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HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

MAJOR AND CONNECTED TRANSACTION CAPITAL CONTRIBUTION TO SHANDONG FOREVER NEW ENERGY AND DEEMED DISPOSAL

Independent Financial Adviser to the Company



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

A letter from the Board is set out on pages 5 to 23 of this circular.

A notice convening the EGM to be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 26 July 2016, at 10:00 a.m. is set out on page EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33rd Floor, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish.

11 July 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 9 May 2016 and 14 June 2016 in relation to the Capital Contribution to Shandong Forever New Energy and deemed disposal
“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;
“Capital Contribution”	Contribution of capital of US\$44.77 million in aggregate by Geely Auto and Jiaying Jiale to Shandong Forever New Energy pursuant to the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement
“Capital Contribution Agreement”	the capital contribution agreement dated 9 May 2016 entered into by Triumphant Glory, Geely Auto and Jiaying Jiale in relation to the increase in the registered capital of Shandong Forever New Energy
“Capital Contribution Amount”	US\$44.77 million, being the aggregate amount payable by Geely Auto and Jiaying Jiale to Shandong Forever New Energy pursuant to the Capital Contribution Agreement and the Supplemental Agreement
“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)
“Completion”	the completion of the Capital Contribution pursuant to the terms and conditions contained in the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement
“Condition(s)”	the conditions precedent of the Completion, details of which are set out in the sub-heading of the “Conditions precedent” in the letter from the board of this circular

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“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 Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder
“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
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising Independent Shareholders on the terms of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated therein
“Independent Financial Adviser”	Goldin Financial Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholders other than those who are required under the GEM Listing Rules to abstain from voting at the EGM for the resolution approving the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder
“Jiaxing Jiale”	嘉興嘉樂投資合伙企業, transliterated as Jiaxing Jiale Investment Partnership Corporation (limited partnership)* is a limited partnership incorporated in the PRC and its ultimate beneficial owner, Mr. Shi Lei and Mr. Wang Liang, are independent third parties of the Company and its associates
“Joint Investment Agreement”	the joint investment agreement dated 9 May 2016 entered into by Triumphant Glory, Geely Auto and Jiaxing Jiale in relation to the conversion of Shandong Forever New Energy into a Sino-foreign Equity Joint Venture
“kWh”	kilowatt-hour
“Latest Practicable Date”	6 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Leads Top”	Leads Top Limited, a company incorporated in BVI with limited liability
“PRC”	the People’s Republic of China, and for the purpose of this circular excluding Hong Kong, Macau Special Administrative Region of PRC 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 wholly-owned subsidiary of Triumphant Glory as at the Latest Practicable Date
“Shanghai Maple”	上海華普汽車有限公司, transliterated as Shanghai Maple Automobile Co., Ltd* a limited liability company incorporated under PRC Law and a 90%-owned subsidiary of Zhejiang Geely
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Capital Contribution Agreement dated 14 June 2016 entered into by Triumphant Glory, Geely Auto and Jiaying Jiale in relation to the Capital Contribution
“Triumphant Glory”	Triumphant Glory Investments Limited, a company incorporated in the BVI with limited liability and a 90.68% owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“Zhejiang Forever New Energy”	浙江衡遠新能源科技有限公司, transliterated as Zhejiang Forever New Energy Technology Co., Ltd.*, a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company
“Zhejiang Geely”	浙江吉利控股集團有限公司, transliterated as Zhejiang Geely Holding Group Co., Ltd.*, a limited liability company incorporated in the PRC, which indirectly owns 3.2% shareholding interest in the Company and is a connected person
“%”	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.*

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

LETTER FROM THE BOARD



HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

Executive Directors:

He Xuechu (*Chairman*)
Liu Wei, William (*Chief Executive Officer*)
Shi Lixin

Non-executive Director:

Yan Weimin
Ang Siu Lun, Lawrence

Independent non-executive Directors:

Chan Chun Wai, Tony
Ma Gang
Ha Chun

Registered Office:

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

Principal Place of Business:

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

11 July 2016

To the Shareholders and for information only

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION CAPITAL CONTRIBUTION TO SHANDONG FOREVER NEW ENERGY AND DEEMED DISPOSAL

INTRODUCTION

Reference is made to the Announcements of the Company in relation to the Capital Contribution to Shandong Forever New Energy.

On 9 May 2016 (after trading hours of the Stock Exchange), Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the Capital Contribution Agreement with Geely Auto and Jiaxing Jiale, whereby Geely Auto and Jiaxing Jiale have conditionally agreed to contribute capital into Shandong Forever New Energy, which is a direct wholly-owned subsidiary of Triumphant Glory as at 9 May 2016.

LETTER FROM THE BOARD

On 13 May 2016, Shandong provincial people's government issued a new certificate of approval with the registered capital of Shandong Forever New Energy changed from US\$10 million to US\$20.41 million. On 18 May 2016, Jining City Bureau of Commerce and Industry issued a new business license to Shandong Forever New Energy.

Given that Geely Auto is required to pay 10% of its capital contribution within 30 days after the registration of increase in share capital of Shandong Forever New Energy is completed pursuant to the Capital Contribution Agreement (which should be 12 June 2016), on 14 June 2016, Triumphant Glory, Geely Auto and Jiaxing Jiale entered into the Supplemental Agreement to extend the deadline of paying 10% of Geely Auto's capital contribution.

THE CAPITAL CONTRIBUTION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

Set out below are the principal terms of the Capital Contribution Agreement and the Supplemental Agreement:

Date

9 May 2016 and 14 June 2016 respectively

Parties

1. Triumphant Glory;
2. Geely Auto; and
3. Jiaxing Jiale

The Capital Contribution

According to the terms of the Capital Contribution Agreement, Geely Auto and Jiaxing Jiale shall contribute approximately US\$42.15 million and US\$2.62 million into Shandong Forever New Energy respectively. Upon the Completion of the Capital Contribution, (i) US\$10.41 million of the Capital Contribution Amount will be recognised as registered capital and the registered capital of Shandong Forever New Energy will be increased from US\$10 million to approximately US\$20.41 million and the remaining US\$34.36 million of the Capital Contribution Amount will be recognised as a reserve of Shandong Forever New Energy; and (ii) Triumphant Glory, Geely Auto and Jiaxing Jiale will beneficially own 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

As the Company will be able to appoint the majority of members to the board of directors of Shandong Forever New Energy pursuant to the Joint Investment Agreement and the Board considers that the Group will be able to exercise significant influence over Shandong Forever New Energy, Shandong Forever New Energy will remain as an indirect

LETTER FROM THE BOARD

non-wholly owned subsidiary of the Company and its financial performance and results will continue to be consolidated into the financial results of the Group after the completion of the Capital Contribution.

The shareholding proportion of each party after completion was agreed after making reference to the net asset value of Shandong Forever New Energy as at 31 December 2015 of approximately RMB74.5 million (equivalent to approximately HK\$88.9 million) prepared in accordance with PRC accounting standards.

The articles of association of Shandong Forever New Energy shall be amended according to the Capital Contribution Agreement and such amendments shall be passed at the general meeting of Shandong Forever New Energy as required by law.

Capital Contribution Amount

Pursuant to the Capital Contribution Agreement, Geely Auto and Jiaying Jiale have conditionally agreed to make capital contribution of US\$42.15 million and US\$2.62 million to Shandong Forever New Energy in cash respectively.

Payment terms

Pursuant to the Capital Contribution Agreement, Geely Auto is required to pay 10% of its capital contribution within 30 days after the registration of increase in share capital of Shandong Forever New Energy is completed. Such deadline was extended in the Supplemental Agreement, pursuant to which Geely Auto is required to pay the 10% of its Capital Contribution Amount within 30 days after all the conditions precedent set out in the Capital Contribution Agreement have been fulfilled. Geely Auto and Jiaying Jiale shall make the Capital Contribution Amount in full to Shandong Forever New Energy no later than 31 October 2022. Geely Auto and Jiaying Jiale undertake that, pending full payment of their respective capital contribution under the Capital Contribution Agreement, they shall use all dividend, distribution and payment received from Shandong Forever New Energy (if any) to satisfy their capital contribution obligation.

The entire capital injections may be fully paid by Geely Auto and Jiaying Jiale before 31 October 2022. There is no concrete capital injection date as at the Latest Practicable Date. However, pursuant to the Supplemental Agreement, if needed, Geely Auto and Jiaying Jiale shall pay their respective outstanding Capital Contribution Amount in full or by installments in accordance to the payment schedule as approved by the board of directors of Shandong Forever New Energy to satisfy the financial needs of Shandong Forever New Energy, but the full payment of the Capital Contribution Amount shall be no later than 31 October 2022. The board of directors of Shandong Forever New Energy will review and monitor the business plan and working capital level of Shandong Forever New Energy and work out such payment schedule as it considers appropriate. Given that there is no immediate financial needs of

LETTER FROM THE BOARD

Shandong Forever New Energy, there is currently no payment schedule. The Company will regularly update the Shareholders regarding the status of the Capital Contribution in its quarterly, interim and annual results announcements.

The latest capital injection date was agreed between the parties after arm's length negotiation and taking into consideration of the future financial needs of Shandong Forever New Energy and the benefits of the Capital Contribution disclosed in the paragraph headed "Reasons for and benefits of the Capital Contribution and Use of Capital Contribution".

As advised by the Company's PRC legal counsel, there is no mandatory time limit for the payment of the registered capital in the PRC and thus, the prolonged payment term of the Capital Contribution is legal and is allowed under the PRC laws and regulations.

Conditions Precedent

Completion shall be subject to and conditional upon the fulfillment of the following conditions:

- (a) Triumphant Glory and the Company having complied with all necessary internal procedures (including shareholders' and/or directors' approvals as required by laws, regulations and the GEM Listing Rules), and obtained all necessary approvals and consents for the Capital Contribution Agreement and the transactions contemplated thereunder from the Stock Exchange and other third parties (including the relevant regulatory and governmental authorities (if applicable));
- (b) having obtained all necessary approval, authorization and consent from the relevant governmental and regulatory authorities (including but not limited to the relevant branch office of the Ministry of Commerce of the PRC and the Industrial and Commercial Administration Bureau), and complied with all necessary application, valuation, registration and filing (if applicable); and
- (c) the declarations and warranties given by each of the parties to the Capital Contribution Agreement remain true and accurate, there be no event which causes material breach of the obligations or representations and warranties of the parties;

As at the date of this circular, clause (b) above has been fulfilled as (i) Shandong provincial people's government issued a new certificate of approval on 13 May 2016 with the registered capital of Shandong Forever New Energy changed from US\$10 million to US\$20.41 million; and (ii) Jining City Bureau of Commerce and Industry issued a new business license to Shandong Forever New Energy on 18 May 2016. As advised by the Company's PRC legal counsel, the fulfilment of clause (b) prior to the fulfilment of clause (a) would not affect the legality or validity of the Capital Contribution Agreement. The Company's PRC legal counsel further confirms that the Capital Contribution Agreement remain enforceable and legally binding to parties of the agreement.

LETTER FROM THE BOARD

As such, according to the new business license of Shandong Forever New Energy issued on 18 May 2016, Triumphant Glory, Geely Auto and Jiaying Jiale are registered as shareholders of Shandong Forever New Energy with 49.0%, 48.0% and 3% equity interest in Shandong Forever New Energy respectively. However, it is agreed in the Supplemental Agreement that before all the conditions precedent set out in the Capital Contribution Agreement have been fulfilled, Geely Auto and Jiaying Jiale do not entitle to any right of Shandong Forever New Energy (including the right to share the profits/losses of Shandong Forever New Energy as to 48% and 3% respectively and the right to entitle for any dividend declared).

In addition, pursuant to the Supplemental Agreement, Triumphant Glory, Geely Auto and Jiaying Jiale agree to use their best endeavor to reinstate the business nature, shareholding structure and registered capital of Shandong Forever New Energy to its original amount of US\$10 million as before the Capital Contribution Agreement as soon as practicable if the Capital Contribution Agreement, the Supplemental Agreement and the transactions contemplated thereunder cannot be approved by the Independent Shareholders at the EGM.

THE JOINT INVESTMENT AGREEMENT

On 9 May 2016, Triumphant Glory, Geely Auto and Jiaying Jiale also entered into the Joint Investment Agreement to govern the operation and management, and the rights and obligations of the shareholders of Shandong Forever New Energy. The principal terms of the Joint Investment Agreement are set out as follows:

Date

9 May 2016

Parties

1. Triumphant Glory;
2. Geely Auto; and
3. Jiaying Jiale

Term of operation of Shandong Forever New Energy

The term of operation of the Shandong Forever New Energy is thirty years.

Total investment and registered capital

Shandong Forever New Energy's total investment and registered capital is US\$35 million and approximately US\$20.41 million respectively.

