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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)

UPDATE ON OFFSHORE DEBT RESTRUCTURING

THE 2020 TERMSHEET

On 13 July 2020, the Company and the Steering Committee entered into the 2020 Termsheet, which are binding on the Company and the Steering Committee, pursuant to which the parties agreed to the key commercial terms for the swap of the Notes into the Converted Shares with an option to participate in the SPP to be conducted by the Company. The Company will use its best endeavours to implement a restructuring of the Notes in accordance with the 2020 Termsheet subject to such other terms and conditions as the Company and the Steering Committee may agree in writing and relevant legal and regulatory requirements.

Reference is made to the announcements of Hidili Industry International Development Limited (the “**Company**”) dated 30 October 2015, 4 November 2015, 14 December 2015, 11 March 2016, 22 April 2016 and 18 January 2017 (the “**Announcements**”) in relation to, among other things, the progress of negotiation of the debt restructuring between the Company and the Steering Committee. Capitalised terms used in this announcement shall have the same meanings as defined in the Announcements unless otherwise stated.

On 13 July 2020, the Company and the Steering Committee entered into the 2020 Termsheet, which are binding on the Company and the Steering Committee, pursuant to which the parties agreed to the key commercial terms for the swap of the Notes into the Converted Shares with an option to participate in the SPP to be conducted by the Company. The Company will use its best endeavours to implement a restructuring of the Notes in accordance with the 2020 Termsheet subject to such other terms and conditions as the Company and the Steering Committee may agree in writing and relevant legal and regulatory requirements.

The purpose of this announcement is to provide Noteholders with the key terms of a proposed restructuring of the Notes under the 2020 Termsheet. 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 and the High Court of Hong Kong. **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.**

The offshore debt restructuring 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 2020 TERMSHEET

The principal terms of the 2020 Termsheet are set out below:

Date

13 July 2020

Parties

- (1) The Company
- (2) The Steering Committee

Total outstanding

(1) *Claim Amount on Default Date*

Pursuant to the 2020 Termsheet, the Claim Amount on Default Date amounts to approximately US\$190,740,000, which represents the total outstanding principal amount on the Notes as at, plus accrued but unpaid interest up to (and including), the Default Date.

(2) *Total Accrued Interest Amount*

(i) *Accrued Interest Amount (Pre-Termsheet Signing Date)*

The Accrued Interest Amount (Pre-Termsheet Signing Date) represents the interest accrued from the Default Date up to the date of the 2020 Termsheet, charged at 3% per annum throughout 4.25 years on the Claim Amount on Default Date, amounting to approximately US\$24,319,000.

(ii) *Accrued Interest Amount (Post-Termsheet Signing Date)*

The Accrued Interest Amount (Post-Termsheet Signing Date) represents the interest accrued from the date of the 2020 Termsheet up to the Restructuring Effective Date (or, if the Restructuring Effective Date occurs beyond 6 months after the date of 2020 Termsheet, the date that is 6-month anniversary of the date of 2020 Termsheet) on the Claim Amount on Default Date, charged at 3% per annum.

Debt Equity Swap

Pursuant to the 2020 Termsheet, Noteholders will have 100% of the Claim Amount on Default Date converted into the Converted Shares at the Conversion Price of HK\$0.6310 per Share.

The Converted Shares, which shall be approximately 2,342,938,000 Shares, represent (i) approximately 114.54% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 34.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Converted Shares after the later of (a) the Restructuring Effective Date; and (b) the date on which the restructuring in respect of the Company's onshore indebtedness takes effect.

The SPP

Noteholders will have to elect, by written notice, whether or not to participate in the SPP. The SPP Shares shall be held by the Creditor SPV for the benefit of the SPP Participants.

Pursuant to 2020 Termsheet, the Company will use its best efforts to sell or procure the sales of the SPP Shares, subject to the following sale conditions:

(1) **Minimum Threshold**

The Company must have sold:

- (i) at least 30% of the SPP Shares on or before the 9 month anniversary of the Restructuring Effective Date;
- (ii) at least 75% of the SPP Shares on or before the 18 month anniversary of the Restructuring Effective Date;
- (iii) at least 90% of the SPP Shares on or before the 27 month anniversary of the Restructuring Effective Date; and
- (iv) 100% of the SPP Shares on or before the 36 month anniversary of the Restructuring Effective Date.

(2) Minimum SPP Share Sale Price

Other than the SPP Issuer Buyback, the SPP Shares cannot be sold below the following price:

- (i) if on the Stock Exchange: 75% of the Conversion Price; or
- (ii) if over-the-counter: 90% of the higher of the (a) Conversion Price; (b) previous close (in respect of the SPP Shares); and (c) 10 day-average-daily volume weighted average price of the SPP Shares.

