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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountants, or other professional adviser.

If you have sold or transferred all your shares in Hidili Industry International Development Limited (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, the licensed securities dealer or the registered institution in securities or other agent through whom the sale was affected for transmission to the purchaser or the transferee.

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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)

PROPOSED DEBT RESTRUCTURING INVOLVING:

- (1) THE SCHEME;**
 - (2) ISSUE OF PREFERRED SHARES TO CERTAIN PRC LENDING BANKS;**
 - (3) SETTLEMENT AGREEMENTS WITH ONSHORE OPERATING CREDITORS;**
 - (4) SPECIFIC MANDATE TO ISSUE NEW SHARES;**
 - (5) SPECIFIC MANDATE TO ISSUE PREFERRED SHARES;**
 - (6) PROPOSED AMENDMENTS TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION;**
- AND**
- (7) NOTICE OF EGM**

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A notice convening the EGM to be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 30 January 2023 at 10:30 a.m. is set out on pages EGM-1 to EGM-7 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus (COVID-19) outbreak, to safeguard the health and safety of the Shareholders, the Company will implement precautionary measures at the EGM, including but not limited to:

- compulsory body temperature checks for all attendees;
- compulsory wearing of surgical face masks for each attendee throughout the EGM;
- maintaining proper distance between seats; and
- no provision or distribution of refreshments, corporate gifts or souvenirs.

Any person who does not comply with the precautionary measures implemented by the Company at the EGM or is subject to any Hong Kong Government prescribed quarantine may be denied entry into, or required to leave, the EGM venue. The Company reminds Shareholders not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with any person who has contracted or is suspected to have contracted COVID-19.

The Company reminds Shareholders that physical attendance in person at the EGM is NOT necessary for the purpose of exercising their voting rights at the EGM and that as an alternative, they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by completing and returning the accompanying form of proxy in accordance with the instructions printed thereon.

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PRECAUTIONARY MEASURES FOR THE EGM

In the interest of the health and safety of the Shareholders attending the EGM during the current COVID-19 situation, the Company will implement the following precautionary measures at the EGM:

- Compulsory body temperature checks for all attendees;**
- Compulsory wearing of a surgical face mask for each attendee throughout the EGM;**
- Maintaining proper distance between seats; and**
- No provision or distribution of refreshments, corporate gifts or souvenirs.**

Any person who does not comply with the precautionary measures implemented by the Company at the EGM or is subject to any Hong Kong Government prescribed quarantine may be denied entry into, or required to leave, the EGM venue. The Company reminds Shareholders that physical attendance in person at the EGM is NOT necessary for the purpose of exercising their voting rights at the EGM and that as an alternative, they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by completing and returning the accompanying form of proxy in accordance with the instructions printed thereon.

DEFINITIONS

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

“Account Holder”	means persons who are direct participants in the Depositary with their interests in the Restricted Global Notes (as defined in the Indenture) and the Regulation S Global Notes (as defined in the Indenture) being recorded directly in the books or other records maintained by the Depositary
“Account Holder Letter”	means the form of account holder letter set out in the Explanatory Statement
“Accrued Interest Amount (pre-Original Termsheet Signing Date)”	means the amount of US\$24,319,362.50 (being the amount that is the Claim Amount on Default Date, multiplied by 3% per annum, and further multiplied by 4.25 years)
“Accrued Interest Amount (post-Original Termsheet Signing Date)”	means the amount of interest accruing on the Claim Amount on Default Date at 3% per annum, on day count basis Actual/365, from (and including) the Original Termsheet Date to (and excluding) the Restructuring Effective Date
“Ample Mile”	means Ample Mile Limited, a company incorporated with limited liability under the laws of the BVI
“Articles”	means the existing articles of association of the Company
“Bar Date”	means 5:00 p.m. Hong Kong time on the date that is three (3) months after the Restructuring Effective Date (or if such date is not a Business Day, the next Business Day after that date), the equivalent being 05:00 a.m. New York time on the same day, as notified by the Company pursuant to the Scheme, being the last date for submission of a duly completed Account Holder Letter, the Distribution Confirmation Deed and (if applicable) the Designated Recipient Form
“Board”	means the board of directors of the Company
“Business Day”	means any day (other than a Saturday or Sunday) on which banks are open for ordinary banking business in Hong Kong and the U.S.
“BVI”	means British Virgin Islands
“Cash Payment”	means the payment in cash and in a total amount equal to 3/16 of the Total Accrued Interest Amount

