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## **HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

### **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — SALES AGREEMENTS**

Reference is made to the announcements of the Company dated 23 October 2017 and 25 October 2017 in respect of the Sales Agreements.

#### **REVISION OF ANNUAL CAPS**

##### **The First Sales Agreement**

On 23 October 2017, Zhejiang Forever New Energy, a subsidiary of the Company, entered into the First Sales Agreement with Volvo Car in relation to the sale and purchase of high performance ternary lithium-ion battery pack for a term from 23 October 2017 to 22 October 2020.

The Board proposed to apply for the revised annual cap in respect of the First Sales Agreement for the financial year ending 31 December 2018, the annual cap for the financial year ending 31 December 2019 and the cap for the period from 1 January 2020 to 22 October 2020.

##### **The Second Sales Agreement**

On 25 October 2017, Zhejiang Forever New Energy entered into the Second Sales Agreement with Zhejiang Geely Components in relation to the sale and purchase of high performance ternary lithium-ion battery pack for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely for a term from 25 October 2017 to 24 October 2020.

The Board proposed to apply for the revised annual cap in respect of the Second Sales Agreement for the financial year ending 31 December 2018, the annual cap for the financial year ending 31 December 2019 and the cap for the period from 1 January 2020 to 24 October 2020.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to whether the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee.

Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 90% equity interest in Zhejiang Geely, Zhejiang Geely, Geely International, Mr. Li and their associates will be required to abstain from voting at the EGM to be convened, and if thought fit, to approve the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Save for Zhejiang Geely, Geely International, Mr. Li and their associates, no Shareholder has any material interest in the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolutions in respect of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

To the best of the Director's knowledge, information and belief, having made all reasonable enquires, none of the Directors is materially interested in the Sales Agreements and the Revised Annual Caps, and therefore none of the Directors is required to abstain from voting on the Board resolutions to approve the Sales Agreements, the proposed Revised Annual Caps and the transactions contemplated thereunder.

A circular containing, amongst other things, further details about the Sales Agreements for the purpose of the revision of the proposed annual caps together with a notice of the EGM is despatched to the Shareholders on 13 June 2018.

Reference is made to the announcements of the Company dated 23 October 2017 and 25 October 2017 in respect of the Sales Agreements.

## **REVISION OF ANNUAL CAPS**

### **(1) The First Sales Agreement**

On 23 October 2017, Zhejiang Forever New Energy, a subsidiary of the Company, entered into the First Sales Agreement with Volvo Car in relation to the sale and purchase of high performance ternary lithium-ion battery pack for a term from 23 October 2017 to 22 October 2020.

Under the First Sales Agreement, the prices and quantities of the goods purchased by Volvo Car from Zhejiang Forever New Energy and the relevant dates of delivery are subject to negotiation and are specified in individual purchase orders.

***Original annual caps***

The Board approved the following annual caps (excluding VAT) in respect of the First Sales Agreement for the two financial years ending 31 December 2018:

	<b>2017</b>	<b>2018</b>
	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	30,000,000	280,000,000

***Historical transaction values***

There was no historical transaction amount for the period from 23 October 2017 to 31 December 2017; and the unaudited transaction amount for the period from 1 January 2018 to 30 April 2018 was approximately RMB2,191,000.

***Revised Annual Caps***

The Board proposed to apply for the revised annual cap for the financial year ending 31 December 2018, the annual cap for the financial year ending 31 December 2019 and the cap for the period from 1 January 2020 to 22 October 2020. The annual caps in respect of the First Sales Agreement will be revised as follows:

	<b>For the year ending 31 December 2018 <i>RMB</i></b>	<b>For the year ending 31 December 2019 <i>RMB</i></b>	<b>For the period from 1 January 2020 to 22 October 2020 <i>RMB</i></b>
Proposed annual caps	178,000,000	278,000,000	251,000,000

