
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed securities dealer or registered institution 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 to the purchaser or transferee or to the bank, stockbroker or other registered dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

**HONBRIDGE HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

**MAJOR TRANSACTION IN RELATION TO
THE LOAN AGREEMENT**

A letter from the Board is set out on pages 3 to 16 of this circular.

This circular will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of 7 days from the date of its posting and on the website of the Company at www.8137.hk.

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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix I — Financial Information of the Group	I-1
Appendix II — General Information	II-1

DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 11 April 2016 in relation to the Loan Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“Borrower”	Cloudrider Limited, a company incorporated in the British Virgin Islands with limited liability and is held as to approximately 35.65% by Lontrue Co., Limited (朗源股份有限公司), a company established in Shandong Province, the PRC, and the issued shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300175), and three other shareholders
“Company”	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	19 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Limited Partnership”	Cloudshire Fund LP, an exempted limited partnership incorporated in the Cayman Islands
“Loan”	the loan in the principal amount of HK\$540,000,000 granted by the Company to the Borrower pursuant to the Loan Agreement

DEFINITIONS

“Loan Agreement”	the loan agreement dated 11 April 2016 entered into between the Company and the Borrower in relation to the provision of the Loan
“March Announcement”	the announcement made by the Company dated 25 March 2016 in relation to the Potential Investment
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Placing”	the placing of 754,000,000 new shares as contemplated under the Company’s circular dated 29 May 2015
“Potential Investment”	the potential investment in the Limited Partnership by the Company
“Relevant Shareholders”	the closely allied group of Shareholders comprising Hong Bridge Capital Limited and Mr. HE Xuechu, who are together interested in 4,122,939,189 Shares (representing approximately 52.44% of the total number of issued shares of the Company) as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	shares with a nominal value of HK\$0.001 each in the capital of the Company
“Shareholders”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 446,000,000 new shares by an independent third party as contemplated under the Company’s circular dated 29 May 2015
“%”	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 Li Xin

Non-Executive Directors:

Mr. Ang Siu Lun, Lawrence
Mr. Yan Weimin

Independent Non-Executive Directors:

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

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

24 May 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
THE LOAN AGREEMENT**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide the Shareholders with further details about the Loan Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

LOAN AGREEMENT

On 11 April 2016, the Company entered into the Loan Agreement with the Borrower, pursuant to which the Company conditionally agreed to grant to the Borrower the Loan. The principal terms of the Loan Agreement are summarised as follows:

Date: 11 April 2016

Lender: Honbridge Holdings Limited

Borrower: Cloudrider Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Borrower, the Borrower's shareholders (including their respective directors), the Borrower's sole director (Lontrue Co., Limited) and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons and their associates.

Principal amount: HK\$540,000,000, which may be drawn down in two tranches (Tranche A: HK\$251,100,000, representing approximately 46.5% of the Loan; and Tranche B: HK\$288,900,000, representing approximately 53.5% of the Loan, subject to the Company's satisfaction of the additional security provided by the Borrower after the Tranche A Loan).

Purpose of the Loan: For funding mergers and acquisitions.

Maturity date: 12 months after the drawdown of the Tranche A Loan, subject to an option to extend by the Borrower to the date falling 24 months after the drawdown.

Availability Period and Drawdown: The Tranche A Loan and the Tranche B Loan must be drawn within the period from and including the date of Loan Agreement to and including the date falling twenty (20) business days after the date of signing the Loan Agreement, or such other date as the Company and the Borrower may agree.

The Tranche A Loan was drawn down on 22 April 2016. The Tranche B Loan was drawn down on 12 May 2016.

LETTER FROM THE BOARD

Conditions precedent: The provision of the Tranche A Loan is conditional upon, among other things, the sole director of the Borrower having approved the transactions contemplated under the Loan Agreement and the execution of share charges over shares in the Borrower by certain shareholders of the Borrower in favour of the Company.

The provision of the Tranche B Loan is conditional upon, among other things, the board of directors and shareholders of the relevant entity having approved granting the additional security as required by the Company and the execution of the relevant agreement thereof.

Repayment: The Borrower shall repay the outstanding amount of the Loan in full and the unpaid interest accrued thereon 12 months after the drawdown of the Tranche A Loan or on demand by the Company upon occurrence of an event of default (as defined in the Loan Agreement), whichever occurs first. The Borrower may, at its option extend the repayment date to the date that is 24 months after the initial drawdown of the Loan.

Early repayment: Subject to prior notice to the Lender, the Borrower may prepay all or any part of the Loan at any time without premium or penalty.

Interest: Interest shall accrue at the rate of 3% per annum and the Borrower shall pay accrued interest on all Loans on the date that falls six (6) months after the initial drawdown date and at six monthly intervals thereafter and on the repayment date. If the Borrower fails to pay any amount payable on its due date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment (both before and after judgment) at a rate of six per cent. (6%) per annum.

Events of Default: Pursuant to the Loan Agreement, each of the events of default is set out, among others, as follow:

- (a) non-payment;
- (b) failure to grant additional security as required by the Loan Agreement;
- (c) breach of other obligations;
- (d) misrepresentation;

LETTER FROM THE BOARD

- (e) change of control of the Borrower;
- (f) cross default;
- (g) insolvency;
- (h) commencement of insolvency proceedings;
- (i) creditors' processes;
- (j) unlawfulness;
- (k) repudiation by the Borrower;
- (l) the security ceases to be in full force and effect;
- (m) material adverse change;
- (n) litigation which may have a material adverse effect; or
- (o) failure to pay a final judgement in an amount greater than HK\$100,000.

