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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Honbridge Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### HONBRIDGE HOLDINGS LIMITED

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

**(Stock Code: 8137)**

- (1) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
2023 SALES AGREEMENT;**
- (2) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
PURCHASE FRAMEWORK AGREEMENT; AND**
- (3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

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



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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “**Definitions**” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 25 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 28 to 47 of this circular.

A notice convening the EGM to be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 6 November 2023, at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33rd Floor, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication. This circular will also be published on the Company’s website at [www.8137.hk](http://www.8137.hk).

19 October 2023

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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

“2017 First Sales Agreement”	the sales agreement dated 23 October 2017 entered into between Zhejiang Forever New Energy and Volvo Car Corporation 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 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.*) in relation to the sales of ternary lithium-ion battery packs
“2020 Sales Agreement”	the sales agreement dated 28 September 2020 entered into between the Company and Zhejiang Geely (as varied, supplemented and modified by a supplemental agreement dated 10 August 2021) in relation to the sales of ternary lithium-ion battery packs and related products
“2023 Sales Agreement”	the sales agreement dated 11 September 2023 entered into between the Company and Zhejiang Geely in relation to the sales of lithium-ion battery packs and related products
“Annual Caps”	collectively, the Sale Annual Caps and the Purchase Annual Caps
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the 2023 Sales Agreements, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder
“Geely Automobile”	Geely Automobile Holdings Limited (吉利汽車控股有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock codes: 175 (HKD counter) and 80175 (RMB counter))
“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 2023 Sales Agreement and the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the 2023 Sales Agreement and the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM, refer to shareholders other than Mr. Li, and his associates (including Ms. Wang Li (Mr. Li’s spouse), Geely Group Limited, Hong Bridge Capital Limited and Geely International) for the purpose of approving the 2023 Sales Agreements, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder
“independent third parties”	third party(ies) independent of the Company and its connected persons
“Latest Practicable Date”	16 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Mr. Li”	Mr. Li Shufu, a controlling shareholder of the Company who together with his spouse and the companies controlled by him, holds directly and indirectly approximately 61.61% interest in the Company and holds approximately 91.08% equity interest in Zhejiang Geely
“PRC”	the People’s Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchase Annual Caps”	the maximum annual transaction amount of fees payable by the Group under the Purchase Framework Agreement for each of the year/period
“Purchase Framework Agreement”	the purchase framework agreement dated 11 September 2023 entered between the Company and Zhejiang Yaoning in relation to the purchase of lithium-ion battery cells, modules and related products
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Annual Caps”	the maximum annual transaction amount of fees receivable by the Group under the 2023 Sales Agreement for each of the year/period
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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 Group”	Zhejiang Geely and its subsidiaries, excluding Geely Automobile and its subsidiaries
“Zhejiang Yaoning”	浙江耀寧科技集團有限公司, translated as Zhejiang Yaoning Technology Co. Ltd.*, a limited liability company incorporated in the PRC
“Zhejiang Yaoning Group”	Zhejiang Yaoning and its subsidiaries, excluding Jiangsu Chengxing Phosphorus Chemical Co Ltd. (江蘇澄星磷化工股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 600078) 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 circular between the Chinese and English versions, the English version shall prevail.*

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

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## LETTER FROM THE BOARD

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### **HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

*Executive Directors:*

Mr. HE Xuechu (*Chairman*)  
Mr. LIU Jian (*Vice Chairman and  
Joint Chief Executive Officer*)  
Mr. LIU Wei, William  
(*Joint Chief Executive Officer*)

*Non-Executive Director:*

Mr. YAN Weimin

*Independent Non-executive Directors:*

Mr. CHAN Chun Wai, Tony  
Mr. MA Gang  
Mr. HA Chun

*Registered office:*

P.O. Box 31119  
Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

*Principal place of business  
in Hong Kong:*

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

19 October 2023

*To the Shareholders*

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
2023 SALES AGREEMENT;**
- (2) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
PURCHASE FRAMEWORK AGREEMENT; AND**
- (3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 11 September 2023 in relation to, among others, the entering into of the 2023 Sales Agreement with Zhejiang Geely and the Purchase Framework Agreement with Zhejiang Yaoning.



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## LETTER FROM THE BOARD

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An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder. In this respect, Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among others, (i) information on the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder; (ii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of EGM.

### THE 2023 SALES AGREEMENT

References are made to the announcements of the Company dated 23 October 2017, 25 October 2017 and 28 September 2020 in relation to certain continuing connected transactions, namely the 2017 First Sales Agreement, the 2017 Second Sales Agreement and the 2020 Sales Agreement between the Group and certain members of the Zhejiang Geely Group and the announcement and the circular of the Company dated 10 August 2021 and 27 August 2021, respectively, in relation to revision of annual caps for the 2020 Sales Agreement. The 2020 Sales Agreement will be expired on 22 October 2023.

On 11 September 2023 (after trading hours), the Company entered into the 2023 Sales Agreement with Zhejiang Geely, pursuant to which the Group will supply lithium-ion battery pack and related products to Zhejiang Geely Group in accordance with the terms and conditions thereunder. Principal terms of the 2023 Sales Agreement are set out below:

Parties:	(1) the Company; and  (2) Zhejiang Geely
Date:	11 September 2023 (after trading hours)
Term:	From 23 October 2023 to 22 October 2026
Subject matters:	Pursuant to the 2023 Sales Agreement, the Group shall supply lithium-ion battery pack and related products to Zhejiang Geely Group. 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.

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## LETTER FROM THE BOARD

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- Pricing basis: The price of goods under the 2023 Sales Agreement will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered or available to independent third parties and will be specified in separate purchase orders.
- Payment terms: Payments for the products under the 2023 Sales Agreement shall be settled within 75 days from the date of receipt of the invoice. The payment terms under the 2023 Sales Agreement are determined in the ordinary course of business. Although there had been no historical transaction between the Group as supplier of lithium-ion battery packs and independent third parties, taking into account that the payment terms under the 2023 Sales Agreement are according to the Group's guidelines which will apply to both connected persons of the Company and independent third parties, it is considered that the payment terms under the 2023 Sales Agreement are on normal commercial terms or on terms no less favourable to the Company than those offered or available to independent third parties.
- Condition: The 2023 Sales Agreement shall only become effective upon the Company having completed all necessary internal procedures (including obtaining approval of the Shareholders and/or the Board in accordance with the GEM Listing Rules), and having obtained all necessary approvals and consents from the Stock Exchange and other third parties (including relevant regulatory authorities, government or official authorities).

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## LETTER FROM THE BOARD

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### HISTORICAL AMOUNTS FOR THE 2020 SALES AGREEMENT

The existing annual caps (excluding value-added tax) for the two years ended 31 December 2022 and for the period ending 22 October 2023 and the historical actual amounts for the two years ended 31 December 2022 and for the period ended 30 June 2023 in respect of the 2020 Sales Agreement are set out below:

	Existing annual caps			Historical actual revenue		
	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the period from 1 January 2023 to 22 October 2023 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the period from 1 January 2023 to 30 June 2023 <i>RMB'000</i>
2020 Sales Agreement	460,000	300,000	350,000	383,852	75,974	88,267

The Company confirmed that the consideration receivable by the Company under the 2020 Sales Agreement for the period commencing from 1 January 2023 and up to the Latest Practicable Date are within the relevant maximum caps.

As set out in the Company's circular dated 29 October 2020, the annual caps under the 2020 Sales Agreement were based on, among others, the strong performance of Zhejiang Geely Group has in the PRC market, and expected sales to a member of such group, namely, Volvo Car Corporation ("Volvo Car"). Due to strong sales to Volvo Car in 2021, the Company entered into a supplemental sales framework agreement dated 10 August 2021 and revised the 2021 annual cap under the 2020 Sales Agreement from RMB250 million to RMB460 million as discussed in the Company's circular dated 27 August 2021. The relatively low utilisation rate of the annual caps under the 2020 Sales Agreement in 2022 and 2023 was mainly due to the sales of Volvo Car's plug-in hybrid electric vehicles ("PHEV") models falling short of expectations because of the high level of competition in the PRC and pure electric vehicles were popularised faster than expected.

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## LETTER FROM THE BOARD

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### Proposed Sales Annual Caps for the 2023 Sales Agreement

It is expected that for the period ending 31 December 2023, for the year ending 31 December 2024 and 2025 and for the period ending 22 October 2026, the Group supplying lithium-ion battery packs and related products to Zhejiang Geely Group 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 2023 Sales Agreement accordingly:

	<b>For the period from 23 October 2023 to 31 December 2023 <i>RMB'000</i></b>	<b>For the year ending 31 December 2024 <i>RMB'000</i></b>	<b>For the year ending 31 December 2025 <i>RMB'000</i></b>	<b>For the period from 1 January 2026 to 22 October 2026 <i>RMB'000</i></b>
Proposed Sales Annual Caps	50,000	235,000	155,000	97,000

The Sales Annual Caps were determined based on the following factors and key assumptions:

- (i) the historical sales amounts under the 2020 Sales Agreement particularly:
  - (a) the historical sales for the year ended 31 December 2021 was more than RMB380 million which exceeded the original annual cap for 2021 set under the 2020 Sales Agreement and is higher than the Sales Annual Caps; and
  - (b) the reasons for the relatively low utilisation rate of the annual caps in 2022 and 2023 was mainly impacted by the change in demand for PHEV models for Volvo Cars in the highly competitive PRC market whereas the Sales Annual Caps is based on among other factors, the expected high demand for the Group's products for a specific automobile brand of the Zhejiang Geely Group ("**CCT Models**") which targeted the European market. The estimated potential negative impact from changes of demand from PHEV to pure electric vehicles is further discussed in (ii)(c) below;
- (ii) the estimated sales volume of lithium-ion powered battery packs for the period ending 31 December 2023, for the year ending 31 December 2024 and 2025 and for the period from 1 January 2026 to 22 October 2026 respectively which is based on:
  - (a) the expected demand for the products to be provided by the Group pursuant to the 2023 Sales Agreement with reference to expected sales orders from Zhejiang Geely Group under a schedule for the production of CCT Models for 2023 as provided by Zhejiang Geely Group to the Group. Research in the public domain

