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HONBRIDGE HOLDINGS LIMITED

洪橋集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE ACQUISITION AND RESUMPTION OF TRADING

On 17 November 2009, the Company as the purchaser entered into the MOU with VNN as the vendor in relation to the Possible Acquisition. The total consideration for the Possible Acquisition is not more than US\$430,000,000 and will be satisfied in cash by installment. The Possible Acquisition, if it proceeds, is subject to various conditions and the entering into of a legally binding agreement.

Save for several legally-binding clauses, such as publicity and the publication and distribution of marketing materials, the terms set out in the MOU are not legally binding.

The Possible Acquisition may or may not proceed. Investors are reminded to exercise caution when dealing in the Shares. Further announcement regarding the Possible Acquisition will be made in accordance with all applicable requirements of the GEM Listing Rules as and when appropriate.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 18 November 2009 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 November 2009.

THE MEMORANDUM OF UNDERSTANDING DATED 17 NOVEMBER 2009

Parties

Purchaser : the Company

Vendor : VNN

To the best of the directors' knowledge, information and belief having made all reasonable enquiries, VNN is a third party independent of the Company and its connected persons.

Assets to be acquired

100% of the issued share capital of SAM

Major terms of the MOU

- (1) The parties shall endeavour to negotiate and execute the definitive SPA and other legal documents reflecting the terms and conditions of the MOU and otherwise satisfactory to the parties on or before 18 December 2009.
- (2) The total consideration for the Possible Acquisition of not more than US\$430,000,000 will be satisfied by installment in the following manner:
 - (a) On the date of execution of the SPA, the Company shall pay US\$10,000,000 in cash, being the SPA Execution Payment, into an escrow account (the costs of opening and operation of such escrow account shall be shared equally by VNN and the Company) of a Brazilian bank that offers custodian services jointly appointed by VNN and the Company;
 - (b) On the date on which the Resource Confirmation is deemed to have occurred, the Company shall pay US\$65,000,000 in cash to VNN, being the Resource Confirmation Payment;

The Company shall solely fund at an estimated cost of approximately US\$35,000,000 for the Agreed Scope of Work. The works set out in the Agreed Scope of Work shall be jointly supervised by VNN and the Company.

If the resource set out in the Resource Estimate is greater or equal to (i) 0.7 billion tonnes of 20.0% Fe of Measured Resource, and (ii) 2.8 billion tonnes of 20.0% Fe of Measured Resource and Indicated Resources in aggregate or such lower numbers as the Company shall accept at its sole discretion, then the Resource Confirmation shall be deemed to have occurred.

If the resource set out in the Resource Estimate is less than (i) 0.7 billion tonnes of 20.0% Fe of Measured Resource, or (ii) 2.8 billion tonnes of 20.0% Fe of Measured Resource and Indicated Resources in aggregate or the Company at its sole discretion has not accepted a lower number, then the Resource Confirmation shall not be deemed to have occurred.

- (c) On the date of receipt of the last of the relevant approvals and permits to be agreed in the SPA, the Company shall pay US\$115,000,000 in cash to VNN, being the Approvals Payment;
- (d) On the date that the port commences operation, the Company shall pay US\$120,000,000 in cash to VNN, being the Port Payment; and
- (e) On the date production commences from any of the areas represented by 94 exploration permits held by SAM and its affiliates, the Company shall pay US\$120,000,000 to VNN, being the Mining Payment

(3) Due Diligence

The Company confirms that it shall commence and complete its due diligence investigation as soon as practicable. VNN confirms that it shall assist the Company in commencing and completing its due diligence investigation as soon as practicable.

The definitive legally binding SPA shall not be entered into unless the Company in its sole discretion is satisfied with the results of the due diligence.

(4) Termination

The MOU shall terminate upon the earlier of:

- (a) execution of the SPA;
- (b) the written agreement of the parties to terminate the MOU and the parties' obligations hereunder; or
- (c) notice of termination by any party if the SPA has not been executed by the parties on or prior to 31 January 2010, or such longer period as the parties may mutually agree in writing.

