76.7 million), respectively. The aforesaid purchase order from Kandi New Energy for 2014, 2015 and 2016 is made under legally binding and properly signed contracts. Pursuant to the contracts, Kandi New Energy committed a minimum purchase amount of the relevant years, but the Company is not required to pay any penalty if the Company’s production cannot fulfill such purchase orders. The Consideration for the Acquisition is not determined based on these purchase orders.

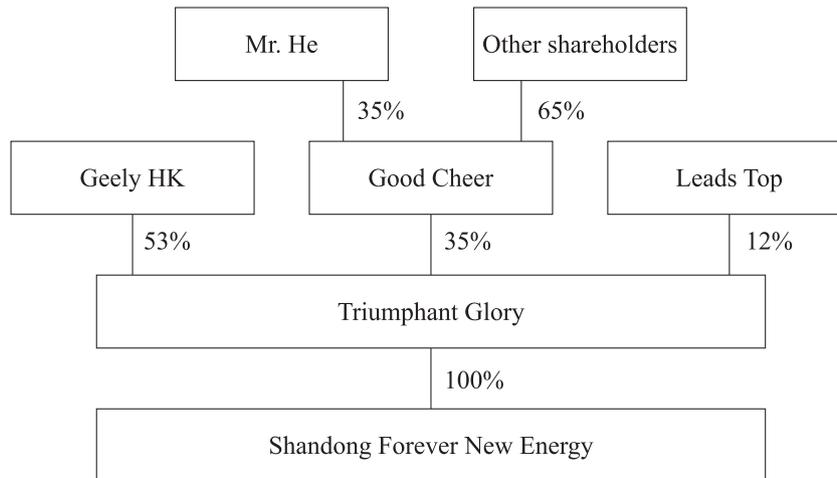
It is expected that the current production capacity of Shandong Forever New Energy is able to meet the purchase order of 2014 and the purchase order of 2015 with full utilization of capacity in 2015. For 2016, further expansion is required to fulfill the entire purchase order. Subject to the availability of the necessary funding, the Company plans to build new production line in Shandong Forever New Energy to expand its annual production capacity from 150,000 kWh to about 300,000 kWh in or around late 2014 or the beginning of 2015. It is expected that such new production line could commence production by the end of 2015. It is estimated that the capital expenditure for building such new production line would amount to approximately RMB180 million. It is expected such capital expenditure would be financed partly by the internal resources of Shandong Forever New Energy (which had a cash balance of about RMB60.0 million as at 30 June 2014); and partly by further potential fund raising activities of the Group depending on the then market environment. However, no definitive agreement has been entered into in this regard as at the Latest Practicable Date.

LETTER FROM THE BOARD

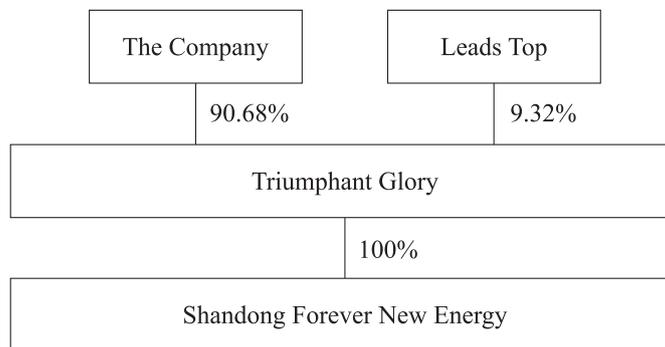
SHAREHOLDING STRUCTURE OF THE TRIUMPHANT GLORY GROUP

Set out below are the shareholding structure charts of the Triumphant Glory Group and Shandong Forever New Energy (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

(i) As at the Latest Practicable Date



(ii) Immediately after Completion



LETTER FROM THE BOARD

FINANCIAL INFORMATION ON THE TRIUMPHANT GLORY GROUP

Set out below is the key financial information on Triumphant Glory Group based on its unaudited consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the two years ended 31 December 2013 and the six months ended 30 June 2014.

	For the year ended 31 December 2012 HK\$'000	For the year ended 31 December 2013 HK\$'000	For the six months ended 30 June 2014 HK\$'000
Revenue	329	18,039	67,882
(Loss) profit before taxation	(9,215)	(23,801)	1,824
(Loss) profit after taxation	(9,215)	(17,215)	1,337

According to Triumphant Glory Group's unaudited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as at 30 June 2014, the unaudited consolidated net liabilities of Triumphant Glory Group were approximately HK\$30,698,000. The net liabilities were mainly attributable to (i) the Sale Loan; and (ii) the deferred income in respect of the government grant for subsidizing Triumphant Glory Group to construct the lithium iron phosphate batteries production plant and related facilities and purchase of equipment. Since the grant relates to the production plant, the fair value of the government grant is recognised as deferred income and would be recognised as income over the expected useful life for the production plant by equal annual instalments.

Triumphant Glory Group is principally engaged in investment holding of its wholly-owned subsidiary, Shandong Forever New Energy which is engaged in manufacturing and selling lithium battery packs used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices.

LETTER FROM THE BOARD

Set out below is the key financial information on Shandong Forever New Energy based on its unaudited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the two years ended 31 December 2013 and the six months ended 30 June 2014.

	For the year ended 31 December 2012 RMB'000	For the year ended 31 December 2013 RMB'000	For the six months ended 30 June 2014 RMB'000
Revenue	267	14,397	53,746
(Loss) profit before taxation	(7,316)	(18,895)	1,541
(Loss) profit after taxation	(7,316)	(13,582)	1,156

For the six months ended 30 June 2014, Shandong Forever New Energy recorded profit after tax of approximately RMB1.16 million, representing a net profit margin of about 2.2%. The net profit margin is relatively thin mainly because of the effect of the fixed cost and low capacity utilization rate during the period. Given the early stage of production by Shandong Forever New Energy, the utilization rate of the production capacity during the year ended 31 December 2013 and the six months ended 30 June 2014 were approximately 6% and 20%, respectively. The low utilization of production capacity led to low coverage of the fixed cost, mainly being administrative expenses, such as salary for technical team, depreciation and utilities. In order to build up a strong foundation during the early stage, Shandong Forever New Energy employed experienced management and technical team. Their salary represents a substantial amount of the total administrative cost. This led to a high proportion of non-variable administrative expenses within the cost structure of Shandong Forever New Energy. Given that Shandong Forever New Energy has secured purchase orders for the coming three years, it is expected that the production volume and production capacity utilization rate of Shandong Forever New Energy will improve, and that the fixed costs can be better covered and thereby improving the net profit margin.

Upon Completion, Triumphant Glory will become a 90.68%-owned subsidiary of the Company, and the financial results of Triumphant Glory Group will be consolidated into the Group. Sale Loan will become the shareholder funds due from Triumphant Glory Group directly to the Group and fully eliminated upon Group consolidation. Excluding the amount of Sale Loan of HK\$157,922,000 as at the date of Acquisition Agreement, the unaudited consolidated net assets of Triumphant Glory Group were approximately HK\$127,224,000 as at 30 June 2014.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in exploration and trading of mineral resources, trading of commodity products and investment in new energy and resources sector. As disclosed in the Company's annual report for the year ended 31 December 2013, as part of the Group's on-going

LETTER FROM THE BOARD

strategy, the Company has been looking for investment and cooperation opportunities in the new energy and resources sector. The Group has since identified the lithium battery industry as an area of growth in the new energy sector due to the increasing demand for electric vehicles in the PRC.

With the increasing public awareness of environmental protection and PRC government policy relating to saving fuel and reducing vehicular emission, major vehicles manufacturers are actively developing and promoting electric vehicles and hybrid vehicles, leading to a large demand for lithium battery. The Board recognizes the development potentials in the electric vehicles market in the PRC, and hence, the demand for lithium batteries.

As disclosed above, Shandong Forever New Energy recorded net loss in 2012 and 2013. It was mainly because Shandong Forever New Energy was still in its early stage of development and only commenced mass production in late 2013. As Shandong Forever New Energy has now secured Zhejiang Kandi (an automobile company) as its major customer and is expected to widen its customer base in the foreseeable future, the Directors believe that Shandong Forever New Energy will be able to reverse its loss-making trend in the future.

Based on the above, the Board is confident in the future prospects of Shandong Forever New Energy and the lithium battery industry. The Acquisition, which is in line with the Group's strategy, will allow the Group to establish a platform in the PRC for engaging in the lithium battery production and sales business, enabling the Group to explore the high potential of the industry and thereby improving the profitability of the Group. The Directors further consider that the issue of the Consideration Shares as Consideration would allow the Group to retain more liquid financial resources and at the same time expand shareholder base.