LETTER FROM THE BOARD

Capital Contribution and payment terms

Details of the Capital Contribution Amount and payment terms are set out in the section headed “The Capital Contribution Agreement and the Supplemental Agreement” above.

Approval of share transfer

Any party to the Joint Investment Agreement may transfer, sell or dispose of any shares of Shandong Forever New Energy in any way to a third party subject to the approval of the board of directors and the completion of necessary registration with relevant regulatory authorities.

Board of directors

Board composition

The board of the Shandong Forever New Energy will consist of six directors, with four directors nominated by Triumphant Glory, two directors nominated by Geely Auto. The chairman will be appointed from the four directors nominated by Triumphant Glory. The deputy chairman will be appointed from the two directors nominated by Geely Auto.

Matters to be passed by unanimous consent by the directors of Shandong Forever New Energy

The following matters of Shandong Forever New Energy shall require unanimous consent in the board meeting of Shandong Forever New Energy:

1. amendments to the articles of association (including but not limited to change of business scope);
2. suspension, winding up, dissolution or liquidation of Shandong Forever New Energy;
3. increase or decrease of registered capital;
4. division, change of legal form or merger of Shandong Forever New Energy;
5. investments, provision of guarantees, major assets purchase or disposal and major connected transactions; and
6. other matters which require approval of the board in the articles of associations.

Profit distribution

Profits of Shandong Forever New Energy shall be distributed annually following the profit distribution plan proposed by the general manager subject to the board of directors’ approval and other requirements under the articles of association of Shandong Forever New Energy.

LETTER FROM THE BOARD

Pursuant to the articles of association of Shandong Forever New Energy, each of its shareholders shall share the profit in proportion to their respective contributions to the registered capital. Following the completion of the Capital Contribution upon the fulfillment of the respective conditions precedent, Triumphant Glory, Geely Auto and Jiaxing Jiale will share the profits of Shandong Forever New Energy as to 49.0%, 48.0% and 3.0% respectively. Before the Capital Contribution Amount of Shandong Forever New Energy is fully paid up, any profit distributable to Geely Auto and Jiaxing Jiale shall be used to settle their respective outstanding capital contributions.

Applicable laws and dispute resolution

The formation, effectiveness, interpretation, performance and dispute resolution resulting from the Joint Investment Agreement are governed by applicable PRC laws and regulations.

In case of any dispute arising from or in connection with the Joint Investment Agreement, the parties shall first resolve such dispute by friendly negotiations. In the event that no settlement can be reached through negotiations within 30 days after the other parties are first informed in writing of such dispute, any party may submit the dispute to the Shanghai Arbitration Commission (上海仲裁委員會) for arbitration.

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. The Company acquired 90.68% equity interests of Shandong Forever New Energy and shareholders' loan in the amount of HK\$157,922,000 in September 2014 from the vendors, being Good Cheer Holdings Limited, Geely International (Hong Kong) Limited and Leads Top Limited (the "Vendors"), at a consideration of HK\$634,760,000. Jiaxing Jiale is independent from the Vendors while Geely Auto is a fellow subsidiary of one of the Vendors, Geely International (Hong Kong) Limited.

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 design 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.

In October 2015, the new ternary lithium battery product has passed tests conducted by a national quality supervision and inspection center. In December 2015, Shandong Forever New Energy was recognised by certain government authorities under the Shandong Province government as a high-tech enterprise.

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During the year ended 31 December 2015, Shandong Forever New Energy recorded a revenue of approximately HK\$114.0 million (equivalent to approximately RMB91.7 million), which decreased by 33.9% when compared to the revenue of approximately HK\$172.4 million (equivalent to approximately RMB136.8 million) recognised in 2014. The decrease was mainly due to the scheduled modification of production line in 2015. However, the overall gross profit margin has improved from 17.4% in 2014 to 19.5% in 2015. In 2015, Shandong Forever New Energy has lowered the average unit cost of products due to the better economies of scale, lower merchandising price of raw materials and improved production schedule and management. Set out below is the consolidated financial information of Shandong Forever New Energy for the periods indicated prepared in accordance with HKFRS. It reflects the financial impact of Shandong Forever New Energy on the Group which is considered to be important information for Independent Shareholders to form a view on the Capital Contribution.

	From 26 September to 31 December 2014	For the year ended 31 December 2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)
Revenue	69,977	113,989
Impairment of goodwill	—	(176,370)
Impairment of other intangible assets	—	(93,037)
Impairment of property, plant and equipment	—	(20,688)
Loss before tax	(3,689)	(256,072)
Loss for the period/year	(6,957)	(286,155)

Note: Shandong Forever New Energy only became a subsidiary of the Group since 26 September 2014 so its 2014 results did not form part of the Group's consolidated results for the year ended 31 December 2014. Only results of Shandong Forever New Energy for the period from 26 September to 31 December 2014 are presented in this circular for reference purpose only.

LETTER FROM THE BOARD

Major assets and liabilities of Shandong Forever New Energy prepared in accordance with HKFRS:

	As at 31 December 2015 <i>(HK\$'000)</i> (audited)
Non-current assets	
Other intangible assets (patents and customers relationship)	191,215
Property, plant and equipment	106,707
Land use rights	50,635
Current assets	
Accounts receivables	113,789
Inventories	37,958
Cash and cash equivalents	32,684
Non-current liabilities	
Deferred income (<i>note</i>)	114,378
Current liabilities	
Accounts payable	43,372
Bank borrowings	35,811

Note: Deferred income represents government grants received by Shandong Forever New Energy in relation to its construction of the factory building and purchases of production facilities of lithium batteries in Shandong Province, the PRC.

Following the establishment of Zhejiang Forever New Energy on 16 December 2015, the Company has shifted its business focus on this investment and development because (i) the scale of Zhejiang Forever New Energy is several times larger than that of Shandong Forever New Energy; (ii) Shandong Forever New Energy is located in Zou Cheng, which is a relative small city and may not easily attract top technicians and engineers to station and; (iii) the subsidies and benefits are not comparable to that to Zhejiang Forever New Energy and other cities. As such, the expansion plan in Shandong Forever New Energy was slowed down, adversely affecting the forecast revenue of the Shandong Forever New Energy and, in turn, affecting the valuation for the year ended 31 December 2015. As a result, large impairment of goodwill, other intangible assets and property, plant and equipment were recognised during the year ended 31 December 2015.

As at 31 December 2015, the audited net assets value of Shandong Forever New Energy was approximately HK\$286.1 million which was prepared in accordance with HKFRS.

LETTER FROM THE BOARD

Set out below is the consolidated financial information of Shandong Forever New Energy for the periods indicated prepared in accordance with the PRC accounting standards.

	For the year ended 31 December 2014 <i>(RMB'000)</i> <i>(Audited)</i>	For the year ended 31 December 2015 <i>(RMB'000)</i> <i>(Audited)</i>
Revenue	137,274	101,745
Profit before tax	19,369	14,711
Profit for the year	14,527	10,203

Major assets and liabilities of Shandong Forever New Energy prepared in accordance with the PRC accounting standards:

	As at 31 December 2015 <i>(RMB'000)</i> <i>(Audited)</i>
Non-current assets	
Property, plant and equipment	100,089
Land use rights	40,947
Current assets	
Accounts receivables	95,325
Inventories	31,798
Cash and cash equivalents	27,380
Non-current liabilities	
Deferred income	96,886
Shareholder's loan	61,341
Current liabilities	
Accounts payable	36,704
Bank borrowings	30,000

LETTER FROM THE BOARD

A reconciliation of the net asset value of Shandong Forever New Energy as at 31 December 2015 prepared in accordance with the PRC accounting standards (which is used as the reference to determine the Capital Contribution Amount) to their net asset value prepared in accordance with HKFRS is set out below:

	<i>(HK\$'000)</i>
Net asset value as at 31 December 2015 prepared in accordance with the PRC accounting standards	88,890
Less: Adjustment in accordance with HKFRS (<i>Note 1</i>)	<u>(6,681)</u>
	82,209
Add: Consolidation adjustments (<i>Note 2</i>)	<u>203,857</u>
Net asset value as at 31 December 2015 prepared in accordance with HKFRS	<u><u>286,066</u></u>

Notes:

- (1) The adjustment of HK\$6,681,000 was the expenses capitalised as an intangible assets under PRC accounting standards which are not qualified to be capitalised under HKFRS so the amount was recognised as an expense under HKFRS.
- (2) Under HKFRS, the acquisition of Shandong Forever New Energy is accounted for using acquisition method and the Group recognised the identifiable assets acquired and liabilities assumed at acquisition-date fair value. The consolidation adjustment is mainly comprised of intangible assets of HK\$191.2 million recognised, inter-company balance elimination regarding a loan from the Company to Shandong Forever New Energy of HK\$73.2 million and deferred tax liabilities of HK\$49.3 million associated with the intangible assets.

INFORMATION ON THE PARTIES INVOLVED

Triumphant Glory

Triumphant Glory is principally engaged in investment holding. As at the Latest Practicable Date, Shandong Forever New Energy is a wholly-owned subsidiary of Triumphant Glory, which in turn is a 90.68%-owned subsidiary of the Company, while the remaining 9.32% of the equity interest in Triumphant Glory is owned by Leads Top which is indirectly owned as to 25% by Zhejiang Geely.

Geely Auto

Geely Auto is a limited liability company incorporated in the PRC and is indirectly owned as to 90% by Zhejiang Geely. Zhejiang Geely owns and controls the automobile brand “Geely” in the PRC, luxury European automobile brand “Volvo” and The London Taxi Company, and also one of the Fortune Global 500 companies in 2015. Zhejiang Geely announced “Blue Geely” initiative in November 2015, 90% of Zhejiang Geely sales is expected to be contributed by new energy vehicle sales by 2020.

LETTER FROM THE BOARD

Jiaxing Jiale

Jiaxing Jiale and its ultimate beneficial owner, Mr. Shi Lei and Mr. Wang Liang, are independent third parties of the Company and its associates. It is a limited partnership incorporated in the PRC, which owns 3.0% shareholding interest in Zhejiang Forever New Energy. Jiaxing Jiale is principally engaged in investment and investment management.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION AND USE OF CAPITAL CONTRIBUTION

The lithium batteries manufactured by Shandong Forever New Energy are mainly used for new energy vehicles. Car manufacturing enterprises in the PRC mostly prefer ternary lithium battery so as to achieve a better endurance of their vehicles. The Group will focus on the development of ternary lithium battery.

The PRC Government continuously introduces various policies regulating the vehicle power batteries industry, with an aim to guide vehicle power batteries products to attain the national standard. According to the notice of “Vehicle Power Battery Industry Standard Conditions” (Guo Fa [2015] No.22) (the “Notice”) issued by Ministry of Industry and Information Technology of the PRC, the PRC State Council encourages enterprises to engage in vehicle power battery industry and establishes product specifications and quality assurance system. The Notice applies to the enterprises that are conducting production and customs products supporting the vehicle power battery manufacturers in the PRC and states the basic requirement for manufacturers, conditions of production requirements, technical competency requirements, quality assurance capacity requirements and service capacity requirements of the qualified enterprise. Upon approval, qualified enterprises are registered under the State Council and listed in the Catalog for Vehicle Power Batteries Manufacturing Enterprises (“Catalog”) according to the “Vehicle Power Battery Industry Standard Conditions”. According to the communication with relevant government authority and evidenced by the latest Catalog as at Latest Practicable Date, only enterprises with less than 50% foreign investment are qualified to apply for the listing in the Catalog and the said policy was effective since 1 May 2015.

Similarly, in order to promote the use of new energy vehicles in PRC, government subsidies are granted by the government authorities to new energy vehicles but to the best understanding of the Directors, only car manufacturers with their new energy vehicle models being registered and listed in the “Catalog for New Energy Vehicle Models” (the “Car Catalog”) are qualified to receive such government subsidies. According to People’s Daily Online, such subsidies range from RMB50,000 to RMB250,000 for each listed new energy vehicle being sold, making new energy vehicles listed in the Car Catalog being more competitive in price and well received by the market as compared to other similar new energy vehicles not listed in the Car Catalog.

In around April 2016, there was news reported that only new energy vehicle models using vehicle power battery listed in the Catalog will be approved to list in the Car Catalog and enjoy the relevant government subsidies. In around the same time, Shandong Forever New Energy was negotiating a sales contract worth approximately RMB100 million with a potential new customer.