DEFINITIONS

“Claim”	means all and any actions, causes of action, claims, counterclaims, suits, debts, sums of money, accounts, contracts, agreements, promises, contribution, indemnification, damages, judgments, executions, demands or rights whatsoever or howsoever arising, whether present, future, prospective or contingent, known or unknown, whether or not for a fixed or unliquidated amount, whether or not involving the payment of money or the performance of an act or obligation or any failure to perform any obligation or any omission, whether arising at common law, in equity or by statute in or under the laws of Hong Kong, New York, Cayman Islands or under any other law or in any other jurisdiction howsoever arising and “Claims” shall be construed accordingly
“Claim Amount on Default Date”	means the amount of US\$190,740,098, which represents the total outstanding principal amount on the Notes of US\$182,751,000, plus accrued but unpaid interest up to (and including), the Default Date of US\$7,989,098
“Clearing Systems”	means DTC, Clearstream and Euroclear
“Clearstream”	means Clearstream Banking S.A.
“CM Bank”	means 招商銀行股份有限公司深圳車公廟支行 (China Merchants Bank Shenzhen Che Gong Temple Branch*), one of the PRC Lending Banks
“Company”	means Hidili Industry International Development Limited, a company incorporated with limited liability under the laws of the Cayman Islands and registered as a non-Hong Kong company with the Hong Kong Registrar of Companies, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1393)
“Companies Ordinance”	means the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (as amended) as applicable in Hong Kong
“Consent Fee”	means the fee payable on or before the Restructuring Effective Date to the Consent Fee Recipients in accordance with the Scheme, the total amount of which shall equal 0.25% of the Claim Amount on Default Date
“Consent Fee Recipients”	means those Participating Scheme Creditors who, on or before the Voting Instruction Deadline, submits its duly completed Account Holder Letter to the Information Agent to vote its holding of the Notes in favour of the Scheme at the Scheme Meeting and has not withdrawn or revoked its vote in favour of the Scheme

DEFINITIONS

“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and, in the context of this circular, refers to the controlling shareholder of the Company
“Conversion Interest”	means interest owed to the PRC Lending Banks (other than CM Bank) in the amount of approximately RMB948 million
“Conversion Price”	means HK\$0.6310 per Share
“Creditor SPV”	means Hidili Scheme Company Limited, a company incorporated under the laws of the BVI for the specific purpose of receiving issue of, and holding only, the SPP Shares and the New USD Senior Notes, on behalf of, and for the benefit of the SPP Participants
“Debt Settlement Agreements”	means the agreements dated 23 November 2022 entered into between the Company and 22 Onshore Operating Creditors in relation to the settlement of the Outstanding Debts in cash in accordance with the terms of the Debt Settlement Agreement, and each a “Debt Settlement Agreement”
“Debtor”	means collectively, Hidili China and/or Liupanshui Hidili, being the debtor to each Onshore Operating Creditor as at the date of each Settlement Agreement for the Outstanding Debts
“Debt Restructuring”	means the Offshore Restructuring and the Onshore Restructuring
“Deed of Undertaking”	means a deed of undertaking substantially in the form set out in the Scheme
“Default Date”	means 4 November 2015
“Depository”	means DTC, the depository and one of the Clearing Systems in respect of the Notes
“Directors”	means directors of the Company for the time being
“DTC”	means The Depository Trust Company and its successors
“EGM”	means the extraordinary general meeting of the Company to be convened and held at 24 th Floor, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 30 January 2023 at 10:30 a.m. for (a) the Shareholders to consider and, if thought fit, approving (i) the grant of the New Shares Specific Mandate, (ii) the grant of the Preferred Shares Specific Mandate; and (iii) the Proposed Amendments to the Memorandum and Articles

DEFINITIONS

“Euroclear”	means Euroclear Bank S.A./N.V.
“Excluded Liability”	means: <ul style="list-style-type: none">(i) all Claims in respect of rights created under the Scheme, any Restructuring Document and/or the Deed of Undertaking or which arise as a result of a failure by the Company or any Note Subsidiary Guarantor (and the shareholders, officers, directors, advisers, representatives and office-holders of the Company or any Note Subsidiary Guarantor) to comply with any terms of the Scheme, the RSA, any Restructuring Document and/or the Deed of Undertaking from and after the Scheme Effective Date;(ii) all Claims in respect of any Liability of the Company or any Note Subsidiary Guarantor (and the shareholders, officers, directors, advisers, representatives and office-holders of the Company or any Note Subsidiary Guarantor) which, in each case, arise as result of gross negligence, fraud, dishonesty or wilful misconduct; and(iii) all fees, costs and expenses of the professional parties that are payable in accordance with the terms of the Scheme or any Restructuring Document
“Explanatory Statement”	means the explanatory statement dated 28 April 2022 in relation to the Scheme which has been made available to the Scheme Creditors in accordance with the procedures pursuant to the Companies Ordinance
“Final Distribution Date”	means the date falling ten (10) Business days after the Bar Date, as notified by the Company pursuant to the Scheme
“Group”	means the Company and its subsidiaries from time to time
“Group Company”	means any company in the Group
“Guarantees”	means each of the guarantees of the Notes given by the Note Subsidiary Guarantors
“Hidili China”	means 恒鼎實業(中國)集團有限公司 (Hidili Industry (China) Group Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Hidili Investment”	Hidili Investment Holding Ltd, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company