The proposed revised annual caps were determined primarily based on the estimated transaction amount to be conducted under the First Sales Agreement after taking into account, among others, (i) the expected demand from Volvo Car for high performance ternary lithium-ion powered battery packs having considered, among others, a previous announcement of Volvo Car that all its car models to be launched after 2019 will not be powered solely by internal combustion engine; (ii) the estimated selling price of high performance ternary lithium-ion powered battery packs, which, as an industrial norm, is expected to decrease slightly throughout the relevant contract period due to factors such as enhancement in technology and entries of other manufacturers into the industry over time; (iii) the expected increase in the production capacity of Zhejiang Forever New Energy; and (iv) the expected positive future prospect of the NEV market as supported by several governmental plans and policies including but not limited to 《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》(Parallel Administrative

Measures for Passenger Vehicle Corporate Average Fuel Consumption and New Energy Vehicle Credits\*), a dual-credit system released by the Ministry of Industry and Information Technology of the PRC in September 2017 and effective in April 2018 (the “**Governmental Plans and Policies**”) in order to promote the usage of the NEVs in the PRC, the announcement made by the PRC government in December 2017 in relation to the continuous waiver of purchase taxes on the NEVs in the next three years, and the announcements made by the government of several European countries in relation to the potential law enactment to ban the sales of petrol-only vehicles.

## (2) The Second Sales Agreement

On 25 October 2017, Zhejiang Forever New Energy entered into the Second Sales Agreement with Zhejiang Geely Components in relation to the sale and purchase of high performance ternary lithium-ion battery pack for vehicle models including Lynk & Co and other models manufactured under the CMA platform of Zhejiang Geely for a term from 25 October 2017 to 24 October 2020.

Under the Second Sales Agreement, the prices and quantities of the goods purchased by Zhejiang Geely Components from Zhejiang Forever New Energy and the relevant dates of delivery are subject to negotiation and will be specified in individual purchase orders.

### *Original annual caps*

The Board approved the following annual caps (excluding VAT) in respect of the Second Sales Agreement for the two financial years ending 31 December 2019:

	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	600,000,000	900,000,000

### *Historical transaction values*

There was no historical transaction value for the period from 25 October 2017 to 31 December 2017; and the unaudited transaction amount for the period from 1 January 2018 to 30 April 2018 was approximately RMB2,033,000.

### ***Revised Annual Caps***

The Board proposed to apply for the revised annual cap for the financial year ending 31 December 2018, the annual cap for the financial year ending 31 December 2019 and the cap for the period from 1 January 2020 to 24 October 2020. The annual caps in respect of the Second Sales Agreement will be revised as follows:

	<b>For the year ending 31 December 2018 RMB</b>	<b>For the year ending 31 December 2019 RMB</b>	<b>For the period from 1 January 2020 to 24 October 2020 RMB</b>
Proposed annual caps	207,000,000	739,000,000	951,000,000

The proposed revised annual caps were determined primarily based on the estimated transaction amount to be conducted under the Second Sales Agreement after taking into account, among others, (i) the expected increase in the demand from Zhejiang Geely and its subsidiaries for high performance ternary lithium-ion powered battery packs having considered, among others, an announcement previously made by Zhejiang Geely that it will target pure electric and hybrid vehicles to make up 90% of its sales by 2020; (ii) the estimated selling price of high performance ternary lithium-ion powered battery packs, which, as an industrial norm, is expected to decrease slightly throughout the relevant contract period due to factors such as enhancement in technology and entries of other manufacturers into the industry over time; (iii) the expected increase in the production capacity of Zhejiang Forever New Energy; and (iv) the expected positive future prospect of the NEV market as supported by the Governmental Plans and Policies.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The transactions contemplated under the Sales Agreements between the Group and Volvo Car/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 such world renowned customers 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 a stable income to the Group given there will be different vehicle brands under Zhejiang Geely using the powered batteries produced by Zhejiang Forever New Energy.