The disadvantage of the Acquisition is that, the Consideration, taking it at face value, amounted to HK\$634,760,000, and it exceeded the net book value of the Triumphant Glory Group. As at 30 June 2014, the Triumphant Glory Group had consolidated net liabilities of HK\$30,698,000. As disclosed in the paragraph headed "Financial information on the Triumphant Glory Group" above, the unaudited consolidated net liabilities of Triumphant Glory Group were mainly attributable to (i) the Sale Loan; and (ii) the deferred income in respect of the government grant. Excluding Sale Loan of HK\$157,922,000, the unaudited consolidated net assets of Triumphant Glory Group were approximately HK\$127,224,000 as at 30 June 2014. Nevertheless, the Consideration is to be settled by issue of Consideration Shares only. The Company is not required to pay any monetary cost. The actual cost of the Acquisition to be borne by the Company or the Shareholders is merely a mild dilution in shareholding. As disclosed in the paragraph headed "Shareholding structure of the Company" above, the shareholding of the public Shareholders will be diluted from approximately 32.5% to approximately 30.5% as a result of the Acquisition and the issue of the Consideration Shares. Given the prospects of the lithium batteries industry as discussed above and that the Triumphant Glory Group has secured purchase orders from Zhejiang Kandi for 2014, 2015 and 2016, the Directors consider that the Acquisition represents a good investment opportunity for the Company to broaden its source of income.

LETTER FROM THE BOARD

The Directors believe that the Acquisition and the terms of the Acquisition Agreement (including the granting of Specific Mandate) are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The revenue ratio (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) for the Acquisition exceeds 100%. The Company has submitted to the Stock Exchange that, the revenue ratio of the Acquisition under Rule 19.07 of the GEM Listing Rules is not applicable in light of the anomalous result of the revenue ratio test caused by the difference in the sphere of activities of the Triumphant Glory Group and that of the Group. The revenue of the Triumphant Glory Group is mainly generated through the distribution and sale of lithium batteries in the PRC while the revenue of the Group is principally generated through the trading of commodity contracts, which is very different in terms of business nature and revenue recognition. Accordingly, the revenue ratio test is disregarded and pursuant to the other tests and alternative test, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules.

As at the Latest Practicable Date, Mr. He, being an executive Director and a controlling shareholder of Hong Bridge, owns 35% interest in Good Cheer. As such, Good Cheer is an associate of Mr. He and is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Mr. He abstained from voting on the resolution of the Board to approve the Acquisition Agreement (including the granting of Specific Mandate).

Pursuant to the GEM Listing Rules, by virtue of Mr. He's interest in Good Cheer, Mr. He and his associates (including Hong Bridge) are required to abstain from voting at the EGM to approve the Acquisition Agreement (including the granting of Specific Mandate). To the best of the Directors' knowledge, information and believe, certain shareholders (excluding Mr. He) of Good Cheer hold 78,642,000 Shares in aggregate (representing about 1.3% of the total number of issued Shares) as at the Latest Practicable Date. Such Shareholders has no relationship with the Company or Directors save for being Shareholders and they are not connected persons of the Company. By virtue of their interest in Good Cheer, such Shareholders and their respective associates are required to abstain from voting at the EGM to approve the Acquisition Agreement (including the granting of Specific Mandate) pursuant to the GEM Listing Rules. To the best of the Directors' knowledge, information and believe, Mr. Li Shufu holds 90% equity interest in Zhejiang Geely which in turn holds 100% equity interest in Geely HK as at the Latest Practicable Date. By virtue of Mr. Li Shufu indirect beneficiary interest in Geely HK, Mr. Li Shufu and his associates are required to abstain from voting at the EGM to approve the Acquisition Agreement (including the granting of Specific Mandate) pursuant to the GEM Listing Rules. As at the Latest Practicable Date, Mr. Li Shufu holds 106,064,000 Shares (representing approximately 1.7% of the total number of issued Shares) and Mr. Li Shufu is not a connected person of the Company.

LETTER FROM THE BOARD

EGM

The EGM will be held on 19 September 2014, 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 Acquisition Agreement (including the granting of Specific Mandate) and the transaction contemplated therein.

To the best of the Director's knowledge, information and belief, having made all reasonable enquires, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A notice convening the EGM is set out on pages 56 to 58 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 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, 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. Fok Hon and Mr. Ma Gang, has been established to consider the terms of the Acquisition (including the granting of the Specific Mandate) 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.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Acquisition Agreement (including the granting of Specific Mandate). The Independent Board Committee will form its view in respect of the terms of the Acquisition after obtaining and considering the advice from the Independent Financial Adviser.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 22 to 23 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 Goldin Financial as set out on pages 24 to 49 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee on pages 22 to 23 of this circular after taking into account the advice of Goldin Financial) consider that the terms of the Acquisition Agreement (including the granting of the Specific Mandate) are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages 24 to 49 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Honbridge Holdings Limited
LIU Wei, William
Director and 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 Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated thereunder.



HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

1 September 2014

To the Independent Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
SHARES AND LOANS OF TRIUMPHANT GLORY
INVOLVING ISSUE OF CONSIDERATION
SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 1 September 2014 (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 Acquisition Agreement (including the granting of Specific Mandate) 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 the Acquisition is in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated therein. Goldin Financial 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 6 to 21 of this circular and the letter from the Independent Financial Adviser set out on pages 24 to 49 of this circular which contains its advice to us and Independent Shareholders in respect of the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated thereunder; and the additional information set out in the appendix 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 Goldin Financial as stated in its letter of advice, we consider that the terms of the Acquisition Agreement (including the granting of Specific Mandate) and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Acquisition is 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 resolution(s) to be proposed at the EGM to approve the Acquisition Agreement (including the granting of Specific Mandate) and the transactions completed thereunder.

Yours faithfully,

Mr. CHAN Chun Wai, Tony

Mr. FOK Hon

Mr. MA Gang

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder, prepared for the purpose of incorporation in this circular.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

1 September 2014

*To: the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
SHARES AND LOANS OF TRIUMPHANT GLORY INVOLVING
THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement (including the granting of the Specific Mandate) and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 1 September 2014 issued by the Company (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 2 July 2014 (after trading hours), the Company (as purchaser) and the Vendors entered into the Acquisition Agreement pursuant to which the Company conditionally agreed to acquire and accept the assignment of, and the Vendors conditionally agreed to sell and assign, the Sale Shares and the Sale Loan at the Consideration of HK\$634,760,000. The Consideration will be satisfied by the issue and allotment of 428,891,890 Consideration Shares at an issue price of HK\$1.48 per Consideration Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Sale Shares represent 90.68% of the issued share capital of Triumphant Glory as at the Latest Practicable Date. The principal asset of Triumphant Glory is its holding of the entire issued share capital in Shandong Forever New Energy. The Sale Loan represents the aggregate amount owing by Triumphant Glory Group to Vendors, which amounts to approximately HK\$157,922,000.

The Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Mr. He, being an executive Director and a controlling shareholder of Hong Bridge, owns 35% interest in Good Cheer. As at the Latest Practicable Date, Hon Bridge holds an aggregate of 4,065,000,000 Shares, representing approximately 65.4% of the total issued share capital of the Company, and is the controlling shareholder of the Company. As such, Good Cheer is an associate of Mr. He and Good Cheer is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder are fair and reasonable and whether the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder is on normal commercial term and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder taking into account the recommendations of Goldin Financial.

We, Goldin Financial, 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 Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder and to make a recommendation as to, among others, whether the terms of the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder are fair and reasonable and as to voting in respect of the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, Goldin Financial 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the Acquisition Agreement and the annual reports of the Company for the year ended 31 December 2012 (the “Annual Report 2012”), for the year ended 31 December 2013 (the “Annual Report 2013”) and the interim report of the Company for the six months ended 30 June 2014 (the “Interim Report 2014”). We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospect 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 financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes 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 in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder and 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 facts or 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 businesses or affairs or future prospects of the Company, the Vendors, Triumphant Glory, Shandong Forever New Energy or their respective subsidiaries or associates. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

The Group is principally engaged in exploration and trading of mineral resources, the trading of commodity products and investment in new energy and resources sector. Set out below are the audited financial information of the Group for the two years ended 31 December 2012 and 2013 as extracted from the Annual Report 2013 and the unaudited financial information of the Group for the six months ended 30 June 2013 and 2014 as extracted from the Interim Report 2014.

Table 1: Financial highlights of the Group

	For the year ended		For the six months ended	
	31 December		30 June	
	2012	2013	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	415,306	10,365	6,154	2,509
Profit/(loss) before income tax	(329,057)	9,179,849	9,279,484	(27,801)
			As at	
			As at 31 December	30 June
			2012	2013
			<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(audited)</i>	<i>(audited)</i>
				<i>(unaudited)</i>
Non-current assets		366,321	15,169,396	16,176,043
Current assets		1,681,011	344,583	239,248
(Current liabilities)		(862,343)	(321,818)	(203,496)
(Non-current liabilities)		(601,062)	(7,390,000)	(7,750,682)
Net current assets		818,668	22,765	35,752
Net assets		583,927	7,802,161	8,461,113

For the year ended 31 December 2012

For the year ended 31 December 2012, the audited turnover of the Group decreased from approximately HK\$1,756.60 million of the prior year to approximately HK\$415.31 million, representing a decrease of approximately 76.36%, while the audited loss before income tax narrowed from approximately HK\$490.95 million of the prior year to approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$329.06 million. As advised by the management of the Company, the decrease in turnover was mainly due to the turnover attributable to the business segment of mineral resources exploration and trading during the year falling from approximately HK\$1,697.87 million of the prior year to approximately HK\$406.75 million which according to the Annual Report 2012 is mainly due to (a) change of the Group's trading pattern; and (b) revenue from most of the sales transactions in 2012 was recognised in net basis in accordance with the accounting standards. The loss before income tax was a result of, among other things, the high direct operating expenses, which represents over 99% of the turnover of the year. The loss before income tax, nevertheless, narrowed from that of the prior year, which was mainly due to the net effect of (i) decrease in amortisation of share-based payment expenses of approximately HK\$28 million; (ii) decrease in impairment of goodwill of approximately HK\$31 million; (iii) decrease in impairment of exploration and evaluation assets of approximately HK\$127 million; (iv) increase in imputed loan interest expenses of approximately HK\$9 million; and (v) decrease in income tax credit of approximately HK\$43 million that have no impact to the Group's cash flow. As at 31 December 2012, the audited net current assets and net assets of the Group amounted to approximately HK\$818.67 million and approximately HK\$583.93 million, respectively.