DEFINITIONS

“High Court”	means the High Court of Hong Kong and any court capable of hearing appeals therefrom
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Registrar of Companies”	means the Registrar of Companies in Hong Kong
“Indenture”	means the indenture dated 4 November 2010 and entered into among the Company, the Note Subsidiary Guarantors and the Note Trustee as amended, varied and supplemented from time to time including by a supplemental indenture dated 21 October 2014 in connection with the Notes
“Initial Participating Scheme Creditor”	means a Participating Scheme Creditor in respect of whom a duly completed Account Holder Letter, the distribution confirmation deed and (if applicable) the designated recipient form have been provided to and received by the Information Agent on or before the Voting Instruction Deadline
“Initial Scheme Shares”	means the number of Scheme Shares to be issued and allotted to the Initial Participating Scheme Creditors (or their designated recipients, if any) or, in the case of an SPP Participant, to the Creditor SPV, on the Restructuring Effective Date in accordance with the Scheme
“Issue Date Principal Amount”	means the number of SPP Shares held by the Creditor SPV for the benefit of the SPP Participants, as at the Restructuring Effective Date, multiplied by the USD Conversion Price
“Latest Practicable Date”	20 December 2022
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Liupanshui Hidili”	六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Memorandum and Articles”	means the existing memorandum of association and articles of association of the Company
“Mr. Xian”	means Mr. Xian Yang, an executive Director, the Chairman and the Controlling Shareholder of the Company

DEFINITIONS

“New Shares”	means collectively the Scheme Shares and the Onshore Operating Creditors Converted Shares
“New Shares Specific Mandate”	means the specific mandate to be granted to the Board at the EGM to authorise the Directors to issue and allot the Scheme Shares and the Onshore Operating Creditors Converted Shares
“New USD Senior Notes”	means the new USD senior secured notes due 2025 to be issued by the Company to the Creditor SPV in the principal amount equal to the Issue Date Principal Amount (rounded up to US\$78,800,000)
“Notes”	means the 8.625% senior notes due 2015 issued by the Company (144A – CUSIP 42952UAA1; ISIN: US42952UAA16; Common Code: 055621349) (Regulation S – CUSIP G44403AB2; ISIN: USG44403AB26; Common Code: 055621497)
“Noteholders”	means holders of the Notes
“Note Documents”	means the Indenture, the Notes, the Guarantees and the Security Documents
“Notes Subsidiary Guarantors”	means Ample Mile, Hidili Investment, Hidili Lithium Industry Investment Co., Ltd. (deregistered) and Hidili Lithium Limited (deregistered)
“Notes Transfer Date”	means the date on which the transfer of all or part of the New USD Senior Notes from the Creditor SPV to the relevant SPP Participants contemplated by the SPP Deed occurs, which date shall not be later than five (5) Business Days after the applicable notes transfer election deadline
“Note Trustee”	means The Bank of New York Mellon, as trustee of the Notes
“Offshore Restructuring” or “Restructuring”	means the restructuring of the financial indebtedness of the Company and the Note Subsidiary Guarantors in respect of the Notes implemented through the Scheme
“Onshore Creditors Committee”	means the creditors committee of the PRC Lending Banks
“Onshore Operating Creditors”	means the operating creditors of the Company located in the PRC
“Onshore Operating Creditors Converted Shares”	means the conversion of certain Outstanding Debts owed to 125 Onshore Operating Creditors into 282,844,625 Shares

DEFINITIONS

“Onshore Restructuring”	means the restructuring of the financial indebtedness of the Company to the Onshore Operating Creditors and the PRC Lending Banks as described in the section headed “THE ONSHORE RESTRUCTURING” in this circular
“Oriental Toprich”	means Oriental Toprich Limited, a company incorporated in the British Virgin Islands
“Original Termsheet Signing Date”	means 13 July 2020
“Outstanding Debts”	means the indebtedness of the Debtor to each Onshore Operating Creditor as at the date of each Settlement Agreement or each Debt Settlement Agreement (as the case may be)
“Participating Scheme Creditor”	means a Scheme Creditor that has submitted a duly completed Account Holder Letter, distribution confirmation deed and (if applicable) the designated recipient form such that they are received by the Information Agent on or before the Voting Instruction Deadline or the Bar Date (and for the avoidance of doubt, such term includes the Initial Participating Scheme Creditors)
“Post Syndication Agreement”	means the post syndication agreement entered into between the Company and the Onshore Creditors Committee which took effect on 21 April 2020 regarding extension of the Remaining Debts (as defined herein) for a term of 5 years
“PRC”	means the People’s Republic of China and for the purpose of this circular, excluding Hong Kong Special Administrative Region and Macau Special Administrative Region
“PRC Lending Banks”	means, collectively 中國民生銀行股份有限公司成都分行 (China Minsheng Bank Chengdu Branch*), 平安銀行股份有限公司成都分行 (Ping An Bank Chengdu Branch*), 平安銀行股份有限公司昆明分行 (Ping An Bank Kunming Branch*), 招商銀行股份有限公司深圳車公廟支行 (China Merchants Bank Shenzhen Che Gong Temple Branch*), 四川銀行股份有限公司攀枝花竹湖園支行 (Sichuan Bank Company Limited Panzhuhua Commercial Bank Zhuhuyuan Branch*) and 中國信達資產管理股份有限公司四川省分公司 (China Cinda Assets Management Co., Ltd. Sichuan Branch*)
“Preferred Shares”	means 1,793,524,789 preferred shares of HK\$0.1 each in the capital of the Company to be issued to Oriental Toprich to fully satisfy and discharge the Conversion Interest
“Preferred Shares Issue Price”	means the issue price of HK\$0.631 per Preferred Share