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## LETTER FROM THE BOARD

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was also considered, specifically, certain research on the European market, being a target market for the CCT Models, where the lithium-ion battery market is expected to benefit and grow rapidly owing to the European Union's 2035 petrol and diesel car ban given that that combustion engine cars will be phasing out gradually with a view to reach the zero-emission target by 2035;

- (b) the limits due to the estimated maximum annual production capacity of the Group with respect to the assembling of battery cells/modules into battery packs for the period ending 31 December 2023, for the year ending 31 December 2024 and 2025 and for the period from 1 January 2026 to 22 October 2026; and
  - (c) the expected negative impact on the demand for the products to be provided by the Group from potential changes to the business strategy of the company producing the CCT Models shifting from PHEV to full electric vehicles in the future and thus a downward adjustment of 25% was applied to the annual caps for the year ending 31 December 2025 and period ending 22 October 2026 as compared to the previous year;
- (iii) the current and forecast market price of lithium-ion powered battery packs in the market with reference to:
- (a) the market price for battery grade lithium carbonate, being the key raw anode material for making the lithium battery. According to the data from Mysteel China operated by Shanghai Ganglian E-commerce Holdings Co., Ltd (上海鋼聯電子商務股份有限公司), the market price for battery grade lithium carbonate has experienced a descending trend since late 2022 to April 2023 and then generally fluctuated thereafter in 2023. From November 2022 and up to 11 September 2023 (i.e. the date of the 2023 Sales Agreement) the price of such materials ranged from RMB194,000/tonne to RMB590,000/tonne. In considering the Sales Annual Cap, the actual unit price for battery grade lithium carbonate in July 2023 of approximately RMB300,000/tonne, being the most recent monthly reference price at a relatively high level prior to 11 September 2023, was used as the main reference point; and
  - (b) the estimated decrease in the unit price of lithium-ion battery packs over the years due to the continuous advancement in technology, increase in economic efficiency and rising market competition; and
- (iv) buffer of 15% to the expected transaction amounts to cater for any possible increase in demand from Zhejiang Geely Group and/or fluctuation in the market price of lithium-ion battery packs in view of the historical wide range of fluctuation of raw material as described above for the period ending 31 December 2023, two years ending 31 December 2025 and the period from 1 January 2026 to 22 October 2026.

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## LETTER FROM THE BOARD

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Should the actual annual sales amount exceed the above proposed Sales Annual Caps, the Company will revise the Sales Annual Caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The Sales Annual Caps after the period ending 22 October 2026 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 ENTERING INTO 2023 SALES AGREEMENT**

The Group has been engaged by Zhejiang Geely Group to supply lithium-ion battery pack and related products since 2017. It is expected that the Group will continue to do so in its ordinary and usual course of business upon expiry of the 2023 Sales Agreement. 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 Group using the powered batteries. Furthermore, the Directors consider that entering into the 2023 Sales Agreement which sets out the proposed Sales Annual Caps is constructive for the Group to sell the products and services thereunder, thereby benefiting the Group.

In view of the above-mentioned reasons and taking into account: (i) the historical sales amounts under the 2020 Sales Agreement; (ii) the estimated sales volume of lithium-ion powered battery packs for the period from 23 October 2023 to 31 December 2023, the years ending 31 December 2024, 31 December 2025, the period from 1 January 2026 to 22 October 2026 respectively; (iii) the current and forecast market price of lithium-ion powered battery packs in the market and (iv) buffer of 15% to the expected transaction amounts to cater for any possible increase in demand from Zhejiang Geely Group and/or fluctuation in the market price of lithium-ion battery packs, the 2023 Sales Agreement was determined, and the Directors (including the independent non-executive Directors whose views are given after considering the advice of the Independent Financial Adviser) are of the view that the 2023 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 offered or available to independent third parties, and the terms and Sales Annual Caps set out in the 2023 Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### THE PURCHASE FRAMEWORK AGREEMENT

On 11 September 2023 (after trading hours), the Company entered into the Purchase Framework Agreement with Zhejiang Yaoning, pursuant to which the Group will purchase lithium-ion battery cells, modules and related products from Zhejiang Yaoning Group in accordance with the terms and conditions thereunder.

- Parties: (1) the Company; and  
(2) Zhejiang Yaoning
- Date: 11 September 2023 (after trading hours)
- Term: From 11 September 2023 to 10 September 2026
- Subject matters: Pursuant to the Purchase Framework Agreement, the Group shall purchase lithium-ion battery cells, modules and related products from Zhejiang Yaoning Group. The exact model and volume of goods sold by Zhejiang Yaoning Group to the Group and the dates of delivery will be provided in separate purchase orders.
- Pricing basis: The price of goods under the Purchase Framework Agreement will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable than those offered by independent third parties and will be specified in separate purchase orders.
- Payment terms: Payments for the products under the Purchase Framework Agreement shall be settled within 60 days from the date of receipt of the invoice. The payment terms under the Purchase Framework Agreement are determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered by independent third parties.
- Condition: The Purchase Framework Agreement shall only become effective upon the Company having completed all necessary internal procedures (including obtaining approval of the Shareholders and/or the Board in accordance with the GEM Listing Rules), and having obtained all necessary approvals and consents from the Stock Exchange and other third parties (including relevant regulatory authorities, government or official authorities).

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## LETTER FROM THE BOARD

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### Proposed Purchase Annual Caps for the Purchase Framework Agreement

It is expected that for the period ending 31 December 2023, for the year ending 31 December 2024 and 2025 and for the period ending 10 September 2026, the Group purchasing lithium-ion battery cells, modules and related products from Zhejiang Yaoning Group 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 Purchase Framework Agreement accordingly:

	<b>For the period from 11 September 2023 to 31 December 2023<sup>Note</sup> RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>	<b>For the year ending 31 December 2025 RMB'000</b>	<b>For the period from 1 January 2026 to 10 September 2026 RMB'000</b>
Proposed Purchase Annual Caps	42,000	103,000	129,000	72,000

*Note:* After routine product development process which includes market research, product research and development and product matching and quotation with suppliers which lasts for months, the Company started purchasing samples and small orders from Zhejiang Yaoning Group. However, in around the third quarter of 2023, the Company became aware of potential need for additional purchases for late 2023 and thereafter, which is expected to exceed the *de minimis* exemption under Rule 20.74(1)(c) of the GEM Listing Rules, thereby the Company entered into the Purchase Framework Agreement with the proposed Purchase Annual Caps, according to the continuing connected transactions internal control procedures of the Company. Given that (i) the historical amounts of products provided to the Company from Zhejiang Yaoning Group from 1 January 2023 to the Latest Practicable Date was approximately RMB880,000 and still fell within the aforesaid *de minimis* exemption; (ii) the Company will continue to keep track the transactions amounts before the EGM; and (iii) the Company will not continue the proposed purchases from Zhejiang Yaoning Group if the Independent Shareholders vote against the Purchase Framework Agreement, the proposed Purchase Annual Caps commencing from the date of the Purchase Framework Agreement on 11 September 2023 is considered fair and reasonable.

The potential need for additional purchases for late 2023 and thereafter arose after months of business development, when certain new products of the Group became ready to enter into mass production and there was an expected increase in the purchase orders from the customers of the Group especially two new key customers, Customer A (in relation to purchase of lithium-ion battery modules) and Customer B (in relation to purchase of lithium-ion battery cells) as further explained below. Due to the above, there is a significant increase in the expected transactions amounts with Zhejiang Yaoning Group in the fourth quarter of 2023 and thereafter as compared to the actual transaction amounts with Zhejiang Yaoning Group during the first three quarters of 2023.

The proposed Purchase Annual Caps were determined based on the following factors and key assumptions:

- (i) the estimated purchase volume of lithium-ion powered battery cells, modules and related products for the period ending 31 December 2023, for the year ending 31 December 2024 and 2025 and for the period from 1 January 2026 to 10 September



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## LETTER FROM THE BOARD

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2026 respectively with reference to the expected demand of the Group for two main products being the lithium-ion battery modules and lithium-ion battery cells arising from the demand from the customers of the Group. In estimating the demand from customers, the following were considered: (a) the historical orders since 2023 and up to the Latest Practicable Date; (b) the minimum committed orders in the relevant sales contracts from repeat and/or new customers of the Group especially two new key customers both being independent third parties, Customer A (in relation to purchase of lithium-ion battery modules) and Customer B (in relation to purchase of lithium-ion battery cells) as further discussed below; and (c) normal battery product life cycle of the Group's products based on management's experience which generally ranged from three to four years, usually reaching the peaks in the second and third year after the product launch, depending on the market acceptance level of different models of battery.

In estimating the purchase amount of lithium-ion battery modules by Customer A for the years ending 31 December 2023, 2024 and 2025, the minimum committed orders in the relevant sales contracts and framework contract between Customer A and the Group with a minimum committed purchase quantity for the next three years were considered. Furthermore, based on among other factors, the Group's (or its related entity's) status as the sole manufacturer of lithium-ion battery modules of Customer A according to a notice on the website of Ministry of Industry and Information Technology of the PRC and expected long term relationship with this customer, the purchase amount of battery modules by Customer A from the Group for the next three years is assumed to double the committed amount under the framework contract and will generally be stable across the years ending 31 December 2023, 2024 and 2025. For the period ending 10 September 2026, the estimated purchase quantity of Customer A was determined based on the expected purchase amount for the previous years which, as annualised, represents around 60% of the purchase quantity for 2025.

