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HONBRIDGE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

SETTLEMENT AGREEMENT IN RELATION TO BRAZIL SAM IRON ORE MINING PROJECT

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Company would like to update its shareholders, investors and potential investors that on 12 May 2016 (Brazil time), the Company, Infinite Sky, New Trinity, SAM, Votorantim (for itself and as successor in interest to VNN, Lit Mining, Lit Quad, Esperanto and Mineral Ventures) entered into the Settlement Agreement to settle and resolve the disputes presented in the Arbitration and otherwise arising under the Amended Share Purchase Agreement and related agreements between the parties, without any admission of wrongdoing by any party.

This announcement is made by Honbridge Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

BACKGROUND

Reference is made to the Company’s announcements in relation to the Acquisition dated 16 April 2010 (the “**Announcement**”), 7 July 2010, 27 August 2010, 1 December 2010, 24 December 2010, 20 January 2011, 4 April 2011, 11 May 2011, 31 May 2011, 23 April 2012, 4 July 2012, 18 July 2012, and 12 September 2012, the Company’s announcement in relation to, among other things, the amendments to the Supplemental Agreement dated 14 January 2013 and 7 February 2013 (the “**Supplemental SPA Announcements**”), and the Company’s announcements dated 28 March 2013, 25

September 2013, 27 January 2014, 8 September 2014, 4 November 2014, 19 January 2015 and 11 June 2015, as well as the Company's circular dated 5 November 2010 (the "**Circular**"). Capitalised terms used herein shall have the same meanings as those defined in the Announcement, Supplemental SPA Announcements and the Circular unless otherwise stated.

The Transaction Documents

The Share Purchase Agreement

On 5 March 2010, (i) Lit Mining (as the seller), VNN (also as the seller), Esperanto, and Mineral Ventures, on the one hand; and (ii) Infinite Sky (as the buyer), New Trinity, and the Company, on the other hand, entered into the Share Purchase Agreement in relation to the Acquisition by the Company of the SAM Shares at a Consideration of US\$390,000,000 (before adjustments). Both Infinite Sky and New Trinity are subsidiaries of the Company.

On 7 February 2013, the same parties to the Share Purchase Agreement entered into the Supplemental SPA to amend, among other things, the payment structure of the Share Purchase Agreement (the Share Purchase Agreement and the subsequent amendments shall hereinafter be referred to as the "**Amended Share Purchase Agreement**").

The Management Services Agreement

On the same date as the parties entered into the Share Purchase Agreement on 5 March 2010, Mineral Ventures, VNN, the Company and SAM entered into the Management Services Agreement. Pursuant to the Management Services Agreement, Mineral Ventures would provide management services to SAM in relation to the day-to-day operations of SAM in connection with the Agreed Scope of Work.

Pursuant to the Supplemental SPA, the Supplemental MSA was signed such that the Management Services Agreement was terminated (the Management Services Agreement and the Supplemental MSA shall hereby be referred to as the "**Amended Management Services Agreement**").

The Security Agreement

Pursuant to the Share Purchase Agreement, the Security Agreement was signed upon Closing whereupon Infinite Sky pledged all of the New Trinity Shares (as represented by the New Trinity Certificate) to the Custodian in favour of VNN and Lit Mining, so as to secure certain payment obligations of the Group under the Share Purchase Agreement. Pursuant to the Supplemental SPA, the Supplemental Security Agreement was signed after Closing to reflect amendments made in the Supplemental SPA (the Security Agreement as amended by the Supplemental Security Agreement shall be referred to as the "**Amended Security Agreement**").

The Brazilian Security Agreement

Pursuant to the Amended Share Purchase Agreement, the Brazilian Security Agreement was signed at Closing to pledge SAM's mineral production to secure certain payment obligations of the Group under the Amended Share Purchase Agreement.