DEFINITIONS

“Preferred Shares Specific Mandate”	means the specific mandate to be granted to the Board at the EGM to authorise the Directors to issue and allot the Preferred Shares
“Preliminary Restructuring Framework”	means the preliminary restructuring framework reached among the Company, the Onshore Creditors Committee, Mr. Xian and Hidili China on 21 April 2020 regarding the settlement of onshore debts
“Pro Rata”	means: <ul style="list-style-type: none">(i) in respect of a Scheme Creditor, the proportion which the principal amount outstanding on that Scheme Creditor’s Notes (as at the Default Date) bears to the total principal amount outstanding on all the Notes (as at the Default Date); and(ii) in respect of a SPP Participant, the proportion which the number of SPP Shares held by the Creditor SPV on behalf, and for the benefit, of the SPP Participant bears to the total number of all SPP Shares as at the Restructuring Effective Date
“Proposed Amendments to the Memorandum and Articles”	means the proposed amendments to the Memorandum and Articles, the texts of which are set out in the notice of the EGM in this circular
“Recognition Filings”	means (i) the filing of a petition for recognition of the Scheme under Chapter 15 of the US Bankruptcy Code; and (ii) the filing of a request for the US Bankruptcy Court to grant a Recognition Order
“Recognition Hearing”	means a hearing before the US Bankruptcy Court in respect of the Recognition Filings which was held on 12 July 2022
“Recognition Order”	means an order of the US Bankruptcy Court recognising and giving effect to compromise and arrangement set out in the Scheme (or certain aspects thereof)
“Restructuring Documents”	means the documents to be entered into by the Company and other parties to implement the Offshore Restructuring including, but not limited to, those documents listed out in the Scheme, and for the avoidance of doubt excluding the Deed of Undertaking
“Restructuring Effective Date”	means the date to be notified by the Company pursuant to the Scheme
“RMB”	means Renminbi, the lawful currency of the PRC

DEFINITIONS

“RSA”	means the restructuring support agreement dated 1 November 2021 and entered into, initially, by and among the Company, the Subsidiary Guarantors and the Steering Committee and supplemented and amended by an extension letter dated 28 January 2022, a second extension letter dated 29 April 2022 and a third extension letter dated 30 September 2022
“RSA Announcement”	means the announcement of the Company dated 1 November 2021 in relation to, among others, the entering into of the RSA
“RSA Fee”	means the fee payable on or before the Restructuring Effective Date to the RSA Fee Recipients in accordance with the RSA and the Scheme, the total amount of which shall equal 1.0% of the Claim Amount on Default Date
“RSA Fee Recipients”	means those Scheme Creditors who are eligible to receive the RSA Fee in accordance with the RSA and who submitted a valid Accession Letter
“RSM”	means RSM Corporate Advisory (Hong Kong) Limited
“Scheme”	means the scheme of arrangement between the Company and the scheme creditors pursuant to sections 673 and 674 of the Companies Ordinance as approved by the Scheme Creditors at the Scheme Meeting
“Scheme Claim(s)”	means any Claim of a Scheme Creditor in respect of a Liability of the Company or any Note Subsidiary Guarantor arising directly or indirectly pursuant to, under or in connection with the Note Documents, excluding for the avoidance of doubt, any Excluded Liability
“Scheme Conditions”	has the meaning ascribed to it in the section headed “Scheme Conditions” in this circular
“Scheme Consideration”	has the meaning ascribed to it in the section headed “Scheme Consideration” in this circular
“Scheme Consideration Trustee”	means Madison Pacific Trust Limited, in its capacity as the scheme consideration trustee
“Scheme Creditor”	means a person with a beneficial interest as principal in the Notes held in global form or global restricted form through the Depository at the Voting Instruction Deadline and which has a right, upon satisfaction of certain conditions, to be issued definitive notes in accordance with the terms of the Notes