In view of the above-mentioned reasons and taking into account: (i) the estimated sales volume of lithium-ion powered battery packs for the coming years; (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Agreements; and (iii) the current and forecast market price of ternary lithium-ion powered battery packs in the market, and the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the Sales Agreements were entered into in the ordinary course of the Group's business and on normal commercial terms, and the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **PRICING PRINCIPLES OF THE SALES AGREEMENTS**

The price of goods under the Sales Agreements 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. Subject to any future change in the internal control system, the Group would conduct market research on a quarterly basis and gather relevant information to assess the prevailing market price of similar products. Products price will be reviewed quarterly 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.

More specifically, for the products sold to Volvo Car, the Company has made reference to the quotation to Volvo Car from an internationally renowned powered battery brand; and for the products sold to Zhejiang Geely Components, the Company has made reference to the quotation from one of the largest global lithium ion battery producers. After obtaining the quotations from the above third party suppliers, the sales team of the Company performs analysis against factors including but not limited to the general market supply and demand of the products, raw material costs, available production capacity and delivery time, etc (the "**Other Factors**") to determine the price ranges and ensure that the price ranges are not lower than the quotations offered by third party suppliers.

The Directors consider that the above methods and systems ensure that the transactions contemplated under the Sales Agreements will be conducted on normal commercial terms without prejudice to the interests of the Company and its Shareholders.

## **INTERNAL CONTROL MEASURES**

In order to comply with the pricing principles of the Sales Agreements and safeguard the interests of the Shareholders as a whole, the Company takes the following internal control measures:

The Group has a business unit designated to keep track of selling prices of similar lithium-ion batteries in the market through market quotations, public available industry research reports issued by investment banks or securities firms, news or information on a quarterly basis and share their findings with the sales teams and finance department. The Group also maintains a database, which is updated monthly, to save all the transaction pricing information under the Sales Agreements and other market intelligence. Such database allows the sales department of the Group to keep up-to-date records of the unit prices of products sold by the Group so that its sales teams can timely obtain the relevant pricing information as the basis to compare with the other Factors and determine the price range for the lithium-ion batteries to be sold under the Sales Agreements. This ensures the lithium-ion batteries are sold at prices that are no less favourable than the products available in the market.

If it is required to revise the selling price of the lithium-ion batteries, the sales and finance departments will hold a meeting to confirm and revise the selling price with reference to the market. The finance department of the Group will also ensure the relevant transactions under the Sales Agreements are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interest of the Company and the Shareholders as a whole. The finance department of the Group is responsible to track, monitor and evaluate the transaction amounts under the Sales Agreements. The amounts are reported to the sales department on a monthly basis so as to ensure the annual caps are not exceeded.

The above internal control measures are supervised and monitored by the general manager of Zhejiang Forever New Energy to ensure the Sales Agreements are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

The Group will conduct assessment at least annually on the internal control measures for all continuing connected transactions to ensure such internal control measures have been adhered to and are effective.

The independent non-executive Directors 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 also engages its independent auditors to report on transactions under the Sales Agreements each year. The independent auditors reviews and confirms in the annual report whether transactions under the Sales Agreements 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.

## **RELIANCE ON ZHEJIANG GEELY AND ITS SUBSIDIARIES**

In the short term, 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. The strategy of Zhejiang Forever New Energy is to get an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, given Zhejiang Forever New Energy is a new factory without a track record and not well known by most of the automobile enterprises. The Company aims to become the main powered battery supplier of different vehicle brands under Zhejiang Geely. The use of the Company's powered batteries in different brands under Zhejiang Geely is beneficial for the Company to get orders from other world's mainstream automobile manufacturers. The Company will however continue to strengthen its sales team and research and development department, develop relationships with new customers from different segments, different countries to diversify the concentration risk in medium and long term. 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.