In estimating the purchase amount of battery cells by Customer B for the year ending 31 December 2024, a growth rate of approximately 67% from the annualised amount in 2023 was estimated, and such estimations remains the same for the year ending 31 December 2025 and the period ending 10 September 2026 on a pro-rata basis. Such estimations involving Customer B took into account (a) the Group's success of stepping into the market of new lithium-ion battery adoption for use in heavy trucks within a short period of time as demonstrated by identifying and recruiting a number of key and potential customers; (b) the experience and expertise accumulated over the years of the Group enabling it to achieve a more solid position gradually; and (c) continuous sales and marketing efforts to be made by the Group in capturing higher market share;

- (ii) the estimated production capacity of Zhejiang Yaoning Group for the products based on discussions with Zhejiang Yaoning Group, particularly that the purchases based on the proposed Purchase Annual Caps are estimated to require less than 5% of its production capacity;

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## LETTER FROM THE BOARD

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- (iii) the current and forecast market price of lithium-ion powered battery cells, modules and related products in the market based on the historical transacted price of battery modules in early 2023 and the quotations issued by Zhejiang Yaoning Group; and
- (iv) buffer of 15% to the expected transaction amounts to cater for any possible increase in the demand of the Group and/or fluctuation in the market price of lithium-ion battery cells/modules in view of the historical wide range of fluctuation of raw material as described above for the period ending 31 December 2023, two years ending 31 December 2025 and period from 1 January 2026 to 10 September 2026.

Should the actual annual purchase amount exceed the above proposed Purchase Annual Caps, the Company will revise the Purchase Annual Caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The Purchase Annual Caps after the period ending 10 September 2026 will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

### Historical Figures

Zhejiang Yaoning Group had supplied lithium-ion battery cells, modules and related products to the Company since 1 January 2023. The historical amounts of products provided to the Company were approximately RMB880,000 for the period from 1 January 2023 to the Latest Practicable Date.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE FRAMEWORK AGREEMENT

Zhejiang Yaoning Group is specialised in lithium battery production and has built up a good reputation in the industry. Jiangxi Anchi New Energy Technology Co., Ltd\* (江西安馳新能源科技有限公司) (“ANC”), a member of the Zhejiang Yaoning Group, is one of the top lithium battery manufacturers for trucks (物流車) in the PRC. It also produces lithium batteries for passenger vehicles and for energy storage purpose.

Given Zhejiang Yaoning Group’s specialty and focus on lithium battery production, it has certain advantages over the Group in relation to manufacturing of specific lithium-ion powered battery cells, modules and related products such as its existing production facilities or higher production capacity for such products as well as its more cost-effective manufacturing of such products by receiving lower prices through bulk purchases through its supplier network. The Group possesses its own distinct advantages. These include a strong relationship with its major customers, a deep understanding of their requirements, and extensive experience in building lithium-ion battery packs. Since the products acquired from Zhejiang Yaoning Group are components of the lithium-ion battery pack, the Group procures battery cells/modules from them and subsequently assembles them into battery products suitable for various types of vehicles before selling them to customers. As a result, there exists a synergy between Zhejiang Yaoning Group and the Group. Through purchases from Zhejiang Yaoning Group for these products, the Group can leverage the synergy between the two groups and secure a substantial and reliable

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## LETTER FROM THE BOARD

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supply of lithium-ion battery cells, modules, and related products. Additionally, it can utilise Zhejiang Yaoning Group's resources, thereby saving significant investments in production. This allows the Group to focus on customer exploration, battery pack production, and battery management system software design. Up to the Latest Practicable Date, the battery cells, modules and related products purchased from Zhejiang Yaoning Group are not used in the production of battery packs supplied by the Group to Zhejiang Geely Group and it is currently not expected to be so used for such purpose.

At the time of the initial purchase agreement between the Group and Zhejiang Yaoning Group in early 2023, it was expected that the applicable percentage ratios were less than 5% and the annual transaction amount was less than HK\$3,000,000 and thus, the entering into of the purchase agreement with Zhejiang Yaoning Group constituted *de minimis* continuing connected transaction for the Company under Rule 20.74(1)(c) of the GEM Listing Rules and was not subject to announcement, reporting and Independent Shareholders' approval requirements. However, in around the third quarter of 2023, the Company became aware of potential need for additional purchases for late 2023 and thereafter thereby justifying the entering into of the Purchase Framework Agreement with the Purchase Annual Caps, which exceed the above-mentioned exemption threshold. The Company is therefore required to re-comply with the requirements under Chapter 20 of the GEM Listing Rules.

The transactions contemplated under the Purchase Framework Agreement between the Group and Zhejiang Yaoning Group will be conducted in the ordinary and usual course of business of the Group. The Purchase Framework Agreements will also allow the Group to continue to take advantage of the aforesaid benefits and capture the aforesaid synergy between Zhejiang Yaoning Group and the Group, and contribute to the operational and business development of the Group.

In view of the above-mentioned reasons and taking into account: (i) the estimated purchase volume of lithium-ion powered battery cells, modules and related products for the period from 11 September 2023 to 31 December 2023, the years ending 31 December 2024, 31 December 2025, the period from 1 January 2026 to 10 September 2026 respectively; (ii) the expected purchase of the products by the Group pursuant to the Purchase Framework Agreement; (iii) the current and forecast market price of lithium-ion powered battery cells, modules and related products in the market; and (iv) buffer of 15% to the expected transaction amounts to cater for any possible increase in the demand of the Group and/or fluctuation in the market price of lithium-ion battery cells/modules, the Purchase Framework Agreement was determined, and the Directors (including the independent non-executive Directors whose views are given after considering the advice of the Independent Financial Adviser) are of the view that the Purchase 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 offered by independent third parties, and the terms and Purchase Annual Caps set out in the Purchase Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

#### **The Group**

The Group is principally engaged in the business of research and development, production and sales of lithium-ion battery and battery system, provision of online car-hailing services, electric bicycle battery swapping services and research and exploration of iron ores.

#### **Zhejiang Geely**

Zhejiang Geely Group is principally engaged in the sale of automobiles and related parts and components wholesale and retail business. Mr. Li is the controlling shareholder, founder, chairman of the board of directors of Zhejiang Geely. He has over 35 years of experience in the investment and management of the automobile manufacturing business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference and was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" by China Automotive News (中國汽車報). Mr. Li is also a controlling shareholder of the Company.

#### **Zhejiang Yaoning**

Zhejiang Yaoning is a limited company incorporated in the PRC and is principally engaged in research and development of lithium-ion battery, intelligence cabin, light-weighting of vehicle, etc. Mr. Li Xingxing, the son of Mr. Li, is indirectly interested in 85% of the equity interests in Zhejiang Yaoning.

### RELIANCE ON ZHEJIANG GEELY AND ITS SUBSIDIARIES

As disclosed in the annual report for the years ended 31 December 2021 and 2022, the Group sold approximately HK\$462.4 million and HK\$88.4 million of lithium-ion batteries to Zhejiang Geely Group for the years ended 31 December 2021 and 2022, respectively, which accounted approximately 96.6% and 64.2% of the revenue of the Group over the corresponding period, respectively. The Group expects that the sales to companies under Zhejiang Geely will continue to count a significant portion of revenue in the foreseeable future.

The Group is able to manage customer concentration risk to ensure that entering into the 2023 Sales Agreement would be in the interests of the Shareholders as a whole based on the following grounds:

#### **The Group is capturing the potential growth of the one of the top new energy vehicle manufacturers**

The strategy of the Group is to get an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, one of the top new energy vehicle manufacturers. Becoming the powered battery supplier of under Zhejiang Geely enables the Group to capture the potential growth of the fast growing new energy vehicle market and

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## LETTER FROM THE BOARD

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gain valuable experience in the industry. It can also increase the chance for the Group to get potential orders from other world's mainstream automobile manufacturers in the future after proving the quality and safety of the lithium-ion batteries produced by the Group.

### **The industry landscape is dominated by a few players**

The global powered battery industry is currently dominated by a few major suppliers. According to the market research firm SNE Research, the top ten powered battery manufacturers dominated approximately 91.4% of the global market share in 2022. In the PRC, according to 中國汽車動力電池產業創新聯盟 (China Automotive Battery Innovation Alliance), the top ten powered battery manufacturers accounted for around 95.0% of the market share in 2022. The business relationship between the powered battery manufacturer and the new energy vehicle manufacturers is stable, making it not easy for the companies in the industry to break off reliance on a major supplier or customer. To secure stable supply, the major new energy vehicle manufacturers are eager to form joint ventures and sign large purchase agreements with the top powered battery suppliers. As such, the business model cannot be easily changed to reduce the reliance.

### **The reliance is mutual and complementary**

Although there are various lithium battery manufacturers which may be able to produce lithium batteries with similar specifications in the PRC, it takes months or years for developing, testing and matching for a powered battery to be used in a new energy vehicle. Before proceeding with mass production and for sale, detailed specification of each vehicle model (including powered batteries used) are required to be submitted by the new energy vehicle manufacturers to the Ministry of Industry and Information Technology in the PRC for approval, which takes months or years. As a strategic business partner, the Group has been involved in the above processes with Zhejiang Geely Group in recent years. The Group has established good working relationship with the Zhejiang Geely Group and is familiar with their procedures. Based on the above, the Directors believe that Zhejiang Geely Group cannot find substitute suppliers easily within a short period of time taking into account: (i) the existing involvement of the Group in the processes of number of new energy vehicle of Zhejiang Geely Group, which would require significant difficulty to substitute; (ii) the long established relationship and mutual trust between the Group and the Zhejiang Geely Group, which would require new suppliers to demonstrate their ability to supply products of sufficient quantity, reliable quality and in a timely manner comparable to the Group to compete effectively with; and (iii) the Group's familiarity with Zhejiang Geely Group's procedures and ability to meet its standards, which would require new suppliers time and effort to accomplish. The Zhejiang Geely Group also benefits from the stable supply of quality products and services of the Group. Therefore, the reliance is mutual and complementary to the Group and the Zhejiang Geely Group.