For the year ended 31 December 2013

For the year ended 31 December 2013, the turnover of the Group shrank from approximately HK\$415.31 million of the prior year to approximately HK\$10.37 million, representing a decrease of approximately 97.50%. According to the Annual Report 2013, the fall in turnover was partly due to the decreasing sale recorded by the Group's silicon products segment, which dropped by more than 70% year-on-year in 2013 as a result of low market price of highly purified silicon products, and was also partly due to decreasing revenue derived from the Group's mineral resources and steel metal trading segment, which dropped from approximately HK\$406.7 million in the prior year to approximately HK\$8.2 million as a result mainly of the change of the Group's trading pattern and that revenue from the sales transactions in 2013 was recognised in net basis in accordance with the accounting standards. The Group, however, recorded a profit before income tax of approximately HK\$9,179.85 million for the year ended 31 December 2013, in contrast to a loss before income tax of approximately HK\$329.06 million of the prior year. The sharp rise in profit before income tax was mainly attributable to the gain on bargain purchase of approximately HK\$9,277.14 million, due to the obtaining of control of the entire interests of Sul Americana de Metais S.A. ("SAM") (the "SAM Acquisition") on 28 March 2013, recognised during the year. Details of the SAM Acquisition are contained in, among others, the announcements of the Company dated 16 April 2010, 7 February 2013 and 28 March 2013 and the circular of the Company dated 5 November 2010. The Group also recognised a HK\$73.19 million gain on disposals of subsidiaries in relation to the disposal of Hill Talent Group on 6 June 2013. Details of the disposals are disclosed in, among others, the announcements of the Company dated 4 January 2013 and 1 February 2013 and the circular of the Company dated 28 March 2013. Excluding the amount of gain on bargain purchase and gain on disposals of subsidiaries, the Group

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would have recorded a loss before taxation of approximately HK\$170.48 million. As at 31 December 2013, the audited net current assets and net assets of the Group amounted to approximately HK\$22.77 million and approximately HK\$7,802.16 million, respectively.

For the six months ended 30 June 2014

For the six months ended 30 June 2014, the Group's turnover decreased from approximately HK\$6.15 million to approximately HK\$2.51 million compared to the same period in prior year, representing a decrease of approximately 59.19%, which was mainly attributable to the decrease in margin from trading commodity contracts. Besides, Xianglan Brazil did not contribute any turnover to the Group (30 June 2013: HK\$0.8 million) as it was disposed in June 2013. The Group recorded a loss before income tax of approximately HK\$27.80 million for the six months ended 30 June 2014, in contrast to a profit before income tax of approximately HK\$9,279.48 million of the corresponding period in 2013. The decrease in profit before income tax was due to that a gain on bargain purchase of approximately HK\$9,277.14 million from the obtaining of control of the entire interests of SAM was recorded in the first half of 2013 versus nil for the six months ended 30 June 2014. Excluding the amount of gain on bargain purchase and gain on disposals of subsidiaries, the Group would have recorded a loss before taxation of approximately HK\$70.85 million for the six months ended 30 June 2013. As at 30 June 2014, the unaudited net current assets and net assets of the Group amounted to approximately HK\$35.75 million and approximately HK\$8,461.11 million, respectively.

2. Reasons for and benefits of entering into the Acquisition Agreement

Background information on Triumphant Glory Group

As stated in the Letter from the Board, Triumphant Glory is principally engaged in investment holding. As at the Latest Practicable Date, the Triumphant Glory Group comprises Triumphant Glory and Shandong Forever New Energy, and the principal asset of Triumphant Glory is its holding of the entire issued share capital of Shandong Forever New Energy.

Shandong Forever New Energy is a company established in 2010 in Zoucheng, Shandong Province, the PRC, principally engaged in lithium battery research, production and sales in the PRC. As stated in the Letter from the Board, it commenced trial production in mid-2012 and mass production from late 2013.

Triumphant Glory Group is principally engaged in investment holding of its wholly-owned subsidiary, Shandong Forever New Energy which is engaged in manufacturing and selling lithium battery packs used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices.

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Financial overview

Triumphant Glory

Set out below is the key financial information on Triumphant Glory based on its unaudited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014.

Table 2: Financial highlights of Triumphant Glory

	For the year ended		For the six
	31 December		months ended
	2012	2013	30 June
	HK'000	HK'000	2014
	(unaudited)	(unaudited)	HK'000
			(unaudited)
Revenue	—	—	—
Loss before taxation	211	196	123
Loss after taxation	211	196	123

For the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014, Triumphant Glory did not record any revenue as it is engaged in investment holding and no dividend was received from Shandong Forever New Energy. The loss before taxation and the loss after taxation is mainly attributable to administrative expenses.

Shandong Forever New Energy

Set out below is the key financial information on Shandong Forever New Energy based on its unaudited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014.

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Table 3: Financial highlights of Shandong Forever New Energy

	For the year ended		For the six
	31 December		months ended
	2012	2013	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	267	14,397	53,746
Profit/(loss) before taxation	(7,316)	(18,895)	1,541
Profit/(loss) after taxation	(7,316)	(13,582)	1,156

For the year ended 31 December 2013, the unaudited revenue of Shandong Forever New Energy increased from approximately RMB0.27 million (equivalent to approximately HK\$0.33 million) of the prior year to approximately RMB14.40 million (equivalent to approximately HK\$18.00 million). On the other hand, loss before taxation for the year ended 31 December 2013 amounted to approximately RMB18.90 million (equivalent to approximately HK\$23.62 million), as compared with loss before taxation of approximately RMB7.32 million (equivalent to approximately HK\$9.15 million) of the prior year. We were given to understand that Shandong Forever New Energy commenced mass production only in late 2013, and the aforesaid financial results for the two years ended 31 December 2013 reflected the financial performance of Shandong Forever New Energy under early stage of development but not that under mass production that took place in late 2013.

For the six months ended 30 June 2014, Shandong Forever New Energy recorded profit after tax of approximately RMB1.16 million, representing a net profit margin of about 2.2%. The net profit margin is relatively thin mainly because of the effect of the fixed cost and low capacity utilization rate during the period. Given the early stage of production by Shandong Forever New Energy, the utilization rate of the production capacity during the year ended 31 December 2013 and the six months ended 30 June 2014 were approximately 6% and 20%, respectively. The low utilization of production capacity led to low coverage of the fixed cost, mainly being administrative expenses, such as salary for technical team, depreciation and utilities. In order to build up a strong foundation during the early stage, Shandong Forever New Energy employed experienced management and technical team. Their salary represents a substantial amount of the total administrative cost. This led to a high proportion of non-variable administrative expenses within the cost structure of Shandong Forever New Energy. Given that Shandong Forever New Energy has secured purchase orders for the coming three years, it is expected that the production volume and production capacity utilization rate of Shandong Forever New Energy will improve, and that the fixed costs can be better covered and thereby improving the net profit margin.

As reflected in the financial information of Shandong Forever New Energy above, Shandong Forever New Energy has demonstrated rising revenue with profitability.

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The Triumphant Glory Group

Set out below is the key financial information on the Triumphant Glory Group based on its unaudited consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014.

Table 4: Financial highlights of the Triumphant Glory Group

	For the year ended		For the six
	31 December		months ended
	2012	2013	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	329	18,039	67,882
Profit/(loss) before taxation	(9,215)	(23,801)	1,824
Profit/(loss) after taxation	(9,215)	(17,215)	1,337
			As at 30 June 2014
			<i>HK\$'000</i>
			<i>(unaudited)</i>
Net liabilities			(30,698)

For the year ended 31 December 2013, the unaudited consolidated revenue of the Triumphant Glory Group increased from approximately HK\$0.33 million of the prior year to approximately HK\$18.04 million, while loss after taxation for the year ended 31 December 2013 amounted to approximately HK\$17.22 million, as compared with loss after taxation of approximately HK\$9.22 million of the prior year. For the six months ended 30 June 2014, the unaudited consolidated revenue of the Triumphant Glory Group was approximately HK\$67.88 million, while profit after taxation for the period amounted to approximately HK\$1.34 million. The turnaround was mainly attributable to the commencement of mass production of Shandong Forever New Energy in late 2013, the performance of which is reflected in the financial information for the six months ended 30 June 2014. As at 30 June 2014, the unaudited net liabilities of the Triumphant Glory Group was approximately HK\$30.70 million. The net liabilities of the Triumphant Glory Group were mainly attributable to (i) the Sale Loan; and (ii) the deferred income in respect of the government grant for subsidizing the Triumphant Glory Group to construct the lithium iron phosphate batteries production plant and related facilities and purchase of equipment. Since the government grant relates to the production

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plant, the fair value of the government grant is recognised as deferred income and would be recognised as income over the expected useful life of the production plant by equal annual instalments.