(3) SPP Issuer Buyback

The Company may use its own cash to buy back all or part of the unsold SPP Shares as below, provided that (a) the Total Accrued Interest Amount have been fully paid and (b) the SPP Shares Account Secondary Manager Intervention has not been triggered:

- (i) at 90% of the USD Conversion Price, if (and only if) the 5-day-daily volume weighted average price of the SPP Shares is less than 90% of the Conversion Price at the immediate close prior to the announcement of the buyback of the SPP Shares;
- (ii) or else, at the USD Conversion Price;

The price listed in sub-paragraph (i) above will not apply and the Company shall buy back at the Conversion Price if:

- (i) a Trigger Event happens before the settlement of the buyback; or
- (ii) at any time after 30 June 2022.

(4) SPP Shares Account Secondary Manager Intervention

The SPP Shares Account Secondary Manager will step in if:

- (i) the daily VWAP of the SPP Shares exceeds 110% of the HKD equivalent of the USD Conversion Price for 3 consecutive trading days; and
- (ii) less than 5% of the 5 day-average volume has been sold during the same period.

The SPP Shares Account Secondary Manager will step in to:

- (i) sell the SPP Shares on the Stock Exchange until no more SPP Shares can be sold above 105% of the HKD equivalent of the USD Conversion Price; and
- (ii) act in the SPP Participants' best interest.

The SPP Payment Amount will be calculated every 6 months after the Restructuring Effective Date, beginning on the last day of the first full six months after the Restructuring Effective Date and ending on the 36 month anniversary of the Restructuring Effective Date. The SPP Payment Amount equals to the number of SPP Shares sold during the immediately preceding SPP Payment Calculation Period multiplied by the USD Conversion Price plus the SPP Fee Amount for that SPP Payment Calculation Period.

The SPP Fee Amount is calculated, in respect of a SPP Payment Calculation Period, by the daily average of the SPP Unsold Shares Value for that SPP Payment Calculation Period multiplied by the applicable SPP Fee Rate multiplied by the actual number of days that have elapsed since the end of the last SPP Payment Calculation Period divided by 365. The applicable SPP Fee Rate is as follows:

- (1) for the first SPP Payment Calculation Period: 0% per annum;
- (2) for the second SPP Payment Calculation Period: 10% per annum;
- (3) for the third SPP Payment Calculation Period: 10% per annum;
- (4) for the fourth SPP Payment Calculation Period: 20% per annum;
- (5) for the fifth SPP Payment Calculation Period: 30% per annum; and
- (6) for the sixth SPP Payment Calculation Period: 40% per annum.

For the second SPP Payment Calculation Period, PIK'd SPP Fee Amount will be applied and no payment of SPP Fee Amount will be settled in cash. Pool Factor will be adopted in the transfer of the New USD Senior Notes.

New USD Senior Notes

As a protection to the SPP Participants, on the Restructuring Effective Date, the Company will issue to the Creditor SPV new USD senior notes due 2025 which will be held by the Creditor SPV, on behalf, and solely for the benefit, of the SPP Participants until the Notes Transfer Date.

The principal terms of the New USD Senior Notes:

- (1) Issue date

The Restructuring Effective Date

- (2) Maturity date

31 January 2025, unless the New USD Senior Notes are repurchased, redeemed or converted earlier

(3) Issue Date Principal Amount

The number of SPP Shares held by the Creditor SPV for the benefit of all the SPP Participants (as at the Restructuring Effective Date) multiplied by the USD Conversion Price

(4) Notes Transfer Date

15 Business Days after the occurrence of relevant Trigger Event

(5) Notes Transfer Date Principal Amount

The principal amount of the New USD Senior Notes that have not been cancelled in accordance with the 2020 Termsheet on or prior to the Notes Transfer Date

(6) Certain significant Trigger Events including but not limited to:

- (i) any failure to pay the SPP Payment Amount to the SPP Participants by the day on which such amount is due;
- (ii) any failure to meet the Minimum Threshold;
- (iii) any sale of SPP Shares below the Minimum SPP Share Sale Price;
- (iv) any payment default on the Total Accrued Interest Amount;
- (v) an insolvency proceeding is being initiated, filed or proposed in respect of the Company; and
- (vi) the occurrence of any default or event of default in respect of the Company under any of their loan or credit agreements.

(7) Transfer of the New USD Senior Notes

On the Notes Transfer Date, the Creditor SPV shall, in accordance with the terms and conditions of the 2020 Termsheet:

- (i) cancel the portion of the then remaining New USD Senior Notes that were held by the Creditor SPV for those SPP Participants who elect to receive transfer of the SPP Shares and exit the SPP; and
- (ii) transfer the Transfer Amount of the New USD Senior Notes on a pro rata basis, to the SPP Participants who have elected to receive transfer of the New USD Senior Notes and cancel all the remaining New USD Senior Notes which continue to be held by the Creditor SPV.

