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HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

CONTINUING CONNECTED TRANSACTIONS SALES AGREEMENT

The Board is pleased to announce that, on 25 October 2017, Zhejiang Forever New Energy, a subsidiary of the Company, entered into the Sales Agreement with Zhejiang Geely Components in relation to the sales of high performance ternary lithium-ion powered battery packs for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely.

Zhejiang Geely Components is a limited liability company incorporated in the PRC and is principally engaged in the wholesale, sales and related after-sale services of vehicle parts and engine parts. Zhejiang Geely has announced publicly that it will target pure electric and hybrid vehicles to make up 90% of sales by 2020. Shanghai Maple is a substantial shareholder of Zhejiang Forever New Energy as it holds 48% equity interest in Zhejiang Forever New Energy, and therefore it is a connected person of the Company at the subsidiary level. Shanghai Maple is held as to 90% by Zhejiang Geely, and Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely. As such, both Zhejiang Geely and Zhejiang Geely Components are associates of Shanghai Maple in accordance with Rule 20.11 of the GEM Listing Rules, and each of them is therefore a connected person of the Company at the subsidiary level.

Sales of high performance ternary lithium-ion powered battery packs from Zhejiang Forever New Energy to Zhejiang Geely Components under the Sales Agreement constitutes continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

As (i) one or more of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules for the Sales Agreement, on an annual basis and in aggregate, will exceed 5%; and

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

THE SALES AGREEMENT

The Board is pleased to announce that, on 25 October 2017, Zhejiang Forever New Energy, a subsidiary of the Company, entered into the Sales Agreement with Zhejiang Geely Components in relation to the sales of high performance ternary lithium-ion powered battery packs for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely.

BACKGROUND

In 2016 and 2017, the Group has been developing the lithium-ion battery project actively and cautiously by improving its technology, upgrading its products and expanding its capacity, as well as conducting product matching with mainstream vehicle manufacturers, and has developed a product portfolio which consists of lithium iron phosphate batteries, prismatic type ternary batteries and pouch type ternary batteries, their energy density, power density, life cycle, consistency, safety, etc. have reached an advanced level. Following the procurement arrangement with Volvo Car, a famous brand in the world and also with the CMA platform vehicle models including Lynk & Co under Geely, the Group is also promoting the product matching with Geely Emgrand EC7, Geely Yuancheng Commercial Vehicle and London Electric Vehicle. The Group is going to seize the historic opportunity of the development of new energy vehicle industries and is committed to develop in the powered battery industry.

The Group expects the sales to companies under Zhejiang Geely will count a significant portion of revenue generated from the first production line of Zhejiang Forever New Energy after mass production. As such, the Group may be subject to concentration risk from Zhejiang Geely. Zhejiang Geely is not obliged in any way to continue placing orders to the Group. Should Zhejiang Geely reduce substantially the size of its purchase orders placed with the Group or terminate their business relationship with the Group entirely, the results of operations and financial performance of the Group may be adversely affected. Nevertheless, subject to the limited production capacity and the fierce competition in the PRC powered battery industry, which is also in an early stage, it is difficult to get orders from different automobile manufacturers in a short time. The strategy of Zhejiang Forever New Energy is getting an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, aiming to become the main powered battery

supplier of different vehicle brands under Zhejiang Geely, and in the right moment, get orders from the other world's mainstream automobile manufacturers to reduce the risk.

INFORMATION ON AND RELATIONSHIP BETWEEN THE PARTIES

Zhejiang Forever New Energy

Zhejiang Forever New Energy is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, sales of high performance lithium-ion battery and battery system. Zhejiang Forever New Energy occupies an area of approximately 130,000 square meters and the plant is designed to possess a maximum production capacity of approximately 1,500,000 kWh high performance ternary lithium-ion powered battery annually. All of the major construction works have been completed and the first 500,000 kWh production line is in a final installation stage. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells and the trial production will begin in the fourth quarter of 2017 while mass production will be ready by the end of the year. The second 500,000 kWh production line which will be used to produce prismatic type cell is scheduled to be installed and begin trial production by the end of the second quarter of 2018. The time for installation of the third 500,000 kWh production line will be decided based on the market demand.