DEFINITIONS

“Scheme Effective Date”	means 20 June 2022
“Scheme Longstop Date”	means 31 December 2022 (or such later date as may be agreed between the Company and the Steering Committee) in connection with the satisfaction of all the Scheme Conditions which was extended from 31 December 2021 to 31 December 2022 pursuant to the extension letters dated 28 January 2022, 29 April 2022 and 30 September 2022
“Scheme Meeting”	means the meeting of the Scheme Creditors held on Tuesday, 24 May 2022 (Hong Kong time) where the Scheme Creditors approved the Scheme
“Scheme Shares”	means 2,342,838,557 Shares to be issued and allotted to the Scheme Creditors (or, if applicable, the Creditor SPV) in accordance with the terms of the Scheme and the SPP Deed, which Shares shall be listed and tradeable on the Stock Exchange
“Scheme Shares Issue Price”	means HK\$0.6310 per Scheme Share
“Settlement Agreements”	means the agreements dated 23 November 2022 entered into between the Company and 125 Onshore Operating Creditors in relation to the settlement of the Outstanding Debts due from the Group to the Onshore Operating Creditors by the issue and allotment of the Onshore Operating Creditors Converted Shares, and each a “Settlement Agreement”
“SFC”	means The Securities and Futures Commission of Hong Kong
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGX-ST”	means Singapore Exchange Securities Trading Limited
“Shares”	means ordinary shares with a par value of HK\$0.10 each in the Company
“Shareholder(s)”	means holder(s) of the Shares
“Shortfall Amount”	means, at any time, the amount (converted into USD) equal to the greater of: (i) zero; and

DEFINITIONS

	(ii) the difference between: (a) the Conversion Price multiplied by the number of SPP Shares sold during the Relevant SPP Period (as defined in the SPP Deed); and (b) the amount of cash actually received and deposited in the SPP Cash Account (as defined in the SPP Deed) from the sale of such SPP Shares plus the amount of additional cash (if any) deposited by the Company into the SPP Cash Account during the Relevant SPP Period.
“SPP” or “Share Placement Programme”	means the share placement programme to be implemented by the Company for the SPP Participants pursuant to the SPP Deed
“SPP Committee”	means the committee of SPP Participants to be established by the SPP Participants on or around the Restructuring Effective Date, initially comprising members of the Steering Committee
“SPP Deed”	means the deed to be entered into by, among others, the Company, the Subsidiary Guarantors, the Creditor SPV, the SPP Shares Account Primary Manager and the SPP Shares Account Secondary Manager, which will establish the SPP and set out the terms thereof
“SPP Issuer Buyback”	means the buyback of SPP Shares by the Company in accordance with, and subject to, the requirements set out in the SPP Deed
“SPP Participants”	means the Initial Participating Scheme Creditors who validly elected to participate in the SPP
“SPP Shares”	means the Scheme Shares to be issued to the Creditor SPV on or before the Restructuring Effective Date which will participate in the SPP (which have not been sold pursuant to the SPP)
“SPP Shares Account”	means an electronic securities account opened with a Hong Kong securities broker and held by the Creditor SPV which will hold the SPP Shares and managed by the SPP Shares Account Primary Manager and the SPP Shares Account Secondary Manager
“SPP Shares Account Primary Manager”	means the Company, which will be authorised by a power of attorney given by the Creditor SPV to carry out the functions of the SPP Shares Account Primary Manager under the SPP
“SPP Shares Account Secondary Manager”	means RSM, 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

DEFINITIONS

“Steering Committee”	means the steering committee of the Scheme Creditors as constituted from time to time, comprising three members, namely Triada Capital Limited, Barclays Bank PLC and Haitong International Financial Products Limited
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantor(s)”	means Hidili Investment and Ample Mile (each a “ Subsidiary Guarantor ”)
“Surplus Cash Payment”	means the remaining amount of Cash Payment after the Initial Cash Payment (as defined in the Scheme) has been distributed to the Initial Participating Scheme Creditors on the Restructuring Effective Date, to be held by the Scheme Consideration Trustee on trust for and distributed to the Participating Scheme Creditors (or their designated recipients, as applicable) that are entitled to the same on the Final Distribution Date in accordance with the terms of the Scheme and the distribution agreement to be entered into between the Company and the Scheme Consideration Trustee
“Surplus Scheme Shares”	means the remaining amount of Scheme Shares after the Initial Scheme Shares have been distributed to the Initial Participating Scheme Creditors on the Restructuring Effective Date, to be held by the Scheme Consideration Trustee on trust for and distributed to the Participating Scheme Creditors (or their designated recipients, as applicable) that are entitled to the same on the Final Distribution Date in accordance with the terms of the Scheme and the distribution agreement to be entered into between the Company and the Scheme Consideration Trustee
“Termsheet”	means the termsheet dated 13 July 2020 entered into between the Company and the Steering Committee, as amended and restated by the termsheet dated 30 April 2021
“Total Accrued Interest Amount”	means the sum of (i) the Accrued Interest Amount (pre-Original Termsheet Signing Date) and (ii) the Accrued Interest Amount (post-Original Termsheet Signing Date)
“U.S.”	means the United States of America
“US Bankruptcy Code”	means Title 11 of the United States Code, as in effect on the date of the Recognition Filings
“US Bankruptcy Court”	means the United States Bankruptcy Court for the Southern District of New York

DEFINITIONS

“USD Conversion Price”	means the US\$ equivalent of HK\$0.631 per Share, converted into US\$ at the exchange rate set out in the Scheme
“Voting Instruction Deadline”	means 5:00 p.m. on Thursday, 19 May 2022 Hong Kong time, the equivalent being 05:00 a.m. on Thursday, 19 May 2022 New York time
“Work Fee”	means work fee payable to the Participating Scheme Creditors who constitute the Steering Committee as described in the RSA
“Zero-coupon Bonds”	means the form of USD-denominated zero-coupon bonds to be issued by the Company to the Scheme Creditors in an aggregate principal amount equal to 13/16 of the Total Accrued Interest Amount

In this circular, the English translation of an entity’s or company’s name in Chinese which is marked with “*” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.

