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## **HONBRIDGE HOLDINGS LIMITED**

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

**(Stock Code: 8137)**

### **CLARIFICATION ANNOUNCEMENT 2011 ANNUAL REPORT AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE SALE OF COPPER PRODUCTS**

#### **CLARIFICATION ON THE ANNUAL REPORT**

The Board would like to provide certain additional information to the Annual Report as set out in the below text of this announcement. Shareholders should note that such additional information should be read in conjunction with the Annual Report and save for such additional information, all other information contained in the Annual Report remains unchanged.

#### **THE COPPER CCT**

The Board would like to announce that on 24 September 2012, Hongying Trading entered into the Framework Agreement with Yingyue to rectify the Copper CCT for the year ended 31 December 2011 and the period from 1 January 2012 to 31 March 2012.

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

The Caps under the Copper CCT are RMB300 million (equivalent to approximately HK\$366 million) and RMB400 million (equivalent to approximately HK\$488 million) for the year ended 31 December 2011 and the year ending 31 December 2012 respectively.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yingyue is owned as to approximately 98.75% by Mr. Yan Weimin, a non-executive Director. Therefore, Yingyue is a connected person of the Company under the GEM Listing Rules.

Since the applicable percentage ratios for the Copper CCT exceeded 5% and the actual amounts of the Copper CCT for the year ended 31 December 2011 and the period from 1 January 2012 to 31 March 2012 exceeded HK\$10,000,000, the Copper CCT constituted a non-exempt continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules and was subject to the reporting, annual review, announcement and independent shareholders' approval requirements. The Directors noted that the Company had omitted to comply with the aforesaid requirements and is taking necessary steps to rectify the Copper CCT.

The Company will seek the Independent Shareholders' approval by way of poll in respect of the Copper CCT at the EGM whereby Mr. Yan Weimin and his associates shall abstain from voting.

In addition, the Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Framework Agreement (including the Caps) and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will also comply with the annual review requirements on the Copper CCT in accordance with Rules 20.37 and 20.38 of the GEM Listing Rules.

#### **GENERAL**

A circular containing, inter alia, (i) details of the Framework Agreement; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 17 October 2012 in accordance with the GEM Listing Rules.

#### **CLARIFICATION ON THE ANNUAL REPORT**

Reference is made to the Annual Report. Shareholders should note that the additional information to the Annual Report as set out below should be read in conjunction with the Annual Report.

Under the section headed "Connected Transaction" of the Annual Report, the Board wishes to add that, the independent non-executive Directors have, pursuant to Rule 20.37 of the GEM Listing Rules on the requirement to carry out annual review on all continuing connected transactions, other than fully exempt continuing connected transactions under Rule 20.33 of the GEM Listing Rules (if any), reviewed the Steel CCT for the year ended 31 December 2011 and confirmed that the Steel CCT for the year ended 31 December 2011 was entered into: (i) in the ordinary and usual course of the business of the Company; (ii) on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing it on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Company has engaged its external auditor to review the Steel CCT for the year ended 31 December 2011 in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company had issued an unqualified letter containing their findings and conclusions in respect of the Steel CCT for the year ended 31 December 2011 pursuant to Rule 20.38 of the GEM Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange. Pursuant to Rule 20.38 of the GEM Listing Rules, the auditor of the Company confirmed that the Steel CCT for the year ended 31 December 2011: (i) had been approved by the Board; (ii) was in accordance with the pricing policies of the Company; (iii) had been entered into in accordance with the relevant agreements governing the Steel CCT; and (iv) had not exceeded the cap as disclosed in the announcement of the Company dated 21 October 2010 in relation to the Steel CCT for the year ended 31 December 2011.

Save as disclosed above, all other information contained in the Annual Report remains unchanged.

## **THE COPPER CCT**

On 24 September 2012, Hongying Trading entered into the Framework Agreement with Yingyue to rectify the Copper CCT for the year ended 31 December 2011 and the period from 1 January 2012 to 31 March 2012.

### **Parties**

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

Yingyue is principally engaged in the provision of raw materials for construction (including steel products) to sizeable PRC companies. As at the date of the announcement, Yingyue is owned as to approximately 98.75% by Mr. Yan Weimin, a non-executive Director. Therefore, Yingyue is a connected person of the Company under the GEM Listing Rules.

Hongying Trading is principally engaged in the trading of (i) steel and steel related products; and (ii) copper and copper related products.

### **Subject matter**

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

During the term of the Framework Agreement, Yingyue has the right to purchase the Copper Products from Hongying Trading on a priority basis and re-sell them to its customers within the PRC. In accordance with the terms of the Framework Agreement, the selling price of the Copper Products shall be determined based on the price Yingyue sells to independent third

parties and the disbursement of reasonable expenses incurred by Yingyue. Moreover, payment of the consideration for each transaction shall be settled by Yingyue within three business days upon delivery of the relevant Copper Products by Hongying Trading to Yingyue or other date as agreed by both parties which is no less favourable to Hongying Trading than to other independent third parties.

### **Condition precedent**

The Copper CCT is conditional upon the passing of the resolution(s) at the EGM to approve the Framework Agreement and the Caps by the Independent Shareholders.