The Loan Agreement

On the same date as the parties entered into the Share Purchase Agreement on 5 March 2010, SAM as the borrower, the Company as the lender and Lit Quad entered into the Loan Agreement (which was subsequently amended). Pursuant to the Loan Agreement, the Company agreed to provide a maximum of US\$35 million loan to SAM exclusively for the purposes of completing the Initial Scope of Work, including the reimbursement of expenses of VNN pursuant to the Management Services Agreement. Pursuant to the Loan Agreement, the Group granted Lit Quad an option to purchase all rights and obligations of the Loan Agreement at a purchase price of US\$1, which could be exercised by Lit Quad, among other things, after the Closing Date when SAM (i) was not owned by the Company, and (ii) was owned by Lit Quad or any of its affiliates (the "**Option**").

On the same date as the parties entered into the Supplemental SPA on 7 February 2013, SAM, the Company and Lit Quad entered into the New Loan Agreement (which was subsequently amended) in relation to the loan of US\$7 million by the Company to SAM, with similar Option provisions.

Payment of Consideration

Pursuant to the Amended Share Purchase Agreement, the Consideration of US\$390,000,000 (before adjustments) for the Acquisition was to be satisfied in the following manner:

- (i) US\$10,000,000, was deposited with the Escrow Agent and thereafter released to the Sellers following the Resource Confirmation Date or, in the event Infinite Sky waived the closing condition regarding Resource Confirmation, the tenth Business Day following such waiver; and
- (ii) US\$65,000,000 on the Closing Date and was paid on 28 March 2013; and
- (iii) US\$115,000,000 (i.e., the Approvals Payment) on the earlier of (a) the Early Approval Payment Date whereupon (1) the Port Operation Payment (i.e., the amount listed in paragraph (iv) below) be reduced to US\$40,000,000; and (2) the Mining Production Payment (i.e., the amount listed in paragraph (v) below) be reduced to US\$40,000,000; or (b) the tenth Business Day following the Approval Date (i.e., the Closing Date or the date on which the Required Approvals had been obtained, whichever was later) or the date Infinite Sky waived the requirements that all Required Approvals be obtained, and
- (iv) US\$100,000,000 (i.e., the Port Operation Payment) on the tenth Business Day following the Port Operation Commencement Date; and

- (v) US\$100,000,000 (i.e., the Mining Production Payment) on the tenth Business Day following the Mining Production Commencement Date.

The Amended Security Agreement was signed to secure payment of the Approvals Payment. The Brazilian Security Agreement was signed to secure payment of the Port Operation Payment and the Mining Production Payment. Pursuant to the Amended Share Purchase Agreement, all of the SAM Shares would be transferred to the Group at Closing save for the Golden Share, which would be transferred only upon the Seller's receipt of the Approvals Payment. The Golden Share is a preferred share of SAM with no voting rights, except the right to vote in relation to, among other things, the following (before the Approval Date):

- (i) sale of assets of BRL100,000 or more;
- (ii) sale of any mining rights of any value;
- (iii) change in the rights and advantages of the preferred shares;
- (iv) creation of preferred shares or conversion of shares;
- (v) redemption or amortization of preferred shares; and
- (vi) any decision that might impact or modify, even if indirectly, the contents or the manner in exercising the rights, advantages and privileges of the preferred shares.

The above matters require a unanimous vote of all shareholders (common and preferred) of SAM. Its purpose was to secure payment of the Approvals Payment.

Pursuant to the Amended Share Purchase Agreement, if (i) the Approvals Payment had not been made, (ii) the joint notice to the Custodian to release the New Trinity Certificate to Infinite Sky had not been issued and (iii) transfer of the Golden Share to Infinite Sky had not been made (together, the "**Approvals Payment Exchange**") by 11:59 p.m. New York City time on 5 September 2014 (being the Termination Date), VNN, Lit Mining or Infinite Sky had the right to terminate the Amended Share Purchase Agreement, provided that the right to terminate should not be exercisable by any party whose failure to comply with the Amended Share Purchase Agreement or the other Transaction Documents had materially contributed to, or resulted in, failure of the Approvals Payment Exchange to occur on or prior to the Termination Date (the "**Termination Provisions**").