In this circular, the translation of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.7505.

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

EXPECTED TIMETABLE

The expected timetable for implementation of the Debt Restructuring is set out below. All the time and dates in this circular refer to Hong Kong time and dates unless otherwise specified. The expected timetable is indicative only and is subject to change, and any such change will be announced by the Company as and when appropriate.

Event	(Hong Kong time)
Scheme Effective Date	20 June 2022
Latest time for lodging transfer documents and relevant share certificates to attend and vote at the EGM	4:30 p.m. on Thursday, 19 January 2023
Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the EGM	Friday, 20 January 2023 to Monday, 30 January 2023 (both dates inclusive)
Latest time for lodging the form of proxy for the EGM .	10:30 a.m. on Saturday, 28 January 2023
The EGM	10:30 a.m. on Monday, 30 January 2023
Publication of announcement of results of the EGM	Monday, 30 January 2023

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Xian Yang
Mr. Sun Jiankun
Mr. Zhuang Xianwei

Independent Non-executive Directors:

Mr. Chan Shiu Yuen Sammy
Mr. Huang Rongsheng
Ms. Xu Manzhen

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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30 December 2022

To the Shareholders

Dear Sir or Madam,

PROPOSED DEBT RESTRUCTURING INVOLVING:

- (1) THE SCHEME;**
- (2) ISSUE OF PREFERRED SHARES TO CERTAIN PRC LENDING BANKS;**
- (3) SETTLEMENT AGREEMENTS WITH ONSHORE OPERATING CREDITORS;**
- (4) SPECIFIC MANDATE TO ISSUE NEW SHARES;**
- (5) SPECIFIC MANDATE TO ISSUE PREFERRED SHARES;**
- (6) PROPOSED AMENDMENTS TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION;**
- AND**
- (7) NOTICE OF EGM**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 23 November 2022 in relation to, among others, the New Shares Specific Mandate, the Preferred Shares Specific Mandate and the Proposed Amendments to the Memorandum and Articles.

The purpose of this circular is to provide you with, among other things, further details of (a) the Debt Restructuring; (b) the New Shares Specific Mandate; (c) the Preferred Shares Specific Mandate; (d) the Proposed Amendments to the Memorandum and Articles; and (e) a notice of the EGM setting out the relevant resolutions in respect of the Debt Restructuring.

PROPOSED DEBT RESTRUCTURING

The Offshore Restructuring

In around 2015, approximately RMB6 billion of onshore bank loans were due within 12 months on or around the maturity dates of the Notes. As such, the Group suffered from lack of cashflow to redeem the Notes.

On 13 July 2020, the Company and the Steering Committee entered into the Termsheet (as amended and supplemented by an amended and restated termsheet dated 30 April 2021) pursuant to which they agreed to the key commercial terms for the proposed Offshore Restructuring.

On 1 November 2021, the Company, the Subsidiary Guarantors and the Steering Committee entered into the RSA. On 28 January 2022, 29 April 2022 and 30 September 2022, the Company, the Subsidiary Guarantors and the Steering Committee entered into extension letters to the RSA to extend certain deadlines in the RSA.

The Scheme

The Company has proposed the Scheme to compromise the obligations of the Company and the Note Subsidiary Guarantors under and in connection with the Notes to maximise returns to the Scheme Creditors and to ensure that the Group will be able to continue to operate on a going concern basis.

The Scheme was approved by the Scheme Creditors at the Scheme Meeting held on 24 May 2022. The Scheme was sanctioned by the High Court on 6 June 2022 and the Scheme Effective Date is on 20 June 2022.

The Scheme, if implemented, will release the Company and the Note Subsidiary Guarantors from the Scheme Claims of the Scheme Creditors. The Scheme Claims will be fully, irrevocably and unconditionally released, and in return, subject to the terms of the Scheme, the Participating Scheme Creditors will be entitled to receive the Scheme Consideration, which comprise (i) the Scheme Shares; (ii) the Zero-coupon Bonds and (iii) the Cash Payment. In addition, the Consent Fee, RSA Fee and Work Fee will also be payable to certain eligible Scheme Creditors. As at the Voting Instruction Deadline, 141 Scheme Creditors representing Notes in the principal amount of US\$150,761,000 have submitted the Account Holder Letters.

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As the Scheme was approved by the Scheme Creditors and sanctioned by the High Court, the Company has filed a petition under Chapter 15 of the US Bankruptcy Code on 16 June 2022 such that the Scheme will be recognised by the US Bankruptcy Court. The Recognition Hearing was held on 12 July 2022 (New York time) and the Recognition Order was entered by the US Bankruptcy Court.

