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## **HONBRIDGE HOLDINGS LIMITED**

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

**(stock code: 8137)**

### **CONTINUING CONNECTED TRANSACTION**

**Financial adviser to Honbridge Holdings Limited**



**CIMB Securities (HK) Limited**

#### **The Distribution Agreement**

On 21 October 2010, Hongying Trading, an indirect wholly owned subsidiary of the Company, entered into the Distribution Agreement with Yingyue, pursuant to which Yingyue has been appointed as the non-exclusive distributor of the Steel Products sourced by Hongying Trading for a term commencing from the Effective Date to 31 December 2012.

As Yingyue is owned as to 70% by Mr. Yan, a non-executive Director of the Company, Yingyue is a connected person of the Company and the transactions contemplated under the Distribution Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Since the applicable percentage ratios in respect of the Continuing Connected Transaction with reference to the Annual Caps are more than 5%, the Continuing Connected Transaction will be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

#### **General**

A circular containing, among other things, details of the Distribution Agreement, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Distribution Agreement, the recommendation of the Independent Board Committee regarding the Distribution Agreement to the Independent Shareholders and the notice of the EGM is expected to be dispatched to the Shareholders on or before 11 November 2010 in accordance with the GEM Listing Rules.

## **THE DISTRIBUTION AGREEMENT**

### **Date**

21 October 2010

### **Parties**

- (i) Yingyue (as purchaser); and
- (ii) Hongying Trading, an indirect wholly owned subsidiary of the Company (as the supplier)

Yingyue is a connected person of the Company for the purpose of the GEM Listing Rules by virtue of the fact that Yingyue is owned as to 70% by Mr. Yan, a non-executive Director of the Company.

Hongying Trading is principally engaged in the trading of steel and steel related products.

Yingyue is principally engaged in provision of raw materials for construction (including steel products) to large PRC companies.

### **Terms**

Pursuant to the Distribution Agreement, Yingyue has been appointed as a non-exclusive distributor of certain Steel Products sourced by Hongying Trading for a term commencing from the Effective Date to 31 December 2012.

During the term of the Distribution Agreement, Yingyue has the right to purchase the Steel Products from Hongying Trading on a priority basis and re-sell them to its customers within the PRC. Pursuant to the Distribution Agreement, the selling price of the Steel Products will be based on the sourcing cost of the Steel Products plus a commission of no less than 0.5% of the sourcing cost of the Steel Products. The sales of the Steel Products to Yingyue is subject to arms length negotiation which will be conducted on normal commercial terms and based on market price which is no less favorable to the Group than to other independent third parties.

### **Condition Precedent**

The Continuing Connected Transaction is conditional upon the passing of the necessary resolutions at the EGM to approve the Distribution Agreement and the Annual Caps by the Independent Shareholders.

### **Annual Caps**

The Board estimates that the Annual Caps under the Continuing Connected Transaction from the Effective Date to 31 December 2010 and each of the financial years ending 31 December 2011 and 2012 will not exceed RMB300 million (equivalent to approximately HK\$350 million), RMB2,000 million (equivalent to approximately HK\$2,334 million) and RMB2,100 million (equivalent to approximately HK\$2,451 million) respectively.

In determining the Annual Caps, the Directors have taken into account (i) the expected volume of the Steel Products to be sold to Yingyue; (ii) the prevailing market prices of Steel Products; and (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future.

### **Reasons for entering into the Distribution Agreement**

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. The Group has also entered into the share purchase agreement with VNN on acquisition of 100% of the issued share capital of SAM which holds some exploration licenses of iron ore in Minas Gerais, details of which are disclosed in the announcement of the Company dated 16 April 2010. The Group under the existing management has been continuously looking for expanding opportunities in the energy and resources sector. Based on the information available from the website of World Steel Association, 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. By entering into the Continuing Connected Transaction, the Group can broaden its experience in the steel sector. The Directors also consider that the Distribution Agreement will enable the Group to benefit from the established steel products network of Yingyue and hence broadening the Group's income base.