Closing and Early Approval Payment Date

Closing occurred on 28 March 2013 and the Group made the payment of US\$65,000,000 in accordance with the Amended Share Purchase Agreement. SAM became a subsidiary of the Company whereby all of the SAM Shares, except for the Golden Share, were transferred from Lit Mining to New Trinity.

In September 2013, the Group opted not to make the Approvals Payment on the Early Approval Payment Date.

Termination of the Amended Share Purchase Agreement

As at 5 September 2014 (New York City time), the Required Approvals had not been fully obtained. Accordingly, Infinite Sky issued a termination notice to VNN and Lit Mining pursuant to the Termination Provisions on 6 September 2014 (New York City time), requesting (i) VNN and Lit Mining's execution of the joint instructions to the Custodian to release the New Trinity Certificate to Infinite Sky; (ii) transfer of the Golden Share to the Group; and (iii) VNN and Lit Mining's execution of the release relating to the Brazilian Security Agreement. However, VNN rejected the said termination and did not consider the Amended Share Purchase Agreement had been terminated (and therefore did not intend to sign the joint instructions to the Custodian or transfer the Golden Share) unless and until the parties had reached a mutually agreeable commercial resolution regarding the foregoing, or an arbitration decision compelled VNN and Lit Mining to do so.

Arbitration

The Group, Lit Mining and VNN had failed to arrive at a commercially reasonable solution despite expiry of the deadline set by the Group. On 10 June 2015, the Group filed a request for arbitration against Lit Mining and VNN in relation to termination of the Amended Share Purchase Agreement (the "**Arbitration**"). Since then, the Company has cooperated with its legal advisers to conduct significant detailed preparation work in order to ensure the Group's complaints in writ are made with merit and persuasive. But in the meantime, the Group is also putting various efforts in arriving at a commercial resolution with VNN that is beneficial to both sides.

THE SETTLEMENT AGREEMENT AND RELEASE

The Company would like to update its shareholders, investors and potential investors that on 12 May 2016 (Brazil time), the Company, Infinite Sky, New Trinity, SAM (hereinafter referred to as the "**Honbridge Parties**"), Votorantim S.A. ("**Votorantim**") (for itself and as successor in interest to VNN, Lit Mining, Lit Quad, Esperento and Mineral Ventures (hereinafter referred to as the "**Votorantim Parties**")) entered into a settlement agreement and release (the "**Settlement Agreement**") to settle and resolve the disputes presented in the Arbitration and otherwise arising under the Amended Share Purchase Agreement and related agreements between the parties, without any admission of wrongdoing by any party.

Major terms of the Settlement Agreement are as follows:

Settlement Payment to Votorantim and transfer of Golden Share to Infinity Sky

- (i) the Company shall pay to Votorantim a settlement payment of US\$3,000,000 (the "**Settlement Payment**");
- (ii) Votorantim and Infinite Sky shall execute SAM's share transfer book to effect transfer of the Golden Share to Infinite Sky free and clear of any encumbrance;
- (iii) SAM shall execute SAM's share register to record Infinite Sky as owner of the Golden Share;

(iv) Votorantim and Infinite Sky shall execute a joint notice to the Custodian directing it to release and deliver the New Trinity Certificate to Infinite Sky; and

(v) Votorantim as successor to VNN and Lit Mining shall execute a release to effectuate and evidence the termination of the Brazilian Security Agreement.

(documents in items (ii) to (v) above together with the Settlement Agreement shall be referred to as the “**Termination Documents**”).

As at the date of this announcement, the Termination Documents are held in escrow by the Group’s Brazilian lawyers, which will be released upon Votorantim’s intermediary or beneficiary bank has confirmed receipt of the Settlement Payment.