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## LETTER FROM THE BOARD

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### **The Group is capable of maintaining its revenue in light of the reliance**

It is expected that the sales of new energy vehicle in the PRC will keep increasing substantially in the coming years. On the other hand, top traditional vehicles manufacturers in the world will strengthen their development in the new energy vehicle sector. The Group believes the new energy vehicle and powered battery industry will expand significantly in the coming years and the Group is ready to become one of the key players.

### **The Group is making efforts to reduce the level of reliance**

Notwithstanding the above, the Group is constantly negotiating and conducting products matching with major automobile enterprises, electric bicycle and commercial vehicle enterprises as well as potential customers in the energy storage field. The Group is also actively investing and exploring opportunities other than lithium-ion battery business. For example, the Group has been providing battery swapping service for electric bicycle since 2019 and has acquired a France-based online car hailing business in August 2022.

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

Subject to the purchase orders placed in the future, the Group may have certain level of reliance on Zhejiang Yaoning Group as its supplier. Nevertheless, the Directors do not consider the purchases from Zhejiang Yaoning Group as the Group's supplier would produce an undue reliance for the Group for the following reasons:

- (i) since Zhejiang Forever New Energy commenced mass production in 2018, all the procurements of materials (including lithium battery modules) were purchased from independent third parties for the production of battery cells, battery modules and battery packs and purchases from independent third parties are expected to continue during the period covered by the Purchase Framework Agreement except for the additional purchases of lithium-ion powered battery cells, modules and related products from Zhejiang Yaoning Group;
- (ii) the Group has established a good communication channel and business relationship with independent third party suppliers;
- (iii) unlike lithium battery pack which has battery integrated with battery management system and protection case and can be assembled into vehicles directly, battery cells/modules is less complex technically. Zhejiang Forever New Energy has communicated with other third party suppliers for the production of battery cells/modules with similar specifications and there are certain substitutes in the market which can be procured from other suppliers in the unlikely event that Zhejiang Yaoning Group ceases to provide any products to the Group;

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## LETTER FROM THE BOARD

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- (iv) as discussed in the paragraph headed “Reasons for and benefits of entering into the Purchase Framework Agreement”, each of the Zhejiang Yaoning Group and the Group has its own advantages and thus relationship between Zhejiang Yaoning Group and the Group is complementary and mutually beneficial; and
- (v) the purchases under the Purchase Framework Agreement shall be subject to the Group’s internal control procedures in which the sales and procurement team will collect additional information of the transaction prices and terms offered by suppliers (particularly independent third party suppliers) and then compare and negotiate terms with potential suppliers. Afterwards, the Group’s staff, without involvement of Zhejiang Yaoning Group’s staff, will select and determine suitable final suppliers in accordance with the principle of the best interests of the Company and the Group will not give priority to suppliers from the Zhejiang Yaoning Group so as to avoid over-reliance on Zhejiang Yaoning Group in terms of supply of the relevant products.

### **PRICING PRINCIPLES OF THE 2023 SALES AGREEMENT AND THE PURCHASE FRAMEWORK AGREEMENT**

The price of products under the 2023 Sales Agreement and the Purchase 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 offered or available to/than those offered by 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. Generally, the Group in the ordinary course of business is aware of the prevailing market price of similar products through discussions with customers and suppliers. Subject to any future change in the internal control system and to serve as an additional check on whether the Group’s then understanding of the market price of similar products deviates significantly from the actual prevailing market price, the Group would conduct market research on a quarterly basis and gather relevant information to assess the prevailing market price of similar products from time to time. 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 or available to/from the independent third parties.

After first determining the prevailing market price of same or substantially similar products by obtaining at least one quotation from the above third party lithium-ion powered battery manufacturers and the other steps discussed above, the sales and procurement team of the Group performs further analysis by considering other 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 lithium-ion powered battery manufacturers. To analyse the raw material costs with respect to the 2023 Sales Agreement, the Group’s sales and procurement team on a quarterly basis will refer to the market prices of key raw materials as

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## LETTER FROM THE BOARD

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quoted online at <https://xny.mysteel.com> as operated by Shanghai Ganglian E-commerce Holdings Co., Ltd (上海鋼聯電子商務股份有限公司), being a leading commodity data service provider in the PRC which is listed on the Shenzhen Stock Exchange with stock code 300226. The unit prices of the products quoted in individual purchase orders will then be adjusted periodically.

The Directors consider that the above methods and systems ensure that the transactions contemplated under the 2023 Sales Agreement and the Purchase 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 2023 Sales Agreement and the Purchase 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 2023 Sales Agreement and the Purchase Framework Agreement on a monthly basis as part of the normal process of preparing management accounts, so as to ensure the Annual Caps are not exceeded.

To conduct the market research on the prevailing market price, 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 from other independent third party lithium-ion powered battery manufacturers, public available industry research reports issued by investment banks, securities firms or other authorities, news or information on an ongoing basis. The Group will also collect information regarding the profit margin and costs of raw materials in the market from popular websites and market research reports.

After obtaining the market information, the sales and procurement 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 of the lithium-ion battery packs under the 2023 Sales Agreement and lithium-ion battery cells/modules under the Purchase Framework Agreement and ensure that the price is no less favourable to the Group than the quotations offered to/by independent customers/suppliers or not lower than those in the market. The price should be reviewed by the respective heads of sales and procurement department and finance department of the Group and approved by at least two executive Directors or non-executive Director.

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 2023 Sales Agreement, the Purchase Framework Agreement and other market reference.



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## LETTER FROM THE BOARD

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If it is required to revise the selling price of the lithium-ion batteries and/or purchase price of the lithium-ion battery cells/modules, the sales and procurement and finance departments should hold a meeting to confirm and revise the selling/purchase price with reference to the market. The price should be reviewed and approved by at least two executive Directors or non-executive Director.

The above internal control measures are supervised and monitored by the management of the Group to ensure the 2023 Sales Agreement and the Purchase 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 2023 Sales Agreement and the Purchase Framework Agreement at the end of each financial year. The independent auditors will review and confirm in the annual report whether transactions under the 2023 Sales Agreement and the Purchase 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.

### **IMPLICATIONS UNDER THE GEM LISTING RULES**

As Zhejiang Geely indirectly holds approximately 18.78% of the total issued shares of the Company through Geely International, a substantial shareholder of the Company, Zhejiang Geely is a substantial shareholder and a connected person of the Company.

Mr. Li Xingxing is indirectly interested in 85% of the equity interests in Zhejiang Yaoning and he is also the son of Mr. Li, the controlling shareholder of the Company. Thus, Zhejiang Yaoning is an associate of Mr. Li and a connected person of the Company.

As such, the transactions contemplated under the 2023 Sales Agreement and the Purchase Framework Agreement are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the 2023 Sales Agreement and the Purchase Framework Agreement are more than 5%, the 2023 Sales Agreement and the Purchase Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### EGM

The EGM will be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 6 November 2023, at 10:00 a.m. to seek the Independent Shareholder's approval for the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder.

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 and 100% equity interest of Geely Group Limited (which is the controlling shareholder holding 68.86% equity interest of Hong Bridge Capital Limited). Mr. Li, Ms. Wang Li (Mr. Li's spouse), Geely Group Limited, Hong Bridge Capital Limited and Geely International are each Shareholders of the Company holding 103,064,000 Shares, 50,000,000 Shares, 2,829,000 Shares, 4,065,000,000 Shares and 1,850,675,675 Shares, respectively, representing approximately 1.04%, 0.51%, 0.03%, 41.25% and 18.78% of the total issued share capital of the Company, respectively. As Mr. Li is considered to be interested in the 2023 Sales Agreement and Purchase Framework Agreement, Mr. Li and his associates are required to and will abstain from voting on the resolutions to be proposed at the EGM for approving the above matters. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than Mr. Li and his associates which held 6,071,568,675 Shares (representing approximately 61.61% of the total issued share capital of the Company), no other Shareholder will be required to abstain from voting on the resolutions approving the aforesaid matters at the EGM.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be made by the Company after the EGM in accordance with Rule 17.47(5) of the GEM Listing Rules.

A notice convening the EGM is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for use at the EGM is enclosed herewith. If you are not able to attend the EGM, you are requested to complete the proxy form and return it to the Company's share registrar, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

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## LETTER FROM THE BOARD

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None of the Directors has material interest in the 2023 Sales Agreement and the Purchase Framework Agreement and accordingly, none of them was required to abstain from voting on the Board resolution(s) considering and approving the same.

To be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 31 October 2023.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been formed to advise the Independent Shareholders as to whether the 2023 Sales Agreement, the Purchase Framework Agreement, the 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.

Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2023 Sales Agreement, the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), in accordance with the GEM Listing Rules.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from Independent Financial Adviser as set out on pages 28 to 47 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder.

### **RECOMMENDATION**

Having considered the above, the Directors consider that the terms of the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

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

\* *For identification purpose only*



**HONBRIDGE HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8137)**

19 October 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
2023 SALES AGREEMENT; AND  
(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
PURCHASE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 19 October 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder, to advise you as to whether such terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 25 of this Circular and the letter from the Independent Financial Adviser set out on pages 28 to 47 of this Circular which contains its advice to us and Independent Shareholders in respect of the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder, and the additional information set out in the appendix to the Circular.

Having taking into account, among other things, the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the transactions contemplated under the 2023 Sales Agreement and the Purchase Framework Agreement are in the ordinary and usual course of business and the terms

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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of the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2023 Sales Agreement, the Purchase Framework Agreement, the Annual Caps and the transactions completed thereunder.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee

**Mr. CHAN Chun Wai Tony**

**Mr. MA Gang**  
*Independent non-executive Directors*

**Mr. HA Chun**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Sales Agreement, the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), which has been prepared for the purpose of inclusion in this circular.*



19 October 2023

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs and Madams,

**(1) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO 2023 SALES AGREEMENT; AND  
(2) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO PURCHASE FRAMEWORK AGREEMENT**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2023 Sales Agreement, the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 19 October 2023 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

Reference is also made to the announcement of the Company dated 11 September 2023. On 11 September 2023 (after trading hours), the Company entered into the 2023 Sales Agreement with Zhejiang Geely, pursuant to which the Group will supply lithium-ion battery packs and related products to Zhejiang Geely Group in accordance with the terms and conditions thereunder.

