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## **HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

### **PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — SALES FRAMEWORK AGREEMENT**

**Financial Adviser to the Company**



長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



Lego Corporate  
Finance Limited  
力高企業融資有限公司

#### **THE SALES FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 23 October 2017 and 25 October 2017 in relation to certain continuing connected transactions, namely the 2017 First Sales Agreement and the 2017 Second Sales Agreement between the Group and certain members of the Zhejiang Geely Group and the announcement and the circular of the Company both dated 13 June 2018 in relation to revision of annual caps for the Sales Agreements. The 2017 First Sales Agreement and the 2017 Second Sales Agreement will expire on 22 October 2020 and 24 October 2020, respectively.

On 28 September 2020 (after trading hours), the Company entered into the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder.

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

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. As such, the transactions contemplated under the Sales Framework Agreement are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Sales Framework Agreement are more than 5%, the Sales Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **GENERAL**

The Company will convene the EGM to seek the Independent Shareholders' approval for the Sales Framework Agreement, the Annual Caps and the transactions contemplated thereunder. Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 91.08% equity interest in Zhejiang Geely, Mr. Li and his associates are required to and will abstain from voting on the resolution to be proposed at the EGM for approving the above matter. At the EGM, votes will be taken by way of poll.

Mr. Liu Jian and Mr. Ang Siu Lun, Lawrence, an executive Director and a non-executive Director respectively, are currently taking position in companies which Mr. Li has controlling interests. In order to avoid the perception of a conflict of interest, Mr. Liu Jian and Mr. Ang Siu Lun, Lawrence have abstained from voting on the Board resolution in relation to the Sales Framework Agreements.

The Company expects that a circular containing, among other things, information on the Sales Framework Agreement, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sales Framework Agreement, the recommendation from the Independent Board Committee together with the notice of the EGM will be published and issued by the Company and despatched to the Shareholders on or before 21 October 2020.

## **THE SALES FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 23 October 2017 and 25 October 2017 in relation to certain continuing connected transactions, namely the 2017 First Sales Agreement and the 2017 Second Sales Agreement between the Group and certain members of the Zhejiang Geely Group and the announcement and the circular of the Company both dated 13 June 2018 in relation to revision of annual caps for the Sales Agreements. The 2017 First Sales Agreement and the 2017 Second Sales Agreement will expire on 22 October 2020 and 24 October 2020, respectively.

On 28 September 2020 (after trading hours), the Company entered into the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery pack to Zhejiang Geely Group in accordance with the terms and conditions thereunder. Principal terms of the Sales Framework Agreement are set out below:

- Parties:** (1) the Company; and  
(2) Zhejiang Geely
- Date:** 28 September 2020 (after trading hours)
- Term:** From 23 October 2020 or the date on which the Independent Shareholders approve the Sales Framework Agreement, the Annual Caps and the transactions contemplated therein (whichever is later) to 22 October 2023
- Subject matters:** Pursuant to the Sales Framework Agreement, the Group shall supply high-performance ternary lithium-ion battery pack and related products to Zhejiang Geely and its subsidiaries but excluding Geely Automobile and its subsidiaries. The exact model and volume of goods purchased by Zhejiang Geely Group from the Group and the dates of delivery will be provided in separate purchase orders.
- Pricing basis:** The price of goods under the Sales Framework 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 separate purchase orders.
- Payment terms:** All transactions contemplated under the Sales Framework Agreement are satisfied in cash.

## HISTORICAL AMOUNTS FOR THE SALES AGREEMENTS

The annual caps approved by the Board (excluding value-added tax) in respect of (i) 2017 First Sales Agreement for the two years ended 31 December 2019 and for the period ending 22 October 2020 and (ii) 2017 Second Sales Agreement for the two years ended 31 December 2019 and for the period ending 24 October 2020:

	Existing annual caps			Historical actual revenue		
	For the year ended 31 December 2018 <i>RMB</i>	For the year ended 31 December 2019 <i>RMB</i>	For the period from 1 January 2020 to 22 October 2020 <i>RMB</i>	For the year ended 31 December 2018 <i>RMB</i>	For the year ended 31 December 2019 <i>RMB</i>	For the period from 1 January 2020 to 30 June 2020 <i>RMB</i>
2017 First Sales Agreement	178,000,000	278,000,000	251,000,000	74,810,000	157,000,000	59,700,000

	Existing annual caps			Historical actual revenue		
	For the year ended	For the year ended	For the period from 1 January 2020 to 24 October 2020	For the year ended	For the year ended	For the period from 1 January 2020 to 30 June 2020
	31 December 2018	31 December 2019	2020	31 December 2018	31 December 2019	2020
	RMB	RMB	RMB	RMB	RMB	RMB
2017 Second Sales Agreement	207,000,000	739,000,000	951,000,000	111,180,000	138,000,000	21,300,000

The Company confirmed that the consideration receivable by the Company under the Sales Agreements for the period commencing from 1 January 2020 until the date of this announcement are within the relevant maximum caps.