Conditional additional payment

If, however:

(i) the Company disposes of any or all of its interests in Infinite Sky to a party other than New Trinity or SAM;

(ii) Infinite Sky disposes of any or all of its interests in New Trinity to a party other than the Company or SAM;

(iii) New Trinity disposes of any or all of its interests in SAM to a party other than the Company or Infinite Sky; or

(iv) SAM disposes of all or a significant portion of its assets other than the sale of inventory (i.e., pellet feed or other minerals) in the ordinary course of business after the production or extraction of minerals has begun, to a party other than the Company, Infinite Sky or New Trinity;

(each a “**Disposal Event**”) after the execution of the Settlement Agreement but before (a) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the Exploration Permits issued to SAM has been shipped commercially (the “**New Mining Production Commencement Date**”); or (b) any final and non-appealable order, by any Brazilian regulatory authority, permanently restraining, enjoining or otherwise preventing the consummation of the New Mining Production Commencement Date, whichever is earlier, and the Net Proceeds (as defined below) from such a Disposal Event exceeds 120% of the Company’s investment in SAM and the Project, which comprises:

(1) the amount of US\$75,000,000, being part of the Consideration and US\$420,000, an incentive payment previously paid to VNN;

(2) the Settlement Payment of US\$3,000,000 under the Settlement Agreement;

(3) an amount of US\$1,500,000, paid to a third party as fees for preparation of SAM’s feasibility study report;

- (4) the amount of US\$64,175,000, representing the funds loaned to SAM and capital invested by the Company, Infinite Sky and/or New Trinity in SAM as of the date of the Settlement Agreement; and
- (5) the total sum of any additional loans and capital invested (and not repaid, reduced or returned) by the Company, Infinite Sky and/or New Trinity in SAM or the Project, in each case which is related to the development of the Project, between the date of the Settlement Agreement and the date of any Disposal Event (“**Honbridge’s Investment**”), provided that the Group shall present documentation reasonably satisfactory to Votorantim of such additional loans and capital contributions,

with the aggregate of items (1) to (5) above in no event exceeding US\$250,000,000, then the Net Proceeds (defined below) from the Disposal Event that exceed 120% of Honbridge’s Investment shall be shared equally by the Company and Votorantim, with payment to Votorantim in no event to exceed US\$60,000,000 (the “**Additional Payment**”).

The consideration for the Disposal Event shall consist entirely of cash and with no portion of the consideration being deferred. In the event any portion of the purchase price consists of deferred consideration, full amount of the deferred consideration shall be deemed received at the time of the Disposal Event.

“**Net Proceeds**” means the amount of cash received by the Group in consideration of, or as a result of, a Disposal Event after payment of all taxes due in connection with such Disposal Event and all reasonable transaction costs, expenses and taxes incurred by the Group and paid to a third party in connection with a Disposal Event.

Conditional mining production payment to Votorantim

If, prior to the expiry of 10 years after the date of the Settlement Agreement, the New Mining Production Commencement Date occurs and all Additional Payments made by the Company to Votorantim in the aggregate prior to that date are less than US\$30,000,000, then the Company shall pay US\$30,000,000 to Votorantim within 10 Business Days after the New Mining Production Commencement Date.

Notice payment

During the period between the date of the Settlement Agreement and (i) Votorantim’s receipt of the maximum amount of the Additional Payment in aggregated Additional Payments or (ii) the New Mining Production Commencement Date (whichever is earlier) the Group shall provide notice to Votorantim no later than 10 Business Days following the occurrence of one or more Disposal Events. The Group shall pay an amount of US\$1,000,000 to Votorantim upon every breach of such obligation.