Upon the occurrence of an event of default, the Company may cancel any undrawn commitment, declare the Loan is payable on demand, require immediate repayment of the Loan and/or exercise its rights under the security documents.

Shareholders of
the Borrower:

The Borrower's shareholders and their respective background as at the Latest Practicable Date are as follows:

- (a) Bronze Pony Investments Limited, which was incorporated in the British Virgin Islands with limited liabilities, holds 10,384,615 shares representing 14.44% of the total issued and paid up shares of the Borrower and is an investment holding company;
- (b) Capital Melody Limited 韻資有限公司, which was incorporated in the British Virgin Islands with limited liabilities, holds 23,076,924 shares representing 32.09% of the total issued and paid up shares of the Borrower and is an investment holding company;

LETTER FROM THE BOARD

- (c) Lontrue Co Ltd 朗源股份有限公司, which holds 25,641,025 shares representing 35.65% of the total issued and paid up shares of the Borrower and is principally engaged in growing, manufacturing and sale of agricultural products; and
- (d) the Xinsha International Pte. Ltd., which was incorporated in Singapore with limited liabilities, holds 12,820,513 shares representing 17.82% of the total issued and paid up shares of the Borrower and is principally engaged in international trading business.

Security:

The Tranche A Loan is secured by (i) share charges provided by Bronze Pony Investments Limited and Capital Melody Limited having granted security over all of their shareholdings in the Borrower, and (ii) a debenture consisting of a fixed and floating charge over all of the assets of the Borrower in favour of the Company, or such other security as required by the Company to its satisfaction.

Undertakings:

The Borrower shall provide undertakings in favour of the Company which include, among others, no disposal of assets, no merger, no change of business, no issuance of further shares, no guarantees and indemnities.

Collaterals for the
Tranche B Loan:

The Tranche A Loan and the Tranche B Loan share the same security package comprising:

- (a) a share charge granted by Bronze Pony Investments Limited relating to its shares in the Borrower;
- (b) a share charge granted by Capital Melody Limited relating to its shares in the Borrower; and
- (c) a debenture consisting of a fixed and floating charge over all of the assets of the Borrower.

CHANGE OF USE OF PROCEEDS

The Loan is intended to be funded by the net proceeds received from the Placing and the Subscription which were completed in June 2015.

LETTER FROM THE BOARD

Upon completion of the Placing and the Subscription, the Company received an aggregate of HK\$1,336 million of net proceeds, HK\$950 million of which was then intended to be applied to increase the Group's production capacity of lithium-ion battery business and potential investment and acquisition opportunities in the new energy vehicle related field, HK\$200 million of which was intended to be used in the Brazilian iron ore project and HK\$186 million of which was intended to be used for general working capital of the Company. However, as at the date of Loan Agreement, the Company has yet to identify suitable investment and acquisition targets in the new energy vehicle-related field. Whilst the Company will continue to explore and identify suitable targets in the new energy vehicle related field, the Company has decided to improve the Group's capital efficiency and to better utilise its cash by making short-term investment to generate better returns to its Shareholders.

As at the Latest Practicable Date, out of the total net proceeds that have been raised from the Placing and the Subscription, HK\$540.0 million has been lent to the Borrower, HK\$109.1 million has been utilised to repay the loans from the ultimate holding company, approximately HK\$24.3 million has been used for general working capital and approximately HK\$36.7 million has been utilised in the iron ore project in Brazil. For the remaining amount of approximately HK\$625.9 million, HK\$410 million will be invested into the new energy vehicle related business, HK\$163.3 million will be used as the preliminary working expenses of the iron ore project in Brazil, and HK\$52.6 million will be used as working capital or/and the supplementary funding to the two investments mentioned above. Once the Loan is repaid by the Borrower, the whole amount will continue to be invested into the new energy vehicle related business or other identified business at that time.

The terms of the Loan Agreement (including the interest rate) have been arrived at by the Company and the Borrower after arm's length negotiation, having regard to the commercial practice and the amount of the Loan. The Directors consider that the terms of the Loan Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. As at the Latest Practicable Date, Hong Bridge Capital Limited and Mr. He Xuechu have not entered into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the Borrower and its shareholders and the respective directors with respect of the Loan Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The Group is principally engaged in manufacturing and trading of lithium-ion battery, investment in new energy and resource sector and exploration of mineral resources. The Group is determined to develop in new energy vehicles industry and intends to acquire the complete core technology such as battery system, electric motor system and vehicle control module by acquisitions. The strategy is to conduct business consolidation by mergers and acquisitions globally in order to obtain the cutting-edge techniques and to integrate creativity for producing and selling new energy vehicles, and to industrialize the production of new energy vehicles and related core components in the PRC and follow this direction to seek for mergers and acquisitions opportunities.

LETTER FROM THE BOARD

Due to the low Hong Kong dollar bank deposit interest rate, the deposit of the net proceeds from the Placing and the Share Subscription in the bank account only generates monthly interest income of approximately HK\$10,000 (at an interest rate of 0.01% per annum) to the Company. As set out in the “Change of Use of Proceeds” section in this circular and in the March Announcement, the Company has decided to improve the Group’s capital efficiency and to better utilise its cash by making short-term investment to generate better returns to its Shareholders. The Board has commercially decided not to proceed with the Potential Investment and is of the view that the annual interest income of approximately HK\$16,200,000 (at an interest rate of 3% per annum) would provide a stable income stream with relatively lower risk to the Company in short run. The interest rate at 3% per annum was determined on an arm’s length negotiation between the Company and the Borrower after considering certain market benchmarks. One of the reference points was a similar transaction with respect to the provision of a loan in the amount of HK\$100 million by China Mining Resources Group Limited (Stock code: 340) in January 2016 with an interest rate of 3% per annum and secured by the shares of a private company. Additionally, the Company has obtained quotations from more than one bank for the interest rate of secured term loans of the same principal amount. The range of interest rate per annum for such loans is approximately 1.5% to 3%. After taking into account the above market information and the sufficiency and the quality of collaterals as disclosed in “Information on the Borrower” section, the Board considered the interest rate of 3% is fair and justifiable.