### **The Caps**

The Caps under the Copper CCT are RMB300 million (equivalent to approximately HK\$366 million) and RMB400 million (equivalent to approximately HK\$488 million) for the year ended 31 December 2011 and the year ending 31 December 2012 respectively. In determining the Caps, the Directors have taken into account (i) the expected volume of the Copper Products to be sold to Yingyue; (ii) the prevailing market prices of the Copper Products; and (iii) buffers for the possible price increase of the Copper Products in line with the movement of the general consumer prices in the PRC as well as the possible growth in transaction volume of the Copper Products in the future.

### **REASONS FOR THE COPPER CCT**

The Group is principally engaged in the research and exploration of mineral resources, trading of steel products and non-ferrous metals (including copper) and the production and sale of silicon products.

It was the intention of the Company to expand its source of income and the customer base of its copper sales business and to procure orders from the sizeable state-owned enterprises such as Jiangxi Copper Corporation (江西銅業集團). As Hongying Trading is a new company incorporated on 30 September 2010 with no copper trading track record, Hongying Trading was not recognised by certain sizeable state-owned enterprises. To facilitate the sales of the Copper Products to those sizeable state-owned enterprises, Hongying Trading sold the Copper Products to Yingyue under the Copper CCT and Yingyue re-sold the Copper Products to those sizeable state-owned enterprises. No effective gain was made by Yingyue under the above arrangement.

The actual amounts of the Copper CCT are approximately RMB206.35 million (equivalent to approximately HK\$251.75 million) and RMB353.10 million (equivalent to approximately HK\$430.78 million) for the year ended 31 December 2011 and the period from 1 January 2012 to 31 March 2012 respectively. Having taken into account that the gain from the Copper CCT for Hongying is not satisfactory for the year ended 31 December 2011 and the period from 1 January 2012 to 31 March 2012, Hongying had terminated the Copper CCT from 1 April 2012 onwards.

The Directors (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) consider that the terms of the Copper CCT (including the Caps), which is in the ordinary and usual course of business of the Company, are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yingyue is owned as to approximately 98.75% by Mr. Yan Weimin, a non-executive Director. Therefore, Yingyue is a connected person of the Company under the GEM Listing Rules.

Since the applicable percentage ratios for the Copper CCT exceeded 5% and the actual amounts of the Copper CCT for the year ended 31 December 2011 and the period from 1 January 2012 to 31 March 2012 exceeded HK\$10,000,000, the Copper CCT constituted a non-exempt continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules and was subject to the reporting, annual review, announcement and independent shareholders' approval requirements (the "**Requirements**"). The Directors noted that the Company had omitted to comply with the Requirements and is taking necessary steps to rectify the Copper CCT.

The Company will seek the Independent Shareholders' approval by way of poll in respect of the Copper CCT at the EGM whereby Mr. Yan Weimin and his associates shall abstain from voting.

In addition, the Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Framework Agreement (including the Caps) and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will also comply with the annual review requirements on the Copper CCT in accordance with Rules 20.37 and 20.38 of the GEM Listing Rules.

## **GENERAL**

A circular containing, inter alia, (i) details of the Framework Agreement; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 17 October 2012 in accordance with the GEM Listing Rules.

## **DEFINITIONS**

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

“Annual Report”	the annual report of Company for the year ended 31 December 2011
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“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of the Directors
“Caps”	mean the proposed caps of the Copper CCT for the year ended 31 December 2011 and the year ending 31 December 2012
“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 person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Copper CCT”	the continuing connected transaction between Hongying Trading and Yingyue in relation to the sale of Copper Products by Hongying Trading to Yingyue
“Copper Products”	the copper products supplied by Hongying Trading to Yingyue
“Director(s)”	the director(s) of the Company
“Effective Date”	being the date on which the Independent Shareholders approve the Framework Agreement and the transactions contemplated thereunder, including the Caps, at the EGM
“EGM”	the extraordinary general meeting of the Company to be held, and if thought fit, to approve the Framework Agreement and rectify the Copper CCT
“Framework Agreement”	the framework agreement entered into between Hongying Trading and Yingyue on 24 September 2012 in relation to the Copper CCT
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on 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”	上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.*), a limited liabilities company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“Independent Board Committee”	the independent board committee of the Company formed to consider the terms of the Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Yan Weimin and his associates
“PRC”	the People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Steel CCT”	the continuing connected transaction between Hongying Trading and Yingyue in relation to the sale of Steel Products by Hongying Trading to Yingyue
“Steel Products”	the steel products supplied by Hongying Trading to Yingyue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yingyue”	上海鷹悅實業有限公司 (Shanghai Yingyue Industrial Co. Ltd.*), a limited liabilities company incorporated in the PRC and owned as to approximately 98.75% by Mr. Yan Weimin
“%”	per cent.

By order of the Board  
**LAM King Ho**  
Company Secretary

Hong Kong, 24 September 2012

*As at the date of this announcement, the Board comprises Mr. He Xuechu, Mr. Liu Wei, William and Mr. Shi Lixin 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.*

*For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00: HK\$1.22. Such translations should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all*

*reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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

*\* for identification purpose only*