Notwithstanding the above, the Company is confident that the reliance on Zhejiang Geely is likely to decrease after Zhejiang Forever New Energy's battery quality is proven by Zhejiang Geely and Volvo Car and when the market further expands with more NEV manufacturers in the coming years, having considered that (i) Zhejiang Forever New Energy is building up a sales team and will strengthen it along with expansion plan; (ii) the products of Zhejiang Forever New Energy will gradually become more competitive and therefore attract orders from other customers in the future; and (iii) the Group also attaches great importance to the exploration of independent customers for Zhejiang Forever New Energy. Currently, Shandong Forever New Energy Ltd., another subsidiary of the Company, has developed new independent customers including Jinhua Kandi New Energy Vehicle Co., Ltd., Zhidou Electric Vehicle Co., Ltd., Shandong Telangsi (山東特朗斯), Suzhou Pulaier (蘇州普萊爾), etc. The Group is actively arranging roadshows to introduce Zhejiang Forever New Energy and its products to potential customers, conducting business meetings to understand customers' specifications, timetable and pricing requirement and conducting products matching with major automobile enterprises, NEV enterprises as well as potential customers in the energy storage field. Meanwhile, the Group will pursue to maintain a good business relationship with the key customers.

### **Internal control measures for reliance on Zhejiang Geely and its Subsidiaries**

The Company does not have specific internal control measures in place to ensure that the Company will not have excess reliance on its connected persons. It is because whenever the Company conducts any transactions with connected persons, the treatment is the same (other than the consideration and compliance of the Chapter 20 of the GEM listing rule) as independent third party.

However, the Company does have a guideline to manage customer concentration risk. Every year, the Company assesses a customer's relative size in terms of the total revenue of the Group. If the percentage is equal to or greater than a set percentage, a customer concentration risk is identified. The management will consider guidelines such as: increasing sales to other customers or entering new markets to dilute the percentage of concentration; enhancing relationship with the customers or diversifying the products and service to the customers to make the Company a supplier which is not easy to be replaced; considering entering into a LTSA (long term supply agreement) with the customer; and ensuring there is a multiple contacts so that the relationship with the customer is not tie by a single person, etc.

The Directors will also further discuss and assess the risk of excess reliance on its connected person and design an internal control measures if considered necessary.

The Company is able to manage customer concentration risk to ensure that the entering into the Sales Agreements would not result in extreme reliance on Zhejiang Geely based on the following grounds:

*Domination of a few suppliers:*

The powered battery industry is currently dominated by a few suppliers, it is the same case for the NEV industry in the PRC. If a powered battery manufacturer wants to get a sizeable order, the manufacturer has to form a business relationship with the top 10 passenger NEV manufacturers. The top NEV manufacturer BYD (比亞迪) used its own brand powered batteries while runner up NEV manufacturer BAIC BJEV (北汽新能源汽車股份有限公司) signed a purchase agreement with an amount approximately RMB1,900 million with Guoxuan High-Tech Co. Ltd. (國軒高科股份有限公司) in May 2017. In June 2017, SAIC Motor (上汽集團) (the largest automobile manufacturer in the PRC) announced that they have agreed to set up two joint ventures with CATL (寧德時代新能源科技股份有限公司) with a total investment of approximately RMB10 billion in order to secure powered battery supply in the future. Zhejiang Geely, being one of the top 10 passenger NEV manufacturers in the PRC, is also one of the shareholders of Zhidou Electric Vehicle Co. Ltd. (知豆電動車有限公司), which is a very important and valuable anchor customer for Zhejiang Forever New Energy.