Termination of the Amended Share Purchase Agreement and other agreements

Upon release of the Termination Documents:

- (i) the Amended Share Purchase Agreement shall have no further force and effect with no liability to any party in respect thereof or of the transactions contemplated thereby on the part of any party;
- (ii) Votorantim, as successor in interest to VNN and Lit Quad, will automatically unconditionally release and waive any and all Options under (i) the Loan Agreement as amended by and among the Company, Lit Quad and SAM, and (ii) the New Loan Agreement as amended by and among the Company, Lit Quad and SAM (together, the “**Loans**”); and VNN will no longer be deemed a party to any of the Loans and will be released from any rights and obligations thereunder; and
- (iii) each of (i) the Amended Security Agreement and (ii) the Brazilian Security Agreement, shall terminate and the security interests created thereby shall be released.

Accordingly, the Group shall no longer be liable to pay the Approvals Payment, the Port Operation Payment and the Mining Production Payment under the Amended Share Purchase Agreement.

Withdrawal of the Arbitration

Following release of the Termination Documents, Infinite Sky, the Company and Votorantim, on its own behalf and on behalf of VNN and Lit Mining, will take all action to terminate and withdraw all claims and cross-claims asserted in the Arbitration, with prejudice and without costs to either Infinite Sky and the Company on the one hand or VNN on the other.

Mutual Releases

Upon release of the Termination Documents, the Group will irrevocably release and discharge the Votorantim Parties from and against all actions and claims which the Group have against the Votorantim Parties arising out of, relating to, or in connection with (i) the Project, (ii) the Amended Share Purchase Agreement, (iii) the Amended Management Services Agreement, (iv) the Loans, (v) the Brazilian Security Agreement, (vi) the Amended Security Agreement, and (vii) the Arbitration; provided that this release shall not release any Votorantim Parties from any agreements, covenants or provisions contained in the Settlement Agreement.

Upon receipt by Votorantim of the Settlement Payment, the Votorantim Parties will irrevocably release and discharge the Group from and against all actions and claims which the Votorantim Parties have against the Group arising out of, relating to, or in connection with (i) the Project, (ii) the Amended Share Purchase Agreement, (iii) the Amended Management Services Agreement, (iv) the Loans, (v) the Brazilian Security Agreement, (vi) the Amended Security Agreement, and (vii) the Arbitration; provided that this release shall not release any Honbridge Parties from any agreements, covenants or provisions contained in the Settlement Agreement.

REASONS FOR ENTERING INTO THE SETTLEMENT AGREEMENT

The terms of the Settlement Agreement have been arrived at after arm's length negotiations between the Group and the Votorantim Parties. The Directors believe that the terms of the Settlement Agreement are fair and reasonable and in the interest of the Shareholders as a whole having considered the following:

- (i) under the Settlement Agreement, Votorantim shall effect transfer of the Golden Share to Infinite Sky free and clear of any encumbrance. After such transfer, the Group shall own 100% of the issued share capital and equity interests of SAM;
- (ii) under the Settlement Agreement, the Group and the Votorantim Parties would terminate and withdraw all claims and cross-claims asserted in the Arbitration, which would reduce the time and financial costs as well as other uncertainties associated with the Arbitration to the Group. Otherwise in the event the Group did not succeed in the Arbitration, the remaining instalments of Consideration would need to be paid;
- (iii) the total payment under the Settlement Agreement, the maximum amount of which is US\$63,000,000, is less than the aggregate amount of the remaining instalments of Consideration under the Amended Share Purchase Agreement (namely the Approvals Payment, the Port Operation Payment and the Mining Production Payment, amounting to US\$315,000,000 in aggregate) which will be payable by the Group should the Group fail to succeed in the Arbitration in its entirety; and
- (iv) the Company may at its discretion decide the pace of the Project's development according to the circumstances and may dispose of the relevant assets when opportunities arise.

On behalf of the Board
Honbridge Holdings Limited
LIU Wei, William
Director and Chief Executive Officer

Hong Kong, 13 May 2016

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. Ma Gang and Mr. Ha Chun as independent non-executive directors.

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: (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 "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.