As aforesaid above, the interest rate for Hong Kong dollar bank deposit is currently low and generates limited interest income to the Company. The Company has considered alternative methods which can increase the return of the idle cash, such as Hong Kong dollar time deposit and foreign currency linked time deposit. Nonetheless, the Company has to bear currency risk for placing foreign currency time deposit which could outweigh the return generated. Interest income from the Loan presents a better return to the Company and the Loan is well secured. Accordingly, the Directors believe that the terms of each of the Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into consideration (1) the satisfactory due diligence performed as set out in the “Information on the Borrower” section; (2) the low bank deposit interest rate in current market; (3) the costs of providing the Loan to the Borrower; (4) the interest income to be generated by the Loan; and (5) market reference interest rate.

The provision of the Loan was one-off and the Company has no current and future intention to engage in money lending business as at the Latest Practicable Date. Pursuant to Part 2, Schedule 1 of the Money Lenders Ordinance (Cap.163 of the laws of Hong Kong), the Loan is exempted from the provisions of the Money Lenders Ordinance given (1) the Loan was made by the Company whose ordinary business does not primarily involve the lending of money; (2) the Loan was made to the Borrower with a paid-up share capital of not less than HK\$1 million; and (3) the Loan was secured by security which would be registrable under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) if the Borrower were incorporated under the Companies Ordinance.

LETTER FROM THE BOARD

INFORMATION ON THE BORROWER

Through business network and contacts, the Company got acquainted with the management of Lontrue Co., Ltd. and noted that Lontrue Co., Ltd. has invested in the Borrower. The Borrower is a privately owned investment holding company incorporated in the British Virgin Islands with limited liability which is principally engaged in the investment in the telecommunication media and technology industry.

Based on the unaudited management account of the Borrower for the period from 19 November 2015 (date of incorporation) to 19 May 2016, as at the Latest Practicable Date, the total and net assets of the Borrower were equal to HK\$1,491.1 million and HK\$708.6 million, respectively.

As at the Latest Practicable Date, the following financial details of the Borrower are set out for information purpose:

	<u>HK\$ million</u>
Since the date of incorporation up to the Latest Practicable Date	
Revenue	Nil
Fair value gain on Yuxing Infotech investment	148.6
Administrative expenses	0.3
Finance costs	0.7
Profit	147.6
As at the Latest Practicable Date	
<i>Assets</i>	
Bank balances	0.7
Investment in Yuxing Infotech	1,229.5
Amount due from shareholders	260.9
<i>Liabilities</i>	
Amount due to the vendor of Yuxing Infotech shares	241.8
Loan from the Company	540.0
Loan interest payable to the Company	0.7
Net assets value of the Borrower	708.6

Save as disclosed above, the Borrower does not have any liabilities or indebtedness.

On 10 April 2016, the Borrower entered into a sale and purchase agreement with Super Dragon Co., Ltd., the controlling shareholder of Yuxing Infotech Investment Holdings Ltd. (“**Yuxing Infotech**”), a company listed on the GEM (Stock code: 8005), to acquire 25% of the issued ordinary shares of Yuxing Infotech for a total consideration of HK\$1.08 billion. After

LETTER FROM THE BOARD

completion the Borrower will become the single largest shareholder of Yuxing Infotech. Save as disclosed above, the Borrower has no other investment and has not entered into other agreements of material in nature.

According to the closing price of the shares of Yuxing Infotech on 8 April 2016, which was the last trading date before the Loan Agreement was signed, its market capitalization was approximately HK\$4.81 billion (compared with its market capitalisation as at Latest Practicable Date which was HK\$4.92 billion). The net assets value of Yuxing Infotech was approximately HK\$2.12 billion according to the audited financial statements for the year ended 31 December 2015. The Board considers that the current investment target of the Borrower, Yuxing Infotech, is in a good financial position which is expected to generate return to the Borrower and strengthen its repayment ability. Upon the occurrence of an event of default, the Company can enforce the relevant share charges and debenture and take possession of the collaterals thereunder. The most valuable collaterals are the securities that the Borrower will hold which represent 25% of the issued share capital of Yuxing Infotech, with market capitalisation value of approximately HK\$1.23 billion as at the Latest Practicable Date, which is equivalent to value-to-loan ratio of 228%. Even if the shares of Yuxing Infotech drops to one year low at HK\$1.89 per share, the securities that the Borrower will hold would still be worth approximately HK\$850 million, equivalent to value-to-loan ratio of 157%. Besides, 25% of the net assets value of Yuxing Infotech is approximately HK\$530 million which covers over 98% of the Loan amount. The Board considers that the net assets value is an important reference for the value of Yuxing Infotech as the figure has been audited by independent auditors, and its value will not be affected by the daily market fluctuations like share price does. In addition, the interest of 25% in Yuxing Infotech represents the single largest stake controlled by a single shareholder which could be more valuable than the market price of the shares trading on the market. Even if the shares are disposed in a discount, the Company believes that the Loan can be recovered based on the high value-to-loan ratio calculated above. Having taken into consideration that, (i) the Borrower will hold 25% issued shares of Yuxing Infotech and become the single largest shareholder of Yuxing Infotech; (ii) security has been created in favour of the Company over present and future assets of the Borrower; and (iii) the Company will be able to sell the shares of Yuxing Infotech held by the Borrower in the open market after enforcing the share charges. Alternatively, the Company may consider disposing the 25% shares of Yuxing Infotech to individual buyer(s) directly through off-market transaction if the Company enforced the share charges and/or the debenture. In view of the above, the Board believes that the collaterals are sufficient to cover the principal and the accrued interests of the Loan (HK\$540 million). Given the Borrower is a private company with all the relevant share charge deliverables being kept by the Company, the security can be enforced by the Company (if needed) as and when it considers appropriate.

