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**HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

**REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED  
TRANSACTION — 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**

Reference is made to the announcement of the Company dated 28 September 2020 and the circular of the Company dated 29 October 2020 in relation to, among others, the entering into of the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high performance ternary lithium-ion battery packs and related products to Zhejiang Geely Group.

## **REVISION OF ANNUAL CAP**

Based on internal estimates and the anticipated continuing growth of business in the second half of 2021, the Directors are of the view that the Existing 2021 Annual Cap will not be sufficient for the business needs of the Group.

On 10 August 2021 (after trading hours), the Company entered into the Supplemental Sales Framework Agreement with Zhejiang Geely to revise the Existing 2021 Annual Cap. Save for the revision of the Existing 2021 Annual Cap from RMB250 million to RMB460 million for the year ending 31 December 2021, all other terms and conditions under the Sales Framework Agreement remain the same. The existing Annual Caps of RMB300 million and RMB350 million respectively for the transactions under the Sales Framework Agreement for years ending 31 December 2022 and 2023 remain unchanged.

## **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 constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. The Company proposes to revise the annual cap for continuing connected transactions by the entering into the Supplemental Sales Framework Agreement, the Company is therefore required to re-comply with the provisions of Chapter 20 of the GEM Listing Rules in relation to the relevant continuing connected transactions.

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Supplemental Sales Framework Agreement are more than 5%, the Supplemental 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 Revised Annual Cap and the transactions contemplated thereunder. Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Zhejiang Geely is beneficially wholly owned by Mr. Li and his associates, 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, an executive Director, is 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 has abstained from voting on the board resolution in relation to the Supplemental Sales Framework Agreement.

A circular containing, among other things, (i) information on the Supplemental Sales Framework Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Sales Framework Agreement; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of the EGM will be published and issued by the Company and despatched to the Shareholders on or before 31 August 2021.

## **REVISION OF ANNUAL CAP**

### **The Sales Framework Agreement**

Reference is made to the announcement of the Company dated 28 September 2020 and the circular of the Company dated 29 October 2020, 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. The term of the Sales Framework Agreement commences from 16 November 2020 and will end on 22 October 2023, subject to renewal upon the mutual consent of both parties.

### ***Historical amounts for the Sales Framework Agreement***

The annual caps under Sales Framework Agreement for the period from 16 November 2020 to 31 December 2020 and for the year ending 31 December 2021, and the historical transaction amounts for the period from 16 November 2020 to 31 December 2020 and for the six months ended 30 June 2021 are as follows:

	<b>Existing annual caps</b>		<b>Historical actual revenue</b>	
	<b>For the</b>		<b>For the</b>	
	<b>period from</b>		<b>period from</b>	
	<b>16 November</b>	<b>For the year</b>	<b>16 November</b>	<b>For the 6</b>
	<b>2020 to 31</b>	<b>ending 31</b>	<b>2020 to 31</b>	<b>months</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>ended 30</b>
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>June 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales Framework Agreement	76,000	250,000	74,800	168,600

### ***Revision of Annual Cap under the Supplemental Sales Framework Agreement***

On 10 August 2021 (after trading hours), the Company and Zhejiang Geely entered into the Supplemental Sales Framework Agreement to revise the Existing 2021 Annual Cap.

#### ***Revised Annual Cap***

During a recent review by the Board on the existing continuing connected transactions of the Group, the Directors anticipated that the transactions for the year ending 31 December 2021 pursuant to the Sales Framework Agreement will exceed the previous sales projection and that the Existing 2021 Annual Cap will not be sufficient to meet the Group's requirements for the financial year ending 31 December 2021. The Company therefore proposes to revise the Existing 2021 Annual Cap as follows:

<b>Period</b>	<b>Existing 2021</b>	<b>Revised</b>
	<b>Annual Cap</b>	<b>Annual Cap</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>For the year ending 31 December 2021</b>	250,000	460,000

In arriving at the Revised Annual Cap for the year ending 31 December 2021 and the annual caps for the year ending 31 December 2022 and for the period ending 22 October 2023, the Directors considered the following:

- (i) The historical transaction amount of sales volume of high-performance ternary lithium-ion powered battery packs for the six months ended 30 June 2021 recorded in the unaudited financial information of the Company which accounted for approximately RMB 168.6 million, representing approximately 67.4% of the Existing 2021 Annual Cap;
- (ii) a larger than expected demand from Volvo Car for high performance ternary lithium-ion powered battery packs for the six months ended 30 June 2021; and
- (iii) the current and forecast market price of high-performance ternary lithium-ion powered battery packs in the market.