INFORMATION ON THE TARGET GROUP

SAM is a wholly-owned subsidiary of VNN, the venture capital/new business development division of Grupo Votorantim, one of the largest Latin American private industrial conglomerates, with over 60,000 employees and net revenues of USD19.0 billion for the year ended 31 December 2008. Grupo Votorantim, founded as a textile company in 1918, has diversified its activities into cement and concrete, pulp and paper, metals (zinc, aluminium, nickel and steel), orange juice, and financial services. Owned by the Ermírio de Moraes family, Grupo Votorantim is a non-publicly traded group and is one of the few investment grade companies in Brazil (by Standard & Poor's and Fitch Ratings). The Directors believe that market status and local network of VNN would have positive impact on the Project, which includes the obtaining of relevant approvals and permits from local government. SAM is a private company incorporated in Brazil and is principally engaged in the identification and exploration of iron ore resources in the Brazilian states of Minas Gerais and Bahia. SAM, together with its affiliates, holds the mineral rights to 94 exploration permits. If the Possible Acquisition proceeds, all the exploration permits held by SAM's affiliates will be transferred to SAM by the date of the SPA.

The following information on SAM and the Project is provided by VNN:

Location

SAM, together with its affiliates, holds the mineral rights to 94 exploration permits covering an area of approximately 136,000ha. The permits are grouped into nine exploration areas identified as Blocks 5 to 13, located along a mineralized trend of approximately 270km in the north of Minas Gerais (Blocks 6 to 13) and the south of Bahia (Block 5).

Blocks 8 and 7 are located approximately 410km north of Belo Horizonte, the capital of the State of Minas Gerais. Block 8 is located 48km to the southwest, and Block 7 is located 39km to the northwest, of the town of Salinas. The straight-line distance between the two Blocks is 25km.

Blocks 8 and 7 can be accessed from Belo Horizonte (the capital of the State of Minas Gerais) via Federal roads BR-135 and BR-251 and by local paved and unsealed roads.

The climate in the region is semi-arid and the local altitude varies from 600 meters to 1,000 meters. The surrounding infrastructure is adequate with road access to the major towns in the region. Power is available through either the national or local grid. The nearest ports to the region are located approximately 400km in a straight line from Blocks 8 and 7. Montes Claros is the closest airport, with regular commercial flights from Belo Horizonte and São Paulo, and is located 150km to the west of Block 8.

Geology, mineralogy, resources and reserves

The iron ore deposits of Blocks 8 and 7 are composed of iron-rich diamictites of Neoproterozoic age, developed in a distal glacial-marine environment with probable hydrothermal contribution and precipitation of iron-rich fluids. The mineralization comprises hematite and hematite magnetite diamictites, with subordinated hematite quartzites and rare hematite schist layers, the latter in general representing mylonitic zones associated with the regional deformation.

Mineralogy

Hematite and magnetite, followed by subordinated goethite, are the main iron minerals in the deposits, with hematite largely predominant in Block 8 and hematite and magnetite in equal amounts in Block 7. Phosphorus occurs almost exclusively as apatite in Block 8, and in Block 7 a minor part of the phosphorus occurs associated with iron hydroxides.

Resources

The Block 8 ore body is 5.52km long and has an average width of 3.06km with an average thickness of 79 meters and general attitude of N-S/15-22E. The mineralization in Block 8 is thicker and has higher grades to the east, indicating high resource potential along the dip of the deposit.

The Block 7 ore body extends over 11.2km and has an average width of 1.38km and an average thickness of 60 meters. The attitude of the northern portion of the ore body is N40E/10-15SE and the southern portion's attitude is N70E/15-18SE.

Due to the low-angle dip of the mineralization, the strip ratio for both Blocks is low.

Advanced exploration, development and test work has been performed on Blocks 8 and 7 covering an exploration area of approximately 2,600ha and 7,900ha, respectively, including surface and geophysical mapping (1:10,000 scale), diamond drilling (98 holes for approximately 11,500 meters) and sampling, following strict quality assurance/quality control procedures.