On 11 September 2023 (after trading hours), the Company entered into the Purchase Framework Agreement with Zhejiang Yaoning, pursuant to which the Group will purchase lithium-ion battery cells, modules and related products from Zhejiang Yaoning Group in accordance with the terms and conditions thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As Zhejiang Geely indirectly holds approximately 18.78% of the total issued shares of the Company through Geely International, a substantial shareholder of the Company, Zhejiang Geely is a substantial shareholder and a connected person of the Company. Mr. Li Xing Xing is indirectly interested in 85% of the equity interests in Zhejiang Yaoning and is also the son of Mr. Li, the controlling shareholder of the Company. Thus, Zhejiang Yaoning is an associate of Mr. Li and a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Sales Agreement and the Purchase 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 each of the 2023 Sales Agreement and the Purchase Framework Agreement are more than 5%, each of the 2023 Sales Agreement and the Purchase Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The EGM will be held to seek approval from the Independent Shareholders for the 2023 Sales Agreement and the Purchase Framework Agreement. 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 and 100% equity interest in Geely Group Limited (which is the controlling shareholder holding 68.86% equity interest of Hong Bridge Capital Limited). Mr. Li, Ms. Wang Li (Mr. Li's spouse), Geely Group Limited, Hong Bridge Capital Limited and Geely International are each Shareholders of the Company. As Mr. Li is considered to be interested in the 2023 Sales Agreement and the Purchase Framework Agreement, Mr. Li and his associates are required to and will abstain from voting on the resolutions to be proposed at the EGM for approving the above matters.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been established to advise the Independent Shareholders as to whether the 2023 Sales Agreement, the Purchase Framework Agreement, the 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.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the 2023 Sales Agreement, the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and to make recommendations as to, among others, whether the terms of the 2023 Sales Agreement and the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, are normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the EGM.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the past two years, Lego Corporate Finance Limited was engaged to act as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the discloseable and connected transactions relating to disposals, details of which are set out in the announcement of the Company dated 22 September 2023. Save for the aforesaid and the engagement in connection with the 2023 Sales Agreement and the Purchase Framework Agreement, we had not been engaged by the Company for provision of other services that would affect our independence. Save for the normal professional fees for our services to the Company in connection with the aforesaid engagements, there were no other arrangements whereby we have received or will receive any fees or benefits from the Group, therefore we consider such relationship would not affect our independence. We were not aware of any relationships or interests between us and the Group, Zhejiang Geely Group, Zhejiang Yaoning Group or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the 2023 Sales Agreement and the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendation, we have reviewed, inter alia, the 2023 Sales Agreement, the Purchase Framework Agreement, the interim report of the Company for the six months ended 30 June 2023, the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”) and certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses, market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the transactions contemplated under the 2023 Sales Agreement and the Purchase Framework Agreement. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the Management for which they are solely responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the Latest Practicable Date and Shareholders will be notified of material changes (if any) of the information contained in the Circular. We consider that we have been

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provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the 2023 Sales Agreement and the Purchase Framework Agreement to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business, affairs, operations, financial position or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2023 Sales Agreement and the Purchase Framework Agreement. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations with respect to the 2023 Sales Agreement, the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

#### I. 2023 Sales Agreement

##### *1. Reasons for and benefit of entering into the 2023 Sales Agreement*

The production and sale of lithium batteries has been a major revenue driver of the Group, which has accounted for over 98% and 79% for the year ended 31 December 2021 and 2022, respectively. With reference to the Annual Report 2022, the Group has been focusing on producing lithium-ion batteries for plug-in hybrid electric vehicle (PHEV) models in the past few years. The Group is constantly negotiating and conducting products matching with major automobile enterprises, electric bicycle and commercial vehicle enterprises as well as potential customers in the energy storage field. In furtherance of the production and sale of lithium-ion batteries business and to maintain competitiveness in the market, the Group has been actively exploring business opportunities with existing and potential new customers and will pursue to maintain good business relationship with its key customers. Zhejiang Geely Group is one of the key customers where the Group has been supplying with high-performance ternary lithium-ion battery pack and related products since 2017. It is expected that the Group will continue to do so in its ordinary and usual course of business upon expiry of the 2020 Sales Agreement. In light of the various vehicle brands of Zhejiang Geely Group that need to use powered batteries, we concur with the Directors' view that securing renowned customers of Zhejiang Geely Group on a continual basis would provide stable income and accordingly improve the Group's financial performance.

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In view of the above, we consider that the entering into of the 2023 Sales Agreement, which is essentially a renewal of existing continuing transactions, is in the ordinary and usual course of business and in the interests of the Company and the Independent Shareholders as a whole.

### *2. Principal terms of the 2023 Sales Agreement*

Pursuant to the 2023 Sales Agreement, the Group shall supply lithium-ion battery pack and related products to Zhejiang Geely Group during the period from 23 October 2023 to 22 October 2026. 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. The price of goods will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered to independent third parties and will be specified in separate purchase orders. Payment for the products under the 2023 Sales Agreement shall be settled within 75 days from the date of receipt of the invoice.

In assessing the fairness and reasonableness of the pricing terms under the 2023 Sales Agreement against those offered to independent third parties, we have attempted to obtain from the Management the historical invoices in relation to supply of ternary lithium-ion battery packs and related products by the Group to independent third parties of the Company. However, we were advised that there had been no historical transaction between the Group as supplier of lithium-ion battery packs and independent third parties. To take reference of the market price of lithium-ion battery packs, we noted from a report on 6 December 2022 published by BloombergNEF, a strategic research provider covering global commodity markets which we consider to be a recognised and accredited source to provide the relevant market price of lithium-ion battery packs, it is mentioned that the volume-weighted average market price for lithium-ion battery electric vehicle packs was US\$138 per kilowatt-hour (“kWh”) in 2022, while on a regional basis, the average price for lithium-ion battery packs in China was US\$127 per kWh. As an additional reference, we have obtained an invoice in respect of the supply of battery packs by a member of the Zhejiang Yaoning Group, a connected person of the Company, to an independent third party in December 2022, which represents the only available historical sales invoice (“**I3P Invoice**”) with independent third party from Zhejiang Yaoning Group during the terms under the 2020 Sales Agreement and as at the Latest Practicable Date. We noted that the unit price under the I3P Invoice approximates to the average market price of lithium-ion battery packs in China. While the lithium-ion battery packs supplied to Zhejiang Geely Group is custom-made such that it may not be identical to the lithium-ion battery packs under the I3P Invoice, considering the I3P Invoice involved the sales of lithium-ion battery packs to independent third party, we consider such invoice serves as a general reference in relation to sales of lithium-ion battery packs to independent third parties in the market. As such, we have compared the pricing terms of battery packs under the I3P Invoice with those with Zhejiang Geely Group conducted within the 3-month

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period preceding December 2022, which are considered to be a sufficient and reasonable review period and carried out under similar prevailing market conditions given that (i) the market price of battery products is volatile as described below; and (ii) it confirms with the practice of the Company which generally makes reference to the prevailing market price during around one to three months preceding the transactions when determining the price of battery products. We have randomly selected 28 invoices with Zhejiang Geely Group (“**Connected Invoices**”) with respect to the supply of lithium-ion battery packs by the Group, representing over 93% of the historical sales amount during the period from September to December 2022, which we believe to reflect similar market condition and are considered to be fair and reasonable. We then compared the unit prices stated in the I3P Invoices with the unit price under the Connected Invoices per kWh and noted that the unit prices per kWh under the Connected Invoices are no less favourable to the Group than the unit prices under the I3P Invoice for the same or comparable type of battery products. Given that the unit prices under the Connected Invoices are made reference to the prevailing market price and are no less favourable to the Group than that under the I3P Invoice, we consider that the pricing terms of the 2023 Sales Agreement to be fair and reasonable.

In respect of the payment terms, we were given to understand that pursuant to the internal guidelines of the Group, in determination of the payment terms offered to customers of the Group, the Company shall assess a number of factors of the relevant customers on a case-by-case basis predominantly based on the years of business relationship, any overdue payment record with the Group and the operating scale of the customer in terms of turnover. Given that there was no historical transaction conducted by the Group as supplier of lithium-ion battery packs with independent third parties and that the I3P Invoice is not comparable in terms of the shorter period of business relationship and/or smaller operating scale, no comparison on payment terms under the 2023 Sales Agreement with independent third parties can be conducted. Nonetheless, as advised by the Management, the same set of guidelines will apply to both the connected person of the Group and independent third parties, which we consider to be fair and reasonable.

Accordingly, we consider that the principal terms of the 2023 Sales Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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**3. Sales Annual Caps for the 2023 Sales Agreement**

Set out below are the historical transaction amounts and existing annual caps under the 2020 Sales Agreement for the two years ended 31 December 2022 and for the period from 1 January 2023 to 22 October 2023, respectively:

	Existing annual caps		Historical transaction amounts			
	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the period from 1 January 2023 to 22 October 2023 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the period from 1 January 2023 to 30 June 2023 <i>RMB'000</i>
2020 Sales Agreement	460,000	300,000	350,000	383,852	75,974	88,267

Set out below are the proposed Sales Annual Caps under the 2023 Sales Agreement:

	For the period from 23 October 2023 to 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the period from 1 January 2026 to 22 October 2026 <i>RMB'000</i>
Sales Annual Caps	50,000	235,000	155,000	97,000

As seen from the above table, the historical utilisation rates of the existing annual caps are approximately 83.45%, 25.32% and 25.22% respectively for the two years ended 31 December 2021 and 2022 and the period from 1 January 2023 to 22 October 2023. With reference to the Letter from the Board, the Sales Annual Caps were determined based on (i) the historical sales amounts under the 2020 Sales Agreement; (ii) the estimated sales volume of lithium-ion powered battery packs and the expected demand with reference to the expected sales order from Zhejiang Geely Group; (iii) the current and forecast market price of lithium-ion powered battery packs in the market; and (iv) buffer of 15% to the expected transaction amounts to cater for any possible increase in demand from Zhejiang Geely Group and/or fluctuation in the market price of lithium-ion battery packs. In assessing the fairness and reasonableness of the determination of the Sales Annual Caps, we have obtained and reviewed the underlying computations of the Sales Annual Caps as prepared by the Management. We noted that the Sales Annual Caps is based on the projected sales quantity and the

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expected unit price of battery packs for the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 22 October 2026.