In carrying out the distribution of the Steel Products by Hongying Trading, the Group understands that the business requires large working capital support in view of the expected trading volume. The Group currently expects that Hongying Trading is able to finance its working capital requirement by way of customer advanced payment and credit and/or bank facilities and will not require any financial support or guarantee from the Company. Therefore, the Directors consider that the entering into the Distribution Agreement would not have adverse impact on the Group's working capital position.

The Distribution Agreement was entered into during the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors, who will form their view after considering the advice from an independent financial adviser to be appointed) consider that the terms of the Distribution Agreement, including the Annual Caps, are fair and reasonable and are in the interest of the Company and Shareholders as a whole.

### **Listing Rules Implications**

As Yingyue is owned as to 70% by Mr. Yan, an non-executive Director of the Company, Yingyue is a connected person of the Company and the transactions contemplated under the Distribution Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Since the applicable percentage ratios in respect of the Continuing Connected Transaction with reference to the Annual Caps are more than 5%, the Continuing Connected Transaction will be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Mr. Yan and his associates will abstain from voting on the resolution approving the Continuing Connected Transaction at the EGM.

## **GENERAL**

A circular containing, among other things, details of the Distribution Agreement, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Distribution Agreement, the recommendation of the Independent Board Committee regarding the Distribution Agreement to the Independent Shareholders and the notice of the EGM is expected to be dispatched to the Shareholders on or before 11 November 2010 in accordance with the GEM Listing Rules.

## **DEFINITIONS**

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Annual Caps”	for the purpose of Chapter 20 of the GEM Listing Rules, means the proposed annual caps of the Continuing Connected Transaction for the period from the Effective Date to 31 December 2010 and each of the two financial years ending 31 December 2012 as set out under the section headed “Annual Caps”
“associate(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Continuing Connected Transaction”	the transactions contemplated under the Distribution Agreement
“Director(s)”	director(s) of the Company

“Distribution Agreement”	the Distribution Agreement dated 21 October 2010 entered into between Hongying Trading and Yingyue as described in the section headed “The Distribution Agreement” in this announcement
“Effective Date”	being the date on which the Independent Shareholders approve the Distribution Agreement and the transactions contemplated thereunder, including the Annual Caps, at the EGM
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve the Distribution Agreement and the transactions contemplated thereunder including the Annual Caps
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongying Trading”	Shanghai Hongying Trading Co. Ltd.* (上海洪鷹貿易有限公司), a limited liabilities company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors appointed to advise the Independent Shareholders in respect of the Distribution Agreement and the transactions contemplated thereunder including the Annual Caps
“Independent Shareholders”	Shareholders other than those required to abstain from voting at the EGM, namely, Mr. Yan and his associates
“Mr. Yan”	Mr. Yan Weimin, an non-executive Director
“Minas Gerais”	the State of Minas Gerais, Brazil
“PRC”	the People’s Republic of China (which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan)
“RMB”	Reminbi, the lawful currency of the PRC

“SAM”	Sul Americana de Metais S.A., a company incorporated in Brazil and an indirect wholly-owned subsidiary of VNN
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Steel Products”	the steel products to be supplied by the Hongying Trading to Yingyue including steel, screw steel, screw plate, wire rod, striped steel, channel steel, angle iron, rail, stainless steel wedge, stainless steel shuttle, steel plate, mica tape, storage plate and forging parts, etc.
“VNN”	Votorantim Novos Negocios 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
“Yingyue”	Shanghai Yingyue Industrial Co. Ltd.* (上海鷹悅實業有限公司), a limited liabilities company incorporated in the PRC and owned as to 70% by Mr. Yan
“%”	per cent.

*For use in this announcement and for illustration purposes only, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.1673 as at the date of this announcement. No representation is made that any amount in HK\$ and RMB could be converted at such rate.*

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

Hong Kong, 21 October 2010

\* *For identification only*

*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)*