*Customer concentration is not uncommon in the industry:*

As the NEV industry is only in the infant stage and is currently dominated by a few powered battery suppliers and a few NEV manufacturers, customer concentration is not uncommon. For example, Panasonic, which was ranked number 2 powered battery supplier in the world in 2017, provided most of its batteries to NEV manufacturer Tesla, Inc. The powered battery manufactured by BYD is consumed by its own group. CATL, which is currently considered the best and most successful powered battery supplier in the PRC disclosed in its prospectus that in 2017, its top 5 customers accounted for around 51.9% of its total sales. Whereas in the years 2015 and 2016, the top 5 customers of CATL accounted for around 82.6% and 79.5% of its total sales, respectively. As the above-mentioned, BAIC BJEV signed a purchase agreement in an amount approximately RMB1,900 million in May 2017 with Guoxuan High-Tech Co. Ltd. and such agreement accounted for nearly 40% of total sales of Guoxuan High-Tech Co. Ltd. in 2016.

*Change of business model to reduce the level of reliance:*

Although there are over a hundred of powered battery manufacturers in the PRC, the top 10 powered battery manufacturers dominated around 80.1% of the market share according to a public source. It was mainly because of a lack of high quality powered batteries which can supply in a large scale in the market. This also explains why major NEV manufacturers are eager to form joint ventures and sign large purchase agreements with the top powered battery suppliers. For the new products in Zhejiang Forever New Energy, the Company is confident that it can be considered as one of the best products in the industry. Shandong Forever New Energy Ltd. and Zhejiang Forever New Energy, both subsidiaries of the Company, have been recruiting talent in the market in recent years, including senior research & development experts who have worked in internationally renowned lithium battery enterprises.

*The reliance is mutual and complementary:*

It takes months or years for testing and matching for a powered battery to be used in a NEV. Before proceeding with mass production and for sale, each vehicle model is required to submit its details specification (including powered batteries used) to the Ministry of Industry and Information Technology in the PRC for approval, which takes months. Given Zhejiang Forever New Energy has involved in the above processes with Zhejiang Geely and Volvo Car, Zhejiang Geely and Volvo Car cannot find substitute suppliers easily within a short period of time.

*The reliance is likely to decrease in the future:*

The Company targets to reduce its reliance on its connected person or top customers like CATL when its top 5 customers concentration decreased from 82.6% in 2015 to 51.9% in 2017. The Company is confident to diversify its customer base after the batteries produced by Zhejiang Forever New Energy are proven by Zhejiang Geely and Volvo Car and when the market further expands with more new NEV manufacturers in the coming years. To build up contact with potential customers, Zhejiang Forever New Energy will continue to strengthen its sales team. On the other hand, Shandong Forever New Energy Ltd., another subsidiary of the Company, also maintains a sales team focusing on customers in the field of mid and low-speed electric car, storage battery and bus, etc. Apart from the lithium-ion batteries segment, the Group also has an iron ore project in Brazil. When the iron ore project commences operation in the future, it will sell its products to independent customers. This will further decrease the Group's reliance on its connected persons.

*The Company is capable of maintaining its revenue in light of the reliance:*

It is expected that the sales of NEV in the PRC will be increased substantially in the coming years. On the other hand, traditional vehicles manufacturers in the world will strengthen their development in the NEV sector and many countries have already announced timetables to limit the sales of petrol fuelled vehicles. The Company believes the NEV and powered battery industry will expand explosively in the coming years and the Company will be ready to become one of the key players.

## **INFORMATION ON THE PARTIES**

### **Zhejiang Forever New Energy**

Zhejiang Forever New Energy is a non-wholly owned subsidiary held indirectly as to 49% by the Company. 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.

### **The Group**

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.

### **Volvo Car**

Volvo Car is an automobile manufacturer incorporated in Sweden. It owns and controls the luxury European automobile brand “Volvo” and is principally engaged in the development, manufacture, and distribution of cars that includes sedans, sports wagons, cross country cars, and sport utility vehicles (SUVs) worldwide. Volvo Car has announced that all Volvo car models launched after 2019 will not be powered solely by internal combustion engine.