*For the period from 23 October 2023 to 31 December 2023*

Based on the computations provided by the Management, we noted that the Company mainly supplies the lithium-ion battery packs to members of the Zhejiang Geely Group for the production of plug-in hybrid electric vehicles (“PHEV”) under an automobile brand of the Zhejiang Geely Group (“CCT Models”) which accounted for a majority portion of over 99% of the Sales Annual Caps before provision of a buffer as described below, and certain models of Volvo Car. Consequently, our analysis of the Sales Annual Caps will predominantly focus on the expected transaction amount with respect to the CCT Models. We noted that the expected average unit prices of battery packs to be supplied by the Group for the production of CCT Models during the period from 23 October 2023 to 31 December 2023 are consistent with the historical actual average unit price in July 2023. According to the information available from Mysteel China operated by Shanghai Ganglian E-commerce Holdings Co., Ltd (上海鋼聯電子商務股份有限公司), being a leading commodity data service provider in the PRC which is listed on the Shenzhen Stock Exchange with stock code 300226, the market price for battery grade lithium carbonate, being the key raw anode material for making the lithium battery, has experienced a continuous descending trend since late 2022, dropping by around 68% from the peak of RMB590,000/tonne in November 2022 to RMB187,500/tonne on 17 April 2023, before rising to RMB300,000/tonne on 31 May 2023 and continue to fluctuate within a narrow range up to mid-July 2023 before starting a moderate decreasing trend and closed at RMB194,000/tonne on 11 September 2023, i.e. the date of the 2023 Sales Agreement. As such, considering the price fluctuation of battery grade lithium carbonate and for conservative purpose, we consider that the expected unit price for the period ending 31 December 2023 which is based on the actual unit price in July 2023, being the most recent monthly reference price at a relatively high level, is fair and reasonable. The expected quantities for the relevant months are consistent with the amounts stated on the contract purchase order schedule for the production of CCT Models for 2023 as provided by Zhejiang Geely Group in late August 2023, which we consider to be fair and reasonable.

*For the year ending 31 December 2024*

We noted that the estimated average unit price of lithium-ion battery packs to be supplied for the production of CCT Models for the year ending 31 December 2024 is equivalent to the actual monthly unit price for July 2023. In view of the fluctuation of market price of lithium carbonate being the main raw material for lithium batteries from late 2022 up to the date of the 2023 Sales Agreement as described above and for prudence sake, the Management has

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estimated the average unit price for battery packs based on the actual unit price in July 2023 being the then latest available monthly reference price which was at a relatively high point prior to the date of the 2023 Sales Agreement, which we consider fair and reasonable. On the other hand, while any concrete order amounts for 2025 and 2026 is too early to estimate, we noted that the expected quantity of battery packs to be supplied for the year ending 31 December 2024 is generally in line with the forecasted number of CCT Models to be built for 2024 as indicated by the brand operating the CCT Models to the Group. As such, we consider the expected quantity of battery packs to be supplied for the production of CCT Models adopted in the determination of the Sales Annual Caps for the year ending 31 December 2024 is fair and reasonable.

*For the year ending 31 December 2025 and the period ending 22 October 2026*

The expected unit prices of battery packs to be supplied for the production of CCT Models for the year ending 31 December 2025 and the period ending 22 October 2026 are equivalent and decreased as compared to that for the year ending 31 December 2024, while the expected quantity of battery packs also showed a decrease for the year ending 31 December 2025 against that of 2024 but remained the same for the period ending 22 October 2026 on an annualised basis. In respect of the expected average unit prices for 2025 and 2026, we understand from the Management that in view of the continuous advancement in technology, increase in economic efficiency and rising market competition, the unit price of lithium-ion battery packs is generally expected to be lower in future years. In respect of the estimated sales volume, given the relevant brand of the CCT Models is an automotive electric van manufacturer based in the UK mostly targeting the European market, we have performed research from the public domain primarily on the European market and noticed that the lithium-ion battery market is expected to benefit and grow rapidly owing to the European Union's 2035 petrol and diesel car ban such that combustion engine cars will be phasing out gradually with a view to reach the zero-emission target by 2035. Notwithstanding the overall positive outlook of lithium-ion battery market and accordingly the electric vehicles market, in consideration of the business strategy of the brand operating the CCT Models shifting from PHEV to full electric vehicles ("EV") which requires new battery packs, the relevant customer has indicated that it may strategically reduce its purchase of lithium-ion battery packs for PHEV from the Group. In view of the potential shifting of business strategy from PHEV to EV in the future, we note that the respective sales quantities in determination of the Sales Annual Caps for the year ending 31 December 2025 and period ending 22 October 2026 were adjusted downward by 25% as compared to the corresponding previous year which we consider reasonable. On the other hand, we noted that the expected quantity of battery packs to be supplied for the production of CCT Models is within the maximum annual production capacity of the Group with respect to the assembling of battery

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cells/modules into battery packs for each of the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 22 October 2026.

Further, considering the Sales Annual Caps cover the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 22 October 2026, we note that a buffer of 15% was applied to the expected transaction amounts for the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 22 October 2026 to cater for any possible increase in demand from Zhejiang Geely Group and/or fluctuation in the market price of lithium-ion battery packs in view of the historical wide range of fluctuation of raw material as described above, which we consider to be reasonable.

Based on the above, we are of the view that the determination of the Sales Annual Caps for the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 22 October 2026 under the 2023 Sales Agreement is fair and reasonable.

## II. Purchase Framework Agreement

### *4. Reasons for and benefits of entering into the Purchase Framework Agreement*

The lithium-ion battery cells, modules and related products to be purchased by the Group from Zhejiang Yaoning Group under the Purchase Framework Agreement formed a component part of the lithium-ion battery pack to be assembled by the Group before selling to its customers. As stated in the Letter from the Board, Zhejiang Yaoning is principally engaged in the research and development of lithium-ion battery, intelligence cabin, light-weighting of vehicle, etc. Through the Purchase Framework Agreement, the Group will be able to secure an additional source and continual supply of lithium-ion battery cells, modules and related products during the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 10 September 2026 from Zhejiang Yaoning Group, which specialised in the manufacture of auto parts and components in the PRC with established business presence.

Since the mass production of Zhejiang Forever New Energy in 2018, the Group has been manufacturing the lithium-ion battery cells before assembling into battery modules and/or battery packs to its customers. Although the Group has full research and development ability (including lithium-ion battery and battery management system design) and the batteries produced are top quality, reliable and safe technically, large vehicle manufacturers are not willing to place large orders due to the small production capacity which results in low utilisation rate of the battery plant and leads to a higher average cost when compared to the other competitors. As such, since late 2021, the Group began to procure the lithium-ion battery modules externally from independent third parties for assembling into battery packs to its customers. The entering into of



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the Purchase Framework Agreement would provide flexibility to the Group as an alternative to procuring the necessary components required along its ordinary and usual course of business so as to ensure smooth operation of the Group and allow the Group to allocate more resources on exploring business opportunities with existing and potential new customers. The Group has been constantly negotiating and promoting products matching with automobile, commercial vehicle or electric bicycle manufacturers and also with potential new customers in the energy storage field and manufacturers which are planning to make a switch from lead-acid battery to lithium-ion battery for their vehicles. It is expected that any potential huge demand from new customers to be solicited could be satisfied with such additional source of lithium-ion battery modules, cells related products from Zhejiang Yaoning Group under the Purchase Framework Agreement.

### *5. Principal terms of the Purchase Framework Agreement*

Pursuant to the Purchase Framework Agreement, the Group shall purchase lithium-ion battery cell, modules and related products from Zhejiang Yaoning Group during the period from 11 September 2023 to 10 September 2026. The exact model and volume of goods sold by Zhejiang Yaoning Group to the Group and the dates of delivery will be provided in separate purchase orders. The price of goods will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those offered by independent third parties and will be specified in separate purchase orders. Payments for the products under the Purchase Framework Agreement shall be settled within 60 days from the date of receipt of the invoice.

