

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)

RECENT DEVELOPMENTS

This Announcement is made by the Company pursuant to Rule 13.09(2) and Rule 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

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 of the Company, Holders, 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. CURRENT OPERATING ENVIRONMENT AND LIQUIDITY POSITION OF THE COMPANY

The Group has been experiencing challenging operating conditions as a result of slowing growth in the PRC economy, conditions in the coal industry and persistently low commodities prices globally. The Company believes that low commodities prices, in particular coal prices, have adversely affected, and have presented liquidity challenges, to many companies across the industry. As previously disclosed in the interim report of the Company for the six months ended 30 June 2015 and the annual report of the Company for the year ended 31 December 2014, the Company has been seeking to address these challenges by, among other things, strengthening its capital management, tightening mining technologies management, increasing its production and construction efficiency and stepping up efforts in the management of production costs and selling expenses. The Company’s results of operations have been, and continue to be, adversely affected by the challenging operating environment and the Group’s

liquidity position continues to be challenging, and cashflow from operating activities remains low due to the limited contributions of our coal mines in Sichuan and Guizhou provinces.

To address these circumstances, the Company has taken a number of steps to streamline the Group's operations and improve its liquidity position, including asset dispositions and improving operating efficiency.

As previously disclosed, in 2013 the Company disposed of the following assets:

- Its 100% equity interest in 四川恒鼎鋰業科技有限公司 (Sichuan Hidili Lithium Technology Co., Ltd*), 四川德鑫礦業資源有限公司 (Sichuan Dexin Mining Resources Co., Ltd*) and 阿壩恒鼎鋰鹽有限公司 (Aba Hidili Lithium Carbonates Co., Ltd*) (together, the “**Sichuan Group**”). The Sichuan Group held exploration rights to a lithium mine in Aba, Sichuan province and was principally engaged in lithium mining in Aba, Sichuan province.
- A 50% equity interest in 雲南恒鼎煤業有限公司 (Yunnan Hidili Coal Industry Co., Ltd*) (the “**Yunnan Group**”). The Yunnan Group is principally engaged in coal mining, coal washing and the provision of railway logistics service in Yunnan and Guizhou provinces in the PRC.
- A coal mine located in Guizhou Province, the PRC (together with the Sichuan Group and the Yunnan Group, the “**Disposed Assets**”).

(For additional information concerning the Disposed Assets, please refer to the announcements of the Company dated 24 May 2013, 2 September 2013 and 29 November 2013.)

The sale of the Disposed Assets reduced the Group's working capital needs and capital expenditure requirements, and the proceeds of the sale were used to service the Group's short-term borrowings.

The Group has continued to focus on the integration of coal mines and strengthening its operations of production and sales of clean coal, and has taken steps to reduce its cash cost by lowering administrative expense. The management of the Group continues to seek to identify and implement cost-saving measures to further reduce operating costs and administrative expenses and to improve cashflow and the Group's financial position.

The Company has also been exploring various options to improve the Group's liquidity position, including raising funds through bank borrowing or issuing equity or debt securities. In addition, the Company has been seeking opportunities to sell additional assets, including its remaining 50% equity interest in the Yunnan Group and other mining assets in Guizhou province.

The Company understands from its lenders that financial institutions in the PRC remain cautious in lending or extending credit to companies operating in the coal sector in view of the current difficult operating environment.

2. BREACH OF ONSHORE LOAN AGREEMENT

The Company and/or its subsidiaries are parties to loan agreements with various banks (including banks in the PRC and Hong Kong) under which the Group has borrowed money for working capital and other purposes. As at 30 June 2015, the aggregate principal amount outstanding under such loans was approximately RMB6,008 million.

An indirect PRC subsidiary of the Company has not repaid a short-term unsecured loan from a PRC bank which fell due in June 2015 and has not paid the accrued interest thereon. As of 30 September 2015, the principal amount outstanding under the loan was approximately RMB289.6 million. The Company has been in discussions with the lender regarding a waiver of the breach and the renewal or extension of the loan. Due to, among other things, the processing time required to pledge certain mining asset to the lender, the renewal or extension of the loan has not been completed. The Company has received indication from the lender that a written waiver will be issued shortly. There can be no assurance that any waiver or renewal or extension will in fact be obtained. Representatives of the lender have also stated that the lender does not currently intend to take enforcement action in respect of the loan, and as of the date of this Announcement the lender has not taken any enforcement action.

The foregoing constitutes an event of default under the loan agreement. Moreover, such breach constitutes events of default under certain of the Group's onshore loan facilities that contain cross-default provisions. In addition, certain other loan agreements of the Group provide that the lenders have the right to demand immediate repayment of any outstanding amount if the borrower's group experiences material financial crises or other material adverse changes, the business of the relevant borrower deteriorates, or there occurs any event that could adversely affect lenders' interest or suggests the borrower's inability to repay any outstanding amount. Therefore, it is possible that the lenders to the Group could accelerate their loans as a result of breach of the other loans to the Group.