Business overview

Production facilities

The production plant of Shandong Forever New Energy is located in Zoucheng, Shandong, the PRC. The plant covers a total area of approximately 130,000 square meters and its current factory and office facilities covers an area of about 70,000 square meters. Trial production commenced in mid-2012 with mass production took place in late 2013. The current production capacity of Shandong Forever New Energy amounts to 150,000 kWh of lithium iron phosphate battery or 225,000 kWh of ternary lithium battery annually. As stated in the Letter from the Board, following the Acquisition, depending on the production needs and funds available, the Group may consider to further expand the production capacity of Shandong Forever New Energy by stages. We noted that the production plant has obtained the ISO9001 certification for quality management and ISO14001 certification for environmental management system under the standard of International Organization for Standardization (ISO), which in our view a globally recognised standard suggesting the operational quality of the production plant.

Products

The products of Shandong Forever New Energy mainly include 10Ah, 20Ah, 50Ah, 66Ah and 100Ah lithium battery cells. By using its battery cells, Shandong Forever New Energy also provides battery pack assembly service in accordance with specifications and requirements set out by customers, and such products can be used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices. According to Shandong Forever New Energy, the production of Shandong Forever New Energy has attained consistency with scrap rate of less than 3% and the battery products of Shandong Forever New Energy has reached 106 Wh/kg (for lithium iron phosphate battery) and 160 Wh/kg (for LiCoMnNi ternary battery) in terms of power density and 3,000 times in terms of life cycle. We noted that Shandong Forever New Energy has registered for its products with the trademark “Aforever”, and successfully obtained the certificate of utility model patent for its lithium battery as well as a production design for the poles of lithium battery from the State Intellectual Property Office of the PRC in 2013 with a exclusivity period of ten years. We have also obtained a testing report issued by 北方汽車質量監督檢驗鑒定試驗所 (Northern Automobile Quality Monitoring and Testing Centre*, a state-owned institute in the PRC) certifying that the lithium battery of Shandong Forever New Energy has passed a set of 32 tests that cover, among others, power density and life cycle, as well as safety during power discharging and short-circuiting. As such, we consider that the products of Shandong Forever New Energy are tested and certified by independent accreditation body with patents in place safeguarding the exclusive use of the underlying technology of its products.

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Clients

We noted that the products of Shandong Forever New Energy are mainly sold to Zhejiang Kandi and Kandi New Energy for their production of electric and hybrid vehicles. Zhejiang Kandi is a joint venture company between the Geely Group and the Kandi Group, and Zhejiang Kandi is principally engaged in the investment, research and development, production, marketing and sales of electric vehicles in the PRC with the “KANDI” brand. Kandi New Energy is a 50% owned company of Kandi Group, and is principally engaged in research and development, production and sales of electric vehicles in the PRC. Apart from Zhejiang Kandi and Kandi New Energy, Shandong Forever New Energy’s products have also passed testing conducted by certain other companies.

Geely Automobile Holdings Limited, which together with its subsidiaries known as the Geely Group, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 175). The Geely Group is principally engaged in the manufacture and sale of automobiles, automobile parts and related automobile components, and gearboxes. As at the Latest Practicable Date, Geely Automobile Holdings Limited had a market capitalisation of approximately HK\$26,052.28 million (source: www.hkexnews.hk), with revenue of approximately RMB28,707.57 million (equivalent to approximately HK\$35,884.46 million) for the year ended 31 December 2013 according to its latest published financial statements. According to a news article of Securities Daily as quoted in China Economic Information Network (www.serve.cei.gov.cn) on 14 January 2014, the statistical data released by the China Association of Automobile Manufacturers shows that Geely was ranked ninth among the top ten automotive manufacturers in terms of sales volume in 2013, which rose from the tenth place in 2012.

Kandi Technologies Group, Inc., which together with its subsidiaries known as the Kandi Group, is a limited liability company incorporated in Delaware, the United States of America, the shares of which are listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) (NASDAQ: KNDI). The Kandi Group is principally engaged in the design, development, manufacture and commercialisation of all-terrain vehicles, go-karts, and specialised automobiles, such as pure electric vehicles both the global and the PRC market. As at the Latest Practicable Date, Kandi Technologies Group, Inc. had a market capitalisation of approximately US\$807.19 million (equivalent to approximately HK\$6,263.79 million) (source: Bloomberg), with revenue of approximately US\$94.54 million (equivalent to approximately HK\$733.63 million) for the year ended 31 December 2013 according to its latest published financial statements.

As noted from the latest published financial statements of the Kandi Group, for the year ended 31 December 2013, revenue attributable to the sale of electric vehicles surged by about 150% from US\$19.03 million of the prior year to approximately US\$46.62 million, with output volume increasing from 3,915 units to 4,694 units. According to the same report, the electric vehicles of Zhejiang Kandi were recognised among the top model types of electric vehicles in the PRC.

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As such, we are of view that Zhejiang Kandi, being the key client of Shandong Forever New Energy, has a solid presence in the industry considering the background of both of the Geely Group and the Kandi Group in the automotive industry, and Shandong Forever New Energy may capitalise from the decent sale performance of Zhejiang Kandi's electric vehicles in the PRC.

Overview and outlook of the lithium battery and electric vehicle industries

Shandong Forever New Energy is principally engaged in lithium battery research, production and sales in the PRC. The lithium battery packs can be used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices.

As one of the largest lithium battery producing countries after Korea and Japan, lithium battery in the PRC has seen notable growth in both production and domestic demand. According to an article dated 16 January 2014 obtained from the Market Intelligence Research Institute of the Ministry of Commerce of the PRC, the total output of lithium battery in the PRC increased by about 33% year-on-year to about 4 billion units in 2012 and it was assessed by CCID Think-tank, a research group established by the Ministry of Industry and Information Technology of the PRC, to reach 4.54 billion units in 2013. The total output is further estimated to rise to about 5.4 billion units in 2014. According to an article (the "RealLi Research Article") published by 真鋰研究 (RealLi Research*, a PRC-based research organisation dedicated to the lithium battery sector) on 16 July 2014, CCID Think-tank further released a report "2014年我國鋰離子電池產業上半年形勢分析和下半年形勢判斷" (Analysis on the trend of China's lithium battery industry in 2014*, the "CCID Report") at the 2014中國電子信息產業論壇 (2014 China Electronic Information Industry Forum*) that, attributable to the rising output of electric vehicles, output of lithium battery in the PRC for the first half of 2014 reached about 2.2 billion units, recording a period-on-period growth of about 10%. CCID Think-tank also kept its earlier estimation for the total output in 2014 of about 5.5 billion units, which represents a year-on-year growth of about 15%.

A key usage of lithium battery is on the power supply unit of electric vehicles. According to the US Department of Energy, energy storage systems of electric vehicles include lithium-ion batteries, nickel-metal hydride batteries, lead-acid batteries and ultracapacitors, of which lithium-ion batteries are the most widely used in today's plug-in hybrid electric vehicles and all-electric vehicles, mainly due to their characteristics of high power-to-weight ratio, high energy efficiency, good high-temperature performance and low self-discharge, with most components can be recycled. Worldwide efforts on research and development on lithium batteries are focused on cost reduction and extension of useful life cycle. As such, lithium battery plays a vital role as a widely recognised choice of power supply unit in electric vehicles, the demand of which has a determining effect on the outlook of lithium battery sector.

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According to the CCID Report as quoted in the RealLi Research Article, output of electric vehicles in the PRC reached 14,290 units for the first five months of 2014, representing a period-on-period growth of over 150%. It is analysed that such growth was driven by the rising demand for electric vehicles, as evidenced by the rising demand for battery by electric vehicles, which amounted to about 380 mWh for the first five months of 2014, representing a period-on-period growth of about 180%. CCID Think-tank estimated the total output of electric vehicle for the full year of 2014 will increase by about 150% year-on-year to over 50,000 units, thereby driving the demand for lithium battery to about 1,290 mWh, a year-on-year growth of about 200%.

It is noted that the robust growth in the sale of electric vehicles in the PRC is to a large extent attributable to the favourable government policies promoting the use of electric vehicles with an aim to combat domestic pollution issues. In June 2012, 中華人民共和國發展和改革委員會 (National Development and Reform Commission of the PRC*) issued “節能與新能源汽車產業規劃” (2012–2020) (Plan of Energy Conservation and New Energy Vehicle Industry*, the “New Energy Vehicle Plan”) to advise on the development of energy conservation and new energy for the vehicle industry. Pursuant to the New Energy Vehicle Plan, the PRC government aims to expand the new energy vehicle industry by various means including the set-up of national research center for the advancement of automotive battery technology so as to improve the quality and efficiency while to lower the manufacturing cost of vehicle battery, thereby increasing the competitiveness of new energy vehicle. Furthermore, it is also estimated that the new energy vehicle in the PRC domestic market would reach 500,000 units in 2015, and up to 5.0 million units in 2020.