Due diligence review on the Borrower has been performed. In respect of the financial position and creditworthiness of the Borrower, the Company has reviewed all the previous accounting records and latest management accounts of the Borrower. The Borrower has had no default in any loan payment in the past. In addition, the single largest shareholder of the Borrower is Lontrue Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange with good corporate governance practice and reputation.

LETTER FROM THE BOARD

Other corporate documents were obtained from the Borrower to demonstrate that (1) the Borrower and the relevant chargors were duly incorporated and in good standing; and (2) the 46.5% issued share capital of the Borrower to be charged to the Company is free from encumbrance.

The Company is not aware of any issue arising from the result of the due diligence review which needs to be brought to the Shareholder's attention.

As at the Latest Practicable Date, save for Yuxing Infotech, the Company was not aware of any other investment targets identified by the Borrower. Nonetheless, the Company is able to limit the risk exposure of the Loan by having imposed certain restrictions on the Borrower under the Loan Agreement for any future acquisition or investment by the Borrower to which the Company's prior written consent is required, or the Borrower has to acquire any equity securities listed on an internationally listed securities exchange.

INTERNAL APPROVAL AND PROCEDURES IN RELATION TO THE PROVISION OF THE LOAN

Management expertise

Mr. Liu Wei, William, is the Executive Director and the Chief Executive Officer of the Company and has over 10 years of experience in corporate banking and corporate finance related business, including his previous employment with The Hongkong Chinese Bank Ltd. and the Lippo Group. Mr. Liu Wei has relevant working experience in relation to loan/debt financing business and is competent to manage the Loan transaction.

Credit Policy and Loan Approval Policy

Although the Company has no current and future intention to engage in a money lending business as at the Latest Practicable Date, a credit policy and loan approval policy has been set up as follows.

The Company only considers provision of secured loan to a corporate but not to any individual with a maximum overall credit limit set by the management and approved by the Board after considering the future capital usage of the Group.

Before reaching any terms of the Loan, the Group will manage and analyze the credit risk of the potential borrower by taking into account its credit rating from credit rating agencies (if any), financial position, company background, director's and shareholder's background, etc. The loan limits will be set based on the value of the collaterals provided by the potential borrower and the creditworthiness of the borrower. In any case, the Group will not grant loans with a value-to-loan ratio below 100%. The Chief Executive Officer, the Company Secretary and a designated accounting staff of the Company are responsible for the background search and credit assessment procedures. However, they do not have the authority to approve the loan. All the loan request have to be reported to the Board for final approval.

LETTER FROM THE BOARD

Loan approval and credit monitoring procedures

After the Borrower and the Company entered into an initial negotiation for the Loan, the Company Secretary of the Company commenced the background check and due diligence on the Borrower by collecting key information of the Borrower including certificate of incorporation, certificate of incumbency, register of members, register of directors, management accounts, bank account information, directors' background information and purposes of the Loan, etc.

After verification of the key information, the Chief Executive Officer, who has extensive money lending work experience, evaluated the repayment ability and creditworthiness of the Borrower and its shareholders, the quality and liquidity of the collaterals, the proposed utilisation of the Loan and the overall risk. Besides the creditworthiness assessment procedures, the Company Secretary also considered all the percentage ratios under Chapter 19 of the GEM Listing Rules for proper classification of the transaction. Overseas legal counsel was also appointed to opine that the Borrower had all requisite power and authority under its memorandum and articles of association to enter into, execute and perform its obligations under the Loan Agreement.

All the information and evaluation were reported to the Board for final approval.

Risk monitoring and control procedures

The Loan Agreement requires that the Borrower keeps books and records which reflect in all material respects of all of its business, affairs and transactions in accordance with international accounting and reporting standards. The Company has designated an accounting staff to be responsible for monitoring the financial conditions of the Borrower. The staff will inspect the books and records of the Borrower monthly and conduct meeting with the Borrower periodically in order to obtain the latest information and ensure that the Loan is utilised in accordance with the Loan Agreement.

The Borrower has entered into a definitive agreement to acquire 25% of the issued shares of Yuxing Infotech, a listed company, which along with all the other assets of the Borrower, will form part of the collaterals. The designated accounting staff will monitor the market capitalisation as well as the latest financial information and development of Yuxing Infotech through public domain and disclosures by Yuxing Infotech. All such information will be reported to the Chief Financial Officer of the Company, who will review the information as well as the value-to-loan and accrued interests ratio to evaluate if there is any impairment indication. If the Borrower's total assets, including the value of the 25% issued shares of Yuxing Infotech, declines and the value-to-loan (including the accrued interests) ratio becomes lower than 150%, the Chief Financial Officer of the Company will meet with the Borrower to understand the latest repayment plan of the Borrower. After assessing the repayment plan of the Borrower, Chief Financial Officer will prepare a report and a bad debt provision report (if considered the repayment plan is not satisfactory) and provide to the Chief Executive Director and the Board for review. Upon the occurrence of an event of default, the Company can enforce the relevant share charges and debenture and take possession of the collaterals thereunder.

