

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement.



Hidili Industry International Development Limited

恒鼎實業國際發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01393)

PROPOSED NOTES RESTRUCTURING

This Announcement is made by Hidili Industry International Development Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 30 October 2015, 4 November 2015 and 14 December 2015 in relation to, among other things, the Company’s US\$400 million 8.625% senior notes due 2015 (the “**Notes**”) with approximately US\$182.8 million in principal amount outstanding and the formation of the Steering Committee.

This Announcement contains forward-looking statements. Such forward-looking statements involve important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by the Company. The risks and uncertainties include, but are not limited to, our ability to restructure the Notes and our loans, our efforts in managing cost of production, our ability to sell our assets and general economic conditions. Shareholders, Noteholders, holders of other securities of the Company and potential investors in the securities of the Company are urged not to place undue reliance on such forward-looking statements.

1. INTRODUCTION

The Company has been engaged in discussions with the Steering Committee, certain holders of beneficial interests in the Notes, and certain other creditors of the Company and the Group, with a view to effecting a restructuring that will safeguard the ability of the Company and the Group to continue to trade as a going concern, and thereby maximise returns to the creditors of the Company and the Group as a whole.

The purpose of this Announcement is to provide Noteholders with the key indicative terms of a proposed restructuring of the Notes (the “**Debt Restructuring Proposal**”). Such key indicative terms as disclosed in this Announcement may change as a result of discussions and negotiations with Noteholders and other creditors of the Group which are still ongoing. The final debt restructuring proposal for the Group and the terms of the relevant creditors’ scheme of arrangement will be subject to, among other things, the sanction of the Grand Court of the Cayman Islands. **There is no assurance that a creditors’ scheme of arrangement, whether on these terms or any other terms, will be entered into or become effective.**

2. THE DEBT RESTRUCTURING PROPOSAL

The Debt Restructuring Proposal is proposed to be implemented by way of a creditors’ scheme of arrangement in the Cayman Islands, which may be supported by proceedings in other jurisdictions (the “**Creditors’ Scheme**”), whereby all Noteholders will be deemed to be scheme creditors and their rights under the Notes will be subject to the compromise provided for under the terms of the Creditors’ Scheme.

The Proposed Debt Compromise

The Debt Restructuring Proposal contemplates all Noteholders accepting the proposed scheme consideration (as detailed below; the “**Proposed Scheme Consideration**”) in full satisfaction of:

- (a) the outstanding principal amount of the Notes;
- (b) the interest on the Notes accrued but unpaid through to the maturity date of the Notes on 4 November 2015; and
- (c) any other claims under the Notes, including but not limited to, the interest on the Notes accrued but unpaid through to the Restructuring Effective Date.

(together the “**Existing Noteholder Claims**”).

The Proposed Scheme Consideration

The Proposed Scheme Consideration comprises:

- (a) the Cash Consideration, being an aggregate of US\$5 million, payable on the Restructuring Effective Date;
- (b) the New Notes; and
- (c) the CVRs.

Each Noteholder will receive, for each US\$1,000 principal amount of the Notes held by it on the record date (to be provided for under the terms of the Creditors' Scheme): (a) US\$27.36 in Cash Consideration; (b) New Notes in a principal amount as set out in Section 3 below; and (c) CVRs with notional value as set out in Section 4 below.

The principal terms of the New Notes are set out in Section 3 below and the principal terms of the CVRs are set out in Section 4 below.

Election of New Notes

Noteholders will have the option to elect to receive Tranche A Notes or Tranche B Notes or any combination thereof. The aggregate principal amount of Tranche A Notes will not exceed 50% of Existing Noteholder Claims (the “**Maximum Tranche A Principal Amount**”).

If the principal amount of Tranche A Notes requested by Noteholders exceeds the Maximum Tranche A Principal Amount, Noteholders will be allocated the Tranche A Notes on a pro rata basis and the shortfall will be paid on a pro rata basis in Tranche B Notes.

Noteholders that fail to specify their required New Notes prior to the requisite deadline will be deemed to have elected to receive their entire allocation of New Notes in Tranche B Notes.

3. PRINCIPAL TERMS OF THE PROPOSED NEW NOTES

Maturity date: *Tranche A Notes:* 1.5 years from the Restructuring Effective Date;

Tranche B Notes: 3.5 years from the Restructuring Effective Date.

Principal Amount: *Tranche A Notes:* equal to 60% of the principal amount of Notes that Noteholders elect to convert into Tranche A Notes;

Tranche B Notes: equal to 100% of the principal amount of Notes that Noteholders elect to convert into Tranche B Notes.