In assessing the fairness and reasonableness of the pricing terms under the Purchase Framework Agreement, we have enquired with the Management on any historical transactions regarding the purchase of lithium-ion battery cells/modules from independent third parties. We have accordingly obtained all historical invoices during the period from 1 January 2023 and up to the date of the Purchase Framework Agreement in relation to the Group's purchase of lithium-ion battery modules from an independent third party which, as advised by the Management, offered comparable lithium-ion battery modules as those offered by Zhejiang Yaoning Group. We have then compared the pricing terms offered by such independent third party against those offered by Zhejiang Yaoning Group based on the two historical invoices during February and March 2023, respectively, representing all historical invoices in respect of purchase of battery modules from Zhejiang Yaoning Group up to the date of the Purchase Framework Agreement. Based on our review, we note that the unit price of battery module per watt-hour offered by Zhejiang Yaoning Group is no less favourable to the Group than that offered by the independent third party. As regards the purchase of lithium-ion battery cells, we were advised that there had been no such historical transaction between the Group as purchaser with independent third parties. Alternatively, we have enquired with the Management on any quotations previously

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obtained from independent third parties and Zhejiang Yaoning Group on lithium-ion battery cells with the same or similar specifications. We have therefore obtained one quotation from an independent third party and one quotation from Zhejiang Yaoning Group on the purchase of lithium-ion battery cells both dated in June 2023, representing the only set of quotations of the same or similar lithium-ion battery cells available for meaningful comparison. Based on our review of the quotations, we note that the unit price of lithium-ion battery cell per watt-hour offered by Zhejiang Yaoning Group is no less favourable to the Group than that offered by the independent third party. Accordingly, we consider that the principal terms of the Purchase Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **6. Proposed annual caps for the Purchase Framework Agreement**

Set out below are the proposed Purchase Annual Caps under the Purchase Framework Agreement:

	<b>For the period from 11 September 2023 to 31 December 2023 RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>	<b>For the year ending 31 December 2025 RMB'000</b>	<b>For the period from 1 January 2026 to 10 September 2026 RMB'000</b>
Purchase Annual Caps	42,000	103,000	129,000	72,000

With reference to the Letter from the Board, the Purchase Annual Caps were determined based on (i) the estimated purchase volume of lithium-ion powered battery cells, modules and related products with reference to the expected demand of the Group; (ii) the estimated production capacity of Zhejiang Yaoning Group for the products; (iii) the current and forecast market price of lithium-ion powered battery cells, modules and related products; and (iv) buffer of 15% to the expected transaction amounts to cater for any possible increase in the demand of the Group and/or fluctuation in the market price of lithium-ion battery cells/modules. In assessing the fairness and reasonableness of the determination of the Purchase Annual Caps, we have obtained and reviewed the underlying computations of the Purchase Annual Caps as prepared by the Management. We noted that the Purchase Annual Caps is based on the projected number of vehicles that required the battery products of the Group and the expected price of battery product per vehicle for the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 10 September 2026.

According to the Management, the Group will procure the battery cells/modules from Zhejiang Yaoning Group which will then be assembled by the Group into battery products for use in different types of vehicles before selling to its customers. Based on

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the computations provided by the Management, we note that the unit prices of battery cells/modules to be purchased are estimated with reference to the historical transacted price of battery modules in early 2023 and the quotations issued by Zhejiang Yaoning Group on 29 June 2023 setting out, among others, the unit prices for different product models. The estimated unit prices of battery cells/modules are then multiplied with the required voltage, capacity and the number of battery cells/modules required for assembly per vehicle type to arrive at the total price of battery products per vehicle throughout the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 10 September 2026.

*For the year ending 31 December 2023*

Zhejiang Yaoning Group has supplied lithium-ion battery cells, modules and related products to the Company since 1 January 2023. The historical amounts of products provided to the Company was approximately RMB880,000 from 1 January 2023 and up to the Latest Practicable Date. The projected number of vehicles for the period from 11 September 2023 and ending 31 December 2023 is primarily determined with reference to (i) the historical orders since 2023 and up to the Latest Practicable Date; (ii) the minimum committed orders in the relevant sales contracts from repeat and/or new customers of the Group; and (iii) the expected demand for battery products by the Group's customers. We noted that the determination of the estimated transaction amount was arrived with reference to the expected purchase quantity of two main products being the lithium-ion battery modules and lithium-ion battery cells according to the demand from the customers of the Group.

(a) Purchase of lithium-ion battery modules

With respect to purchase of battery modules from Zhejiang Yaoning Group for sale to the Group's customers, the Group has estimated the relevant quantity based on expected demand from a new key customer ("Customer A"), which entered into two sales contracts with the Group in January 2023 for batches of trial orders and subsequently entered into a framework contract in February 2023 with a minimum committed purchase quantity for the next three years. As learnt from the Management, Customer A has also approached and negotiated with another supplier initially for the purchase of the same quantity of battery modules as that committed with the Group, which shall then filed to the Ministry of Industry and Information Technology of the PRC upon confirmation on the source of supply in accordance with normal market practice. However, we noticed from the announcement titled "關於《道路機動車輛生產企業及產品公告》(第374批)和《享受車船稅減免優惠的節約能源使用新能源汽車車型目錄》(第五十三批)擬發佈內容的公示" available on 14 August 2023 as searched from the website of Ministry of Industry and Information Technology of the PRC which stated the Group/its related entity as the sole manufacturer of lithium-ion battery modules of Customer A. As advised by the Management, the expected purchase

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amount of battery modules by Customer A from the Group for the next three years is assumed to double the committed amount stated under the existing framework contract with the Group in order to satisfy its demand, which we consider fair and reasonable. We noted that the expected purchase quantities of battery modules for the three years ending 31 December 2025 in aggregate is consistent with the total purchase quantities required from Customer A, and is equally split for each of the three years ending 31 December 2023, 2024 and 2025.

(b) Purchase of lithium-ion battery cells

With respect to the purchase of battery cells from Zhejiang Yaoning Group which will primarily be assembled by the Group for sale to a new group of target customers identified starting this year, we have enquired with the Management on information of the new type of battery products produced by the Group. Typically, after turning on the car engines, the generator will generate electricity to power the car battery which is normally lead-acid battery, which will in turn power the appliance in the vehicle such as air conditioner and other electronic gadgets. Given that heavy truck users typically run long haul trips lasting for days which require the drivers to stay and rest in the trucks, a sustainable supply of electricity is required to power various appliances and gadgets such as the air conditioners and Bluetooth device inside the vehicles while the engine is switched off. As the Group has been keen on exploring new business opportunities where suitable, upon thorough market studies and evaluation, the Group has developed and introduced a new type of lithium-ion battery cells for use in heavy trucks, which is capable to generate electricity itself without the need to turn on the car engine. We have independently conducted research on the industry landscape of battery-powered air conditioner in heavy trucks in the PRC. We noticed that due to the relatively unregulated market environment at the initial stage of development, the State Administration for Market Regulation (國家市場監督管理總局) and the Standardisation Administration (國家標準化管理委員會) promulgated the national standard on automotive electric-powered air conditioners (汽車用電驅動空調器國家標準) in 2018, establishing the unified industry standards with a view to eliminate poor quality and unguaranteed products and to enable healthy development of the industry. Consequently, the industry is gradually entering into an orderly and regulated stage since 2018. With reference to the statistics from the China Association of Automobile Manufacturers, (中國汽車工業協會), during the period from 2019 to 2022, the aggregate number of heavy trucks sold in the PRC amounted to approximately 4.86 million. As conventional lead-acid battery typically degrades after 3 years depending on its usage pattern, it is expected that the batch of heavy trucks sold during the period from 2019 to 2022 which used lead-acid battery to power the appliances and devices will require new battery replacement from 2023 onwards in order to restore its full performance and capacity.

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As advised by the Management, having considered the advantages of lithium-ion battery being longer battery lifetime and more sustainable electricity supply, less frequent replacement needs, longer warranty period along with the lower cost from customers' perspective as compared to lead-acid battery, the replacement from lead-acid battery to lithium-ion battery is seen to be of good prospect and business potential. As further advised by the Management, the market is currently scattered by a few relatively small enterprises the products of which may be of mediocre quality. With reference to an article published in May 2022 on 易車 (BITAUTO) (<https://www.yiche.com/>), a PRC automotive internet platform company established in 2000 and listed on the New York Stock Exchange before being privatised in 2020 and becoming a member of the Tencent Group which provides professional information services and marketing solutions to automobile manufacturers and dealers, it is disclosed that owing to the high cost, around 70% to 80% of heavy truck users tends to opt for replacement of air-conditioners by post-installation instead of installation at the time of new purchase of trucks. Moreover, it is stated that such post-installation market is emerged with different miscellaneous brands with poor and varying quality and lack of after-sales services. Given the Group's scale and extensive resources, technological and management expertise accumulated over the years, the Group has successfully tapped into the market of replacement from lead-acid batteries to lithium-ion batteries and/or installation of battery adoption for use in heavy trucks this year. In particular, despite the initial launching and product testing stage since early 2023, the Group was able to secure a new key customer ("**Customer B**") within a short time which has made a relatively bulk purchase of lithium-ion battery cells in March 2023 as trial order and has subsequently entered into a framework agreement with the Group in April 2023 to facilitate future purchase from the Group. Based on the ongoing discussions between the Group and Customer B, it is understood that Customer B will further place additional orders with the Group by the end of 2023, demonstrating its proven confidence level with the Group's products.

Apart from Customer B, the Group has also received trial orders of lithium-ion battery cells from a number of new customers in June 2023, and has further secured a considerable number of sales contracts with certain of such customers after the trial orders as well as new customers since August 2023 for a term ranging from 1 to 3.5 years, the aggregate annual committed transaction value of which amounted to not less than RMB18.5 million based on our review of the signed contracts provided by the Company.

The estimated transaction amounts with respect to Customer A and Customer B, being new key customers who are expected to make repeat purchases during this year, is expected to account for a majority portion of over 53% of the aggregate transaction amount for the year ending 31 December 2023. Taking into account the transacted and committed bulk purchase orders from Customer A, the transacted bulk purchase orders from Customer B, and the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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minimum committed orders from various new and repeat customers, the aggregate transaction amount therefrom accounted for over 104% and 42% of the expected transaction amounts in respect of purchase of battery modules and battery cells by the Group for the years ending 31 December 2023 and 2024, respectively.

*For the two years ending 31 December 2024 and 2025, and the period ending 10 September 2026*

As described in the above paragraph, the expected purchase orders for lithium-ion battery modules from Customer A for the two years ending 31 December 2024 and 2025 are equivalent which is consistent with the demand of Customer A. As advised by the Management, as the Group expects to continue the supply of battery modules and maintain the long-term business relationship with Customer A, the purchase orders from Customer A is expected to be stable in 2026 and therefore the relevant estimated purchase quantity for the period ending 10 September 2026 has been determined based on the expected purchase amount for the previous years which, as annualised, represents around 60% of the purchase quantity for 2025.