The exhibit below summarizes the mineral resource estimation (in compliance with JORC standard) prepared by Coffey Mining, an independent expert for, among all, resource estimate, mine plan and tailings:

Block 8 – 14% Fe Lower Cutoff Grade Applied
Block 7 – 15% Fe Lower Cutoff Grade Applied

Deposit	Category	Million tonnes	Fe (%)
Block 8	Indicated	214	21.90%
	Inferred	1,571	20.04%
	Total	1,785	20.26%
Block 7	Indicated	25	21.71%
	Inferred	1,031	20.55%
	Total	1,056	20.58%
Total		2,841	20.38%

Source: Report of Coffey Mining

The ore characteristics of the resource are:

- Block 8 – 22% friable; 34% semi-compact; 44% compact; and
- Block 7 – 11% friable; 49% semi-compact; 40% compact.

Potential resources

Coffey Mining has estimated additional potential resources of approximately 3,700 million tonnes in Block 8, and 2,500 million tonnes in Block 7, totaling over 6,000 million tonnes of estimated additional potential resources with mineralization confirmed during surface mapping. These potential resources require further evaluation to be confirmed (Source: Report of Coffey Mining).

SAM also holds mineral exploration rights to Blocks 5, 6, 9, 10, 11, 12 and 13, with iron ore mineralization identified in all of them and with high potential for the delineation of significant new deposits.

SAM's blocks are located adjacent to iron ore deposits and prospects owned by other exploration, mining and steel companies, including local companies and Anglo American, BHP Billiton, CSN and Vale.

The advanced status of SAM's project and its infrastructure alternatives represents an attractive growth opportunity through regional consolidation.

FOB Cost structure

Based on information issued by a financial adviser and provided by VNN, the free on board cost is estimated at US\$19.66/tonne of pellet feed when the yearly production is reached at 25 million tonnes at 65% Fe or above.

REASONS FOR THE POSSIBLE ACQUISITION

The Company is principally engaging in refining and trading of silicon and research and development of highly purified silicon for solar cells, magazine publishing and advertising activities. Since the Company was taken over by Hong Bridge in October 2007, the Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector.

The internal consumption of steel in China has been increasing rapidly since 1990s, and particularly in recent years. The PRC's demand for steel is driven by the extensive and continual construction of infrastructures (such as power stations, ports, highways and railways) as a result of its rapid industrialisation. As both iron ore and manganese are important elements in the steel refining process, the Company considers that the mining industry related to iron ore and manganese resources has considerable development potential. As announced by the Company on 12 November 2009, the Company entered into a conditional agreement for the acquisition of 66% equity interest in Xianglan Do Brasil Mineração Ltda, which holds the exploration licenses for three manganese mines in the Bahia State of Brazil.

The Directors believe that demand of iron ore will exceed supply in China in the future and consider that it is a good opportunity to invest in iron ore mining asset. The Directors consider that the Possible Acquisition provides a good opportunity for the Company to invest in an iron ore mining company with substantial resources with significant expansion potential.

The Directors also consider favorably of the Possible Acquisition because Minas Gerais State is an important iron producing area in Brazil, and Salinas is surrounded by an enormous ore cluster with substantial reserves which will definitively become a significant development with more advanced infrastructure in the future. Further, although no exploration activities have been conducted in Blocks 9 – 13 and detailed explorations in Blocks 5 – 8 have not been completed, there is an expectation for additional significant resources. In addition, the low-angle dip of the mineralization enables easier exploitation, and might also contribute to the low FOB cost.

The Company is actively identifying and looking for large steel conglomerates, mining companies and port operators to be involved in the further development of the Project.

Save for several legally-binding clauses such as publicity and the publication and distribution of marketing materials, the terms set out in the MOU are not legally binding.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreed Scope of Work”	an agreed scope of work to be decided and agreed by VNN and the Company in the SPA in respect of the exploration works including but not limited to the drilling of a total depth of not less than 60,000 metres within the area of the Project
“Approvals Payment”	the amount of US\$115,000,000 payable by the Company to VNN on the date of receipt of the last of the relevant approvals and permits to be agreed in the SPA
“Board”	the board of Directors
“Company”	Honbridge Holdings Limited, a company incorporated in Cayman Islands with limited liabilities, the Shares of which are listed on the GEM
“Director(s)”	the director(s) of the Company
“Escrowed Documents”	transfer documents necessary for effecting transfer of the SAM Shares to the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM

“Group”	the Company and its subsidiaries
“Iron Ore Resource(s)”	as defined by reference to the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Iron Ore Resource are known, estimated or interpreted from specific geological evidence and knowledge. Iron Ore Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
“Indicated Resources”	as defined by reference to the JORC Code, that part of a Iron Ore Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Resource has a lower level of confidence than that applying to a Measured Resource
“Inferred Resource”	as defined by reference to the JORC Code, that part of a Iron Ore Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability. An Inferred Resource has a lower level of confidence than that applying to an Indicated Resource
“JORC”	Joint Ore Reserves Committee
“Mining Payment”	the amount of US\$120,000,000 payable by the Company to VNN on the date production commences from any of the areas represented by the 94 exploration permits held by SAM and its affiliates

“Measured Resource(s)”	as defined by reference to the JORC Code, that part of a Iron Ore Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity. Mineralisation may be classified as a Measured Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the competent person determining the Iron Ore Resource, that the tonnage and grade of the mineralisation can be estimated to within close limits and that any variation from the estimate would not significantly affect potential economic viability
“MOU”	the memorandum of understanding dated 17 November 2009 entered into between the Company and VNN in relation to the Possible Acquisition
“Port Payment”	the amount of US\$120,000,000 payable by the Company to VNN on the date that the port commences operation
“Possible Acquisition”	the possible acquisition by the Company from VNN of the SAM Shares as contemplated in the MOU
“PRC”	the Peoples’ Republic of China
“Project”	an integrated mine-pipeline-port project designed by SAM to produce 25mtpa of pellet feed with a life of mine of 20 years
“Resource Confirmation”	the scenario where the resource set out in the Resource Estimate is greater or equal to (i) 0.7 billion tonnes of 20.0% Fe of Measured Resource, and (ii) 2.8 billion tonnes of 20.0% Fe of Measured Resource and Indicated Resources in aggregate or such lower numbers as the Company shall accept at its sole discretion
“Resource Confirmation Payment”	the amount of US\$65,000,000 payable by the Company to VNN on the date which Resource Confirmation is deemed to have occurred
“Resource Estimate”	the resource estimate prepared in accordance with the JORC code for Blocks 7 and 8 by a major international geological consultancy firm jointly selected and appointed by the Company and VNN

“SAM” or “Target”	Sul Americana de Metais S.A., a company incorporated in Brazil and a wholly-owned subsidiary of VNN
“SAM Shares”	the entire issued share capital of SAM
“Share(s)”	ordinary share(s) of HK\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SPA”	the sale and purchase agreement to be entered into between the Company and VNN if the Possible Acquisition materializes
“SPA Execution Payment”	the amount of US\$10,000,000 payable by the Company to VNN on the date of execution of the SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VNN”	Votorantim Novos Negócios Ltda., a company incorporated in Brazil and the venture capital/new business development division of Grupo Votorantim, one of Latin America’s largest industrial conglomerates
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board
Honbridge Holdings Limited
LIU Wei
Director and CEO

Hong Kong, 18 November 2009

As at the date of this announcement, the Board comprises Mr. He Xuechu, Mr. Liu Wei, William and Mr. Shi Li Xin as executive directors; and Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang as independent non-executive directors.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the “GEM Listing Rules” for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

In this announcement, US\$ has been converted to HK\$ at the rate of US\$ 1 = HK\$7.75 for illustration purpose only. No representation is made that any amounts in US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

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