LETTER FROM THE BOARD

In the event of (i) any default such as failure to repay interests on the relevant interests payment date(s) under the Loan Agreement; and (ii) the share price of Yuxing Infotech drops significantly within a short period of time which may constitute a material adverse effect of the Borrower under the Loan Agreement as the Company determines, the Company will send a written reminder to the Borrower and will consider declaring the Loan payable on demand, requiring immediate repayment of the Loan and interests and/or exercising its rights under the security documents.

RISK FACTORS

The Company may suffer an impairment loss as a result of the failure of repayment of the Loan or a significant drop in the underlying value of the Yuxing Infotech shares

There may be a risk of failing to repay the Loan if the Borrower suffers from any financial difficulty. Such non-payment will constitute an event of default under the Loan Agreement. Upon the occurrence of an event of default, the Company can enforce the relevant share charges and debenture and take possession of the collaterals thereunder. The most valuable collaterals are the securities that the Borrower will hold which represent 25% of the issued share capital of Yuxing Infotech, with market capitalization value of approximately HK\$1.23 billion as at the Latest Practicable Date, which is equivalent to value-to-loan ratio of 228%. Nonetheless, in the case that the share price of Yuxing Infotech drops significantly, the value of the collaterals will drop in parallel. If the Borrower fails to meet the repayment requirement of the Company by then, the Company will suffer an impairment loss a result of such non-payment and the cash flow and working capital may be materially and adversely affected.

There may be a concern on the liquidity of the Yuxing Infotech shares upon the sale of such shares after enforcement of the share charges

It is noted that the average daily trading volume of shares in Yuxing Infotech was about 1.5 million shares over the past three months. It may take 300 business days to completely dispose the investment in Yuxing Infotech on-market, which might have a downward pressure on the share price of Yuxing Infotech upon the disposal. Yet the Company may choose to dispose such Yuxing Infotech shares off-market, it may be difficult to identify purchaser(s) and it may take time to negotiate for such disposal. The Company may not be able to fully recover the Loan and interests amount arising thereof.

FINANCIAL EFFECTS OF THE LOAN AGREEMENT ON THE COMPANY

Earnings

As set out in the section headed “Reasons for and Benefits of Entering into the Loan Agreement”, the Loan will generate an annual interest income of approximately HK\$16,200,000 to the Company.

LETTER FROM THE BOARD

Assets and liabilities

The item “loan receivable” under the assets of the Group will be increased by HK\$540,000,000 which will be attributed by the advancement of the Loan whereas the Group’s cash and cash equivalent will be decreased accordingly. The transactions contemplated under the Loan Agreement will have no impact on the liabilities of the Group.

GEM LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios under Rule 19.07 of the Listing Rules exceed 25% but all applicable percentage ratios are less than 100%, the provision of the Loan constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders’ approval requirements under the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Loan. As such, no Shareholders were required to abstain from voting in favour of the resolution approving the Loan. As at the Latest Practicable Date, the Relevant Shareholders controlled an aggregate of 4,122,939,189 Shares, representing approximately 52.44% of the total number of issued shares of the Company. Accordingly, pursuant to Rule 19.44 of the Listing Rules, written shareholders’ approval was accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Loan Agreement upon satisfaction of the conditions set out under Rule 19.44 of the Listing Rules.

LETTER FROM THE BOARD

Details of the shareholding of the Relevant Shareholders in the Company are as follows:

	Number of Shares in the Company		Approximate percentage of shareholding (%)
	Beneficial owner	Total number of shares held	
Hong Bridge Capital Limited	4,065,000,000 <i>(Note 1)</i>	4,065,000,000	51.71
HE Xuechu	57,939,189	<u>4,122,939,189</u>	<u>52.44</u>
Total		<u>4,122,939,189</u>	<u>52.44</u>

Note:

1. The 4,065,000,000 Shares were held by Hong Bridge Capital Limited. Mr. HE Xuechu, the controlling Shareholder and Director, who holds 68% equity interest of Hong Bridge Capital Limited.

Accordingly, pursuant to Rule 19.44 of the Listing Rules, written shareholders' approval has been obtained to approve the terms of, and the transactions contemplated, under the Loan Agreement upon satisfaction of the conditions set out under Rule 19.44 of the Listing Rules.

As such, no extraordinary general meeting will be convened for the purpose of approving the Loan Agreement as permitted under Rule 19.44 of the GEM Listing Rules. This circular will therefore be sent to the Shareholders for their information only.

GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix I (Financial Information of the Group) and Appendix II (General Information) to this circular.

Yours faithfully,
On behalf of the Board
Honbridge Holdings Limited
LIU Wei, William
Director and Chief Executive Officer

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2015

Financial information of the Group for the three years ended 31 December 2013, 2014 and 2015 are disclosed on pages 32 to 110 of the annual report of the Company for the year ended 31 December 2013, pages 39 to 116 of the annual report of the Company for the year ended 31 December 2014 and pages 37 to 108 of the annual report of the Company for the year ended 31 December 2015, all of which are published on the website of the Stock Exchange at <http://www.hkexnews.hk>, and the website of the Company at www.8137.hk. Quick links to the annual reports of the Company are set out below:

Annual report of the Company for the year ended 31 December 2013:

<http://www.hkexnews.hk/listedco/listconews/GEM/2014/0328/GLN20140328179.pdf>

Annual report of the Company for the year ended 31 December 2014:

<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0330/GLN20150330091.pdf>

Annual report of the Company for the year ended 31 December 2015:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0330/GLN20160330425.pdf>

II. INDEBTEDNESS

The Company did not provide any corporate guarantee to any of the indebtedness as listed out below.

Borrowings

At the close of business on 31 March 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding secured bank borrowings of approximately HK\$23,781,000 and unsecured government loan of approximately HK\$118,906,000.

Pledge of assets

At the close of business on 31 March 2016, the Group's prepaid land lease payments with an aggregate carrying value of approximately HK\$48,258,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$23,781,000.

Debt securities

At the close of business on 31 March 2016, the Group had an outstanding unsecured zero coupon convertible bonds with principal amount of HK\$740.0 million and the initial conversion price of HK\$0.37 per conversion share of Company.

Contingent consideration payables

Reference is made to the Company's announcements dated 16 April 2010, 1 December 2010, 24 December 2010, 20 January 2011, 4 April 2011, 11 May 2011, 31 May 2011, 23 April 2012, 4 July 2012, 18 July 2012, 12 September 2012, 14 January 2013, 7 February 2013, 28 March 2013, 8 September 2014, 4 November 2014, 19 January 2015 and 11 June 2015 (collectively, the "**Announcements**"), the Company's circular dated 5 November 2010 (the "**Circular**") as well as the Company's announcement dated 13 May 2016 (the "**Settlement Announcement**"). Capitalised terms used below shall have the same meanings as those defined in the Announcements, the Circular and the Settlement Announcement unless otherwise stated.

On 5 March 2010, Lit Mining (as the seller), VNN (also as the seller), Esperento, Mineral Ventures, Infinite Sky (as the buyer and a subsidiary of the Company), New Trinity (a subsidiary of the Company), and the Company entered into the Share Purchase Agreement (the "**SPA**"). Pursuant to the SPA, the Consideration of USD390.0 million for the acquisition of Sul Americana de Metais S.A. ("**SAM**") was to be satisfied in cash in five instalment payments.

As at 31 March 2016, the first and the second instalment payment amount to USD75.0 million (equivalent to approximately HK\$582.0 million) have been settled. The third instalment payment amount to USD115.0 million (equivalent to approximately HK\$892.4 million) are to be settled on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained). The fourth instalment payment of USD100.0 million (equivalent to approximately HK\$776.0 million) was agreed to pay on the tenth Business Day following the Port Operation Commencement Date, being the later of (a) the Closing Date; and (b) the date by which an aggregate of 100,000 metric tons of pellet feed have been shipped through the Port on a commercial basis. The fifth instalment payment of USD100.0 million (equivalent to approximately HK\$776.0 million) is required to settle on the tenth Business Day following the Mining Production Commencement Date.

As at 31 March 2016, the fair value of contingent consideration as mentioned above for the third to fifth instalments payment were approximately USD157 million (equivalent to approximately HK\$1,216 million).

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

Accordingly, the Group shall no longer be liable to pay the USD115.0 million Approvals Payment, the USD100 million Port Operation Payment and the USD100 million Mining Production Payment under the SAP mentioned above.

Major terms of the Settlement Agreement are as follows:

Settlement Payment to Votorantim and transfer of Golden Share to Infinite Sky

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

Conditional additional payment

If, however:

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

(each a “**Disposal Event**”) after the execution of the Settlement Agreement but before (a) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the Exploration Permits issued to SAM has been shipped commercially (the “**New Mining Production Commencement Date**”); or (b) any final and non-appealable order, by any Brazilian regulatory authority, permanently restraining,

enjoining or otherwise preventing the consummation of the New Mining Production Commencement Date, whichever is earlier, and the Net Proceeds (as defined below) from such a Disposal Event exceeds 120% of the Company's investment in SAM and the Project, which comprises:

- (1) the amount of US\$75,000,000, being part of the Consideration and US\$420,000, an incentive payment previously paid to VNN;
- (2) the Settlement Payment of US\$3,000,000 under the Settlement Agreement;
- (3) an amount of US\$1,500,000, paid to a third party as fees for preparation of SAM's feasibility study report;
- (4) the amount of US\$64,175,000, representing the funds loaned to SAM and capital invested by the Company, Infinite Sky and/or New Trinity in SAM as of the date of the Settlement Agreement; and
- (5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event ("**Honbridge's Investment**"), provided that the Group shall present documentation reasonably satisfactory to Votorantim of such additional loans and capital contributions, with the aggregate of items (1) to (5) above in no event exceeding US\$250,000,000, then the Net Proceeds (defined below) from the Disposal Event that exceed 120% of Honbridge's Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US\$60,000,000 (the "**Additional Payment**").

Conditional mining production payment to Votorantim

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

As at the Latest Practicable Date, the Company is still assessing the valuation of the Additional Payment and New Mining Production Payment to Votorantim.

Contingent liabilities

As at 31 March 2016, the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2016 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

III. WORKING CAPITAL

After taking into account the Group's internal resources, the transactions contemplated under the Loan Agreement, the presently available banking facilities and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change to the financial or trading position of the Group since 31 December 2015, being the date to which the latest audited consolidated financial statement of the Company were published.