LETTER FROM THE BOARD

However, the contract failed to materialise because the potential new customer has concern on Shandong Forever New Energy not being listed in the Catalog and this may adversely affect its chance to obtain government subsidies for its products. Some existing customers of Shandong Forever New Energy have also expressed similar concerns on Shandong Forever New Energy. In fact, according to its management accounts, the revenue of Shandong Forever New Energy for the three months ended 31 March 2016 decreased by over 40% as compared to the corresponding period in 2015. The Directors consider that if Shandong Forever New Energy is not listed in the Catalog soon, it will not be able to retain its customers and its financial results will further deteriorate. In contrast, the Directors believe that vehicle power battery enterprises which are successfully listed in the Catalog are in a better position to attract more customers and sales orders, especially there are only 57 vehicle power battery manufacturer (including Shandong Forever New Energy) being listed in the Catalog as at the Latest Practicable Date.

Although the Company has shifted the business focus on the investment and development to Zhejiang Forever New Energy, and the expansion plan of Shandong Forever New Energy was slowed down in 2015, Shandong Forever New Energy remain a key subsidiary of the Company. In view of the above, it is important for Shandong Forever New Energy to and the Group has been making huge effort to get Shandong Forever New Energy listed in the Catalog as soon as possible in order to maintain its competitiveness and customer relationships. Time is also of the essence. The sooner Shandong Forever New Energy being listed in the Catalog, the less likely Shandong Forever New Energy will lose its existing customers and their sales orders, and the more likely Shandong Forever New Energy will capture the increasing demand for vehicle power battery from limited number of manufactures listed in the Catalog as at the Latest Practicable Date. Given that only enterprises with less than 50% foreign investment are qualified to apply for the listing in the Catalog according to the communication with relevant government authority, Shandong Forever New Energy is required to reduce the foreign shareholding to a level below 50% as soon as possible. As such, Triumphant Glory entered into the Capital Contribution Agreement with Geely Auto and Jiaying Jiale on 9 May 2016. With its new business license issued on 18 May 2016, Shandong Forever New Energy has fulfilled all the basic requirements set out in the “Vehicle Power Battery Industry Standard Conditions” and is successfully listed in the Catalog since 17 June 2016.

In respect of government subsidies, there is no guarantee that Shandong Forever New Energy can obtain subsidies after it is listed in the Catalog. The Directors consider that the listing can increase the chance according to past experience. In 2015, Shandong Forever New Energy applied a few provincial and national subsidies or funding schemes with an aggregate amount of approximately RMB20 million. However, the applications were rejected by the responsible authorities and the Group was told that the rejection was mainly because Shandong Forever New Energy is a foreign-owned enterprise. Although Shandong Forever New Energy does not have immediate financial needs, obtaining government grants and subsidies is beneficial to the Group because they can increase the cash reserve of Shandong Forever New Energy for future use.

LETTER FROM THE BOARD

In respect to the prolonged payment term for the Capital Contribution Amount, it is arrived between the parties to the Capital Contribution Agreement after arm's length negotiation. In early 2016, the Company has approached other potential investors to invest into Shandong Forever New Energy. However, prolonged due diligence procedures are required and other commercial terms such as the new shareholding structure and whether the Group is able to continuously control the board of Shandong Forever New Energy cannot be reached between the Company and any potential investors. As stated above, time is of the essence for Shandong Forever New Energy to reduce its foreign shareholding to a level below 50%, it was not easy for the Company to identify any suitable potential investors and/or successfully introduce suitable investors with acceptable terms to invest into Shandong Forever New Energy within a short period of time. While some potential investors would like to take control of the board of Shandong Forever New Energy, other potential investors, which were willing to be passive minority shareholders and let the Company to control the board of Shandong Forever New Energy as single largest shareholder, may not be able to reach an agreement among themselves. Geely Auto and Jiaying Jiale were the then only potential investors which were ready to invest in Shandong Forever New Energy with acceptable terms to the Group. While the initial proposed payment term was 10 year, the Directors have successfully negotiated to shorten the payment term to 6 years.

In view that (i) it is crucial to reduce the foreign shareholding of Shandong Forever New Energy to a level below 50% and fulfil one of the prerequisites to be listed in the Catalog as soon as possible so as to enhance the image and reputation of Shandong Forever New Energy and attract more customers and sales orders and (ii) identifying other suitable investors with acceptable terms or further negotiating with Geely Auto and Jiaying Jiale in relation to the prolonged payment term (such as further shortening the payment term, making borrowing arrangement instead) would delay the timing for Shandong Forever New Energy to be listed in the Catalog, adversely affecting Shandong Forever New Energy to procure sales orders from existing and/or new customers, the Directors have to decide whether to agree with the prolonged payment term and enter into the Capital Contribution Agreement with the readily available investors, namely Geely Auto and Jiaying Jiale. When choosing between (a) not accepting for the prolonged payment term and further negotiating with Geely Auto and Jiaying Jiale for shorter payment term or compensation for time value of the 6-year deferral in settlement of the Capital Contribution Amount or even looking for another potential investors while Triumphant Glory sharing 100% of the results of Shandong Forever New Energy which is probably loss-making as it is unable to be listed in the Catalog and is continuously losing sales orders from its existing customers; and (b) accepting the prolonged payment term and entering into the Capital Contribution Agreement with Geely Auto and Jiaying Jiale while Triumphant Glory sharing 49% of the results of Shandong Forever New Energy which is expected to make profits in the foreseeable future as it is listed in the Catalog and is able to retain its customers and attract new customers, the Directors considered that the prolonged payment term is acceptable to the Group and together with other terms, the Capital Contribution is in the interests of the Company and its Shareholders as whole, especially in view of the fact that there is no immediate financial needs of Shandong Forever New Energy and Geely Auto and Jiaying Jiale are required to settle their outstanding Capital Contribution Amount when there is such needs pursuant to the Supplemental Agreement.

LETTER FROM THE BOARD

The Directors have also assessed the recoverability risk of the capital contributions from Geely Auto and Jiaying Jiale. Geely Auto is a 90%-owned subsidiary of Zhejiang Geely, which was one of the Fortune Global 500 in 2015 with an estimated consolidated total assets of approximately US\$20,975 million as of the year end date of its last fiscal year. On the other hand, a positive and on-going co-operating relationship has been built between the Company and Jiaying Jiale through the joint investment in Zhejiang Forever New Energy.

In view of (i) the solid financial position of Zhejiang Geely and the historical business relationship with Jiaying Jiale; and (ii) no dividend, distribution or payment received from Shandong Forever New Energy will be made to Geely Auto or Jiaying Jiale until their capital contribution obligation is satisfied, no material recoverability issue of the Capital Contribution is expected.

In addition, it is expected that synergies will be gained by Shandong Forever New Energy from the Capital Contribution in various aspects, including (i) management expertise of Zhejiang Geely and Jiaying Jiale in terms of accounting, information technology, marketing and human resources etc can be shared by Shandong Forever New Energy; (ii) expanding the customer base of Shandong Forever New Energy and enhance its purchasing power against the suppliers; and (iii) the advanced automobile-related expertise of Zhejiang Geely will be beneficial for Shandong Forever New Energy to improve the management system in the future. Furthermore, Shandong Forever New Energy can receive additional funding of 10% of the capital contribution of Geely Auto within 30 days after all the conditions precedent set out in the Capital Contribution Agreement have been fulfilled.

Based on the reasons above, the Board consider (a) the benefits of the Capital Contribution, including (i) fulfilling one of the prerequisites to be listed in the Catalog; (ii) attracting customers and sales orders; (iii) better chance to obtain government subsidies; and (iv) enjoying the synergies gained from the co-operations with Geely Auto and Jiaying Jiale; and (b) the potential adverse effect of not entering into the Capital Contribution Agreement such as losing its customers and sales orders, outweigh the prolonged payment terms especially in view of the fact that Shandong Forever New Energy does not have any immediate financial needs and, are of the view that the Capital Contribution with the terms as set out in the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Use of Capital Contribution

The Capital Contribution will be mainly considered to be utilised to increase the annual production capacity of Shandong Forever New Energy, to improve its research and to development capability, to conduct research on new products and for general working capital.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE CAPITAL CONTRIBUTION

Assets and liabilities

Assuming that completion of the Capital Contribution had taken place on 31 December 2015, (i) the consolidated total assets of the Company would be increased from approximately HK\$4,485.5 million to approximately HK\$4,832.9 million; (ii) the consolidated total liabilities remain the same at approximately HK\$2,934.0 million; and (iii) the consolidated net assets would be increased from approximately HK\$1,551.5 million to approximately HK\$1,898.9 million.

Earnings

It is expected that the Capital Contribution would not have material effect to the earnings of the Group immediately upon Completion because according to the Group's accounting policy, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration (i.e. the Capital Contribution) paid or received is recognised directly in equity and attributed to owners of the Company. The excess or deficit of capital contribution amounts over or under the net asset value of a subsidiary is credited or debited to the retained earnings of the Company respectively. Thus the Capital Contribution will have no profit and loss impact on the Company.

Immediately upon Completion, the non-controlling interest is expected to increase by approximately HK\$254.4 million while the fair value of the consideration received is approximately HK\$299.8 million, the difference between the two figures is approximately HK\$45.4 million and the amount will be credited to the retained earnings of the Company.

The fair value of the Capital Contribution is estimated by applying income approach at a discount rate of 4.9% (i.e. the long term standard loan interest rate in the PRC) and it is expected that (i) Geely Auto will settle 10% of its capital contribution in accordance with the terms of the Capital Contribution Agreement and the Supplemental Agreement and (ii) the remaining Capital Contribution amount will be settled yearly in six even installments from 2017 to 2022. The higher the discount rate, the lower the fair value. For illustrative purpose, should there be an increase in discount rate by 1% and 2%, the fair value of the Capital Contribution is expected to decrease by HK\$8.3 million and HK\$16.3 million respectively.

The fair value of the Capital Contribution is based only on a preliminary assessment by the management of the Company which is not based on any financial figures or information which have been confirmed or audited by the Company's auditor. The final audited figure may change and may differ from the valuation set out in this circular.

LETTER FROM THE BOARD

PRICING TERMS ASSESSMENT

The Capital Contribution Amount was arrived at after arm's length negotiations between the parties involved in the Capital Contribution Agreement and was with reference to the net asset value of Shandong Forever New Energy as at 31 December 2015 of approximately RMB74.5 million (equivalent to HK\$88.9 million) prepared in accordance with the PRC accounting standards.

The historical acquisition price of Shandong Forever New Energy paid by the Company in September 2014 was based a company value of approximately HK\$525.8 million (based on HK\$476.8 million consideration paid for 90.68% of Shandong Forever New Energy's shares). Under the Capital Contribution Agreement (i.e. a total capital contribution amount of USD44.77 million in consideration for 51% equity interest), the valuation of 100% equity interest of Shandong Forever New Energy is approximately HK\$681.2 million. Despite the large impairment recognised as disclosed in the section "Information on Shandong Forever New Energy" and lower than expectation performance of Shandong Forever New Energy, Geely Auto and Jiaying Jiale still inject capital with a value higher than the value in 2014.

Based on all the reasons and assessments disclosed in the above sections, the Directors (excluding all the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser to the Independent Board Committee) believe that the Capital Contribution and the terms of the Capital Contribution Agreement including the pricing and Joint Investment Agreement 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.

IMPLICATION UNDER THE GEM LISTING RULES

After the completion of the Capital Contribution, Triumphant Glory's total equity interest in Shandong Forever New Energy will be reduced from 100% to 49.0%, and the Company's effective equity interests in Shandong Forever New Energy will be reduced from 90.68% to approximately 44.43%. As such, according to Rule 19.29 of the GEM Listing Rules, the Capital Contribution will be deemed as a disposal of the Company's equity interests in Shandong Forever New Energy.

As Shanghai Maple, a 90.0%-owned subsidiary of Zhejiang Geely, owns 48.0% equity interest in Zhejiang Forever New Energy, a subsidiary of the Company, therefore, according to the GEM Listing Rules, Geely Auto, which is 90.0%-owned subsidiary by Zhejiang Geely, is a connected person of the Company. The Capital Contribution constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. In addition, as the highest applicable percentage ratio (under Rule 19.07 of the GEM Listing Rules) of the Capital Contribution exceeds 25% but is less than 75%, the Capital Contribution also constitutes a major transaction of the Company. Thus, the Capital Contribution is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to the GEM Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ha Chun and Mr. Ma Gang, will be established to consider the terms of the Capital Contribution Agreement and the

LETTER FROM THE BOARD

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 the Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Capital Contribution Agreement. The Independent Board Committee will form its view in respect of the terms of the Capital Contribution Agreement and Joint Investment Agreement after obtaining and considering the advice from the independent financial adviser to be appointed by the Company.