The New Energy Vehicle Plan is backed up by a series of favourable policies announced by the PRC government in 2014. In the State Council meeting held on 9 July 2014, Premier Li Keqiang announced that purchase of electric vehicles and other types of new energy vehicles will be exempt from purchase tax starting from September 2014 to the end of 2017. On 13 July 2014, the Ministry of Finance together with four other ministries and bureaus in the PRC announced the policy to promote the proportion of new energy vehicles in annual purchase of government vehicles to not lower than 30% from 2014 to 2016. This policy is to be applied to the central government units as well as the government organisations of designated cities.

Taking into account the above favourable policies in relation to new energy vehicles, it is expected that the new energy vehicle industry in the PRC would flourish and the demand for the lithium battery, being one of the most popular types of rechargeable battery for electric vehicles as discussed above, is poised to grow in the coming future, from which Shandong Forever New Energy can capitalise.

Analysis on the reasons for and benefits of the Acquisition

The Group is principally engaged in exploration and trading of mineral resources and the trading of commodity products and investment in new energy and resources sector. While as noted from the Annual Report 2013, the SAM iron ore project has achieved notable progress, including application for mining rights as well as additional exploration rights, the Group

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would have recorded a loss before taxation of approximately HK\$170.48 million after excluding the amount of gain on bargain purchase and gain on disposals of subsidiaries. As a step to safeguard the value of the Group, the purified silicon business which recorded loss in previous three financial years was disposed in January 2014. As mentioned in the Annual Report 2013, the Company will continue to look for investment and cooperation opportunities in the new energy and resources sector.

As stated in the Letter from the Board, the Group has since identified the lithium battery industry as an area of growth in the new energy sector due to the increasing demand for electric vehicles in the PRC. The Company is of the view that the Acquisition will allow the Group to establish a platform in the PRC for engaging in the lithium battery production and sales business, enabling the Group to explore the high potential of the industry and thereby improving the profitability of the Group. Indeed, as analysed in the paragraphs headed “Overview and outlook of the lithium battery and electric vehicle industries” above, both the electric vehicle and lithium battery industries have achieved notable growth in recent years, and coupled with the numerous favourable policies implemented by the PRC government, lithium battery industry, in particular of the electric vehicle segment, is in a good position to achieve further expansion in the country.

With mass production took place in late 2013, Shandong Forever New Energy has achieved profitability in the first half of 2014 as discussed in the section headed “Financial overview” above, the acquisition of which could improve the current financial performance of the Group with the development of the SAM iron ore project still underway. The production plant of Shandong Forever New Energy has obtained the ISO accreditations on the operational and management quality of the production plan, while the products of Shandong Forever New Energy are tested and certified by independent accreditation body with patents in place safeguarding the exclusive use of the underlying technology of its products, which in our view evidencing the quality of both the production capability and the end products that both are the keys to the long term success of the lithium battery of Shandong Forever New Energy in the market.

Currently, the products of Shandong Forever New Energy are mainly sold to Zhejiang Kandi and Kandi New Energy for their production of electric and hybrid vehicles. Geely HK is currently interested in convertible bonds with principal amount of HK\$740 million issued by the Company in June 2013. The convertible bonds are convertible into a maximum number of 2,000,000,000 shares of the Company based on the initial conversion price of HK\$0.37 per share. Immediately following the allotment and issue of the Consideration Shares pursuant to the Acquisition Agreement, Geely HK will be interested in approximately 3.8% of the issued share capital of the Company. Apart from its interest in Shandong Forever New Energy through its equity interest in the Company, Geely HK will also retain interest in Shandong Forever New Energy through its 25% equity interest in Leads Top, which will hold 9.32% equity interest in Triumphant Glory after Completion. It is noted that Geely HK is wholly-owned by Zhejiang Geely which is in turn owned as to 90% by Mr. Li Shufu. According to the latest annual report of Geely, Mr. Li Shufu is the Chairman of the board of director and a

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director of Geely, and is a controlling shareholder of Geely. As such, we consider that the Acquisition will introduce Geely HK, which has a close relationship as discussed above with the Geely Group, being one of the top ten automotive manufacturers in terms of sale volume in the PRC, as a shareholder of the Company, which is particularly important to the Group as Shandong Forever New Energy will become a subsidiary of the Company following Completion. Together with its interest retained in Shandong Forever New Energy held through Leads Top, we consider that the future performance of Shandong Forever New Energy will be in the interest of Geely HK and there could be incentive for the Geely Group to maintain the ongoing business relationship between Shandong Forever New Energy and Zhejiang Kandi relating to the supply of lithium batteries which in our view is an upside.

Shandong Forever New Energy has received purchase orders for about 14,000 battery packs (composed of 350,000 lithium iron phosphate battery cells) for the year ending 31 December 2014 with value of about RMB199.8 million (inclusive of 17% VAT amounting to RMB29.0 million) and purchase orders of not less than 750,000 lithium iron phosphate battery cells and 1,250,000 lithium iron phosphate battery cells for the year ending 31 December 2015 and 31 December 2016 respectively from Kandi New Energy. The then contract values will be determined with reference to the prevailing market price after negotiation. Assuming the unit price in 2015 and 2016 is the same as that of purchase order in 2014, for indication purpose only, the contract values for the years ending 31 December 2015 and 2016 will be approximately RMB317 million (inclusive of 17% VAT amounting to RMB46.0 million) and approximately RMB528 million (inclusive of 17% VAT amounting to RMB76.7 million), respectively. The aforesaid purchase order from Kandi New Energy for 2014, 2015 and 2016 is made under legally binding and properly signed contracts. Pursuant to the contracts, Kandi New Energy committed a minimum purchase amount of the relevant years, but the Company is not required to pay any penalty if the Company's production cannot fulfill such purchase orders. The Consideration for the Acquisition is not determined based on these purchase orders. Having considered the aforesaid purchase orders in the coming three years, we are of the view that it could secure a stable stream for Shandong Forever New Energy and Shandong Forever New Energy could at the same expand its customer base for its lithium battery to capitalise on the fast growing electric vehicle industry in the PRC.

It is expected that the current production capacity of Shandong Forever New Energy is able to meet the purchase order of 2014 and the purchase order of 2015 with full utilization of capacity in 2015. For 2016, further expansion is required to fulfill the entire purchase order. Subject to the availability of the necessary funding, the Company plans to build new production line in Shandong Forever New Energy to expand its annual production capacity from 150,000 kWh to about 300,000 kWh in or around late 2014 or the beginning of 2015. It is expected that such new production line could commence production by the end of 2015. It is estimated that the capital expenditure for building such new production line would amount to approximately RMB180 million. It is expected such capital expenditure would be financed partly by the internal resources of Shandong Forever New Energy (which had a cash balance

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of about RMB60.0 million as at 30 June 2014); and partly by further potential fund raising activities of the Group depending on the then market environment. However, no definitive agreement has been entered into in this regard as at the Latest Practicable Date.

Despite that the Triumphant Glory Group was loss-making for each of the two years ended 31 December 2012 and 2013, having considered the aforesaid factors in particular the growth prospects of the lithium battery industry in the PRC and the secured purchase orders for Shandong Forever New Energy in the coming three years, we are of the view that the entering into of the Acquisition Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Acquisition Agreement

The Company and the Vendors entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares and Sale Loan at the Consideration of HK\$634,760,000.

The Sale Shares represent 90.68% of the issued share capital of Triumphant Glory as at the Latest Practicable Date. The principal asset of Triumphant Glory is its holding of the entire issued share capital of Shandong Forever New Energy. Upon Completion, Triumphant Glory will become a 90.68%-owned subsidiary of the Company, and the results of Triumphant Glory Group will be consolidated into the Group.

It is noted that Lead Tops are owned as to 75% by three individual technical experts in Shandong Forever New Energy who assisted Shandong Forever New Energy in obtaining a utility model patent for lithium battery and a patent for production design of poles of lithium battery. The Company considers that it is essential for Shandong Forever New Energy to have a strong technical team for research and development purpose, and that by retaining Lead Tops' interest in Triumphant Glory, it would help aligning the interest of the technical team of Shandong Forever New Energy with that of the Group. The Company currently does not have intention to acquire the remaining 9.32% equity interest in Triumphant Glory held by Lead Tops.

The Sale Loan represents the aggregate amount owing by Triumphant Glory Group to the Vendors as at the Completion Date. The amount of the Sale Loan as at the date of the Acquisition Agreement is approximately HK\$157,922,000.