The Transfer Amount is calculated by the principal amount of the New USD Senior Notes not cancelled multiplied by the Pool Factor as at the date of the occurrence of the relevant Trigger Event. The Pool Factor equals to 1 (subject to adjustments) for the period starting on (and including) the Restructuring Effective Date and ending on (but excluding) the date that is the first Business Day after the first SPP Payment Date. After the first SPP Payment Date, the Pool Factor will be adjusted downwards in accordance with the 2020 Termsheet subject to certain criteria being met.

(8) Interest Rate

Interest is charged from the date of the occurrence of the Trigger Event, ranging from 12.5% to 25% per annum and to be paid semi-annually in cash on each Interest Payment Date.

(9) Guarantors

The New USD Senior Notes will be guaranteed by certain subsidiaries of the Company which will jointly and severally guarantee the due and punctual payment of the principal, premium, if any and interest on and all other amounts payable under the New USD Senior Notes.

(10) Issuer Call Option

On and from the Notes Transfer Date, the Company may call all or part of the New USD Senior Notes on any call settlement date (which shall only fall on the Interest Payment Date by notice given by the Company at least 10 Business Days prior to any Interest Payment Date), at a price equal to:

- (i) on and during the first year after the Notes Transfer Date: 100% of the principal amount of the New USD Senior Notes so called plus accrued interest;
- (ii) on and during the second year after the Notes Transfer Date: 105% of the principal amount of the New USD Senior Notes so called plus accrued interest;
- (iii) on and during the third year after the Notes Transfer Date: 105% of the principal amount of the New USD Senior Notes so called plus accrued interest;
- (iv) on and during the fourth year after the Notes Transfer Date and thereafter: 110% of the principal amount of the New USD Senior Notes so called plus accrued interest,

provided that, in each instance, a minimum of 10% of the initial aggregate principal amount of the New USD Senior Notes is called.

Settlement of the Total Accrued Interest Amount

The Total Accrued Interest Amount will be paid in the form of Zero-Coupon Bonds to be issued to Noteholders on the Restructuring Effective Date. Payments will be made to the Noteholders pursuant to the following principal amortisation schedule:

- (1) 1/16 of the Total Accrued Interest Amount on or before 31 January 2021;
- (2) 1/8 of the Total Accrued Interest Amount on or before 30 April 2021;
- (3) 3/16 of the Total Accrued Interest Amount on or before 30 September 2021;
- (4) 5/16 of the Total Accrued Interest Amount on or before 28 February 2022; and
- (5) 5/16 of the Total Accrued Interest Amount on or before 30 June 2022.

Fees payable to Noteholders

(1) *Consent fee*

The Company shall pay to the Noteholders a consent fee in cash equal to 1% of the Claim Amount on Default Date on or before the Restructuring Effective Date.

(2) *Transaction cost subsidy*

The Company shall pay to the Noteholders a transaction cost subsidy in cash equivalent to 0.25% of the Claim Amount on Default Date on or before the Restructuring Effective Date.

There can be no assurance that Noteholders will accept the proposed terms of 2020 Termsheet, 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.

DEFINITIONS

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

“2020 Termsheet”	the termsheet entered into between the Company and the Steering Committee on 13 July 2020
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for ordinary banking business in Hong Kong and the United States of America
“Claim Amount on Default Date”	the approximate amount of US\$190,740,000, which represents the total outstanding principal amount of the Notes as at, plus accrued but unpaid interest up to (and including), the Default Date
“Company”	Hidili Industry International Development Limited 恒鼎實業國際發展有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.6310 per share
“Converted Shares”	the Shares to be converted by the Noteholders on 100% of the Claim Amount on Default Date at the Conversion Price
“Creditor SPV”	the orphan special purpose vehicle established in one of the offshore jurisdictions for the specific purpose of receiving issuance of, and holding only, the SPP Shares of the benefit of the SPP Participants
“Debt Equity Swap”	the conversion of the Claim Amount on Default Date into ordinary shares of the Company
“Default Date”	4 November 2015
“Director(s)”	director(s) of the Company
“Exchange Rate”	1US\$ = HK\$7.7505