As of the date of this Announcement, the Group has not received any notices from any of its lenders demanding immediate repayment of any outstanding amount under any of its loans and other indebtedness, nor has it received any notice of application to the courts, or received any orders from the courts, in the PRC or elsewhere for the preservation of the assets of the Group.

The Group has successfully negotiated with its lenders to roll over or extend maturities, reduce interest rates or reduce the frequency of interest payments on some of its onshore loans.

3. THE NOTES

As of the date of this Announcement, approximately US\$182.8 million in principal amount of the Notes is outstanding. The Notes will mature on 4 November 2015, on which date the Company will be required to pay to the Holders the outstanding principal and accrued interest from 4 May 2015 at an annual rate of 8.625%, calculated in accordance with the terms of the Notes. The aggregate amount due and payable to the Holders on the Maturity Date will be approximately US\$190.6 million (equivalent

to approximately HK\$1,477.4 million) (the “**Outstanding Amount**”), comprising approximately US\$182.8 million (equivalent to approximately HK\$1,416.3 million) in principal and US\$7.9 million (equivalent to approximately HK\$61.1 million) in interest.

The Company has given careful consideration to the expected future liquidity and performance of the Group and its available sources of financing to assess whether the Group will be able to pay the principal and accrued interest on the Notes and whether the Group will be able to finance its future working capital and financial requirements.

The Company currently anticipates that the Company will not be in a position to pay the principal amount of, or the accrued but unpaid interest on, the Notes on the Maturity Date. However, the Directors continue to explore alternative means to raise funds so that the Company can satisfy its payment obligations under the Notes.

A default in payment of the Notes when due would, as a result of cross-default and other provisions in the Group’s loans, result in defaults under the onshore and offshore indebtedness of the Group.

4. APPOINTMENT OF FINANCIAL ADVISER

The Company has appointed UBS as financial adviser to the Company for the purposes of providing advice with respect to the potential restructuring of the Notes. UBS will assist the Company in assessing various restructuring options and formulating a plan to implement an appropriate restructuring of the Notes. This plan will be developed with a view to ensuring the continued stability of the Group, and protecting the interests of all stakeholders of the Company.

5. ENGAGEMENT WITH HOLDERS

In light of the adverse impact of the recent developments on the Group, and to better protect the interests of all the stakeholders of the Company, the Company desires to start a dialogue with the Holders about a possible forbearance/restructuring arrangement in relation to the Notes and expects to engage with Holders on a restructuring proposal as soon as possible. The Company is committed to full and open communication with the Holders and will seek the highest level of responses from the Holders to facilitate open communications and obtain their input during the process.

The Company encourages the Holders to come forward to form a committee of Holders for the purposes of facilitating discussions between the Holders and the Company about a possible restructuring of the Notes. The Company looks forward to a constructive dialogue and timely creditor support to ensure the long-term success of the Company’s

business for the benefit of all stakeholders. The Holders who would like to enquire about forming a committee, or joining the committee that has been formed, should contact UBS, our financial adviser:

Financial Advisor

UBS AG Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central, Hong Kong
Attention: Global Capital Markets
Tel: +852 2971 6159
Email: OL-LM-Asia@ubs.com

There can be no assurance that any discussions with the Group’s lenders or any Holder will lead to a proposal acceptable to the lenders or Holders more generally or that discussions with the lenders, the Holders or any potential investors can be progressed to any positive conclusion. Accordingly, the Company offers no assurance that the lenders will grant any waivers with respect to our loans, that its loan agreements will be renewed or extended, or that the proposed restructuring of the Notes will be successfully concluded. Shareholders of the Company, Holders, holders of other securities of the Company and potential investors in the securities of the Company are advised to exercise extreme caution when dealing in the securities of the Company.

6. DEFINITIONS

“Ample Mile”	Ample Mile Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Company”	Hidili Industry International Development Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hidili Investment”	Hidili Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Hidili Lithium”	Hidili Lithium Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Hidili Lithium Industry”	Hidili Lithium Industry Investment Co., Ltd., a company incorporated under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of the Company

“Holders”	the holders of the Notes
“Maturity Date”	4 November 2015
“Notes”	the US\$400,000,000 8.625% senior notes due 2015 issued by the Company, which are guaranteed by the Subsidiary Guarantors and listed on the SGX-ST
“PRC”	the People’s Republic of China, except for the purpose of this Announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Act”	The United States Securities Act of 1933, as amended
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantors”	Hidili Investment, Ample Mile, Hidili Lithium Industry and Hidili Lithium
“UBS”	UBS AG Hong Kong Branch
“US\$”	United States dollar, the lawful currency of the United States of America

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

Hong Kong
30 October 2015

As at the date of this announcement, the executive directors of the Company are Mr. Xian Yang (Chairman) and Mr. Sun Jiankun and the independent non-executive directors of the Company are Mr. Chan Chi Hing and Mr. Huang Rongsheng.

* *For identification purpose only*