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Pursuant to the Acquisition Agreement, the Consideration of HK\$634,760,000 shall be satisfied by the issue and allotment of a total of 428,891,890 Consideration Shares at an issue price of HK\$1.48 per Consideration Share to the Vendors or person(s) nominated by the relevant Vendor as follow:

Vendors	Number of Sale Shares	Amount of Sale Loan <i>HK\$</i>	Consideration <i>HK\$</i>	Number of Consideration Shares to be issued to the respective Vendors (or their nominees)
Geely HK	5,300	95,114,298	371,000,000	250,675,675
Good Cheer	3,500	62,807,702	245,000,000	165,540,540
Leads Top	<u>268</u>	<u>—</u>	<u>18,760,000</u>	<u>12,675,675</u>
Total	<u>9,068</u>	<u>157,922,000</u>	<u>634,760,000</u>	<u>428,891,890</u>

The original cost of investment of Good Cheer in the Triumphant Glory Group amounted to approximately HK\$95.8 million.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors and was determined after having taken into account, among other things, the business and prospects of Shandong Forever New Energy and the prospects of lithium battery industry as further discussed in the paragraphs headed "Information on Shandong Forever New Energy" and "Reasons for and benefits of the Acquisition" in the Letter from the Board.

The Consideration would be satisfied by the Company's allotment and issue of the Consideration Shares to the Vendors at an issue price of HK\$1.48 per Consideration Share (the "Issue Price"). The Issue Price represents:

- (i) the closing price per Share on the Last Trading Day;
- (ii) a premium of approximately 3.5% over the average closing price of HK\$1.43 per Share for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 5.7% over the average closing price of HK\$1.40 per Share for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 6.5% over the average closing price of HK\$1.39 per Share for the last thirty trading days up to and including the Last Trading Day;

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- (v) a premium of approximately 17.5% over the audited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK\$1.26, calculated based on the Group's audited consolidated net asset value of HK\$7,811.5 million as at 31 December 2013 and 6,215,679,716 Shares in issue on 31 December 2013; and
- (vi) a discount of approximately 4.5% to the closing price of HK\$1.55 per Share as at the Latest Practicable Date.

The 428,891,890 Consideration Shares represent approximately 6.9% of the issued share capital of the Company prior to the issue of the Consideration Shares and approximately 6.5% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Consideration

In order to assess the fairness and reasonableness of the Consideration, we have adopted the price-to-book multiple (the "P/B Ratio"), which is one of the most widely used and accepted methods for valuing a business. Given that the Triumphant Glory Group recorded a net loss for the year ended 31 December 2013, we consider that it is not feasible to assess the Consideration by using the price-to-earnings multiple.

For the purpose of evaluating the Consideration, we have treated the shareholder's loan as part of the equity stake in Shandong Forever New Energy. The shareholder's loan is unsecured, interest-free and not expected to be repaid within one year. We consider a loan made by a shareholder to a private company on the above terms, as in the case of Shandong Forever New Energy, has the attributes of an equity stake. Accordingly, we consider such shareholder's loan to be part of the shareholder funds, and therefore should be included as part of the equity in our evaluation of the net asset value of the Triumphant Glory Group.

Based on the amount of the Sale Loan of HK\$157,922,000 as at the date of the Acquisition Agreement, the consideration for the Sale Shares is equivalent to HK\$476,838,000, being the aggregate consideration for the Sale Shares and the Sale Loan of HK\$634,760,000 net of the face value of the Sale Loan of HK\$157,922,000. The Consideration implies a P/B Ratio of approximately 5.37 times (calculated as to approximately HK\$683,768,934 (which is the total of the implied value of the Triumphant Glory Group based on the consideration of HK\$476,838,000 for the 90.68% equity interest in the Triumphant Glory Group plus the Sale Loan of HK\$157,922,000) divided by the adjusted unaudited net asset value of the Triumphant Glory Group of approximately HK\$127,224,000 as at 30 June 2014 (calculated based on the unaudited net liabilities of Triumphant Glory Group of HK\$30,698,000 as at 30 June 2014 plus the Sale Loan of HK\$157,922,000).

In order to assess the fairness and reasonableness of the consideration for the Sale Shares, we have adopted the P/B Ratio analysis on companies that are selected based on the following criteria: (i) of companies listed on the Stock Exchange, the Shenzhen Stock Exchange and Shanghai Stock Exchange; (ii) being principally engaged in the production and

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sale of rechargeable battery (including lithium battery) in the PRC; and (iii) generating revenue from production and sale of rechargeable battery of not less than 50% of the total revenue of the latest financial year. We have, to our best effort, identified and made references to, so far as we are aware, 9 companies that meet the aforesaid criteria which are exhaustive (the “PB Comparables”). Although the trading prospects and financial positions of the PB Comparables may not be identical to that of the Triumphant Glory Group, we have selected the company principally engaged in the same business in the same geographical area as that of the Triumphant Glory Group, which in our view, the P/B Ratio of the PB Comparables could reflect how the market values the company taking part in the rechargeable battery production industry in the PRC, and represents a fair and representative samples, and could provide a general reference for assessing the fairness of the Consideration. Details of our analyses are set out in the following table:

Table 5: Analysis on P/B Ratio of the PB Comparables

Company name	Stock code	Market capitalisation <i>(Note 1)</i>	Net asset value <i>(Note 2)</i>	P/B Ratio
Hunan Corun New Energy Company Limited (湖南科力遠新能源股份有限公司)	600478 SH	RMB7,347,979,712	RMB955,976,109	7.69
Fengfan Stock Company Limited (風帆股份有限公司)	600482 SH	RMB5,770,786,800	RMB1,947,166,634	2.96
Shenzhen Desay Battery Technology Company Limited (深圳市德賽電池科技股份有限公司)	000049 SZ	RMB8,201,550,240	RMB533,931,777	15.36
Eve Energy Company Limited (惠州億緯鋰能股份有限公司)	300014 SZ	RMB6,520,171,000	RMB888,145,249	7.34
FDG Electric Vehicles Limited (Formerly known as Sinopoly Battery Limited)	729 HK	HK\$9,719,859,311	HK\$1,733,800,000	5.61
Tianneng Power International Limited <i>(Note 3)</i>	819 HK	HK\$3,269,009,520	HK\$3,753,052,500	0.87
Chaowei Power Holdings Limited <i>(Note 3)</i>	951 HK	HK\$4,584,122,400	HK\$2,910,217,500	1.58
Coslight Technology International Group Limited <i>(Note 3)</i>	1043 HK	HK\$2,346,108,600	HK\$2,124,386,250	1.10
Hybrid Kinetic Group Limited	1188 HK	HK\$1,363,000,073	HK\$346,041,000	3.94
The Acquisition		HK\$683,768,934	HK\$127,224,000	5.37
			Maximum	15.36
			Minimum	0.87
			Mean	5.16

Source: Bloomberg

Notes:

- (1) Based on the share closing price and the number of outstanding shares on the Last Trading Day.
- (2) Based on the latest financial information as published in the annual report/annual results announcement on the Last Trading day.

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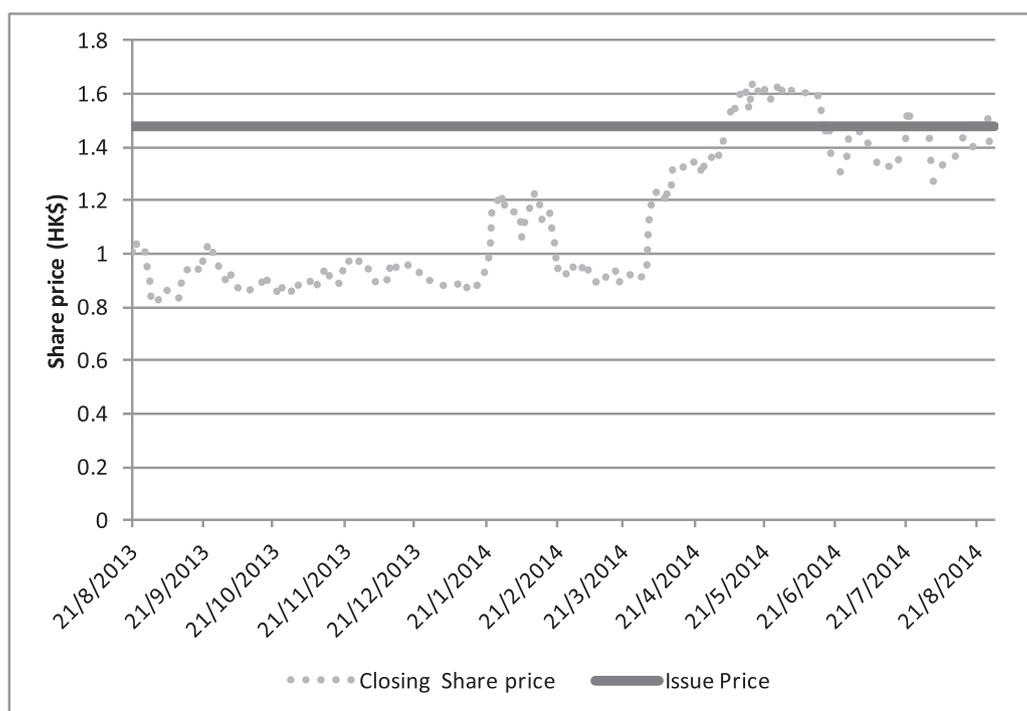
- (3) Figures in the financial statements have been converted into HK\$ with an exchange rate of RMB1 against HK\$1.25.