Save for the revision of the Existing 2021 Annual Cap under the Supplemental Sales Framework Agreement, other terms of the Sales Framework Agreement, including the existing annual caps of RMB300 million and RMB350 million respectively for the transactions under the Sales Framework Agreement for year ending 31 December 2022 and the period ending 22 October 2023, remain unchanged.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL SALES FRAMEWORK AGREEMENT AND THE REVISION OF ANNUAL CAP**

The transactions contemplated under the Supplemental Sales Framework Agreement between the Group and Zhejiang Geely were entered into the ordinary and usual course of business of the Group. The Directors are of the view that securing such world renowned customers can effectively improve the Group's financial performance and deliver a stable income to the Group given that there will be different vehicle brands under Zhejiang Geely using the powered batteries.

Based on internal estimates and the anticipated continuing growth of business in the second half of 2021, the Directors are of the view that the Existing 2021 Annual Cap will not be sufficient for the business needs of the Group. The purchases orders of high-performance lithium-ion powered battery packs from Volvo Car has surpassed the original internal estimates for the year ending 31 December 2021. Therefore, the Directors propose to revise the annual cap for the continuing connected transactions under the Supplemental Sales Framework Agreement for the year ending 31 December 2021 from RMB250 million to RMB460 million. The management of the Group believed that the sudden surge of demand for Volvo Car is just a temporary effect in 2021 as a result of the market rebounds after the novel coronavirus (“**COVID-19**”) pandemic-related shutdowns, and will not affect the estimated sales volume with Volvo Car for the year ending 31 December 2022 and for the

period from 1 January 2023 to 22 October 2023 respectively. The Directors therefore confirm that the annual caps for the year ending 31 December 2022, and the period from 1 January 2023 to 22 October 2023, respectively remain unchanged.

Furthermore, the Directors consider that the entering into of the Supplemental Sales Framework Agreement which sets out the Revised Annual Cap is constructive for the Group to sell the products and services thereunder, thereby benefiting the Group.

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

The price of goods under the Supplemental 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 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. Details of relevant procedures are set out in the section headed "INTERNAL CONTROL MEASURES" of this announcement. 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 Supplemental 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 Supplemental 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 Supplemental Sales Framework Agreement on a quarterly basis, so as to ensure the Revised Annual Cap is 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 Supplemental 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 Supplemental 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 Supplemental 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 Supplemental Sales Framework Agreement each year. The independent auditors will review and confirm in the annual report whether transactions under the Supplemental 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 Revised Annual Cap.

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 development, manufacture and sale of internal combustion engines and related automobile components in the PRC.

### **The Group**

The Group is principally engaged in research and development and production of lithiumion powered batteries for NEV, provision of electric bicycle battery sharing service in the PRC 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. The Company proposes to revise the annual cap for continuing connected transactions by the entering into the Supplemental Sales Framework Agreement, the Company is therefore required to re-comply with the provisions of Chapter 20 of the GEM Listing Rules in relation to the relevant continuing connected transactions.



As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Supplemental Sales Framework Agreement are more than 5%, the Supplemental 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 Supplemental Sales Framework Agreement, the Revised Annual Cap and the transactions contemplated thereunder. Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Zhejiang Geely is beneficially wholly owned by Mr. Li and his associates, 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, an executive Director, is 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 has abstained from voting on the board resolution in relation to the Supplemental Sales Framework Agreement.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to the Supplemental Sales Framework Agreement, the Revised Annual Cap 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, (i) information on the Supplemental Sales Framework Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Sales Framework Agreement; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of the EGM will be published and issued by the Company and despatched to the Shareholders on or before 31 August 2021.

## DEFINITIONS

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

“Annual Caps”	the annual caps for the Sales Framework Agreement for the period from 16 November 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 Independent Shareholders to consider and, if thought fit, approve the Supplemental Sales Framework Agreement, the Revised Annual Cap and the transactions contemplated thereunder
“Existing 2021 Annual Cap”	the existing annual cap of RMB250 million for the transactions under the Sales Framework Agreement for the year ending 31 December 2021
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“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 Supplemental Sales Framework Agreement, the Revised Annual Cap 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 Supplemental Sales Framework Agreement, the Revised Annual Cap and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than Zhejiang Geely, Geely International, Mr. Li and their respective associates
“Mr. Li”	Mr. Li Shufu, a substantial shareholder of the Company who holds directly and indirectly approximately 19.83% interest in the Company
“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 Cap”	the proposed revised annual cap for the year ending 31 December 2021 applicable to the transactions under the Supplemental Sales Framework Agreement, details of which are set out in the section headed “REVISION OF ANNUAL CAP” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Supplemental Sales Framework Agreement”	the supplemental sales framework agreement dated 10 August 2021 entered into between the Company and Zhejiang Geely in relation to the revision of the Existing 2021 Annual Cap
“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 52% by the Company
“Zhejiang Geely”	浙江吉利控股集團有限公司, transliterated as Zhejiang Geely Holding Group Company Limited*, a private limited liability company incorporated in the PRC, which owns 100% equity interest in Geely International
“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, 10 August 2021

*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. Yan Weimin as non-executive Director 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 Company Announcements” 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).*