Interest: *Tranche A Notes* will not bear interest;

Tranche B Notes will bear interest at 3% per annum, payable in the form of pay-in-kind interest and not in cash (“**PIK Interest**”). The PIK Interest will be added to the principal amount of the Tranche B Notes on each interest payment date and will be payable upon maturity of the Tranche B Notes.

| | |
|--|---|
| Optional Redemption: | At any time and from time to time, the Company may redeem the New Notes, in whole or in part, at a redemption price equal to 100% of their principal, plus accrued and unpaid interest (if any) to (but not including) the redemption date. |
| Rankings: | Tranche A Notes and Tranche B Notes will have the same priority ranking as the Notes, and will rank <i>pari passu</i> with each other. |
| Share Pledges and Subsidiary Guarantees: | Tranche A Notes and Tranche B Notes will have the benefit of the same share pledges and subsidiary guarantees as the existing Notes and will share security pursuant to an inter-creditor agreement. |
| Covenants: | The New Notes will have the benefit of a set of affirmative and negative customary covenants until all amounts payable under Tranche A Notes and Tranche B Notes have been paid in full. |
| Events of Defaults: | The New Notes will contain customary and appropriate events of default. |
| Accelerated Payment Triggering Event: | <p>Upon the successful sale of part or all of the Mining Assets (as defined below), either in a single transaction or a series of transactions commencing from the Restructuring Effective Date, and if the Net Sale Proceeds exceeds RMB500 million, the Company shall utilise no less than 30%* of the Net Sale Proceeds to redeem in cash the New Notes in the following priority:</p> <ol style="list-style-type: none"> i) first, the Tranche A Notes; ii) second, if there are any remaining proceeds after the Tranche A Notes have been fully redeemed, the Tranche B Notes. <p>If the 30% Net Sale Proceeds is not sufficient to fully redeem the Tranche A Notes, the Tranche A Notes will be redeemed on a pro rata basis to the holdings of each Tranche A Note holder.</p> |

Net Sale Proceeds of less than RMB500 million will be carried forward and accumulated until the accumulated Net Sale Proceeds exceed RMB500 million (or its equivalent in any other currency), upon which the Company will have the obligation to make the redemptions as described above.

- * The Company expects that part of the sale(s) proceeds will be allocated towards repayment of onshore debt claims. Should its onshore debt claims be satisfied and/or related dividend distribution restriction in the onshore loan agreements be removed, the Company expects to allocate a higher percentage of the sale(s) proceeds towards accelerated repayment of the New Notes.

4. PRINCIPAL TERMS OF THE CVRs

Notional Value: an aggregate of up to US\$18 million during the life of the CVRs, which will consist of two possible payments to Noteholders upon the occurrence of a Triggering Event as described below.

Triggering Events: There will be two triggering events for payment to Noteholders. The triggering events will be based on the annual profit before tax of the Company in any fiscal year which ends during the life of the CVRs as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of the annual audited financial statements of the Company. “Annual profit before tax” shall exclude any extraordinary gains, losses and write downs outside normal course of business operations of the Company.

The first triggering event is when the Company’s annual profit before tax exceeds US\$120 million but is below US\$180 million. The second triggering event is when the Company’s annual profit before tax exceeds US\$180 million.

| | Triggering Event | Notional Value |
|-----------------------|--|-----------------------------|
| Tranche I payment | Annual profit before tax above US\$120 million but below US\$180 million | US\$10 million |
| Tranche II payment | Annual profit before tax above US\$180 million | An additional US\$8 million |

Once Tranche I payment is triggered, the CVRs will have a notional value of US\$54.72 per US\$1,000 principal amount of Notes held by the Noteholder. Once Tranche II payment is triggered, the CVRs will have an additional notional value of US\$43.78 per US\$1,000 principal amount of Notes held by the Noteholder.

Settlement: The Company has the right to choose to use cash or Shares (at the prevailing 30-day volume-weighted average price) to settle the CVRs within 30 days upon the occurrence of a Triggering Event.

Expiry: The CVRs shall expire (and no payment shall be due from the Company) if none of the Triggering Events occurs by the end of the fifth year from the issue date of the CVRs. The CVRs will be issued upon the Restructuring Effective Date.

Listing: No application shall be made for the listing of, and permission to deal in, the CVRs on the Stock Exchange or any other stock exchange.