V. FINANCIAL AND TRADING PROSPECTS

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

In view of the global awareness of environmental protection and policies favouring new energy, there is an increasing number of automobile enterprises which start to expand the production scale of electric vehicles. The Group is determined to develop in new energy vehicles industry and is looking for acquisition and investment target which is engaged in battery, motor vehicle management system as well as new energy vehicle manufacturing business. Under these good business development opportunities, the Company acquired Shandong Forever New Energy Co., Ltd. in 2014 and established Zhejiang Forever New Energy Co., Ltd. in 2015 which built a solid foundation in the battery sector. As disclosed in the annual report 2015 of the Company, the Company is also under negotiation with the major shareholder of a target company which is principally engaged in the research and development, manufacture and sale of electric vehicle power system for a possible acquisition. The Group's strategy is to conduct industry integration by mergers and acquisitions globally in order to obtain the world's cuttingedge techniques and to integrate creativity, and to industrialize the production of new energy vehicles and related core components in China.

For the resource sector, the iron ore market has experienced a difficult year with weaker demand and increasing supply. Nevertheless, there were still no breakthrough in the progress of the Group's efforts in obtaining approvals for starting the construction in respect of the SAM iron ore project.

The overall business strategy of the Group is the dual development of new energy and resources, creating value for the Shareholders. The Group will continue to look for potential new energy vehicles related projects for co-operation and acquisition. To improve the return of the idle cash of the Company, the Company has entered into the Loan Agreement. The provision of the Loan was one-off and the Company has no current intention to engage in money lending business. Once the Loan is repaid by the Borrower, the whole amount will continue to be invested into the new energy vehicle related business.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS**Directors' interests**

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

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

Name of director	Number of shares in the Company				Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation	Number of Share option ²		
HE Xuechu	57,939,189	22,460,000	4,065,000,000 ¹	—	4,145,399,189	52.73
LIU Wei, William	9,002,000	—	—	30,000,000	39,002,000	0.50
SHI Lixin	—	—	—	25,000,000	25,000,000	0.32
YAN Weimin	30,000,000	—	—	30,000,000	60,000,000	0.76
ANG Siu Lun, Lawrence	—	—	—	15,000,000	15,000,000	0.19
CHAN Chun Wai, Tony	1,000,000	—	—	2,000,000	3,000,000	0.04
MA Gang	—	—	—	3,000,000	3,000,000	0.04
HA Chun	—	—	—	—	—	—

Notes:

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

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

Substantial Shareholders' interests

As at the Latest Practicable Date, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

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

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
Hong Bridge	4,065,000,000 (Note 1)	—	—	4,065,000,000	51.71
HE Xuechu (Note 2)	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	52.73
FOO Yatyan (Note 2)	22,460,000	4,122,939,189	—	4,145,399,189	52.73
LI Xing Xing	—	—	4,065,000,000 (Note 3)	4,065,000,000	51.71
Geely International (Hong Kong) Limited (Note 4)	2,250,675,675	—	—	2,250,675,675	28.63
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	—	—	2,250,675,675	2,250,675,675	28.63
LI Shufu (Note 6)	103,064,000	—	2,250,675,675	2,353,739,675	29.94
Shagang International (Hong Kong) Co., Ltd.	446,000,000	—	—	446,000,000	5.67
Jiangsu Shagang Group Co., Ltd. (Note 7)	—	—	446,000,000	446,000,000	5.67
Shen Wenrong (Note 8)	—	—	446,000,000	446,000,000	5.67
Yue Xiu Great China Fixed Income Fund II LP	694,000,000	—	—	694,000,000	8.83
Yue Xiu Investment Management Limited (Note 9)	—	—	694,000,000	694,000,000	8.83
Yue Xiu Investment Consultants Limited (Note 10)	—	—	694,000,000	694,000,000	8.83
Yue Xiu Securities Holdings Limited (Note 11)	—	—	694,000,000	694,000,000	8.83
Yue Xiu Enterprises (Holdings) Limited (Note 12)	—	—	694,000,000	694,000,000	8.83
Guangzhou Yuexiu Holdings Limited (Note 13)	—	—	694,000,000	694,000,000	8.83

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

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

Name or category of participant	Outstanding as at 31/12/2015	Outstanding as at the Latest Practicable Date	Exercise period of share option	Exercise price per share option
<i>Director</i>				
LIU Wei, William	30,000,000	30,000,000	06/05/2011–05/05/2018	2.60
SHI Lixin	20,000,000	20,000,000	06/05/2011–05/05/2018	2.60
	5,000,000	5,000,000	28/05/2012–27/05/2020	0.95
YAN Weimin	30,000,000	30,000,000	06/05/2011–05/05/2018	2.60
ANG Siu Lun, Lawrence	15,000,000	15,000,000	06/05/2011–05/05/2018	2.60
CHAN Chun Wai, Tony	2,000,000	2,000,000	06/05/2011–05/05/2018	2.60
MA Gang	3,000,000	3,000,000	06/05/2011–05/05/2018	2.60
Sub-total	105,000,000	105,000,000		
Employee	5,000,000	5,000,000	06/05/2011–05/05/2018	2.60
	8,750,000	8,750,000	15/05/2015–14/05/2023	2.61
Total	118,750,000	118,750,000		

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.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Group 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 by or leased to any member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