The Scheme Conditions

The Scheme will only become effective on the date on which all of the Scheme Conditions have been satisfied or, to the extent permissible by law and the RSA and agreed to in writing by the Steering Committee, waived by the Company:

- (a) the occurrence of the Scheme Effective Date;
- (b) the obtaining of the Recognition Order;
- (c) the Listing Committee of the Stock Exchange granting listing and permission to deal in the Scheme Shares;
- (d) all necessary consents, approvals or authorisations in connection with the Offshore Restructuring in accordance with the terms of the Scheme having been obtained, including, without limitation, all necessary consents, approvals or authorisations from the Shareholders, the Stock Exchange, the SGX-ST, the SFC and any and all other relevant governmental bodies;
- (e) completion of the Onshore Restructuring;
- (f) each of the Restructuring Documents and the Deed of Undertaking having been executed by or on behalf of each of the parties thereto;
- (g) the Restructuring Documents becoming effective subject only to the satisfaction of all other Scheme Conditions and release of the Restructuring Documents on the Restructuring Effective Date;
- (h) the Company having paid the Work Fee to members of the Steering Committee; and
- (i) the Company having paid all fees, costs and expenses of the professional parties that are payable in accordance with the terms of the Scheme, the RSA or any Restructuring Document, that have been duly invoiced to the Company by no later than five (5) Business Days before the Restructuring Effective Date or such later date as may be agreed by the Company with the relevant party or parties.

As at the Latest Practicable Date, conditions (a) and (b) have been fulfilled.

If the Restructuring Effective Date has not occurred (i.e. the Scheme Conditions above have not been fulfilled) and the Scheme has not become fully effective by the Scheme Longstop Date, the Scheme shall lapse and no provisions of the Scheme shall have any force or effect. The Company will seek consent from the Steering Committee to further extend the Scheme Longstop Date.

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If the Scheme Longstop Date is extended by agreement between the Company and the Steering Committee, the Company will also notify the Scheme Creditors of the same.

The Scheme Consideration

The Scheme Consideration comprises:

- (a) the Scheme Shares to be issued and allotted to the Participating Scheme Creditors (or, if applicable, the Creditor SPV) in accordance with the terms of the Scheme and the SPP Deed. The Scheme Shares shall be listed and tradeable on the Stock Exchange;
- (b) the Zero-coupon Bonds to be issued to the Participating Scheme Creditors in an aggregate principal amount equal to 13/16 of the Total Accrued Interest Amount. The Total Accrued Interest Amount is defined as the sum of (i) the Accrued Interest Amount (pre-Original Termsheet Signing Date) (i.e. US\$24,319,362.50) and (ii) the Accrued Interest Amount (post-Original Termsheet Signing Date). As disclosed in the Explanatory Statement, the maturity date of the Zero-coupon Bonds is 30 November 2022. Since the Restructuring Effective Date will occur after the maturity date of the Zero-coupon Bond, the Company will distribute the aggregate principal amount of the Zero-coupon Bonds in the form of cash instead of the definitive bonds to the Participating Scheme Creditors; and
- (c) the Cash Payment to be issued to the Participating Scheme Creditors in a total amount equal to 3/16 of the Total Accrued Interest Amount which will be paid in cash.

On the Restructuring Effective Date, the Company shall distribute the Pro Rata share of the Scheme Consideration to the Initial Participating Scheme Creditors. The remaining Scheme Consideration shall be distributed to the Scheme Consideration Trustee who will hold the Scheme Consideration on trust for the Participating Scheme Creditors (other than the Initial Participating Scheme Creditors).

The final deadline for a Scheme Creditor to submit to the Information Agent the necessary documentation in order to receive any Scheme Consideration under the Scheme is the Bar Date. The Scheme Consideration Trustee shall distribute the relevant portion of the Surplus Scheme Consideration to the Participating Scheme Creditors who are not Initial Participating Scheme Creditors, if any, on the Final Distribution Date.

In the event that there is any remaining Surplus Scheme Shares, cash equivalent of the remaining amount of the Zero-coupon Bonds and Surplus Cash Payment, the Scheme Consideration Trustee shall surrender or return to the Company (for no consideration) any remaining Surplus Scheme Shares subject to compliance with the Hong Kong Code on Takeovers and Mergers, the applicable rules and regulations and any shares surrendered or returned to the Company shall be treated as cancelled; the Scheme Consideration Trustee shall transfer the cash equivalent of the remaining amount of the Zero-coupon Bonds and the Surplus Cash Payment to the Company as soon as practicable after the Final Distribution Date.

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Any Scheme Creditor that fails to submit the Account Holder Letter to the Information Agent by the Bar Date shall not receive any Scheme Consideration or any other benefits under the terms of the Scheme but shall have its Scheme Claim released irrevocably in accordance with the terms of the Scheme and shall be bound by the terms of the Scheme.