As set out in the table above, it is noted that the P/B Ratio represented by the Consideration falls within the range and is approximate to the mean of that of the PB Comparables. Despite that the Triumphant Glory Group recorded a loss for the year ended 31 December 2012 and 2013, having considered that (i) the Triumphant Glory Group has made a turnaround from a loss to a profit for the six months ended 30 June 2013 after a short period from commencement of operation; (ii) the growth potential of the lithium battery market in the PRC; (iii) the purchase orders from Kandi New Energy could secure a stable revenue stream for Shandong Forever New Energy in the coming three years; and (iv) the P/B Ratio represented by the Consideration falls within the range and is approximate to the mean of that of the PB Comparables, we consider that the Consideration is fair and reasonable.

Share price performance

Chart 1 below shows the daily closing price of the Shares versus the Issue Price for the period commencing from 1 July 2013 (being the 12-month period prior to the Announcement as it is a commonly used tenure for analysis purpose) up to the Latest Practicable Date (the “Review Period”):

Chart 1: Issue Price versus the closing Share price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 3 December 2013, 3 July 2014 and 4 July 2014.

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During the Review Period, the highest and the lowest closing price of the Shares were HK\$1.65 and HK\$0.81 respectively as quoted on the Stock Exchange with an average closing price of the Shares of approximately HK\$1.18. The Issue Price represents (i) a discount of approximately 10.3% to the highest closing price of the Share; (ii) a premium of approximately 25.4% over the average closing price of the Share; and (iii) a premium of approximately 82.7% over the lowest closing price of the Share during the Review Period.

Historical trading volume of the Shares

The table below shows the average daily trading volume of the Shares per month, and the respective percentages of the Shares' daily trading volume as compared to the total number of issued Shares as at the Last Trading Day, during the Review Period:

Table 6: Trading volume of the Shares during the Review Period

Month	Total no. of Shares trading volume	No. of trading days (Note)	Average daily trading volume (Approximate)	Total no. of outstanding Shares	Average daily trading volume over outstanding Shares (Approximate %)
Jul-2013	110,718,001	22	5,032,636	6,215,679,716	0.08
Aug-2013	108,320,288	21	5,158,109	6,215,679,716	0.08
Sep-2013	88,010,000	20	4,400,500	6,215,679,716	0.07
Oct-2013	111,787,000	21	5,323,190	6,215,679,716	0.09
Nov-2013	109,892,000	21	5,232,952	6,215,679,716	0.08
Dec-2013	161,161,915	19	8,482,206	6,215,679,716	0.14
Jan-2014	71,264,800	21	3,393,562	6,215,679,716	0.05
Feb-2014	213,884,000	19	11,257,053	6,215,679,716	0.18
Mar-2014	244,255,187	21	11,631,199	6,215,679,716	0.19
Apr-2014	103,080,000	20	5,154,000	6,215,679,716	0.08
May-2014	51,562,000	20	2,578,100	6,215,679,716	0.04
Jun-2014	48,538,000	20	2,426,900	6,215,679,716	0.04
Jul-2014	81,890,715	20	4,094,536	6,215,679,716	0.07
Aug-2014 (Up to the Latest Practicable Date)	94,141,400	20	4,707,070	6,215,679,716	0.08

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 3 December 2013, 3 July 2014 and 4 July 2014.

As illustrated from table above, we noted that the average daily trading volume of the Shares accounted for only a small portion (less than 0.5%) of the total number of Shares issued as at the Last Trading Day throughout the Review Period. Therefore, we are of the view that the trading liquidity of the Shares was thin during the Review Period.

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Comparison with other share subscription exercises

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the transactions that involved the issue of consideration shares under specific mandate as whole/part of the consideration for an acquisition by listed companies on the Stock Exchange as announced in the past three months immediately preceding the Last Trading Day, which we believe represents a reasonable and meaningful period to reflect the recent market condition and sentiment for issuing shares as whole/part of the consideration for an acquisition (the “Consideration Share Comparables”). We have, to our best effort, identified and made references to, so far as we are aware, 11 Consideration Share Comparables which are exhaustive and the vendor of which consist of connected person(s) (as defined in the GEM Listing Rules) and/or independent third parties, both of which we consider appropriate in our analysis since their respective issue price/subscription price is determined after arm’s length negotiation between the relevant parties. Independent Shareholders should note that the Consideration Share Comparables are not identical to the Company in terms of principal business, operations and financial position. Nevertheless, we consider that the Consideration Share Comparables could provide a general reference for the recent common market practice of companies listed on the Stock Exchange in relation to the issue of consideration shares under specific mandate as whole/part of the consideration under similar market conditions. Details of our analyses are set out in the following table:

Table 7: Analysis on consideration shares of the Consideration Share Comparables

Date of announcement	Company name	Stock code	Premium over/ (discount to) the closing share price on the last trading day <i>Approximate %</i>	Whether the vendor is connected person <i>(Y/N)</i>	No. of shares issued over the issued share capital as at the date of announcement <i>Approximate %</i>
7-Apr-14	Jun Yang Solar Power Investments Limited	397	0.00	Y	12.27
16-Apr-14	CITIC Pacific Limited	267	6.48	Y	454.28
17-Apr-14	Kiu Hung Energy Holdings Limited	381	(21.05)	N	30.10
21-Apr-14	Changhong Jiahua Holdings Limited	8016	(33.30)	Y	47.69
30-Apr-14	Technovator International Limited	1206	(13.00)	Y	22.90
19-May-14	China Public Procurement Limited	1094	19.40	N	5.90
26-May-14	Asian Capital Resources (Holdings) Limited	8025	0.00	Y	18.60
13-Jun-14	North Asia Strategic Holdings Limited	8080	(10.08)	N	20.00
5-Jun-14	China Investments Holdings Limited	132	(1.25)	Y	44.10

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Date of announcement	Company name	Stock code	Premium over/ (discount to) the closing share price on the last trading day <i>Approximate %</i>	Whether the vendor is connected person <i>(Y/N)</i>	No. of shares issued over the issued share capital as at the date of announcement <i>Approximate %</i>
2-Jul-14	Hainan Meilan International Airport Company Limited	357	0.14	N	39.53
2-Jul-14	Symphony Holdings Limited	1223	20.00	Y	11.00
		Mean	(2.97)		
		Maximum premium	20.00		
		Maximum discount	(33.30)		
The Company			0.00	Y	6.90

Source: The website of the Stock Exchange (www.hkex.com.hk)

As shown in the table above, the issue price per consideration share issued under the respective Consideration Share Comparables to the respective closing share price on the last trading day ranges from a discount of approximately 33.30% to a premium of approximately 20.00%, with a mean of approximately 2.97% discount. It is noted that the discount of 0.00% represented by the Issue Price over the closing price of the Share on the Last Trading Day falls within the range of that of the Consideration Share Comparables.

Taking into account that (i) the Issue Price is equal to the closing price of the Shares on the Last Trading Day and represents a premium of approximately 25.4% over the average closing price of the Share during the Review Period; (ii) the discount under the closing price of the Shares on the Last Trading Day as represented by the Issue Price falls within the range of that of the Consideration Share Comparables; (iii) the trading liquidity of the Shares was thin during the Review Period; and (iv) the reasons for and the benefits of entering into the Acquisition Agreement as described under the paragraphs headed “2. Reasons for and benefits of entering into the Acquisition Agreement” above, we are of the view that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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4. Effects on shareholding structure of the Company

The following table summarised the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) after the allotment and issue of the Consideration Shares:

Table 8: Shareholding structures of the Company

	As at the Latest Practicable Date		After the allotment and issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Hong Bridge (<i>Note 1</i>)	4,065,000,000	65.4	4,065,000,000	61.1
Ms. Foo Yatyan (<i>Note 2</i>)	22,460,000	0.4	22,460,000	0.3
Mr. Li Shufu (<i>Note 3</i>)	103,064,000	1.7	103,064,000	1.6
Good Cheer	—	—	165,540,540	2.5
Geely HK (<i>Note 4</i>)	—	—	250,675,675	3.8
Leads Top	—	—	12,675,675	0.2
Other public Shareholders	<u>2,025,155,716</u>	<u>32.5</u>	<u>2,025,155,716</u>	<u>30.5</u>
Total	<u><u>6,215,679,716</u></u>	<u><u>100</u></u>	<u><u>6,644,571,606</u></u>	<u><u>100</u></u>

Notes:

1. As at the Latest Practicable Date, Mr. He is a controlling Shareholder and an executive Director, and holds 68% equity interest of Hong Bridge, and Mr. Li Xing Xing holds 32% equity interest of Hong Bridge.
2. Ms. Foo Yatyan is the spouse of Mr. He.
3. As at the Latest Practicable Date, Mr. Li Shufu holds 90% equity interest of Zhejiang Geely, and Zhejiang Geely held the entire issued share capital of Geely HK.
4. As at the Latest Practicable Date, Geely HK holds HK\$740,000,000 convertible notes of the Company with a conversion price of HK\$0.37 per conversion Share.