To the best knowledge, information and belief of the Directors, Mr. Li Shufu holds 90% equity interest in Zhejiang Geely which in turn holds 90% equity interest in Geely Auto as at the Latest Practicable Date. By virtue of Mr. Li Shufu's indirect beneficiary interest in Geely Auto, Mr. Li Shufu and his associates are required to abstain from voting at the EGM to approve the Capital Contribution Agreement pursuant to the GEM Listing Rules. As at the Latest Practicable Date, Mr. Li Shufu and his associates controls and is entitled to exercise control over the voting right in respect of 103,064,000 Shares (representing approximately 1.3% of the total number of issued Shares). In addition, Geely International (Hong Kong) Limited, being a wholly-owned subsidiary of Zhejiang Geely controls and is entitled to exercise control over the voting right in respect of 250,675,675 Shares (representing approximately 3.2% of the total number of issued Shares) as at the Latest Practicable Date, is required to abstain from voting at the EGM to approve the Capital Contribution Agreement pursuant to the GEM Listing Rules.

EGM

The EGM will be held on Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 26 July 2016, at 10:00 a.m. to consider and if thought fit approve, among other matter (if any), the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement 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 EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM is enclosed herewith. If you are not able to attend the EGM, you are requested to complete the proxy form and return it to the Company's share registrar, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

Pursuant to the GEM Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been established to consider the terms of the Capital Contribution, the Supplemental Agreement, the Joint Investment Agreement 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 Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement. The Independent Board Committee will form its view in respect of the terms of the Capital Contribution 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 24 to 25 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from Independent Financial Adviser as set out on pages 26 to 52 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement are fair and reasonable and the entering into of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement is in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

On behalf of the Board
Honbridge Holdings Limited
Liu Wei, William
Director and 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 Capital Contribution Agreement and the transactions contemplated thereunder.



HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

MAJOR AND CONNECTED TRANSACTION CAPITAL CONTRIBUTION TO SHANDONG FOREVER NEW ENERGY AND DEEMED DISPOSAL

We refer to the circular of the Company dated 11 July 2016 (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 Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement 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 Capital Contribution 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 Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated therein. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 23 of this circular and the letter from the Independent Financial Adviser set out on pages 26 to 52 of this Circular which contains its advice to us and Independent Shareholders in respect of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder; and the additional information set out in the appendices to this Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taking into account, among other things, the principal factors and reasons considered by and the opinion of Goldin Financial Limited as stated in its letter of advice, we consider that the Capital Contribution is in the ordinary and usual course of business and the terms of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Capital Contribution 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 Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions completed thereunder.

Yours faithfully,

Mr. CHAN Chun Wai, Tony Mr. MA Gang Mr. HA Chun
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Shareholders in relation to the entering into of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited

Flat 2202-09

22/F

Two International Finance Centre

8 Finance Street

Central

Hong Kong

11 July 2016

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

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION CAPITAL CONTRIBUTION TO SHANDONG FOREVER NEW ENERGY AND DEEMED DISPOSAL

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular dated 11 July 2016 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 9 May 2016 (after trading hours of the Stock Exchange), Triumphant Glory, a 90.68% owned subsidiary of the Company, entered into the Capital Contribution Agreement with Geely Auto and Jiaxing Jiale, pursuant to which Geely Auto and Jiaxing Jiale have conditionally agreed to contribute capital into Shandong Forever New Energy, a direct wholly-owned subsidiary of Triumphant Glory as at the Latest Practicable Date. According to the terms of the Capital Contribution Agreement, Geely Auto and Jiaxing Jiale shall contribute approximately US\$42.15 million and US\$2.62 million into Shandong Forever New Energy respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 13 May 2016, Shandong provincial people's government issued a new certificate of approval with the registered capital of Shandong Forever New Energy changed from US\$10 million to US\$20.41 million. On 18 May 2016, Jining City Bureau of Commerce and Industry issued a new business licence to Shandong Forever New Energy. According to such new business licence, Triumphant Glory, Geely Auto and Jiaxing Jiale are registered as shareholders of Shandong Forever New Energy with 49.0%, 48.0% and 3.0% of equity interests in Shandong Forever New Energy, respectively.

Given that Geely Auto was required to pay 10% of its capital contribution within 30 days after the registration of increase in share capital of Shandong Forever New Energy is completed pursuant to the Capital Contribution Agreement (which should be on 12 June 2016), on 14 June 2016, Triumphant Glory, Geely Auto and Jiaxing Jiale entered into the Supplemental Agreement to, among others, extend the deadline of paying 10% of Geely Auto's capital contribution. It is also agreed pursuant to the Supplemental Agreement that before all the conditions precedent to the Capital Contribution Agreement are fulfilled, Geely Auto and Jiaxing Jiale do not entitle to any right of Shandong Forever New Energy.

On 9 May 2016, Triumphant Glory, Geely Auto and Jiaxing Jiale also entered into the Joint Investment Agreement to govern the operation and management, and the rights and obligations of the shareholders of Shandong Forever New Energy. As Triumphant Glory will be able to appoint the majority of members to the board of directors of Shandong Forever New Energy pursuant to the Joint Investment Agreement and the Board considers that the Group will be able to exercise significant influence over Shandong Forever New Energy, Shandong Forever New Energy will remain as an indirect non-wholly owned subsidiary of the Company and its financial performance and results will continue to be consolidated into the financial results of the Group after completion of the Capital Contribution.

After completion of the Capital Contribution, Triumphant Glory's total equity interest in Shandong Forever New Energy will be reduced from 100% to 49.0% and the Company's effective equity interest in Shandong Forever New Energy will be reduced from 90.68% to approximately 44.43%. As such, according to Rule 19.29 of the GEM Listing Rules, the Capital Contribution will be deemed as a disposal of the Company's equity interest in Shandong Forever New Energy.

As Shanghai Maple, a 90.0%-owned subsidiary of Zhejiang Geely, owns 48.0% equity interest in Zhejiang Forever New Energy, a subsidiary of the Company, therefore, according to the GEM Listing Rules, Geely Auto, which is a 90%-owned subsidiary of Zhejiang Geely, is a connected person of the Company. The Capital Contribution constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. In addition, as the highest applicable percentage ratio (under Rule 19.07 of the GEM Listing Rules) of the Capital Contribution exceeds 25% but is less than 75%, the Capital Contribution also constitutes a major transaction of the Company. Thus, the Capital Contribution is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best knowledge, information and belief of the Directors, Mr. Li Shufu held 90% equity interest in Zhejiang Geely which in turn held 90% equity interest in Geely Auto as at the Latest Practicable Date. By virtue of Mr. Li Shufu's indirect beneficiary interest in Geely Auto, Mr. Li Shufu and his associates are required to abstain from voting at the EGM to approve the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder pursuant to the GEM Listing Rules. As at the Latest Practicable Date, Mr. Li Shufu and his associates control and are entitled to exercise control over the voting rights in respect of 103,064,000 Shares (representing approximately 1.3% of the total number of issued Shares). In addition, Geely International (Hong Kong) Limited, being a wholly-owned subsidiary of Zhejiang Geely controls and is entitled to exercise control over the voting rights in respect of 250,675,675 Shares (representing approximately 3.2% of the total number of issued Shares) as at the Latest Practicable Date, is required to abstain from the EGM to approve the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder pursuant to the GEM Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ha Chun and Mr. Ma Gang, will be established to consider the terms of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement 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 the Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in transactions contemplated under the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement and the transactions contemplated thereunder. The Independent Board Committee will form its view in respect of the terms of the Capital Contribution Agreement, Supplemental Agreement and the Joint Investment Agreement and the transactions contemplated thereunder after obtaining and considering the advice from us.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the requirements of the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder, and to make a recommendation as to, among others, whether the terms of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, the entering into of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the EGM. Our appointment has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, *inter alia*, the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement, the annual report of the Company for each of the two years ended 31 December 2015 (respectively, the “**Annual Report 2014**” and the “**Annual Report 2015**”) and the first quarterly report for the three months ended 31 March 2016 (the “**Q1 Report 2016**”). We have also reviewed certain information provided by the management of the Company relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement, the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

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

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the entering into of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder, we have taken into consideration of the following principal factors and reasons:

1. Background and financial information on the Group

The Group is principally engaged in investment of mineral resources and research, production and sales of lithium-ion batteries in the PRC. Table 1 below sets out the audited financial information of the Group for the financial year ended 31 December 2013 as extracted from the Annual Report 2014, the audited financial information of the Group for the two financial years ended 31 December 2015 as extracted from the Annual Report 2015, and the unaudited financial information of the Group for the three months ended 31 March 2015 and 2016 as extracted from the Q1 Report 2016.

Table 1: Financial information of the Group

	For the year ended			For the	
	31 December			three months ended	
	2015	2014	2013	2016	2015
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	115,394	73,481	10,365	20,181	37,376
Profit/(loss) attributable to the owners of the Company	(1,984,984)	(3,241,459)	9,182,596	(32,511)	(25,941)

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	As at 31 December		
	2015	2014	2013
	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,088,888	9,632,704	15,169,396
Current assets	1,396,586	514,034	344,583
Current liabilities	722,313	381,962	321,818
Net current assets	674,273	132,072	22,765
Net assets	1,551,476	4,072,505	7,802,161

For the year ended 31 December 2014

For the year ended 31 December 2014, the total revenue of the Group increased significantly by approximately 606.7% from approximately HK\$10.4 million for the year ended 31 December 2013 to approximately HK\$73.5 million. Based on the Annual Report 2014, the significant increase in revenue was primarily attributable to the introduction of new business segment of sale of lithium batteries to the Group which generated segment revenue of approximately HK\$70.0 million during the reporting period.

For the year ended 31 December 2014, the Group recorded a loss attributable to owners of the Company of approximately HK\$3,241.5 million against a profit attributable to owners of the Company of approximately HK\$9,182.6 million for the year ended 31 December 2013. Based on the Annual Report 2014, the decrease in profit was mainly attributable to the net effect of, among others, (i) the aforesaid significant increase in revenue of the Group of approximately 606.7% during the reporting year; (ii) a decrease of approximately 94.5% in other operating expenses from approximately HK\$54.9 million for the year ended 31 December 2013 to approximately HK\$3.0 million for the reporting year; (iii) the recognition of impairment of exploration and evaluation assets of approximately HK\$4,474.1 million during the reporting year due to the substantial decline in iron ore concentrates price; (iv) a decrease in gain on disposals of subsidiaries of approximately 75.1% from approximately HK\$73.2 million for the year ended 31 December 2013 to approximately HK\$18.2 million for the reporting year; and (v) a gain on bargain purchase of a subsidiary of approximately HK\$9,277.1 million for the year ended 31 December 2013.

As at 31 December 2014, the net current assets and net assets of the Group were approximately HK\$132.1 million and approximately HK\$4,072.5 million, respectively.

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For the year ended 31 December 2015

For the year ended 31 December 2015, the total revenue of the Group increased significantly by approximately 57.0% from approximately HK\$73.5 million for the year ended 31 December 2014 to approximately HK\$115.4 million. Based on the Annual Report 2015, the increase in the total revenue was mainly attributable to the increase in segment revenue of sale of lithium batteries during the reporting year, which increased by approximately 62.9% from approximately HK\$70.0 million for the year ended 31 December 2014 to approximately HK\$114.0 million. The revenue generated from trading of mineral resources and steel metal, being another business segment of the Group during the reporting year, decreased by approximately 60.0% from approximately HK\$3.5 million during the year ended 31 December 2014 to approximately HK\$1.4 million due to the decline in number of transactions.

For the year ended 31 December 2015, the Group recorded a loss attributable to owners of the Company of approximately HK\$1,985.0 million, representing an improvement of approximately 38.8% from that of approximately HK\$3,241.5 million for the previous year. Based on the Annual Report 2015, such improvement was mainly due to the net effect of, among others, (i) the aforesaid increase in revenue of the Group of approximately 57.0% during the reporting year; (ii) an increase of approximately 265.9% in other operating income from approximately HK\$4.1 million for the year ended 31 December 2014 to approximately HK\$15.0 million for the reporting year; (iii) an impairment of approximately HK\$3,305.8 million on exploration and evaluation assets for the reporting year primarily resulting from the substantial decrease in iron ore concentrates price and delay of commencement date of operation; (iv) an impairment of goodwill of approximately HK\$176.4 million during the reporting year; (v) a fair value gain on contingent consideration payables of approximately HK\$564.7 million during the reporting year against a loss of approximately HK\$190.3 million for the year ended 31 December 2014; and (vi) a decline in gain on disposal of subsidiaries of approximately 82.4% from approximately HK\$18.2 million for the year ended 31 December 2014 to approximately HK\$3.2 million during the reporting year.

As at 31 December 2015, the net current assets and net assets of the Group were approximately HK\$674.3 million and approximately HK\$1,551.5 million, respectively.

For the three months ended 31 March 2016

For the three months ended 31 March 2016, the total revenue of the Group dropped by approximately 46.0% from approximately HK\$37.4 million for the three months ended 31 March 2015 to approximately HK\$20.2 million. The decrease in the total revenue was mainly attributable to the decrease in segment revenue of sale of lithium batteries during the reporting period. Based on the Q1 Report 2016, there was an investigation on misappropriation of government subsidies by the automobile enterprises conducted by the PRC Government in 2015, therefore reducing the producing volume of automobiles and therefore resulting in a decreased demand for lithium-ion batteries.

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For the three months ended 31 March 2016, the Group recorded a loss attributable to owners of the Company of approximately HK\$32.5 million against a loss attributable to owners of the Company of approximately HK\$25.9 million for the corresponding period in 2015. Based on the Q1 Quarterly Report 2016, the widening of the loss was mainly attributable to the net effect of, among others, (i) the decline in revenue of the Group of approximately 46.0% during the reporting period; (ii) an increase of approximately 600.0% in other operating income from approximately HK\$0.5 million for the three months ended 31 March 2015 to approximately HK\$3.5 million for the reporting period; and (iii) a slight increase of approximately 2.8% in administrative expenses from approximately HK\$21.7 million for the three months ended 31 March 2015 to approximately HK\$22.3 million for the reporting period.

2. Information on Shandong Forever New Energy

As stated in the Letter from the Board, 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. Shandong Forever New Energy commenced its trial production in mid-2012 and mass production in late 2013. The Company acquired 90.68% equity interests of Shandong Forever New Energy in September 2014 at a total consideration of HK\$634,760,000 including the purchase of shareholders' loan in the amount of HK\$157,922,000.

Currently, the production plan of Shandong Forever New Energy covers a total area of approximately 130,000 square meters and its current factor and office facilities cover a floor area of about 70,000 square meters. The current design 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.

In October 2015, the new ternary lithium battery product passed the tests conducted by a national quality supervision and inspection center in the PRC. In December 2015, Shandong Forever New Energy was recognised by certain government authorities under the Shandong Province government as a high-tech enterprise.

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Table 2 below sets out the consolidated financial information of Shandong Forever New Energy for the period between 26 September 2014 to 31 December 2014 and the year ended 31 December 2015 prepared in accordance with HKFRS.

Table 2: Consolidated financial information of Shandong Forever New Energy

	For the period from 26 September to 31 December 2014 <i>(audited)</i> HK\$'000	For the period ended 31 December 2015 <i>(audited)</i> HK\$'000
Revenue	69,977	113,989
Impairment of goodwill	—	(176,370)
Impairment of other intangible assets	—	(93,037)
Impairment of property, plant and equipment	—	(20,688)
(Loss) before taxation	(3,689)	(256,072)
(Loss) for the year/period	(6,957)	(286,155)

Note: The financial results of Shandong Forever New Energy for the period between 26 September 2014 to 31 December 2014 are presented for reference purpose only.

As at 31 December 2015, the audited net asset value of Shandong Forever New Energy prepared in accordance with HKFRS (the “**HK NAV**”) was approximately HK\$286.1 million. Further details of the major assets and liabilities of Shandong Forever New Energy prepared in accordance with HKFRS and the consolidated financial information for Shandong Forever New Energy prepared in accordance with the PRC accounting standards are set out in the section headed “Information on Shandong Forever New Energy” in the Letter from the Board

3. Reasons for and benefits of the entering into of the Capital Contribution Agreement and the Joint Investment Agreement

The Group is principally engaged in investment of mineral resources and research, production and sales of lithium-ion batteries in the PRC. Through the acquisition of Shandong Forever New Energy, the Group first entered into the lithium-ion power batteries field in September 2014. According to the Annual Report 2015, the segment revenue generated from the sales of lithium batteries amounted to approximately HK\$114.0 million in 2015, representing approximately 98.8% of the total annual revenue of the Group. Stimulated by the increasing global awareness of environmental protection, the new energy vehicle market has been growing rapidly and lithium-ion battery cells, being the power and energy storage carriers of new energy vehicles, have been under tremendous demand. As such, the Group is optimistic about the future prospect of lithium-ion battery market and intends to further develop its existing lithium-ion battery business in the future. As stated in the Letter from the

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Board, the Capital Contribution Amount will be primarily considered to be used for, among others, development of Shandong Forever New Energy in terms of expansion of production capacity, enhancement of research and development capacity, conduction of research on new products and general working capital.

In assessing the fairness and reasonableness of entering into the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement, we have primarily taken into account the factors of (i) the potential facilitation of obtaining government subsidies; (ii) the potential synergies from the Capital Contribution; and (iii) the potential positive financial impacts on the Group.

(i) Facilitation of obtaining government subsidies

The PRC Government has been continuously introducing various policies to regulate the vehicle battery industry. In March 2015, the Notice were issued by the Ministry of Industry and Information Technology of the People's Republic of China with the objective to provide guidance for vehicle battery production in order to achieve product safety and production consistency across the vehicle battery industry in the PRC. The Notice applies to the power battery manufacturers (the "**Power Battery Manufacturers**") with production and automotive products supporting in the PRC (excluding Hong Kong, Taiwan and Macau). The Notice sets out the general requirements, including but not limited to, basic requirements for manufacturers, conditions of production requirements, technical competency requirements, technical competency requirements, quality assurance capacity requirements and post-sales service capacity requirements, for being listed in the Catalog. We were given to understand that based on the communication between the Company and the relevant government authority, only enterprises with proportion of foreign investment of less than 50% are qualified to apply for the listing in the Catalog. Power Battery Manufacturers that meet the aforesaid requirements are encouraged to register under the State Council and to list in the Catalog. As advised by the management of the Company, several applications for provincial and national subsidies or funding schemes of Shandong Forever New Energy were rejected by the responsible authorities in 2015 mainly because, as advised by the responsible authorities, Shandong Forever New Energy was a foreign-owned enterprise. In around April 2016, there was a material sales contract which failed to materialise primarily due to the customer's concern on the probability of obtaining government subsidies for its products given Shandong Forever New Energy was not listed in the Catalog. Further, we were given to understand that some existing customers have expressed similar concerns on Shandong Forever New Energy. Accordingly, based on the recent experience of the Company, it is expected that successful listing in the Catalog would help Shandong Forever New Energy to retain existing customers and attract more customers and sales orders. As advised by the management of the Company, it had been the Group's intention to be listed in the Catalog in order to achieve a large scale production and diversification of customers.

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On 18 May 2016, Jining City Bureau of Commerce and Industry issued a new business licence to Shandong Forever New Energy pursuant to which Triumphant Glory, Geely Auto and Jiaying Jiale are registered as shareholders of Shandong Forever New Energy with equity interests of 49.0%, 48.0% and 3.0%, respectively. With such new business licence, Shandong Forever New Energy has fulfilled all the basic requirements set out in the Notice and has been successfully listed in the Catalog since 17 June 2016. According to the respective Catalogs released by the Ministry of Industry and Information Technology of the People's Republic of China (<http://www.miit.gov.cn/>) in November 2015, January 2016, April 2016 and June 2016, there were 57 vehicle power battery enterprises (including Shandong Forever New Energy) being listed in the Catalog as at the Latest Practicable Date. As such, it would be beneficial to the Group to obtain the listing of Shandong Forever New Energy in the Catalog as soon as practicable so as to maintain its competitiveness against other competitors and capture the rapid growth in the vehicle power battery industry. By entering into the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement, the foreign investment of Shandong Forever New Energy has been reduced from 100% to 49%, thereby allowing it to fulfil one of the prerequisites to be listed in the Catalog and have a greater chance to attract new customers as well as to obtain government subsidies for its future development, ultimately enhancing the Shareholders' value.

(ii) *Potential synergies from the Capital Contribution*

Jiaying Jiale is a limited partnership incorporated in the PRC principally engaged in investment and investment management. Geely Auto is a limited liability company incorporated in the PRC and is indirectly owned as to 90% by Zhejiang Geely. Zhejiang Geely is a long-established automobile enterprise in the PRC which owns and controls several automobile brands worldwide such as "Geely" in the PRC, "Volvo" in the Europe and the London Taxi Company in the United Kingdom.

Upon completion of the Capital Contribution, equity interest in Shandong Forever New Energy will be beneficially owned by Triumphant Glory, Geely Auto and Jiaying Jiale as to 49.0%, 48.0% and 3.0%, respectively. It is expected that synergies will be gained by Shandong Forever New Energy from the Capital Contribution from different aspects. First, management expertise of Zhejiang Geely could be shared with Shandong Forever New Energy. Zhejiang Geely was founded in 1986 and has entered into the automobile industry for a number of years. Based on our research from the public domain, Zhejiang Geely currently has total assets of over RMB100 billion and employees of approximately 19,000. By sharing the management expertise of Zhejiang Geely through the proposed board composition under the Joint Investment Agreement, more time and efforts of Shandong Forever New Energy could be allocated to focus on research and development, improving its product quality and ultimately enhancing its competitiveness within the vehicle battery industry.

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Also, the Capital Contribution is expected to help expand the customer base of Shandong Forever New Energy and enhance its purchasing power against the suppliers. In addition to the long establishment history of Zhejiang Geely, Zhejiang Geely has been ranked for four consecutive times since 2012 as one of the Fortune Global 500 (<http://fortune.com/global500/>) companies, the ranking of which is measured by annual revenues generated by corporations worldwide, and for twelve consecutive times since 2004 as one of the Fortune China 500 (<http://www.fortunechina.com/>) companies, the ranking of which is measured by annual revenues generated by corporations in the PRC, demonstrating its significant size of operation and consistent revenue generating ability. Moreover, according to the official website of Zhejiang Geely (<http://www.geely.com/>), Zhejiang Geely has a sound customer network with more than 700 and nearly 200 sales and service outlets in the PRC and overseas, respectively. By gaining access into the international customer base of Zhejiang Geely through the Capital Contribution, Shandong Forever New Energy is expected to increase its product exposure as well as achieve customer diversification, enhancing its vulnerability to economic downturn in the markets. Taking into account the potential customers to be introduced by Zhejiang Geely, the Capital Contribution would help increase the production size of Shandong Forever New Energy and therefore its purchasing power against the suppliers.

Lastly, it is expected that Shandong Forever New Energy will be able to benefit from the advanced expertise of Zhejiang Geely upon Completion. Zhejiang Geely has been keen on investing in research and development of automobile and related accessories as well as developing automobile personnels. According to its official website (<http://www.geely.com/>), approximately 40% of the current employees of Zhejiang Geely have automobile-related expertise and/or academic background. In addition, Zhejiang Geely owns various automobile related patents and has established several research and development centres across the globe, including but not limited to, a research institute in the PRC, an engineering and development centre in Sweden, three automotive technical colleges in the PRC and four vehicle design centres worldwide, demonstrating its emphasis on and advanced expertise in automobile invention. Besides, according to “Blue Geely”, a strategic plan of Zhejiang Geely released in November 2015, it will be the primary initiative of Zhejiang Geely to transit its business from traditional combustion engine technologies to new energy vehicles in the future. Accordingly, in view of the regulatory environment and competition of the vehicle battery industry as previously discussed, it is expected that the advanced automobile-related expertise of Zhejiang Geely will be beneficial for Shandong Forever New Energy, which is at growing stage of development, to achieve a large scale production of high quality in the future, ultimately enhancing the Shareholders’ value.

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(iii) *Potential positive financial impacts on the Group*

As advised by the management of the Company, Shandong Forever New Energy plays an important role for the Company to develop its lithium-ion battery business and subject to availability of necessary funding, the Company plans to build a new production line in Shandong Forever New Energy to expand its annual production capacity. Within 30 days after the fulfilment of all the conditions precedent to the Capital Contribution Agreement, approximately US\$4.22 million will be received in cash by Shandong Forever New Energy from Geely Auto and the remaining balance of the Capital Contribution Amount shall be received in full or by instalments, if needed, in accordance to the payment schedule as approved by the board of directors of Shandong Forever New Energy pursuant to the terms of the Capital Contribution Agreement. As such, it is expected that the Capital Contribution Amount will help fulfil the capital requirement for the future development of Shandong Forever New Energy including the aforesaid production line expansion.

In addition, upon completion of the Capital Contribution, Shandong Forever New Energy will remain as an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into those of the Group. Given the future profitability of the Group will be dependent of, among others, future profitability of Shandong Forever New Energy, we have conducted research from the public domain on the future prospects of the lithium-ion battery industry as well as the automobile industry, which is expected to drive the demand for lithium-ion battery, in the PRC.

According to “Made in China 2025” (<http://english.gov.cn/>), being the first ten-year action plan of the PRC issued by the State Council in May 2015, the sector of “energy-saving cars and new energy cars” has been identified as one of the ten key sectors of the country in the next ten years. In fact, the popularity of new energy vehicles has been rising rapidly in the PRC. Based on the statistics of the Ministry of Industry and Information Technology of the People’s Republic of China (<http://www.miit.gov.cn/>), total number of new energy vehicle production in the PRC in 2015 amounted to approximately 0.38 million, representing an increase of approximately four times from that in 2014. Also, the monthly production of new energy vehicles in January 2016 increased significantly by approximately 144.0% as compared to that in January 2015.

In order to stimulate the development of new energy vehicles, the PRC government has successively established a series of supporting policies in recent years. According to 《關於節約能源 — 使用新能源車船 — 車船稅優惠政策的通知》(The Notice on Energy Saving — Use of New Energy Vehicles and Ships — Preferential Policies on Travel Tax*) jointly released by several national ministries (<http://www.mof.gov.cn/>) in May 2015, effective from the date of such notice, benefit of 50% on travel tax would be offered to energy-saving vehicles and full exemption of travel tax would be offered to new-energy vehicles in order to promote the use of green energy in the PRC. Also, with reference to 《關於“十三五”新能源汽車充電基礎設施獎勵政策及加強新能源汽車推廣應用的通知》(The Notice on the 13th Five-Year Plan in relation to the Incentive Policies on New Energy Vehicle Charging Infrastructure and the Promotion of Use of New Energy Vehicles*) released in January 2016, the PRC Government will continue to

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allocate funds during 2016 to 2020 to award those provinces with large scale applications of new energy vehicles. On the other hand, Mr. Li Keqiang, the Premier of the PRC, mentioned in the State Council executive meeting in February 2016 that it will be the national target to achieve a power battery revolutionary breakthrough through the encouragement of collaborative research, establishment of an open innovation platform and the granting of awards to new energy enterprises based on their sales performances.

In light of the strong statistics and supporting government policies, we are of the view that the future prospects of the new energy vehicle and power battery industries in the PRC will be optimistic, leading to a potentially promising financial performance of Shandong Forever New Energy in the future.

Accordingly, by entering into the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement, the Group would be able to lower its capital commitment whilst simultaneously maintain its control in and enjoy the potential positive financial performance of Shandong Forever New Energy.

In light of the above, we are of the view that the entering into of the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement are in the interests of the Company and the Independent Shareholders as a whole.

4. Principle terms of the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement

4.1 Principal terms of the Capital Contribution Agreement and the Supplemental Agreement

On 9 May 2016 (after trading hours of the Stock Exchange), Triumphant Glory entered into the Capital Contribution Agreement with Geely Auto and Jiaying Jiale pursuant to which Geely Auto and Jiaying Jiale have conditionally agreed to contribute capital into Shandong Forever New Energy.

On 13 May 2016, Shandong provincial people's government issued a new certificate of approval in relation to the change of the registered capital of Shandong Forever New Energy from US\$10 million to US\$20.41 million. On 18 May 2016, Jining City Bureau of Commerce and Industry issued a new business licence to Shandong Forever New Energy pursuant to which Triumphant Glory, Geely Auto and Jiaying Jiale are registered as shareholders of Shandong Forever New Energy with 49.0%, 48.0% and 3.0% equity interests in Shandong Forever New Energy, respectively.

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On 14 June 2016, Triumphant Glory entered into the Supplemental Agreement with Geely Auto and Jiaying Jiale to amend certain terms of the Capital Contribution Agreement. Pursuant to the Supplemental Agreement, it is agreed that before all the conditions precedent to the Capital Contribution Agreement, details of which are set out in the section headed “Conditions Precedent” in the Letter from the Board, are fulfilled, Geely Auto and Jiaying Jiale do not entitle to any right of Shandong Forever New Energy (including the right to share profits/losses of Shandong Forever New Energy as to 48.0% and 3.0% respectively and the right to entitle for any dividend declared). In addition, Triumphant Glory, Geely Auto and Jiaying Jiale agreed to use their best endeavor to reinstate the business nature, shareholding structure and registered capital of Shandong Forever New Energy to its original amount of US\$10 million as soon as practicable if the Capital Contribution Agreement and the transactions contemplated thereunder are not approved by the Independent Shareholders at the EGM.

Upon completion of the Capital Contribution, (i) US\$10.41 million of the Capital Contribution Amount will be recognised as registered capital, the registered capital of Shandong Forever New Energy will be increased from US\$10 million to approximately US\$20.41 million and the remaining US\$34.36 million of the Capital Contribution Amount will be recognised as a reserve of Shandong Forever New Energy; and (ii) Triumphant Glory, Geely Auto and Jiaying Jiale will beneficially own 49.0%, 48.0% and 3.0% equity interest in Shandong Forever New Energy, respectively.

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

4.1.1 Determination of the Capital Contribution Amount

Pursuant to the Capital Contribution Agreement and the Supplemental Agreement, Geely Auto and Jiaying Jiale have conditionally agreed to make respective capital contributions of US\$42.15 million and US\$2.62 million, representing an aggregate amount of US\$44.77 million, to Shandong Forever New Energy.

The Capital Contribution Amount was arrived at after arm’s length negotiations between the parties involved in the Capital Contribution Agreement and was with reference to the net asset value of Shandong Forever New Energy (the “**PRC NAV**”) as at 31 December 2015 of approximately RMB74.5 million (equivalent to approximately HK\$88.9 million) prepared in accordance with the PRC accounting standards.

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In assessing the fairness and reasonableness of the Capital Contribution Amount, we have considered various valuation approaches including price-to-earnings ratio, price-to-book ratio (“P/B”) and price-to-sales ratio (“P/S”). Given the loss-making position of Shandong Forever New Energy for the year ended 31 December 2015, we consider the price-to-earnings approach inapplicable and therefore have adopted the P/B and the P/S approaches.

In conducting the P/B and the P/S analyses, we have identified companies that (i) are listed on the Stock Exchange and/or the Shanghai Stock Exchange and/or the Shenzhen Stock Exchange; and (ii) are principally engaged in production and sales of rechargeable battery (including lithium-ion battery) in the PRC with annual revenue from such business segment accounts for more than 50% of the total consolidated annual revenue during their respective corresponding latest financial years. On best effort basis, we have identified 11 companies (the “**Comparables**”), which to the best of our knowledge represent an exhaustive list, that meet the aforesaid selection criteria. It is worth noting that as a common practice, the implied P/B and implied P/S of Shandong Forever New Energy are compared with the P/B and P/S of the Comparables in our analyses based on the assumption that interests in private companies can be converted into cash quickly with minimum costs in an active open market as the interests in public companies. Yet, in reality, interests in private companies generally do not possess such characteristics due to their lack of marketability and are therefore generally worth less than the interests in public companies. Accordingly, the implied P/B and implied P/S of Shandong Forever New Energy, being a private company, in our analyses are subject to potential downward bias in comparison to the P/B and P/S of the Comparables, being publicly listed companies. Our findings are summarised in Table 3 below.

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Table 3: A summary of the Comparable

Company name	Stock code	Market capitalisation (Note 1) (HK\$' million) (approximate)	Net assets attributable to equity holders (Note 2) (HK\$' million) (approximate)	P/B (times) (approximate)	P/S (times) (approximate)
Camel Group Co., Ltd.	601311 SHE	15,059.82	5,500.60	2.78	2.39
Chaowei Power Holdings Limited	951 HK	5,081.95	3,075.72	1.61	0.22
Coslight Technology International Group Limited	1043 HK	1,087.28	2,164.31	0.47	0.21
Dynavolt Renewable Power Technology Co. Ltd.	002684 SHZ	10,967.53	1,759.85	5.48	14.72
FDG Electric Vehicles Limited	729 HK	9,993.43	2,027.74	4.77	31.44
Fengfan Stock Limited Company	600482 SHE	20,787.44	2,668.23	8.35	3.26
Guangzhou Great Power Energy & Technology Co. Ltd.	300438 SHZ	10,563.77	1,011.30	12.09	63.36
Shandong Sacred Sun Power Sources Co. Ltd.	002580 SHZ	3,916.39	1,364.47	2.84	2.36
Sunwoda Electronic Co. Ltd.	300207 SHZ	16,773.49	2,197.60	8.35	2.38
Tianneng Power International Limited	819 HK	6,919.80	4,032.11	1.69	0.32
Zhejiang Narada Power Source Co. Ltd.	300068 SHZ	13,314.17	3,692.78	3.23	1.95
			Maximum	12.09	63.36
			Minimum	0.47	0.21
			Mean	4.70	11.15
			Median	3.23	2.38
Shandong Forever New Energy	8137 HK		Based on the HKFRS	1.08 (Note 3)	5.98 (Note 5)
			Based on the PRC accounting standards	1.56 (Note 4)	5.63 (Note 6)

Source: www.bloomberg.com/; <http://www.sse.com.cn/> and <http://www.szse.cn/>

Notes:

- (1) Based on closing share price data and the number of outstanding shares as at the date of the Capital Contribution Agreement.
- (2) Based on the data extracted from the latest interim reports or first quarterly reports of the Comparables

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- (3) Based on 51% of the HK NAV as at 31 December 2015 as adjusted for the Capital Contribution amount totaling US\$44.77 million (equivalent to approximately HK\$347.42 million).
- (4) Based on 51% of the PRC NAV as at 31 December 2015 as adjusted for the Capital Contribution amount totaling US\$44.77 million (equivalent to approximately HK\$347.42 million).
- (5) Based on 51% of the revenue of Shandong Forever New Energy for the year ended 31 December 2015 prepared in accordance with HKFRS.
- (6) Based on 51% of the revenue of Shandong Forever New Energy for the year ended 31 December 2015 prepared in accordance with the PRC accounting standards.
- (7) For illustrative purpose only, figures presented in US\$ are converted into HK\$ based on the exchange rate of US\$1.00:HK\$7.76 and figures presented in RMB are converted into HK\$ based on the exchange rate of RMB1.00:HK\$1.19

In computing the implied P/B of Shandong Forever New Energy, we have primarily taken into consideration of the PRC NAV as at 31 December 2015 of approximately RMB74.5 million (equivalent to approximately HK\$88.9 million) while reference has also been made to the HK NAV as at 31 December 2015 of approximately HK\$286.1 million. With reference to the Capital Contribution Amount of US\$44.77 million (equivalent to approximately HK\$347.42 million) for 51% equity interest in Shandong Forever New Energy, the implied P/B of Shandong Forever New Energy based on 51% of the PRC NAV as at 31 December 2015 as adjusted for the Capital Contribution Amount totaling US\$44.77 million (equivalent to approximately HK\$347.42 million) amounts to approximately 1.56 times (the “**Implied PRC P/B**”), whereas the Implied P/B based on 51% of the HK NAV as at 31 December 2015 as adjusted for the Capital Contribution Amount totaling US\$44.77 million (equivalent to approximately HK\$347.42 million) amounts to approximately 1.08 times (the “**Implied HK P/B**”). As illustrated in Table 3, the P/B of the Comparables range from approximately 0.47 times to approximately 12.09 times, with the mean and median of approximately 4.70 times and 3.23 times respectively. Therefore, notwithstanding the above-mentioned potential bias on the results of our P/B analysis, the Implied PRC P/B of approximately 1.56 times and the Implied HK P/B of approximately 1.08 times fall within the range of the P/B of the Comparables.

In addition, we have also assessed the fairness and reasonableness of the Capital Contribution Amount with reference to the original price (“**Original Price**”) paid by the Company for the acquisition of the 90.68% equity interest in Shandong Forever New Energy in September 2014, details of which are set out in the circular of the Company dated 1 September 2014 (the “**Acquisition Circular**”). We noted that the P/B as implied by the Original Price was approximately 5.37 times, which is relatively higher than both Implied PRC P/B and the Implied HK P/B.

As disclosed in the Acquisition Circular, the Original Price was determined after considering, among others, the prospects of Shandong Forever New Energy. We were given to understand that, after establishment of Zhejiang Forever New Energy on 16

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December 2015, with its scale being several times larger than that of Shandong Forever New Energy, the Company has shifted the main focus on the investment and development of Zhejiang Forever New Energy. Secondly, Shandong Forever New Energy is set up in Zoucheng, the PRC, which is a relatively small city and therefore it would be more difficult to recruit top technicians and engineers to station there. Thirdly, the subsidies and benefits provided by Zoucheng government are not as good as those provided in other cities, thereby increasing the uncertainty in the expansion plan in Shandong Forever New Energy. The above factors negatively affected the forecast revenue of Shandong Forever New Energy, which was reflected in the valuation of Shandong Forever New Energy for the year ended 31 December 2015. The impairment of goodwill, other intangible assets and property, plant and equipment were therefore recognised due to the change of various factors such as technology, crafts, investment, sales of products, which adversely impacted the production expansion possibilities for this segment by the management during the year ended 31 December 2015, resulting in a significant decrease in the audited net assets value of Shandong Forever New Energy from approximately HK\$541.13 million prior to any impairment adjustment to approximately HK\$286.1 million after the aforesaid impairment adjustment.

