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## **HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

### **CONTINUING CONNECTED TRANSACTIONS SALES AGREEMENT**

The Board announces that, on 2 September 2016, Shandong Forever New Energy, a subsidiary of the Company, entered into the Sales Agreement with Ninghai Zhidou in relation to the sales of lithium-ion battery modules.

Upon the fulfilment of the conditions precedent under the Joint Investment Agreement on 26 July 2016, Shandong Forever New Energy was held as to 49% by Triumphant Glory, 48% by Zhejiang Geely Auto and 3% by Jiaxing Jiale, respectively.

As the Company has the right to appoint the majority of the members of the board of directors of Shandong Forever New Energy pursuant to the Joint Investment Agreement and the Board considers that the Group is able to exercise significant influence over Shandong Forever New Energy, Shandong Forever New Energy remains as an indirect non-wholly owned subsidiary of the Company and its financial performance and results continue to be consolidated into the financial results of the Group.

Zhejiang Geely Auto is a substantial shareholder of Shandong Forever New Energy as it holds 48% equity interest in Shandong Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Zhejiang Geely Auto is held as to 90% by Zhejiang Geely, and Zhejiang Geely indirectly holds 45% interest in Ninghai Zhidou. As such, both Zhejiang Geely and Ninghai Zhidou are associates of Zhejiang Geely Auto in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

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

As (i) one or more of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules for the Sales Agreement, on an annual basis and in aggregate, will exceed 5%; and (ii) the transactions under the Sales Agreement are transactions between the Group and connected persons at the subsidiary level on normal commercial terms, the Board has approved the transactions under the Sales Agreement, and the independent non-executive Directors have confirmed that the terms of the transactions under the Sales Agreement are fair and reasonable, the transactions under the Sales Agreement are on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Therefore, the Sales Agreement is subject to the annual review, reporting and announcement requirements under Chapter 20 of the GEM Listing Rules, but exempt from the circular, independent financial advice and shareholders' approval requirements.

## **THE SALES AGREEMENT**

The Board announces that, on 2 September 2016, Shandong Forever New Energy, a subsidiary of the Company, entered into the Sales Agreement with Ninghai Zhidou in relation to the sales of lithium-ion battery modules.

## **INFORMATION ON AND RELATIONSHIP BETWEEN THE PARTIES**

### **Shandong Forever New Energy**

Shandong Forever New Energy is a limited liability company established in Zoucheng, Shandong Province, the PRC in 2010, which is principally engaged in the research, production and sales of lithium-ion battery in the PRC.

Shandong Forever New Energy currently has an annual production capacity of 225,000 kWh lithium-ion battery. In October 2015, the new ternary lithium battery product passed tests conducted by a national quality supervision and inspection center. In December 2015, Shandong Forever New Energy was recognised as a high-tech enterprise by certain government authorities under the Shandong Provincial Government. On 17 June 2016, Shandong Forever New Energy was listed in the catalogue of Standard Conditions for the Vehicle Power Battery Industry (汽車動力蓄電池行業規範條件).

Upon the fulfilment of the conditions precedent under the Joint Investment Agreement on 26 July 2016, Shandong Forever New Energy was held as to 49% by Triumphant Glory, 48% by Zhejiang Geely Auto and 3% by Jiaxing Jiale, respectively.

As the Company has the right to appoint the majority of the members of the board of directors of Shandong Forever New Energy pursuant to the Joint Investment Agreement and the Board considers that the Group is able to exercise significant influence over Shandong Forever New Energy, Shandong Forever New Energy remains as an indirect non-wholly owned subsidiary of the Company and its financial performance and results continue to be consolidated into the financial results of the Group.

**Ninghai Zhidou**

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

Zhejiang Geely Auto is a substantial shareholder of Shandong Forever New Energy as it holds 48% equity interest in Shandong Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Zhejiang Geely Auto is held as to 90% by Zhejiang Geely, and Zhejiang Geely indirectly holds 45% interest in Ninghai Zhidou. As such, both Zhejiang Geely and Ninghai Zhidou are associates of Zhejiang Geely Auto in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

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

**PRINCIPAL TERMS OF THE SALES AGREEMENT WITH NINGHAI ZHIDOU**

- Parties: (1) Shandong Forever New Energy (as the vendor)  
(2) Ninghai Zhidou (as the purchaser)
- Date: 2 September 2016
- Term: From 2 September 2016 to 30 June 2018
- Nature of Transactions: Sale and purchase of lithium-ion battery modules. The exact volume of goods purchased by Ninghai Zhidou from Shandong Forever New Energy and the dates of delivery will be provided in individual purchase orders.

Pricing basis: The price of goods under the Sales Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.

## PROPOSED ANNUAL CAPS

The total proposed Annual Caps in respect of the Sales Agreement for the financial years ending 31 December 2016 and 31 December 2017 and the six months ending 30 June 2018 are set out as follows:

	<b>2016</b>	<b>2017</b>	<b>2018</b> <b>(from</b>
			<b>1 January to</b>
	<i>RMB</i>	<i>RMB</i>	<b>30 June)</b>
			<i>RMB</i>
Proposed Annual Caps	<u>35,000,000</u>	<u>40,000,000</u>	<u>25,000,000</u>

The proposed Annual Caps were determined based on:

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

Should the actual annual purchase amount exceed the above proposed Annual Caps, the Company will revise the Annual Caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

## REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The aforesaid continuing connected transactions between the Group and Ninghai Zhidou or its associate(s) were entered into in the ordinary and usual course of business of the Group. The Directors are of the view that securing such long-term customers as Ninghai Zhidou can effectively improve the Group's financial performance and ensure the delivery of stable income to the Group. The Directors consider that the entering into of the Sales Agreement which sets out the proposed Annual Caps is constructive to encouraging Ninghai Zhidou to purchase the products and services thereunder from the Group, thereby benefiting the Group.

In view of the above-mentioned reasons and taking into account: (i) the estimated sales volume of lithium-ion battery modules for the years ending 31 December 2016, 2017 and six months ending 30 June 2018; (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Agreement; and (iii) the current and forecast market price of lithium-ion battery modules in the PRC, the Sales Agreement was determined, and the Directors (including the independent non-executive Directors) are of the view that the Sales Agreement was entered into in the ordinary course of the Group's business and on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties, and the terms and Annual Caps set out in the Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

In order to comply with the pricing basis of the Sales Agreement and safeguard the interests of the Shareholders as a whole, the Company will take the following internal control measures:

The sales department of Shandong Forever New Energy has maintained the records of goods supplied by them (including their respective sales price and terms).

The Group has formulated internal audit procedures to track, monitor and evaluate the transaction amounts under the Sales Agreement on a monthly basis, so as to ensure the Annual Caps are not exceeded.

For the sales of lithium-ion battery modules by the Group, terms in sales agreement of similar nature entered into with independent third parties will be compared to the Sales Agreement. The Group has also put in place relevant procedures and relevant steps to regularly monitor the relevant manufacturing cost items and costs of other necessary and reasonable expenses so as to ensure the proper determination of the selling price of lithium-ion battery modules to be sold to Ninghai Zhidou. The Group will negotiate the terms of such transactions on a regular basis to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by the Group in such transactions.

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

The Company will also engage its independent auditors to report on transactions under the Sales Agreement each year. The independent auditors will review and confirm in the annual report whether transactions under the Sales Agreement have been approved by the Board, are in compliance with the pricing policies of the relevant agreement governing the transactions, and have not exceeded the relevant Annual Caps.

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

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

The Sales Agreement entered into between the Group and Ninghai Zhidou constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As (i) one or more of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules for the Sales Agreement, on an annual basis and in aggregate, will exceed 5%; and (ii) the transactions under the Sales Agreement are transactions between the Group and connected persons at the subsidiary level on normal commercial terms, the Board has approved the transactions under the Sales Agreement, and the independent non-executive Directors have confirmed that the terms of the transactions under the Sales Agreement are fair and reasonable, the transactions under the Sales Agreement are on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Therefore, the Sales Agreement is subject to the annual review, reporting and announcement requirements under Chapter 20 of the GEM Listing Rules, but exempt from the circular, independent financial advice and shareholders' approval requirements.

None of the Directors is materially interested in the Sales Agreement, and therefore none of the Directors is required to abstain from voting on the Board resolutions to approve the Sales Agreement and the Annual Caps.

## **DEFINITIONS**

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

“Annual Caps”	the annual caps for the transactions contemplated under the Sales Agreement with Ninghai Zhidou for the period from 2 September 2016 to 30 June 2018
“Zhejiang Geely Auto”	浙江吉利汽車有限公司, transliterated as Zhejiang Geely Automobile Co., Ltd.*, a limited liability company incorporated under PRC Law and a 90% owned subsidiary of Zhejiang Geely
“Jiaxing Jiale”	嘉興嘉樂投資合夥企業, transliterated as Jiaxing Jiale Investment Partnership Corporation (limited partnership)*, a limited partnership incorporated in the PRC

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Ninghai Zhidou”	寧海知豆電動汽車有限公司, transliterated as Ninghai Zhidou Electric Vehicles Company Limited*, a limited liability company incorporated in the PRC and is held indirectly as to 45% by Zhejiang Geely
“Sales Agreement”	the sales agreement dated 2 September 2016 entered into between Shandong Forever New Energy and Ninghai Zhidou in relation to the sales of lithium-ion battery module
“Company”	Honbridge Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock Code: 8137)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Joint Investment Agreement”	the joint investment agreement dated 9 May 2016 entered into by Triumphant Glory, Zhejiang Geely Auto and Jiaying Jiale in relation to the conversion of Shandong Forever New Energy into a Sino-foreign Equity Joint Venture (details were disclosed in the circular of the Company dated 11 July 2016)
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Zhejiang Geely”	浙江吉利控股集團有限公司, transliterated as Zhejiang Geely Holding Group Co., Ltd.*, a limited liability company incorporated in the PRC, which owns 90% equity interest in Zhejiang Geely Auto
“kWh”	kilowatt-hour
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Forever New Energy”	山東衡遠新能源科技有限公司, transliterated as Shandong Forever New Energy Co., Ltd.*, a limited liability company incorporated in the PRC and a non-wholly owned subsidiary held as to 49% by Triumphant Glory
“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 and a 90.68% owned subsidiary of the Company
“%”	per cent

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

By order of the Board  
**Honbridge Holdings Limited**  
**YEUNG Ho Ming**  
*Company Secretary*

Hong Kong, 2 September 2016

*As at the date of this announcement, the Board comprises Mr. He Xuechu, Mr. Liu Wei, William and Mr. Shi Lixin as executive directors; Mr. Ang Siu Lun, Lawrence and Mr. Yan Weimin as non-executive directors and Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun as independent non-executive directors.*

*This announcement, for which the Directors of the Company 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.8137.hk](http://www.8137.hk).*