### **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. Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely.

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

As at the date of the Sales Agreements, Zhejiang Geely was a substantial shareholder of subsidiaries of the Company and connected person at subsidiary level. The transactions contemplated under the Sales Agreements constituted continuing connected transactions of the Company and were exempted from the circular, independent financial advice and Shareholders’ approval requirements under Rule 20.99 of the GEM Listing Rules. On 6 November 2017, Zhejiang Geely, through a wholly-owned subsidiary, converted certain convertible bonds of the Company into 1,600 million conversion shares which represented 16.9% of the enlarged issued shares of the Company. Zhejiang Geely has then become a substantial shareholder at the Company’s level and a connected person of the Company. The Company was required to comply the relevant requirements in respect of the continuing connected transactions contemplated under the Sales Agreements under Chapter 20 of the GEM Listing Rules. No approval from the Independent Shareholders was obtained by the Company for the transactions conducted during the period from 1 January 2018 to 30 April 2018 under the Sales Agreements.

As at the date of this announcement, Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. Given each of Volvo Car and Zhejiang Geely Components is a non-wholly owned subsidiary of Zhejiang Geely, each of Volvo Car and Zhejiang Geely Components is an associate of the connected person of the Company. As such, the transactions contemplated under the Sales Agreements are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.52(2) of the GEM Listing Rules, if the Company proposes to revise the existing annual caps, the Company will have to re-comply with the relevant announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules in respect of the revised annual caps for the Sales Agreements exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to whether the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee.

Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 90% equity interest in Zhejiang Geely, Zhejiang Geely, Geely International, Mr. Li and their associates will be required to abstain from voting at the EGM to be convened, and if thought fit, to approve the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Save for Zhejiang Geely, Geely International, Mr. Li and their associates, no Shareholder has any material interest in the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolutions in respect of the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

To the best of the Director's knowledge, information and belief, having made all reasonable enquires, none of the Directors is materially interested in the Sales Agreements and the Revised Annual Caps, and therefore none of the Directors is required to abstain from voting on the Board resolutions to approve the Sales Agreements, the proposed Revised Annual Caps and the transactions contemplated thereunder.

A circular containing, amongst other things, further details about the Sales Agreements for the purpose of the revision of the proposed annual caps together with a notice of the EGM is despatched to the Shareholders on 13 June 2018.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Announcements”	the announcements of the Company dated 23 October 2017, 25 October 2017 and 13 June 2018 in relation to the Sales Agreements
“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
“EGM”	an extraordinary general meeting of the Company to be held for Independent Shareholders to consider and, if thought fit, approve the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder
“First Sales Agreement”	the sales agreement dated 23 October 2017 entered into between Zhejiang Forever New Energy and Volvo Car in relation to the sales of lithium-ion battery packs
“Geely International”	Geely International (Hong Kong) Limited, a company incorporated in Hong Kong and is a substantial shareholder of the Company
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser”	Goldin Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	with respect to the Sales Agreements, the Revised Annual Caps and the transactions contemplated thereunder, the Shareholders excluding Geely International, Zhejiang Geely, Mr. Li and their associates
“kWh”	kilowatt-hour
“Mr. Li”	Mr. Li Shufu, a substantial shareholder of the Company who holds directly and indirectly approximately 19.83% interest in the Company and holds 90% equity interest in Zhejiang Geely
“NEV”	new energy vehicle
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Revised Annual Caps”	the proposed revised annual caps applicable to the transactions under the Sales Agreements, details of which are set out in the sections headed “REVISED ANNUAL CAPS”
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreements”	the First Sales Agreement and the Second Sales Agreement
“Second 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
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

“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%
“Volvo Car”	Volvo Car Corporation, a limited liability company incorporated in Sweden and is a non-wholly owned subsidiary of Zhejiang Geely
“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
“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

\* *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 announcement between the Chinese and English versions, the English version shall prevail.*

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

Hong Kong, 13 June 2018

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

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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 GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the Company’s website [www.8137.hk](http://www.8137.hk).*