Taking into account that (i) the prospects of Shandong Forever New Energy was considered when determining the Original Price; (ii) subsequent to completion of the acquisition of Shandong Forever New Energy by the Company, Shandong Forever New Energy has been underperforming due to the delay in the production expansion of Shandong Forever New Energy, we consider that the Original Price is not reflective of the current valuation of Shandong Forever New Energy and does not serve a fair basis for the evaluation of the Capital Contribution Amount.

With respect to the P/S analysis, in computing the implied P/S of Shandong Forever New Energy, we have primarily taken into account of the revenue of Shandong Forever New Energy for the year ended 31 December 2015 prepared in accordance with the PRC accounting standards (the “**PRC Revenue**”) of approximately RMB101.75 million (equivalent to approximately HK\$121.08 million) while reference has also been made to the corresponding figure prepared in accordance with HKFRS (the “**HK Revenue**”) of approximately HK\$113.99 million. With reference to the Capital Contribution Amount of US\$44.77 million (equivalent to approximately HK\$347.42 million) for 51% equity interest in Shandong Forever New Energy, the implied P/S of Shandong Forever New Energy based on 51% of the PRC Revenue of approximately HK\$61.75 million amounts to approximately 5.63 times (the “**Implied PRC P/S**”), whereas the implied P/S based on 51% of the HK Revenue of approximately HK\$58.13 million amounts to approximately 5.98 times (the “**Implied HK P/S**”). As illustrated in Table 3, the P/S of the Comparables range from approximately 0.21 times to approximately 63.36 times, with the mean and median of approximately 11.15 times and approximately 2.38 times, respectively. Therefore, despite the aforesaid potential downward bias on the results of our P/S analysis and that both the Implied PRC P/S and the Implied HK P/S are below the mean of P/S of the Comparables, they fall within the range of the P/S of the

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Comparables and both of them are more than twice of the median of the P/S of the Comparables which, in our view, represents a more appropriate indicator as compared to the mean given the relatively small sample size of and the inclusion of extreme values of P/S in the Comparables.

Given that (i) notwithstanding the potential downward bias on the results of the P/B and P/S analyses, both the Implied PRC P/B and the Implied HK P/B fall within the range of the P/B of the Comparables and both the Implied PRC P/S and the Implied HK P/S represent more than twice of the median of P/S of the Comparables; and (ii) despite the loss making position of Shandong Forever New Energy, Geely Auto and Jiaying Jiale agreed to contribute the Capital Contribution Amount which is at a premium over the HK NAV as adjusted for the Capital Contribution Amount, we are of the view that the pricing terms of the Capital Contribution Agreement and the Supplemental Agreement are fair and reasonable.

4.1.2 Payment terms of the Capital Contribution Agreement and the Supplemental Agreement

Pursuant to the Capital Contribution Agreement, Geely Auto is required to pay 10% of its capital contribution within 30 days after the registration of increase in share capital of Shandong Forever New Energy is completed. Such deadline was extended under the Supplemental Agreement pursuant to which Geely Auto is required to pay 10% of its capital contribution amount within 30 days after the fulfillments of all conditions precedent to the Capital Contribution Agreement, details of which are set out in the section headed “Conditions Precedent” in the Letter from the Board. Geely Auto and Jiaying Jiale shall make the Capital Contribution Amount in full to Shandong Forever New Energy no later than 31 October 2022. Geely Auto and Jiaying Jiale undertake (the “**Undertaking**”) that, pending full payment of their respective capital contribution under the Capital Contribution Agreement, they shall use all dividend, distribution and payment received from Shandong Forever New Energy (if any) to satisfy their capital contribution obligation.

While the entire capital injections may be fully paid by Geely Auto and Jiaying Jiale before 31 October 2022 without a concrete capital injection date, pursuant to the Supplemental Agreement, if needed, Geely Auto and Jiaying Jiale shall pay their respective outstanding capital contribution amounts in full or by instalments in accordance to the payment schedule as approved by the board of directors of Shandong Forever Energy, majority of members of which shall be nominated by Triumphant Glory pursuant to the Joint Investment Agreement as discussed in the following section, to

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satisfy the financial need of Shandong Forever New Energy and in any case no later than 31 October 2022. The board of directors of Shandong Forever New Energy will review and monitor the business plan and working capital level of Shandong Forever New Energy and establish such payment schedule as it considers appropriate. Given there is no immediate financial need of Shandong Forever New Energy, there is currently no payment schedule. The Company will regularly update the Shareholders regarding the status of the Capital Contribution in its quarterly, interim and annual results announcements. In addition, the major benefits of the entering into of the Capital Contribution Agreement and the Supplemental Agreement include:

- (i) the securing of additional funding for working capital, expansion and other development in advance, with 10% of the capital contribution of Geely Auto to be received by Shandong Forever New Energy within 30 days after fulfillments of the conditions precedent to the Capital Contribution Agreement, which allows Shandong Forever New Energy to focus more on its research and development and marketing areas and allows the Company to focus on future potential project as there is less funding uncertainty in the coming years;
- (ii) the establishment of a co-operating relationship with Zhejiang Geely Group which is one of the largest automobile enterprises in the PRC and is planning to invest and develop new energy vehicles in the coming years. It is expected that the advanced automobile-related expertise of Zhejiang Geely Group will be beneficial for Shandong Forever New Energy to improve the management system and its operation in the future; and
- (iii) the reduction of the foreign shareholding of Shandong Forever New Energy to a level below 50% by way of the Capital Contribution which allowed Shandong Forever New Energy to fulfil one of the prerequisites to be listed in the Catalog and facilitated its successful listing on 17 June 2016. Once being listed in the Catalog, the positioning and reputation of Shandong Forever New Energy will improve, facilitating it to retain existing customers whilst attracting more customers and sales orders to capture the growth in the vehicle power battery industry. Although the Company has shifted the main focus on the investment and development to Zhejiang Forever New Energy and the expansion plan of Shandong Forever New Energy was slowed down in 2015, Shandong Forever New Energy remains a key subsidiary of the Company. Based on the recent experience of the Company, in order to strengthen the competitiveness and customer relationship as well as increase the chance to obtain government subsidies, it is crucial for Shandong Forever New Energy to be qualified to get listed in the Catalog. Further, as joint investment partners, both Geely Auto and Jiaxing Jiale would be incentivised to commit in Shandong Forever New Energy's future development and fulfil their obligations of providing the remaining balance of the Capital Contribution Amount subject to the then capital requirement, including but

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not limited to, the construction and installation of a new production line and the improvement of the research and development capability as included in the intended use of proceeds and in any case no later than 31 October 2022, taking into consideration the potential increase in profits to be shared as associated with the enhanced future development of Shandong Forever New Energy.

In view of the prolonged payment terms, we were given to understand that in early 2016, the Company has approached other potential investors to invest in Shandong Forever New Energy. However, prolonged due diligence were required and other terms such as the new shareholding structure and control of board of directors of Shandong Forever New Energy could not be reached between the Company and any other potential investors. Geely Auto and Jiaying Jiale represent the then only potential investors which were ready to invest in Shandong Forever New Energy with acceptable terms to the Group. The payment terms of the Capital Contribution Agreement were arrived at between the parties to the Capital Contribution Agreement after arm's length negotiation and that the Directors have successfully negotiated to shorten the payment term from ten years to six years throughout the negotiation. The Directors have further taken into account a tradeoff between (i) a reduction in sharing of profit of Shandong Forever New Energy/potential loss of time value of the Capital Contribution Amount arising from the six-year deferral in settlement; and (ii) the prompt obtaining of the prerequisite of Shandong Forever New Energy for being listed in the Catalog. In view of the loss-making position of Shandong Forever New Energy and customers' concerns on its previous listing status against the optimistic future prospect of new energy vehicle and power battery industries in the PRC as discussed in the sub-section headed "Potential positive financial impacts of the Group", we concur with the Directors' views that it would be crucial for Shandong Forever New Energy to obtain the listing in the Catalog as soon as practicable in order to capture the growth in the vehicle power battery industry or otherwise, its financial results may deteriorate due to potential loss of customers.

In addition, we have assessed the risk on the recoverability of the capital contributions from Geely Auto and Jiaying Jiale. Geely Auto is a 90%-owned subsidiary of Zhejiang Geely, which has been on the list of the Fortune Global 500 in 2015 (<http://fortune.com/global500/>) for four years with consolidated total assets of approximately US\$20,975 million as of the year end date of its last fiscal year. On the other hand, a positive and on-going co-operating relationship has been built between the Company and Jiaying Jiale through the entering into of the joint investment agreement in relation to the establishment of Zhejiang Forever New Energy, details of which were set out in the announcement of the Company dated 11 December 2015. Completion of the aforesaid agreement took place and Jiaying Jiale has paid its portion of registered capital in accordance with such agreement. In view of (i) the solid financial position of Zhejiang Geely and the historical business relationship with Jiaying Jiale; and (ii) no dividend, distribution or payment received from Shandong Forever New Energy will be made to

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Geely Auto or Jiaying Jiale until their capital contribution obligation is satisfied, it is expected that there would be no material recoverability issue of the Capital Contributions from each of Geely Auto and Jiaying Jiale.

Having considered (i) the securing of additional funding for working capital, expansion and other development in advance, with 10% of the capital contribution of Geely Auto will be received by Shandong Forever New Energy within 30 days after fulfillments of all the conditions precedent to the Capital Contribution Agreement, which could help support its future development as previously discussed; (ii) there is no immediate financial need of Shandong Forever New Energy and that Geely Auto and Jiaying Jiale shall, if needed, pay their respective outstanding capital contribution amounts in full or by instalments in accordance to the payment schedule as approved by the board of directors of Shandong Forever New Energy and in any case no later than 31 October 2022; (iii) the benefits of entering into the Capital Contribution Agreement and the Supplemental Agreement to the Group, in particular, the reduction of foreign shareholding of Shandong Forever New Energy as soon as practicable which allowed it to fulfil one of the prerequisites to be listed in the Catalog, facilitating it to procure sales orders from existing and/or new customers, as set out in the previous section; (iv) the potential adverse impacts of not entering into the Capital Contribution Agreement and/or identifying other suitable investors and/or further negotiating with Geely Auto and Jiaying Jiale in relation to the prolonged payment terms (such as further shortening the payment term and/or making borrowing arrangement instead), which would delay the timing for Shandong Forever New Energy to be listed in the Catalog, ultimately reducing its competitiveness, causing it to lose customers and sales orders and adversely affecting its financial results; (v) as joint investment partners, both Geely Auto and Jiaying Jiale would be incentivised to commit in Shandong Forever New Energy's future development and fulfil their obligations of providing the remaining balance of the Capital Contribution Amount shall such funding be requested and in any case no later than 31 October 2022, taking into consideration the potential increase in profits to be shared as associated with the enhanced future development of Shandong Forever New Energy; (vi) the Undertaking by Geely Auto and Jiaying Jiale; and (vii) the risk on the recoverability of the capital contributions from each of Geely Auto and Jiaying Jiale is minimal, we are of the view that the benefits of the entering into of the Capital Contribution Agreement and the Supplemental Agreement outweigh the prolonged payment terms of the Capital Contribution Agreement and the Supplemental Agreement, which are justifiable, and that the payment terms of the Capital Contribution Agreement and the Supplemental Agreement are fair and reasonable.

In light of the above, we are of the view that the principal terms of the Capital Contribution Agreement and the Supplemental Agreement including the determination of the Capital Contribution Amount and the payment terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4.2 Principal terms of the Joint Investment Agreement

On 9 May 2016, Triumphant Glory, Geely Auto and Jiaxing Jiale entered into the Joint Investment Agreement to govern the operation and management, and the rights and obligations of the shareholders of Shandong Forever New Energy.

Term of operation of Shandong Forever New Energy

The term of operation of the Shandong Forever New Energy is 30 years.

Total investment and registered capital

The total investment and registered capital of Shandong Forever New Energy are US\$35 million and approximately US\$20.41 million, respectively.

Capital Contribution Amount and payment terms

Details of the Capital Contribution Amount and payment terms are set out in the section headed “4.1 Principal terms of the Capital Contribution Agreement and the Supplemental Agreement” above.

Approval of share transfer

Any party to the Joint Investment Agreement may transfer, sell or dispose of any shares of Shandong Forever New Energy in any way to a third party subject to the approval of the board of directors and the completion of necessary registration with relevant regulatory authorities

Board of directors

Board composition

The board of the Shandong Forever New Energy will consist of six directors, with four directors nominated by Triumphant Glory, two directors nominated by Geely Auto. The chairman will be appointed from the four directors nominated by Triumphant Glory. The deputy chairman will be appointed from the two directors nominated by Geely Auto.