Conditions Precedent: The ability of the Company to settle the CVRs by the issuance of Shares is conditional on, among other things, the following:

- (i) the Stock Exchange granting permission to issue the CVRs;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be issued to settle the CVRs;
- (iii) in the event that the Shares to be issued to settle the CVRs should fall outside the scope of the general mandate granted by the Shareholders to the Directors then in force, the approval by the Shareholders at a general meeting approving a specific mandate to be granted to the Board authorising the same to exercise the powers of the Company to allot and issue such Shares; and
- (iv) all other relevant consents and approvals being obtained from all relevant governmental and regulatory authorities.

5. RESTRUCTURING SUPPORT AGREEMENTS

The Company will enter into restructuring support agreements with Noteholders which shall contain binding undertakings by Noteholders to support the Creditors' Scheme.

Noteholders who enter into restructuring support agreements with the Company prior to a specified deadline shall be entitled to an additional cash payment of US\$5.00 per US\$1,000 principal amount of the Notes held by them on the Restructuring Effective Date.

6. DISPOSAL OF MINING ASSETS

Under the Debt Restructuring Proposal, the Company will explore the sale of its mining assets in (i) Guizhou and Sichuan, namely its coal mining warrants as well as related land and equipment; and (ii) Yunnan, namely its 50% interest in Yunnan Dongyuan (雲南東源) (the "Mining Assets").

The Net Sale Proceeds from the sale of the Mining Assets will be used to repay the Company's debt including, but not limited to, the outstanding amount of the New Notes, subject to onshore debt claims being fulfilled from the Net Sale Proceeds and any dividend distribution restrictions in the onshore loan agreements being removed. For more information, please see the sub-section titled "Accelerated Payment Triggering Event" in Section 3 above.

7. CONFERENCE CALL WITH NOTEHOLDERS

The Company intends to hold a conference call with Noteholders to facilitate discussions on the terms of the Debt Restructuring Proposal. The Company will inform Noteholders of the details of the conference call once it has been finalised.

There can be no assurance that Noteholders will accept the Debt Restructuring Proposal, that the Creditors' Scheme will be approved or sanctioned, or that discussions with Noteholders can be progressed to any positive conclusion. Accordingly, the Company offers no assurance that the proposed restructuring of the Notes will be successfully concluded. Shareholders, Noteholders, holders of other securities of the Company and potential investors in the securities of the Company are advised to exercise extreme caution when dealing with the securities of the Company.

8. DEFINITIONS

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

"Board" the board of Directors, from time to time

"Cash Consideration" US\$5 million in cash in aggregate

| | |
|---------------------------------|--|
| “CVRs” | certain contingent value rights as described in Section 4 of this Announcement |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Net Sale Proceeds” | the sale(s) proceeds of the Mining Assets net of: brokerage commissions and other fees and expenses related to the disposal; provisions for all taxes as a result of such disposal; and appropriate amounts provided by the Company as a reserve against any liabilities associated with the disposals |
| “New Notes” | the Tranche A Notes and the Tranche B Notes |
| “Noteholders” | holders of the Notes |
| “PRC” | the People’s Republic of China excluding, for the purpose of this Announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Proposed Scheme Consideration” | the consideration to be received by Noteholders in connection with Creditors’ Scheme |
| “Restructuring Effective Date” | the date on which the debt restructuring as contemplated in the Debt Restructuring Proposal is completed |
| “Share(s)” | ordinary share(s) of the Company |
| “Shareholder(s)” | the holder(s) of the Shares |
| “Steering Committee” | the ad hoc group of Noteholders, as constituted from time to time, formed for purposes of facilitating discussions between Noteholders and the Company about the possible restructuring of the Notes |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

| | |
|--------------------------|---|
| “Tranche A Notes” | certain tranche A notes proposed to be issued by the Company as described in Section 3 of this Announcement |
| “Tranche B Notes” | certain tranche B notes proposed to be issued by the Company as described in Section 3 of this Announcement |
| “Triggering Events” | has the meaning ascribed to it in the Section 4 of this Announcement |
| “US\$” or “U.S. dollars” | United States dollars |
| “%” | per cent |

By Order of the Board
Hidili Industry International Development Limited
Xian Yang
Chairman

Hong Kong
11 March 2016

As at the date of this Announcement, the executive directors of the Company are Mr. Xian Yang (Chairman) and Mr. Sun Jiankun, Ms. Cheng Yuanyun and Mr. Zhuang Xianwei and the independent non-executive directors of the Company are Mr. Huang Rongsheng, Mr. Sin Yuen Ko Terence and Ms. Xu Manzhen.