LITIGATION

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

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the conditional sale and purchase agreement dated 2 July 2014 entered into between the Company as purchaser and Good Cheer Holdings Limited, Geely International (Hong Kong) Limited and Leads Top Limited as vendors in relation to the acquisition of 90.68% of the issued share capital of Triumphant Glory Investments Limited (“**Triumphant Glory**”) and the aggregate amounts due from Triumphant Glory and its subsidiaries at an aggregate consideration of HK\$634,760,000;
- (b) the non-legally binding cooperation framework agreement dated 16 October 2014 entered into between the Company and New District Administrative Committee of Wuxi Municipal People’s Government, Jiangsu Province of the PRC and Sunbase International (Holdings) Limited (“**Sunbase Holdings**”) in relation to the establishment of a new energy automobile production base in the New District of Wuxi jointly with Sunbase Holdings;
- (c) the non-legally binding memorandum of understanding dated 23 January 2015 among the Company, Protean Holdings Corporation (“**Protean Holdings**”) and Oak Investments Partners in relation to the acquisition of the interests of Protean Holdings and the provision of the bridge loan in the amount of at least USD3 million;

- (d) the memorandum of understanding dated 9 March 2015 entered into between the Company and New Hope Group Co. Ltd (“**New Hope Group**”) in respect of the possible issue of the convertible bonds by the Company to New Hope Group in principal amount of no less than HK\$240,870,000 and no more than HK\$1,379,730,000 and the possible grant of options by the Company to New Hope Group;
- (e) the placing agreement dated 7 May 2015 entered into between the Company as issuer and ABCI Securities Company Limited as placing agent in relation to the placing of a maximum of 754,000,000 new Shares of the Company (the “**Placing Shares**”) in the share capital of the Company at a placing price of HK\$1.12 per Placing Share on a fully underwritten basis;
- (f) the subscription agreement dated 7 May 2015 entered into between the Company as issuer and Shagang International (Hong Kong) Co., Limited 沙鋼國際(香港)有限公司 as subscriber in relation to the issue of 446,000,000 new Shares of the Company (the “**Subscription Shares**”) at a subscription price of HK\$1.12 per Subscription Share;
- (g) the investment agreement dated 25 October 2015 entered into among the Company, the Zhejiang Jinhua Economic and Technological Development Zone Committee (浙江省金華經濟技術開發區管委會) and Zhejiang Geely Holding Group Company Limited in relation to the establishment of a joint venture in Jinhua City, Zhejiang Province, the PRC at a total investment amount of RMB2,050 million;
- (h) the joint investment agreement dated 11 December 2015 entered into among the Company, Honbridge Power Limited, Shanghai Maple Automobile Company Limited and 嘉興嘉樂投資合夥企業(有限合夥), transliterated as Jiaying Jiale Investment Partnership Corporation (limited partnership) in relation to the establishment of 浙江衡遠新能源科技有限公司, transliterated as Zhejiang Forever New Energy Company Limited in a total investment amount of RMB1,500 million;
- (i) the non-legally binding term sheet dated 25 March 2016 entered into between the Company and Cloudmatrix in relation to the potential investment in Cloudshire Fund LP;
- (j) the Loan Agreement;
- (k) the conditional capital contribution agreement dated 9 May 2016 entered into between 浙江吉利汽車有限公司, transliterated as Zhejiang Geely Automobile Co., Ltd. (“**Geely Auto**”) and 嘉興嘉樂投資合夥企業, transliterated as Jiaying Jiale Investment Partnership Corporation (limited partnership) (“**Jiaying Jiale**”) in relation to the total capital contribution of approximately US\$44.77 million into Shandong Forever New Energy Co., Ltd. (“**Shandong Forever New Energy**”), a wholly-owned subsidiary of Triumphant Glory Investments Limited (“**Triumphant Glory**”). Triumphant Glory is a 90.68% owned subsidiary of the Company. After the completion of the proposed Capital Contribution, Triumphant Glory, Geely Auto and Jiaying Jiale will hold 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively; and

- (l) the settlement agreement dated 12 May 2016 (Brazil time) entered into between the Company and Votorantim S.A. (“**Votorantim**”) to settle and resolve the disputes presented in the Arbitration and otherwise arising under the SPA and related agreements between the parties, without any admission of wrongdoing by any party.

GENERAL

- (a) The registered office of the Company is situated at 4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Yeung Ho Ming, who is a Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Liu Wei, William, an executive Director and chief executive officer of the Company.
- (e) The principal share registrar and transfer office of the Company is Union Registrars Limited, Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (f) The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting, internal control procedures and risk management system of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Ma Gang and Mr. Ha Chun, who are Independent Non-Executive Directors of the Company. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

Mr. Chan Chun Wai, Tony, aged 44, joined the Company as Independent Non-Executive Director in October 2007. Mr. Chan is a Certified Public Accountant and owns a CPA practice. He has extensive experience in general assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited and Wai Chun Mining Industry Group Company Limited, the shares of which are listed on the Hong Kong Stock Exchange.

Mr. Ma Gang, aged 59, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Real Estate Development Co. Ltd. which is principally engaged in properties development business.

Mr. Ha Chun, aged 46, graduated from the University of Hong Kong in 1994 with a bachelor degree in law and was admitted as the solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of England and Wales. He has extensive experience in corporate finance, cross-border merger and acquisitions as well as general commercial transactions. Mr. Ha is one of the founding partners of Messrs. Ha and Ho Solicitors and also the China-Appointed Attesting Officer.

- (g) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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 for a period of 14 days from the date of this circular:

- (a) the memorandum of association and articles of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015;
- (c) the half-yearly report of the Company for the six months ended 30 June 2015;
- (d) the material contracts referred to under the section headed "MATERIAL CONTRACTS" in this Appendix; and
- (e) this circular.