“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
“Interest Payment Date”	in relation the New USD Senior Notes, semi-annually, beginning on the last day of the first 6 months after the date of the occurrence of Trigger Events which preceded the Notes Transfer Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New USD Senior Notes”	new USD senior notes to be issued by the Company as described in the section headed “New USD Senior Notes” in this announcement
“Noteholders”	holders of the Notes
“Notes”	the US\$400 million 8.625% senior notes due 2015 issued by the Company
“Notes Transfer Date”	15 Business Days after the occurrence of relevant Trigger Event
“PIK’d SPP Fee Amount”	the payment-in-kind SPP Fee Amount in respect of the second SPP Payment Calculation Period
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Restructuring Effective Date”	<p>a date to be determined, which must not be later than 31 December 2020 (unless extended by the Steering Committee at its absolute discretion) and subject to satisfaction of certain conditions, including without limitation:</p> <ul style="list-style-type: none"> (i) the Company’s onshore indebtedness having been restructured; (ii) any debt for equity swap (in respect of the Company’s onshore indebtedness) taking effect at the same time as the Debt for Equity Swap;

- (iii) all requisite regulatory and shareholders' approvals having been obtained in respect the restructuring transactions the subject of the 2020 Termsheet; and
- (iv) a scheme of arrangement (between the Company and the Noteholders, as a class of the Company's creditors) having become effective

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPP”	the share placement programme to be conducted by the Company for the SPP Participants in accordance with the terms of the 2020 Termsheet
“SPP Shares Account Secondary Manager”	RSM Corporate Advisory (Hong Kong) Limited, which will be authorised by a power of attorney given by the Creditor SPV to carry out the functions of the SPP Shares Account Secondary Manager under the SPP
“SPP Fee Amount”	the daily average of the SPP Unsold Shares Value for that SPP Payment Calculation Period multiplied by the applicable SPP Fee Rate multiplied by the actual number of days that have elapsed since the end of the last SPP Payment Calculation Period divided by 365
“SPP Fee Rate”	such rate ranging from 0% per annum to 40% per annum throughout the first to the sixth SPP Payment Calculation Period
“SPP Issuer Buyback”	the buyback of SPP Shares by the Company in accordance with the terms set out in the sub-section headed “SPP Issuer Buyback” in the section headed “The 2020 Termsheet” in this announcement
“SPP Participants”	the Noteholders who elect to participate in the SPP
“SPP Payment Amount”	the number of SPP Shares sold during the immediately preceding SPP Payment Calculation Period multiplied by the USD Conversion Price (or, in the case of a SPP Issuer Buyback, by the actual price (converted into USD) at which the buyback took place) plus the SPP Fee Amount for that SPP Payment Calculation Period (other than the second SPP Payment Calculation Period, for which the SPP Fee Amount shall not be included in the SPP Payment Amount)

“SPP Payment Calculation Date”	every 6 months after the Restructuring Effective Date, beginning on the last day of the first full six months after the Restructuring Effective Date and ending on the 36 month anniversary of the Restructuring Effective Date
“SPP Payment Calculation Period”	(i) the period starting on and including the Restructuring Effective Date and ending on but excluding the first SPP Payment Calculation Date; and (ii) subsequently, each period between two consecutive SPP Payment Calculation Dates, including the SPP Payment Calculation Date, at the beginning of the period but excluding the SPP Payment Calculation Date at the end of that period
“SPP Shares”	the listed ordinary shares of the Company participating in the SPP (which have not been sold pursuant to the SPP)
“SPP Unsold Shares Value”	the total number of SPP Shares that have yet to be sold multiplied by the USD Conversion Price
“Steering Committee”	the steering committee of Noteholders, which as at the date of the 2020 Termsheet, comprises Triada Capital Limited, Barclays Bank and Haitong International Capital Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Accrued Interest Amount”	the sum of the accrued interest amount of approximately US\$24,319,000 (before the date of the 2020 Termsheet) and the accrued interest amount on the Claim Amount on Default Date at 3% per annum, on day count basis actual /365 from (and including) the date of the 2020 Termsheet to (and excluding) the Restructuring Effective Date (or, if the Restructuring Effective Date occurs beyond 6 months after the date of the 2020 Termsheet, to (and excluding) the date that is the 6-months anniversary of the date of the 2020 Termsheet)
“Trigger Events”	has the meaning ascribed to it in the section headed “New USD Senior Bonds” in this announcement
“US\$” or “U.S. dollars”	United States dollars
“USD Conversion Price”	US\$0.0814 per share (equivalent of HK\$0.6310)

“VWAP”	volume weighted average price
“Zero-Coupon Bonds”	USD-denominated zero-coupon bonds to be issued to the Noteholders for the payment of the Total Accrued Interest Amount on the Restructuring Effective Date
“%”	per cent

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

Hong Kong
13 July 2020

As at the date of this announcement, the executive directors of the Company are Mr. Xian Yang (Chairman), Mr. Sun Jiankun and Mr. Zhuang Xianwei and the independent non-executive directors of the Company are Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen.