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## **HONBRIDGE HOLDINGS LIMITED**

*(incorporated in the Cayman islands with limited liability)*

(stock code : 8137)

### **MEMORANDUM OF UNDERSTANDING IN RELATION TO BUSINESS COOPERATION OF SAM WITH MG GOVERNMENT**

This announcement is made by the Company on a voluntary basis to keep the Shareholders and potential investors of the Company informed of the latest business development of the Group.

Reference is made to the announcements of the Company dated 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010 in relation to the entering into of the MOU by the Company with VNN in relation to the possible Acquisition. Reference is also made to the announcement of the Company dated 16 April 2010 regarding the entering into of the definitive Share Purchase Agreement in relation to the Acquisition between Lit Mining and VNN as the sellers, Esperento and Mineral Ventures; Infinite Sky, as the buyer, New Trinity, and the Company. The following memorandum of understanding is entered into by SAM, which will become a wholly owned subsidiary of the Company after the Acquisition, with MG government.

#### **The MG-MOU**

On 16 June 2010 (Brazil time), SAM and MG Government entered into the MG-MOU, pursuant to which the parties agreed to conduct a wide range of cooperation to support the implementation of the Project in relation to, amongst all, mining, processing plant and pipeline in MG.

The MG-MOU sets out the cooperation framework between SAM and MG government. The terms set out in the MG-MOU are not legally binding. **Shareholders and investors should note that certain figures contained in this announcement might only represent a reference or estimation. Shareholders and investors are cautioned that reliance on any of these figures involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the figures based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the enclosure of figures in this announcement should not be regarded as representations by the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Shareholders and investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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## **THE MG-MOU**

### **Date**

16 June 2010 (Brazil time)

### **Parties**

- (1) SAM, which will become a wholly owned subsidiary of the Company after the Acquisition
- (2) MG Government

## **Principal terms of the MG-MOU**

Under the MG-MOU, SAM agreed to the following:

- a) SAM shall (i) construct a comprehensive plan of iron ore mining, beneficiation and pipeline that will reach the carrying capacity of 25 million tons per year of pellet feed in MG.; (ii) create approximately a total of 1800 direct jobs during the operational phase when it reaches its full operational capability; and (iii) start the Project in March 2010 and expected to complete in March 2014;
- b) SAM shall promote training and qualification of labor force, primarily local, to be used in manufacturing and technology development, for the business mentioned in (i) of (a) above;
- c) SAM shall increase the supply of new products mainly targeting new markets, including both domestic and export, for the business mentioned in (i) of (a) above;
- d) SAM shall undertake to submit to relevant authorities all information and documentation necessary for the granting of funding and benefits contained in this MG-MOU, according to the existing law;
- e) SAM shall comply in a timely manner with the legal and administrative arrangements with the authorities to protect the environment related to the granting of licenses necessary for the implementation and operation of its industrial design;
- f) SAM shall treat and dispose of its liquid and gas industrial waste and its solid industrial waste, as determined by environmental legislation in force;

- g) SAM should consider using suppliers and service providers who are based in MG first, including companies from engineering design and construction, as long as on equal terms for technical and product prices and/or services;
- h) Subject to the terms and condition contained in this MG-MOU, SAM shall keep the plant in operation inside the city for a minimum of 10 years from the date of the MG-MOU;
- i) SAM shall have all of its new and existing vehicles licensed in MG as well as all vehicles that are transferred to MG, within 12 months from the date of signing of this MG-MOU; and
- j) SAM shall send an annual status report to MG Government for the project for monitoring and verification by authorities and institutions.

Under the MG-MOU, MG Government agreed to the following:

- a) MG Government shall endeavor, in accordance with applicable law to provide SAM financing for working capital and fixed investments with funds administered upon all standards and requirements for approval of such funding are met, subject to budgetary limits in force;
- b) MG Government, through SEMAD, shall undertake to receive and dispatch as soon as possible, the analysis of the environmental permits of the Project and will be approved by COPAM State Environmental Policy Committee;
- c) SEDRU is committed to (i) guide the hiring of technical services for the preparation or revision of the municipal master plan; (ii) monitor the drafting of the municipal master plan; and (iii) seek partnerships and resources in order to facilitate projects that focus on increasing urban infrastructure, including housing programs and investments in sanitation, in proportion to the impact on each municipality;
- d) MG Government intends to facilitate the intermediation of labor force employed in the municipalities and the surrounding area to meet Project's labour requirements, by providing information, sending workers' resumes for vacancies available in the relevant government body and, if necessary, carrying out selection processes for job applicants and vocational qualification;
- e) MG Government, through CEMIG, shall undertake to carry out necessary works in the distribution system in accordance with relevant legislation, to meet the needs of SAM through its electrical system, when its concentration plant is in operation; and
- f) MG Government, through INDI, shall provide support and assistance to SAM during the implementation and operation of the Project, particularly with regard to the financing and licenses required for the Project.

In accordance with the MG-MOU, it is specified that in case of supervening changes in the constitutional norms of Brazil or in any federal or state laws as well as in the case of unpredictable events that could affect, directly or indirectly, the implementation of intentions by the parties, they intend to renegotiate the affected parts of this MG-MOU.

In the event that either party wishes to withdraw from this MG-MOU, it shall send a written

request to the relevant government body.

The MG-MOU sets out the cooperation framework between SAM and MG government. The terms set out in the MG-MOU are not legally binding. **Shareholders and investors should note that certain figures contained in this announcement might only represent a reference or estimation. Shareholders and investors are cautioned that reliance on any of these figures involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the figures based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the enclosure of figures in this announcement should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Shareholders and investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### **REASONS FOR ENTERING INTO THE MG-MOU**

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. To implement such strategy, 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 mineral resources in the Bahia State of Brazil on 7 November 2009. Details have been disclosed in the announcement of the Company dated 12 November 2009 and the circular of the Company dated 24 February 2010. The said transaction was completed on 24 March 2010.

The Board considers that the Company has been and will continue to be engaging in the energy and resources industry. It is mentioned in the circular of the Company dated 24 February 2010 that it is one of the plans of the Group to resell its interest in Xianglan Brazil and the Company will consider which plan will bring the biggest benefit to the Company and its Shareholders. The Board considers that such trading activities of mining assets are also within the business scope of the energy and resources sector. However, it is the intention of the Company to be engaging in development and mining activities of the Project.

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. As disclosed in the announcements of the Company dated 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010, the Company has entered into the MOU with VNN in relation to the possible Acquisition. On 5 March 2010, the definitive Share Purchase Agreement in relation to the Acquisition was entered into between Lit Mining and VNN as the sellers, Esperento and Mineral Ventures; Infinite Sky, as the buyer, New Trinity, and the Company. Details have been disclosed in the announcement of the Company dated 16 April 2010.

As the implementation of the Project involves substantial work on infrastructure and facilities which are normally subject to relevant government's consents and various approvals, SAM in Brazil and MG government entered into the MG-MOU setting out the cooperation framework. The MG-MOU is not legally binding. The Company believes that the MG-MOU will enable the Company to obtain support and assistance from the Brazilian local governmental authorities in relation to the Project.

## **THE LATEST DEVELOPMENT OF THE PROJECT**

As advised by the management of SAM, after entering into the definitive Share Purchase Agreement dated 5 March 2010 in relation to the Acquisition of SAM as disclosed in the announcement of the Company dated 16 April 2010, Honbridge has remitted the first three installments of loans in aggregate of US\$ 15,870,000 to SAM on 19 April 2010 and 3 June 2010 according to the timetable of the Loan Agreement.

SAM has appointed Geologica e Sondagens Ltda. as the drilling contractor, SGS-Geosol Laboratorios Ltda. to be in charge of assays laboratory, Golder Associates Corporation as the eligible persons of resource confirmation. The tender and employment of other constructions, including, amongst all, services and consulting works in relation to resource confirmation, including topographic survey and location, core test, slicing, logging, density measurement, storage and review, mine project design, pipeline extension project design, environment, community relations and land use, have been completed.

The intensive drilling work of continuous drilling has started on 1 May 2010. As of 15 June 2010, 53 drilling holes totaling 5,518.59 meters have been completed. All of the holes revealed the existence of iron ore which is in line with expectation.

The antitrust investigation of Honbridge's acquisition of SAM has been reviewed by the relevant government department of Brazil. Approximately 60% of water required in SAM's project has been approved by the National Water Agency (ANA). The negotiation on construction of electric transmission and transformation facilities is now in progress.

## **DEFINITIONS**

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

“Acquisition”	the acquisition by the Company of the SAM Shares pursuant to the terms and conditions of the Share Purchase Agreement, details of which have been disclosed in the announcement of the Company dated 16 April 2010
“Board”	the board of Directors
“Brazil”	Federative Republic of Brazil
“CEMIG”	Companhia Energética de Minas Gerais (The Federal Concessionaire of Public Service of Electric Power of MG *)
“Company”	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on the GEM
“COPAM”	O Conselho de Política Ambiental (The State Council for Environmental Policies of MG *)
“Director(s)”	the director(s) of the Company

“Esperento”	Esperento S.à r.l., a Grand Duchy of Luxembourg private limited liability company (société à responsabilité limitée), an indirect wholly-owned subsidiary of VNN; Esperento is an investment holding 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
“INDI”	Instituto de Desenvolvimento Industrial de Minas Gerais (Minas Gerais State Integrated Development Institute of MG *)
“Infinite Sky”	Infinite Sky Investments Limited, a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Company
“Lit Mining ”	Lit Mining Coöperatief U.A., a Netherlands cooperative (coöperatie) and an indirect wholly-owned subsidiary of VNN; Lit Mining is an investment holding company
“MG”	the State of Minas Gerais, Brazil
“MG Government”	government of MG
“MG-MOU”	the memorandum of understanding dated 16 June 2010 entered into between SAM and MG Government in relation to the business cooperation as disclosed in the section headed “The MG-MOU” in this announcement
“MOU”	the memorandum of understanding dated 17 November 2009 entered into between the Company and VNN in relation to the possible Acquisition
“New Trinity”	New Trinity Holdings Limited, a company incorporated in the British Virgin Islands, an indirect wholly-owned subsidiary of the Company
“Project”	an integrated mine-pipeline-port project designed by SAM to produce 25mtpa of pellet feed with a life of mine of 20 years
“SAM”	Sul Americana de Metais S.A., a company incorporated in Brazil and an indirect wholly-owned subsidiary of VNN; SAM is principally engaged in the identification and exploration of iron mineral resources in the Brazilian states of MG and Bahia
“SAM Shares”	the entire issued share capital of SAM which consist of 9,999 common shares and the one preferred share of SAM
“SEDRO”	Secretaria de Estado de Desenvolvimento Regional e Política Urbana (The Regional Development and Urban Policy State Office of MG *)

“SEMAD”	Secretaria de Estado de Meio Ambiente e Desenvolvimento Sustentável (The State Department for the Environment and Sustainable Development of MG *)
“Share(s)”	ordinary share(s) of HK\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Purchase Agreement”	the share purchase agreement dated 5 March 2010 entered into between Lit Mining and VNN as the sellers, Esperento and Mineral Ventures; Infinite Sky, as the buyer, New Trinity, and the Company in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars, the lawful currency of the United States of America
“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
“%”	per cent.

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

Hong Kong, 18 June 2010

*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; Mr. Ang Siu Lun, Lawrence and Mr. Yan Weimin as non-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.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website [www.8137.hk](http://www.8137.hk)*

*\* For identification only*