As regards the purchase of lithium-ion battery cells, we noted that the estimated purchase quantity for the year ending 31 December 2024 in relation to sales to Customer B represents a growth of approximately 67% from the annualised amount in 2023, and remains the same for the year ending 31 December 2025 and the period ending 10 September 2026 on a pro-rata basis. In this regard, we have obtained from the Company the respective breakdowns by (i) units of battery products sold by the Group from assembly of battery cells purchased from Zhejiang Yaoning Group from June to July 2023 (“**Sold Units**”); and (ii) units of battery products committed to be purchased by repeat and/or new customers of the Group since August 2023 and up to the Latest Practicable Date (“**Committed Units**”). Based on our review, we noticed that the number of Committed Units represent a substantial increment of more than four times of the number of Sold Units. In view of (i) the success of stepping into the market of new lithium-ion battery adoption for use in heavy trucks by the Group within a short period of time as demonstrated by identifying and recruiting a number of key and potential customers; (ii) the experience and expertise accumulated over the years of the Group enabling it to achieve a more solid position gradually; and (iii) continuous sales and marketing efforts to be made by the Group in capturing higher market share, we therefore consider that the increase of estimated purchase quantity from 2023 to 2024 is justifiable.

As regards the purchase of battery cells in relation to other customers of the Group, it is noted that the estimated purchase quantity for the two years ending 31 December 2024 and 2025 represents respective growths of approximately 29% and 28% from the corresponding previous year/period (on an annualised basis),

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and then decreased by approximately 13% for the period ending 10 September 2026 (on an annualised basis). As enquired with the Management, they estimated such trend with reference to the normal battery product life cycle based on their experience. In considering the expected growth pattern, we have analysed the product life cycle of existing battery products of the Group by reviewing their historical sales performance for the past five years since first introduction of the products in 2018. Based on our review and excluding the unprecedented supply chain impact brought by COVID-19 during 2020 which caused sudden disruption to the orders placed, we noted that the length of the life cycle of the Group's products generally ranged from three to four years, usually reaching the peaks in the second and third year after the product launch in the first year, depending on the market acceptance level of different models of battery. Based on the breakdown of Purchase Annual Caps provided by the Management, it is notable that the projected sales trend of battery products by the Group, which consisted of a mix of certain models of lithium-ion battery cells which were launched in the first and second quarters of 2023 respectively, will by and large reach their respective peaks of product life cycle during 2025, whereby sales is expected to start to decrease in 2026, which is in line with the typical product life cycle of the Group's existing products. As such, we are of the view that the pattern of estimated purchase quantity of battery cells for the two years ending 31 December 2024 and 2025, and the period ending 10 September 2026 in the determination of the Purchase Annual Caps is fair and reasonable.

Further, considering the Purchase Annual Caps cover the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 10 September 2026, we note that a buffer of 15% was applied to the expected transaction amounts for the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 10 September 2026 to cater for any possible increase in demand of the Group and/or fluctuation in the market price of lithium-ion battery cells/modules in view of the historical wide range of fluctuation of raw material, which we consider to be reasonable.

Based on the above, we are of the view that the determination of the Purchase Annual Caps for the period ending 31 December 2023, two years ending 31 December 2025 and the period ending 10 September 2026 under the Purchase Framework Agreement is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *7. Internal control measures within the Group*

As disclosed in the Letter from the Board, in order to comply with the pricing basis of the 2023 Sales Agreement and the Purchase Framework Agreement and safeguard the interests of the Shareholders as a whole, the Company will take appropriate internal control measures as follows, among others:

- (i) The Group has formulated internal audit procedures to track, monitor and evaluate the transaction amounts under the 2023 Sales Agreement and the Purchase Framework Agreement on a monthly basis as part of the normal process of preparing management accounts, so as to ensure the Annual Caps are not exceeded;
- (ii) The Group will conduct market research on the prevailing market price by collecting market information and keeping track of the selling prices of similar lithium-ion batteries in the market through different sources including but not limited to at least one market quotation from independent third party lithium-ion powered battery manufacturers and publicly available industry research reports on an ongoing basis;
- (iii) The sales and procurement team of the Group will perform analysis to determine the prices of the lithium-ion battery packs to be sold under the 2023 Sales Agreement and lithium-ion battery cells/modules to be purchased under the Purchase Framework Agreement, which shall be reviewed by the respective heads of sales and procurement department and finance department of the Group and approved by at least two executive Directors or non-executive Director, and shall be not less favourable to the Group than those offered to/by independent customers/suppliers or in the market;
- (iv) The finance and accounting department of the Group will maintain a database of the transaction pricing information under the 2023 Sales Agreement, the Purchase Framework Agreement and other market references, which is updated on a monthly basis in order to keep up-to-date records of the relevant pricing information;
- (v) In the event that any revisions to the selling prices and/or purchase prices under the 2023 Sales Agreement and/or Purchase Framework Agreement are needed, a meeting shall be held among the sales and procurement department and the finance department to confirm and revise the selling prices and/or purchase prices with reference to the market, and the proposed revised price shall be reviewed and approved by at least two executive Directors or non-executive Director;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vi) The above internal control measures shall be supervised and monitored by the Management to ensure the 2023 Sales Agreement and the Purchase 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 the Independent Shareholders as a whole. The Group will conduct assessments at least annually on the internal control measures for all continuing connected transactions to ensure that such measures have been adhered to and are effective;
- (vii) 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; and
- (viii) The Company will also engage its independent auditors to report on transactions under the 2023 Sales Agreement and the Purchase Framework Agreement at the end of the financial year in accordance with the GEM Listing Rules. The independent auditors will review and confirm in the annual report whether transactions under the 2023 Sales Agreement and the Purchase Framework Agreement have been approved by the Board, are in compliance with the pricing policies of the relevant agreements 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.

In view of the above and having considered that the internal control procedures will be implemented with clear lines of responsibilities and that such procedures are generally similar to those adopted by other listed companies in Hong Kong for monitoring continuing connected transactions, we are of the view that there are sufficient internal control measures in place to govern the pricing principles of the 2023 Sales Agreement and the Purchase Framework Agreement and the transactions contemplated thereunder so as to safeguard the interests of the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the terms of the 2023 Sales Agreement, the Purchase Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and the 2023 Sales Agreement and the Purchase Framework Agreement are conducted in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Billy Tang**  
*Managing Director*

*Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the accounting and investment banking industries.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and chief executives in the shares, the underlying shares and debentures of the Company or any associated corporation

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

#### *Long positions in the Shares and underlying shares of the Company*

Number of directors	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
HE Xuechu	57,939,189	22,460,000	–	80,399,189	0.82
LIU Wei, William	9,002,000	–	–	9,002,000	0.09
YAN Weimin	30,000,000	–	–	30,000,000	0.30
CHAN Chun Wai, Tony	1,000,000	–	–	1,000,000	0.01

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests and short positions in the shares and underlying shares of the Company**

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

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

Name of shareholder	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Mr. Li ( <i>Note 1</i> )	103,064,000	50,000,000	5,918,504,675	6,071,568,675	61.61
Geely Group Limited ( <i>Note 2</i> )	2,829,000	–	4,065,000,000	4,067,829,000	41.28
Hong Bridge Capital Limited	4,065,000,000	–	–	4,065,000,000	41.25
Geely International	1,850,675,675	–	–	1,850,675,675	18.78
Zhejiang Geely ( <i>Note 3</i> )	–	–	1,850,675,675	1,850,675,675	18.78

*Notes:*

1. Mr. Li holds 91.08% equity interest of Zhejiang Geely and 100% equity interest of Geely Group Limited.
2. Geely Group Limited is the controlling shareholder holding 68.86% equity interest of Hong Bridge Capital Limited.
3. Zhejiang Geely holds 100% equity interest of Geely International.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of

Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

### **3. INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

### **4. INTERESTS IN CONTRACTS**

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

### **5. INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors, controlling Shareholders and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

### **7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

**8. MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material adverse change in the overall financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**9. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinions in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group, nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the expert named above did not have any direct or indirect interest in any assets which had since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.8137.hk>) for a period of 14 days from the date of this circular.

- a. the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- b. the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;

- c. the written consent referred to under the paragraph headed “9. Expert and Consent” in this appendix;
- d. the 2023 Sales Agreement;
- e. the Purchase Framework Agreement; and
- f. this circular.

**11. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Yeung Ho Ming, who is a Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Liu Wei, William, an executive Director and joint chief executive officer of the Company.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (f) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Honbridge Holdings Limited (the “**Company**”) will be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 6 November 2023, at 10:00 a.m. for the purpose of considering and, if thought fit, pass the following resolutions with or without amendments as an ordinary resolutions of the Company. Capitalised terms defined in the circular dated 19 October 2023 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

#### **ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the 2023 Sales Agreement (a copy of which is tabled at the meeting and marked A and initialled by the chairman of the meeting for identification purpose), the Sales Annual Caps and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary be and is/are hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or thing deemed by him/her to be incidental to, ancillary to or in connection with the 2023 Sales Agreement, the Sales Annual Caps and the matters and transactions contemplated thereunder.”

2. “**THAT:**

- (a) the Purchase Framework Agreement (a copy of which is tabled at the meeting and marked B and initialled by the chairman of the meeting for identification purpose), the Purchase Annual Caps and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary be and is/are hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or thing deemed by him/her to be incidental to, ancillary to or in connection with the Purchase Framework Agreement, the Purchase Annual Caps and the matters and transactions contemplated thereunder.”

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

Hong Kong, 19 October 2023

*Notes:*

1. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 31 October 2023.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders may consider appointing the chairman of the EGM as his/her proxy to vote on the resolutions, instead of attending the EGM in person. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy needs not be a shareholder of the Company.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjourned meeting thereof should he so wish.
4. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholdings.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company at [www.8137.hk](http://www.8137.hk) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting.

*As at the date of this notice, 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.*