### Proposed Annual Caps for the Sales Framework Agreement

It is expected that for the period ending 31 December 2020, for the year ending 31 December 2021 and 2022 and for the period ending 22 October 2023, the Group supplying high performance ternary lithium-ion battery pack and related products to Zhejiang Geely will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the Sales Framework Agreement accordingly:

	For the period from 23 October 2020 to 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the period from 1 January 2023 to 22 October 2023
	RMB	RMB	RMB	RMB
Proposed Annual Caps	76,000,000	250,000,000	300,000,000	350,000,000

The proposed Annual Caps were determined based on:

- (i) the estimated sales volume of high-performance ternary lithium-ion powered battery packs for the period ending 31 December 2020, for the years ending 31 December 2021 and 2022 and for the period from 1 January 2023 to 22 October 2023 respectively;
- (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Framework 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 period ending 22 October 2023 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 transactions contemplated under the Sales Framework Agreement between the Group and Zhejiang Geely Group were entered into the ordinary and usual course of business of the Group. The Directors are of the view that securing such renowned customers 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. Furthermore, the Directors consider that the entering into of the Sales Framework Agreement which sets out the proposed Annual Caps is constructive for the Group to sell the products and provide the 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 period from 23 October 2020 to 31 December 2020, the years ending 31 December 2021 and 2022, and the period from 1 January 2023 to 22 October 2023 respectively; (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Framework Agreement; and (iii) the current and forecast market price of high performance ternary lithium-ion powered battery packs in the market, the Sales Framework Agreement was determined, and the Directors, excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser, are of the view that the Sales Framework 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 Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **PRICING PRINCIPLES OF THE SALES FRAMEWORK AGREEMENT**

The price of products under the Sales Framework 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 separate purchase orders. The price of products 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.

After obtaining the quotations from the above third party suppliers, the sales team of the Group 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 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 Framework Agreement 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 basis of the Sales Framework 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 Framework Agreement on a quarterly basis, so as to ensure the Annual Caps are not exceeded.

The Group will collect market information and keep track of the latest changes in the industry, especially the selling prices of similar lithium-ion batteries through different sources, including but not limited to market quotations, public available industry research reports issued by investment banks, securities firms or other authorities, news or information on an ongoing basis.

After obtaining the market information, the sales team of the Group 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, to determine the price and ensure that the price are not lower than the quotations offered to independent customers or not lower than those in the market. The price should be reviewed by the management of the Group.

The finance and accounting department of the Group will maintain a database, which is updated monthly, to save all the transaction pricing information under the Sales Framework Agreement and other market reference.

The sales department of the Group will check the relevant information in the database before changing the price and terms of the lithium-ion batteries to be sold under the Sales Framework Agreement. The lithium-ion batteries will be sold at prices 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 should hold a meeting to confirm and revise the selling price with reference to the market. The price should be reviewed by the management of the Group.

The above internal control measures are supervised and monitored by the management of the Group to ensure the Sales Framework Agreement 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 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 Framework Agreement each year. The independent auditors will review and confirm in the annual report whether transactions under the Sales Framework 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.

## **INFORMATION ON THE PARTIES**

### **Zhejiang Geely**

Zhejiang Geely is a limited company incorporated in the PRC and is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

### **The Group**

The Group is principally engaged in research and development and production of lithium-ion powered batteries for new energy vehicles and investment in mineral resources exploration and development.

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

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. As such, the transactions contemplated under the Sales Framework Agreement are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Sales Framework Agreement are more than 5%, the Sales Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## GENERAL

The Company will convene the EGM to seek the Independent Shareholders' approval for the Sales Framework Agreement, the Annual Caps and the transactions contemplated. Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 91.08% equity interest in Zhejiang Geely, Mr. Li and his associates are required to and will abstain from voting on the resolution to be proposed at the EGM for approving the above matter. At the EGM, votes will be taken by way of poll.

Mr. Liu Jian and Mr. Ang Siu Lun, Lawrence, an executive Director and a non-executive Director respectively, are currently taking position in companies which Mr. Li has controlling interests. In order to avoid the perception of a conflict of interest, Mr. Liu Jian and Mr. Ang Siu Lun, Lawrence have abstained from voting on the board resolution in relation to the Sales Framework Agreements.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to the Sales Framework Agreement, the Annual Caps and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed as to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company expects that a circular containing, among other things, information on the Sales Framework Agreement, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sales Framework Agreement, the recommendation from the Independent Board Committee together with the notice of the EGM will be published and issued by the Company and despatched to the Shareholders on or before 21 October 2020.

## DEFINITIONS

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

“2017 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 ternary lithium-ion battery packs
“2017 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 ternary lithium-ion battery packs
“Annual Caps”	the proposed annual caps for the Sales Framework Agreement for the period from 23 October 2020 to 22 October 2023
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors



“Company”	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares 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 the Independent Shareholders to consider and, if thought fit, approve the Sales Framework Agreements, the Annual Caps and the transactions contemplated thereunder
“Geely Automobile”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (Stock code: 175)
“Geely International”	Geely International (Hong Kong) Limited (吉利國際(香港)有限公司), 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 Framework Agreements, the Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreements, the Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders excluding Geely International, Zhejiang Geely, Mr. Li and their associates

“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 91.08% equity interest in Geely International
“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
“Sales Agreements”	the 2017 First Sales Agreement and the 2017 Second Sales Agreement
“Sales Framework Agreement”	the sales framework agreement dated 28 September 2020 entered into between the Company and Zhejiang Geely in relation to the sales of ternary 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
“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 52% 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 100% equity interest in Geely International
“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

“Zhejiang Geely Group” Zhejiang Geely and its subsidiaries, excluding Geely Automobile and its subsidiaries

“%” 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 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, 28 September 2020

*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 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 Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.8137.hk](http://www.8137.hk).*