Zhejiang Geely Components

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

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

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PRINCIPAL TERMS OF THE SALES AGREEMENT WITH ZHEJIANG GEELY COMPONENTS

- Parties: (1) Zhejiang Forever New Energy (as the vendor)
- (2) Zhejiang Geely Components (as the purchaser)
- Date: 25 October 2017
- Term: From 25 October 2017 to 24 October 2020
- Nature of Transaction: Sale and purchase of high performance ternary lithium-ion battery pack. The exact volume of goods purchased by Zhejiang Geely Components from Zhejiang Forever New Energy and the dates of delivery will be provided in individual purchase orders.
- Pricing basis: The price of goods under the Sales Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders.
- The price of goods above would be set after making reference to the prevailing market price of same or substantially similar products from other independent third party lithium-ion powered battery manufacturers on normal commercial terms and in the ordinary course of business. The management would regularly conduct market research and gather relevant information to assess the prevailing market price of similar products. In the event that there are no sufficient comparable prices for similar products or there are no similar products in the market, the pricing policy will ensure the consideration of suitable market price information, thorough consideration of product specifications, cost structure (including the design and tooling costs of a specific products), profit margin, transaction volume, transaction amount, freight terms, market condition and development strategy. Products price will be reviewed every twelve months to ensure that the price set is consistent with the prevailing market price of similar products and is no less favourable to the price of similar products offered to the independent third parties.
- The Directors consider that the above method and policy shall be able to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

Payment term: All transactions contemplated in the under the Sales Agreement are satisfied in cash. A credit period of 75 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.

PROPOSED ANNUAL CAPS

The total proposed Annual Caps (excluding VAT) in respect of the Sales Agreement for the financial years ending 31 December 2018 and 31 December 2019 are set out as follows:

	<i>2018</i>	<i>2019</i>
	<i>RMB</i>	<i>RMB</i>
Proposed Annual Caps	600,000,000	900,000,000

The proposed Annual Caps were determined based on:

- (i) the estimated sales volume of high performance ternary lithium-ion powered battery packs for the year ending 31 December 2018 and 31 December 2019 respectively;
- (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Agreement; and
- (iii) the current and forecast market price of high performance ternary lithium-ion powered battery packs in the market.

Should the actual annual purchase amount exceed the above proposed Annual Caps, the Company will revise the Annual Caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The Annual Caps after the year ending 31 December 2019 will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The aforesaid continuing connected transactions between the Group and Zhejiang Geely Components or its associate(s) were entered into in the ordinary and usual course of business of the Group. The Directors are of the view that securing world-renowned customer such as Zhejiang Geely Components is an affirmation for the quality of the lithium-ion batteries produced by Zhejiang Forever New Energy and can effectively improve the Group's financial performance and deliver stable income to the

Group. The Directors consider that the entering into of the Sales Agreement which sets out the proposed Annual Caps is constructive for the Group to sale the products and services thereunder, thereby benefiting the Group.

In view of the above-mentioned reasons and taking into account: (i) the estimated sales volume of high performance lithium-ion powered battery packs for the years ending 31 December 2018 and 31 December 2019 respectively; (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Agreement; and (iii) the current and forecast market price of high performance ternary lithium-ion powered battery packs in the market, the Sales Agreement was determined, and the Directors (including the independent non-executive Directors) are of the view that the Sales Agreement was entered into in the ordinary course of the Group's business and on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties, and the terms and Annual Caps set out in the Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

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

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

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

The independent non-executive Directors will also conduct a review on all continuing connected transactions each year and confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms

or better, and in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

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

IMPLICATION OF THE GEM LISTING RULES

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

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

DEFINITIONS

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

“Annual Caps”	the annual caps for the transactions contemplated under the Sales Agreement with Zhejiang Geely Components for the year ending 31 December 2018 and 31 December 2019 respectively
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“CMA”	Compact Modular Architecture, which is owned by Zhejiang Geely and used for developing compact vehicle models
“Company”	Honbridge Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock Code: 8137)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“kWh”	kilowatt-hour
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“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
“Sales Agreement”	the sales agreement dated 25 October 2017 entered into between Zhejiang Forever New Energy and Zhejiang Geely Components in relation to the sales of lithium-ion battery packs
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	Value added tax at the rate of 17%
“Zhejiang Forever New Energy”	浙江衡遠新能源科技有限公司, transliterated as Zhejiang Forever New Energy Co., Ltd.*, a limited liability company incorporated in the PRC and a non-wholly owned subsidiary held indirectly as to 49% by the Company
“Zhejiang Geely”	浙江吉利控股集團有限公司, transliterated as Zhejiang Geely Holding Group Co., Ltd.*, a limited liability company incorporated in the PRC, which owns 90% equity interest in Shanghai Maple
“Zhejiang Geely Components”	浙江吉利汽車零部件採購有限公司, transliterated as Zhejiang Geely Automobile Parts & Components Stock Co., Ltd.*, a limited liability company incorporated in the PRC and is a non-wholly owned subsidiary of Zhejiang Geely
“%”	per cent

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

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

Hong Kong, 25 October 2017

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.8137.hk.