Matters to be passed by unanimous consent by the directors of Shandong Forever New Energy

The following matters of Shandong Forever New Energy shall require unanimous consent in the board meeting of Shandong Forever New Energy:

1. amendments to the articles of association (including but not limited to change of business scope);

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2. suspension, winding up, dissolution or liquidation of Shandong Forever New Energy;
3. increase or decrease of registered capital;
4. division, change of legal form or merger of Shandong Forever New Energy;
5. investments, provision of guarantees, major assets purchase or disposal and major connected transactions; and
6. other matters which require approval of the board in the articles of associations.

Profit distribution

Profits of Shandong Forever New Energy shall be distributed annually following the profit distribution plan proposed by the general manager subject to the board of directors' approval and other requirements under the articles of association of Shandong Forever New Energy.

Pursuant to the articles of association of Shandong Forever New Energy, each of the shareholders shall share the profit in proportion to their respective contributions to the registered capital. Triumphant Glory, Geely Auto and Jiaying Jiale will share the profits of Shandong Forever New Energy as to 49.0%, 48.0% and 3.0% respectively. Before the registered capital of Shandong Forever New Energy is fully paid up, any profit distributable to Geely Auto and Jiaying Jiale shall be utilised to offset their respective outstanding capital contribution.

Applicable laws and dispute resolution

The formation, effectiveness, interpretation, performance and dispute resolution resulting from the Joint Investment Agreement are governed by applicable PRC laws and regulations.

In case of any dispute arising from or in connection with the Joint Investment Agreement, the parties shall first resolve such dispute by friendly negotiations. In the event that no settlement can be reached through negotiations within 30 days after the other parties are first informed in writing of such dispute, any party may submit the dispute to the Shanghai Arbitration Commission (上海仲裁委員會) for arbitration.

Upon our review on the principal terms of the Joint Investment Agreement, it did not come to our attention that any terms of the Joint Investment Agreement are unusual and not normal commercial terms. Given the terms of the Joint Investment Agreement were arrived at after arm's length negotiations among the parties to the

agreement and that the majority of the members including the chairman of the board of directors of Shandong Forever New Energy will be appointed by Triumphant Glory, we are of the view that the terms of the Joint Investment Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Financial impacts of the entering into of the Capital Contribution Agreement, the Supplemental Agreement and the Joint Investment Agreement

5.1 *Net asset value*

According to the Annual Report 2015, the net asset value of the Group was approximately HK\$1,551.5 million as at 31 December 2015. Upon completion of the Capital Contribution, it is expected that the cash and cash equivalents of the Group will increase by the Capital Contribution Amount, resulting in the increase in the net asset value of the Group.

5.2 *Earnings*

According to the Annual Report 2015, loss attributable to the owners of the Company was approximately HK\$1,985.0 million for the year ended 31 December 2015. Upon Completion, Shandong Forever New Energy will remain as an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into those of the Group. It is expected that the Capital Contribution would not have material effect to the earnings of the Group immediately upon Completion. According to the Group's accounting policy, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration (i.e. the Capital Contribution Amount) paid or received is recognised directly in equity and attributed to owners of the Company. The excess or deficit of capital contribution amounts over or under the net asset value of a subsidiary is credited or debited to the retained earnings of the Company respectively. Thus the Capital Contribution will have no profit and loss impact on the Company.

Immediately upon Completion, the non-controlling interest is expected to increase by approximately HK\$254.4 million while the fair value of the consideration received, determination of which is based on a preliminary assessment by the management of the Company with details being set out in the Letter from the Board, is approximately HK\$299.8 million, the difference between the two figures is approximately HK\$45.4 million and the amount will be credited to the retained earnings of the Company.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed for approving the Capital Contribution Agreement, the Supplemental Agreement, the Joint Investment Agreement and the transactions contemplated thereunder at the EGM.

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. 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 released on 28 March 2014, pages 39 to 116 of the annual report of the Company for the year ended 31 December 2014 released on 30 March 2015 and pages 37 to 108 of the annual report of the Company for the year ended 31 December 2015 released on 30 March 2016, 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>

2. INDEBTEDNESS

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

Borrowings

At the close of business on 31 May 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 May 2016, the Group's prepaid land lease payments with an aggregate carrying value of approximately HK\$48,246,000 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 May 2016, the Group had an outstanding unsecured zero coupon convertible bonds with principal amount of HK\$740,000,000 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**"), as well as the Company's circular dated 5 November 2010 (the "**Circular**").

On 5 March 2010, Lit Mining Cooperatief U.A. ("**Lit Mining**") (as the seller), Votorantim Novos Negocios ("**VNN**") (also as the seller), Esperento S.a.r.l. ("**Esperento**"), Mineral Ventures Participacoes Ltda. ("**Mineral Ventures**"), Infinite Sky Investments Limited ("**Infinite Sky**") (as the buyer and a subsidiary of the Company), New Trinity Holdings Limited ("**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.

The first and the second instalment payment amount to USD75.0 million (equivalent to approximately HK\$582.0 million) were settled. The third instalment payment amount to USD115.0 million (equivalent to approximately HK\$892.4 million) were required to be settled on the tenth Business Day following the date the eight required approvals (the "**Required Approvals**") are obtained (or the date Infinite Sky waives the requirements that all Required Approvals be obtained) (the "**Approvals Payments**"). 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 earlier of the tenth Business Day following the date SAM's resource is confirmed or in the event, Infinite Sky waives the condition regarding the occurrence of the resource confirmation, the tenth Business Day following such waiver, or at such other time and place and on such other day as shall be mutually agreed upon in writing by Infinite Sky, VNN and Lit Mining (the "**Closing Date**"); and (b) the date by which an aggregate of 100,000 metric tons of pellet feed have been shipped through the Porto Sul (the "**Port**") on a commercial basis (the "**Port Operation Commencement Date**"); and 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 later of (a) the Closing Date, (b) the date the Required Approvals are obtained, and (c) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the exploration permits has been shipped commercially (the "**Mining Production Commencement Date**").

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 dated 10 June 2015 (the "**Settlement Agreement**"), the Company filed for arbitration against Lit Mining and VNN in relation to termination of the Amended

Share Purchase Agreement (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 SPA mentioned above.

Major terms of the Settlement Agreement are as follows:

*Settlement Payment to Votorantim and transfer of one preferred share of SAM (the “**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.

The Company has settled the Settlement Payment on 13 May 2016 and terms (ii) to (v) have been executed on or before mid-June 2016.

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 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 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 May 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 May 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.

3. WORKING CAPITAL

After taking into account the Group’s internal resources, 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.

4. 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.

5. 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 in 2014 and established Zhejiang Forever New Energy 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 cutting-edge techniques and to integrate creativity, and to industrialize the production of new energy vehicles and related core components in PRC.

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, a loan agreement dated 11 April 2016 was entered into between the Company and Cloudrider Limited, pursuant to which the Company conditionally agreed to grant to the Cloudrider Limited the loan with principal amount of HK\$540 million with an interest rate of 3% per annum (the "Loan"). 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.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' interests

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

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

Name of director	Number of shares in the Company				Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation	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 or their associates had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders' interests

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

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

Name of Shareholder	Number of Shares in the Company			Total number of shares held	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interests of controlled corporation		
Hong Bridge	4,065,000,000 (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	Number of share options outstanding as at 31/12/2015	Number of share options outstanding as at the Latest Practicable Date	Exercise period of share option	Exercise price per share option HK\$
<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		
<i>Employee</i>				
	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.

3. 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.

4. 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.

5. LITIGATION

On 22 June 2016, the Company received a writ of summons (the “**Writ**”) dated 18 June 2016 filed by Zhi Charles as the plaintiff (the “**Plaintiff**”) against 16 defendants which include the Company and the Company’s auditor, as well as, amongst others, some other companies listed on the Stock Exchange and their auditors with the Court of First Instance of the High Court of Hong Kong under action number HCA 1618 of 2016.

After the Plaintiff has been adjudicated a “vexatious litigant” in another legal action in Hong Kong on 20 June 2016, the Plaintiff disputes the validity of technical and valuation reports signed previously by Mr. Herman Tso, a mining expert who was allegedly disqualified by the Australasian Institute of Mining and Metallurgy on 12 April 2016 (the “**Disqualification**”), and seeking various reliefs against the Defendants, including the Company, for, amongst others, the following orders (the “**Plaintiff’s Applications**”):

- (i) an order against the listed companies named in the Writ (together, the “**Listed Companies**”) to the effect that (a) whether the issue of securities based on the technical reports issued by Mr. Herman Tso was valid and whether the mining assets have been properly recognised in the financial statements (the “**Investigation**”); (b) the results of the Investigation be disclosed and their implications to the Listed Companies’ operational and financial position be assessed (the “**Disclosure**”); and (c) appropriate remedial actions be taken to address any material issues identified in the Investigation (the “**Remedial Actions**”); and
- (ii) an order against the Listed Companies compelling them to halt trading of their shares until the Investigation has been completed.

After the preliminary review conducted by the Company, for the acquisition of Sul Americana de Metais S.A. in 2010, the Company appointed Roma Appraisal Limited (the “**Valuer**”) to perform a valuation. Mr. Herman Tso was one of the signing persons of the valuation report dated 5 November 2010 (which is the Company’s only valuation report involving Mr. Herman Tso) and the

report was included as an appendix in the circular of the Company dated 5 November 2010. The Company will further review and assess whether the valuation report has any impact on the financial statements of the Company.

On 20 June 2016, the Plaintiff also filed a summons for, amongst others, the following injunction application (the “**Injunction Application**”):

- (i) the Stock Exchange be restrained from allowing the shares of the Company, amongst other Listed Companies, to be traded on the Stock Exchange until their audit reports are restated to reflect the Disqualification; and
- (ii) the Company, amongst other Listed Companies, their auditors and the Company’s auditor, be restrained from using the reports or opinions of Mr. Herman Tso, or any secondary opinions on Mr. Herman Tso’s reports, for any purposes.

On 30 June 2016, there was a court hearing for the Injunction Applications. The Court has dismissed the Plaintiff’s Injunction Applications against, amongst others, the Company, and awarded costs to, amongst others, the Company on an indemnity basis.

As at the Latest Practicable Date, the Company cannot understand the legal grounds of the Plaintiff’s Applications and is seeking legal advice in respect of the above proceedings and considering, if necessary, the Company should establish an independent committee to review and assess, amongst others, whether the valuation report would have any impact on the financial statements of the Company.

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.

6. 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).

7. EXPERTS AND CONSENT

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

Name	Qualification
BDO Limited	Certified Public Accountants
Goldin Financial Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts 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, each of the above experts 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 2015, 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. 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 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;
- (b) 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 US\$3 million;
- (c) 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;
- (d) 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;

- (e) 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;
- (f) 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;
- (g) the joint investment agreement dated 11 December 2015 entered into among the Company, Honbridge Power Limited, Shanghai Maple Automobile Company Limited and Jiaxing Jiale in relation to the establishment of Zhejiang Forever New Energy in a total investment amount of RMB1,500 million;
- (h) 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;
- (i) the Loan Agreement dated 11 April 2016 entered into between the Company and Cloudrider Limited, pursuant to which the Company conditionally agreed to grant to the Cloudrider Limited the loan with principal amount of HK\$540 million with an interest rate of 3% per annum;
- (j) the Capital Contribution Agreement;
- (k) the Joint Investment Agreement;
- (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 Amended Share Purchase Agreement and related agreements between the parties, without any admission of wrongdoing by any party; and
- (m) the Supplemental Agreement.

9. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the Capital Contribution 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 26 July 2016, the date of the EGM.

- a. the memorandum and articles of association of the Company;
- b. the material contracts referred to the paragraph headed “Material Contracts” to this appendix;

- c. the annual reports of the Company for the two financial years ended 31 December 2014 and 2015;
- d. the quarterly report for the three months ended 31 March 2016;
- e. the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- f. the written consents referred to under the paragraph headed “Expert and consent” in this appendix;
- g. the Directors’ service contracts referred to in the paragraph headed “Directors’ Service Contracts” in this appendix; and
- h. this circular.

10 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Honbridge Holdings Limited (the “**Company**”) will be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 26 July 2016, at 10:00 a.m. (the “**EGM**”) for the purpose of considering and, if thought fit, pass the following resolutions as an ordinary resolution of the Company. Capitalised terms defined in the circular dated 11 July 2016 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

“THAT

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

Yours faithfully

By Order of the Board

Honbridge Holdings Limited

Liu Wei, William

Director and Chief Executive Officer

Hong Kong, 11 July 2016

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjourned meeting thereof should he so wishes.
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. Ma Gang and Mr. Ha Chun.