As illustrated in the table above, the interest of the existing public Shareholders will be diluted from approximately 32.5% to approximately 30.5% immediately after the allotment and issue of the Consideration Shares. Nevertheless, taking into account (i) the reasons for and the benefits of the Acquisition as described under the paragraphs headed “2. Reasons for and benefits of entering into the Acquisition Agreement” above; and (ii) the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we consider that the possible dilution effect on the shareholding interests of the existing public Shareholders is justifiable.

5. Financial impacts of the Acquisition

(a) *Net assets value*

According to the Annual Report 2013, the audited consolidated net assets of the Group as at 31 December 2013 were approximately HK\$7,802.2 million. Based on the unaudited consolidated financial accounts prepared by the management of the Company, it is expected

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that the Group's net assets would increase by approximately HK\$631.9 million assuming the completion of the Acquisition had taken place on 31 December 2013 and taking into account the unaudited net liabilities of the Triumphant Glory Group of approximately HK\$30.70 million as at 30 June 2014 and the increase in the capital of the Company of approximately HK\$634.8 million due to the issue of the Consideration Shares.

(b) *Earnings*

According to the Annual Report 2013, profit for the year ended 31 December 2013 of the Group were approximately HK\$9,179.8 million. As the Triumphant Glory Group recorded a loss after taxation of approximately HK\$17.2 million for the year ended 31 December 2013 and the Triumphant Glory Group will be consolidated into the Group's financial statements upon completion of the Acquisition, it is expected that the Group's profit would decrease assuming the completion of the Acquisition had taken place on 31 December 2013.

(c) *Gearing ratio*

As the Consideration of the Acquisition will be settled by the issue of the Consideration Shares, it is expected that there would be no material change in the gearing ratio of the Group upon completion of the Acquisition.

(d) *Liquidity*

As the Consideration of the Acquisition will be settled by the issue of the Consideration Shares and there will be no cash outlay for the Group (other than the related expenses), it is expected that there would be no material change in the liquidity position of the Group upon completion of the Acquisition.

Independent Shareholders should be noted that the abovementioned financial analyses are for illustrative purpose only and do not represent what the financial position of the Group will be upon completion of the Acquisition.

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RECOMMENDATIONS

Based on the abovementioned principal factors and reasons, while the entering into the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder are normal commercial terms and the entering into the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition Agreement (including the granting of the Specific Mandate) and the transactions contemplated thereunder.

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

Note: Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Goldin Financial Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance industry.

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 Company. 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

(a) Interest of the Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken 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 the GEM Listing Rules 5.46 to 5.67, relating to the required standards of dealing by director of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the ordinary shares of HK\$0.001 each of the Company

Name of director	Number of shares in the Company				Total	Approximate percentage of shareholding %
	Beneficial owner	Interest of spouse	Interest of controlled corporation	Number of Share option ²		
HE Xuechu	—	22,460,000	4,065,000,000 ¹	—	4,087,460,000	65.76
LIU Wei, William	—	—	—	40,000,000	40,000,000	0.64
SHI Lixin	—	—	—	30,000,000	30,000,000	0.48
YAN Weimin	30,000,000	—	—	30,000,000	60,000,000	0.97
ANG Siu Lun, Lawrence	—	—	—	15,000,000	15,000,000	0.24
CHAN Chun Wai, Tony	—	—	—	3,000,000	3,000,000	0.05
FOK Hon	—	—	—	3,000,000	3,000,000	0.05
MA Gang	—	—	—	3,000,000	3,000,000	0.05

Notes:

- The 4,065,000,000 shares were held by Hong Bridge Capital Limited (“Hong Bridge”). Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
- This refers to the number of underlying shares of the Company covered by its share option scheme.

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

(2) Long positions in the underlying shares of the Company

Particulars during the period of the outstanding share options granted under the existing share option scheme adopted on 21 May 2012 and the option deed dated 26 March 2010 were as follows:

Name or category of participant	Number of share options outstanding as at Latest Practicable Date	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK\$	Price	Price
					immediately preceding the grant date of share options (Note b) HK\$	immediately preceding the exercise date of share options HK\$
Director						
LIU Wei, William	30,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
	10,000,000	28/05/2012	28/05/2012–27/05/2020	0.95	0.91	N/A
SHI Lixin	20,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
	10,000,000	28/05/2012	28/05/2012–27/05/2020	0.95	0.91	N/A
YAN Weimin	30,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	3,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
FOK Hon	3,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
MA Gang	<u>3,000,000</u>	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
Sub-total	<u>124,000,000</u>					
Employee	5,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
	<u>1,000,000</u>	28/05/2012	28/05/2012–27/05/2020	0.95	0.91	N/A
Total	<u><u>130,000,000</u></u>					

Notes:

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

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

Share options granted on 25 November 2010 and 28 May 2012 under the option deed and the share option scheme respectively are exercisable in whole on the date of grant of the share options.

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

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

(b) Interests of Substantial Shareholders

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 as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long Positions of Substantial Shareholders in the Ordinary Shares of HK\$0.001 Each of the Company

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding %
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
Hong Bridge	4,065,000,000 <i>(Note 1)</i>	—	—	4,065,000,000	65.40
HE Xuechu <i>(Note 2)</i>	—	22,460,000	4,065,000,000 <i>(Note 1)</i>	4,087,460,000	65.76
FOO Yatyan <i>(Note 2)</i>	22,460,000	4,065,000,000	—	4,087,460,000	65.76
LI Xing Xing	—	—	4,065,000,000 <i>(Note 3)</i>	4,065,000,000	65.40
Geely International (Hong Kong) Limited <i>(Note 4)</i>	2,000,000,000	—	—	2,000,000,000	32.18
Zhejiang Geely Holding Group Co., Ltd. <i>(Note 5)</i>	—	—	2,000,000,000	2,000,000,000	32.18
LI Shufu <i>(Note 6)</i>	103,064,000	—	2,000,000,000	2,103,064,000	33.83
Brilliant People Limited	330,758,000	—	—	330,758,000	5.32

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.
4. The 2,000,000,000 shares held by Geely International (Hong Kong) Limited represent HK\$740,000,000 convertible notes with a conversion price of HK\$0.37 per conversion share of the Company.
5. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
6. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

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.

3. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group.

4. INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any asset which had been, since 31 December 2013, 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 are proposed to be acquired or disposed of or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor proposed Directors has any existing or proposed service contracts or has an unexpired service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

On 22 April 2014, the Company made a issued warning announcement which stated that, based on preliminary assessment on the existing unaudited management accounts and the information currently available, the Group is expected to record a significant decrease in profit for the period ended 31 March 2014 as compared to the profit recorded for the period ended 31 March 2013. The significant decrease in profit was mainly attributable to the bargain purchase gain arise from the acquisition of 99.99% interest in Brazil iron ore company Sul Americana de Metais S.A. on 28 March 2013 while no such gain has occurred during the period ended 31 March 2014. The first quarterly results announcement for the three months ended 31 March 2014 was published on 2 May 2014 and provided relevant information in relation to the Group's performance during the three months ended 31 March 2014. Save as disclosed herewith, the Directors were not aware of

any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given opinions in this circular:

Name	Qualification
Goldin Financial	a corporation licensed to carry out type 6 regulated activity (advising on corporate finance) as defined 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 2013, 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.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the Acquisition Agreement 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 19 September 2014, the date of the EGM.

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 (the “Meeting”) of Honbridge Holdings Limited (the “Company”, which together with its subsidiaries, the “Group”) will be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 19 September 2014, 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following ordinary resolution of the Company:

ORDINARY RESOLUTION(S)

“THAT

- (a) The conditional acquisition agreement dated 2 July 2014 (the “Acquisition Agreement”, a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purposes of identification), entered into between the Company as purchaser and Good Cheer Holdings Limited, Geely International (Hong Kong) Limited and Leads Top Limited (collectively, the “Vendors”) as vendors whereby the Company agreed to pay a total consideration of HK\$634,760,000 by issue and allotment of 428,891,890 new ordinary shares of the Company (the “Share(s)”) at a price of HK\$1.48 per Share (the “Consideration Shares”) of the Company for (i) the 90.68% equity interest in Triumphant Glory Investments Limited (“Triumphant Glory”); and (ii) the aggregate amounts of loan due from Triumphant Glory and its wholly-owned subsidiary, Shandong Forever New Energy Co., Ltd., to the Vendors upon completion; be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the passing of resolution numbered (a) above and The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Consideration Shares, the grant of the specific mandate to the directors of the Company (the “Directors”) to exercise the powers of the Company to issue and allot the Consideration Shares be and is hereby approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any Director be and is hereby authorised to take any action and execute such other documents as he consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Acquisition Agreement or the transactions contemplated thereby.”

By order of the Board of
Honbridge Holdings Limited
LIU Wei, William
Director and Chief Executive Officer

Hong Kong, 1 September 2014

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

4th Floor
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Principal place of business in Hong Kong:

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

Notes:

1. 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.
2. 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 notorially 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 Rooms 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, 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.
3. 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.
4. As at the date of this notice, the Board consists of three executive Directors, Mr. He Xuechu, Mr. Liu Wei, William and Mr. Shi Lixin, 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. Fok Hon and Mr. Ma Gang.