The Share Placement Programme

Each Scheme Creditor could elect to participate in the SPP whereupon the Company must use its best efforts to sell or procure the sales of all of the SPP Shares for the SPP Participants. For those Scheme Creditors who elected to participate in the SPP, the Scheme Shares to which they are entitled, will be issued directly to the Creditor SPV (as the sole beneficial holder/owner of those SPP Shares) and will be held by the Creditor SPV in the SPP Shares Account on behalf, and solely for the benefit, of the SPP Participants.

The Creditor SPV will hold all the assets of the Creditor SPV on trust absolutely for the benefit of the SPP Participants until such assets are sold or otherwise dealt with in accordance with the terms of the SPP Deed.

As at the Voting Instruction Deadline, out of the 141 Scheme Creditors who have submitted the Account Holder Letters, 94 Scheme Creditors representing Notes in the principal amount of US\$75,454,000 have elected to participate in the SPP.

Pursuant to the terms of the Scheme and the SPP Deed, the Company will use its best efforts to sell or procure the sales of the SPP Shares for the benefit of the SPP Participants under the following sales conditions:

Minimum Threshold

- (a) at least 30% of the SPP Shares on or before 12-month anniversary of the Restructuring Effective Date;
- (b) at least 75% of the SPP Shares on or before 18-month anniversary of the Restructuring Effective Date;
- (c) at least 90% of the SPP Shares on or before 27-month anniversary of the Restructuring Effective Date; and
- (d) 100% of the SPP Shares on or before 36-month anniversary of the Restructuring Effective Date.

Minimum SPP Share Sale Price

- (a) if the SPP Shares are sold on the Stock Exchange (other than by way of a SPP Issuer Buyback), 75% of the Conversion Price;

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- (b) unless prior approval of the SPP Shares Account Secondary Manager has been obtained, if the SPP Shares are sold by way of an over-the-counter transaction (other than by way of a SPP Issuer Buyback), 90% of the higher of the (i) the Conversion Price; (ii) the previous closing price of the SPP Shares; and (iii) average-daily volume weighted average price of the SPP Shares for the last ten (10) trading days (including the date of the placing); or
- (c) if the SPP Shares are sold by way of a SPP Issuer Buyback, the minimum price applicable to the SPP Issuer Buyback as specified in the paragraph below.

The SPP Issuer Buyback

Subject to applicable laws and regulations, the Company may use its own cash to buy back all or part of the unsold SPP Shares (i) at 90% of the USD Conversion Price, if (and only if) the five-day-average 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 unsold SPP Shares; or else (ii) at the USD Conversion Price, provided that, at the time of such buyback, (i) the Zero-coupon Bonds have been fully repaid; and (ii) the SPP Shares Account Secondary Manager intervention has not been triggered.

Payment of Shortfall Amount

The Company undertakes that for each SPP Share sold, an amount equal to the USD Conversion Price (or, in the case of a SPP Issuer Buyback, the actual price (converted into USD) at which the buyback took place) shall be paid to the SPP Participants.

As such, if the sale price of each SPP Share is below the USD Conversion Price (assuming that there is no SPP Buyback), the Company shall compensate the SPP Participants by paying such Shortfall Amount.

New USD Senior Notes

The Company will issue the New USD Senior Notes in the aggregate principal amount equal to the Issue Date Principal Amount (i.e. rounded up to US\$78,800,000) to the Creditor SPV which will hold the same for the benefit of the SPP Participants in accordance with the terms of the SPP Deed as an added measure of protection to the SPP Participants. The Creditor SPV (initially, as the sole noteholder of the New USD Senior Notes) will hold the New USD Senior Notes on trust absolutely for the benefit of the SPP Participants until the Notes Transfer Date (if any) and will, on that date, transfer and otherwise deal with the New USD Senior Notes in accordance with the terms of the SPP Deed.

The maturity date of the New USD Senior Notes will be 31 January 2025, unless repurchased or redeemed earlier. Interest on the New USD Senior Notes will accrue at the interest rate on and from the interest calculation start date. The interest calculation start date commences on the relevant trigger date which preceded the Notes Transfer Date. Interest is payable semi-annually on each interest payment date, i.e. the date falling six months after the interest calculation start date and every six months thereafter.

Interest rate on the New USD Senior Notes shall be calculated as follows:

- (i) on and during the first year after the interest calculation start date: 12.5% per annum;

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- (ii) on and during the second year after the interest calculation start date: 15% per annum;
- (iii) on and during the third year after the interest calculation start date: 20% per annum; and
- (iv) on and during the fourth year after the interest calculation start date and thereafter: 25% per annum.

Consent Fee

On or before the Restructuring Effective Date, the Company shall pay the Consent Fee in cash, which is equal to a Consent Fee Recipient's Pro Rata share of 0.25% of the Claim Amount on Default Date, to such Consent Fee Recipients who, on or before the Voting Instruction Deadline, submits its duly completed Account Holder Letter to the Information Agent and to vote its holding of the Notes in favour of the Scheme.

RSA Fee

On the Restructuring Effective Date, the Company shall pay a RSA Fee in cash, which is equal to a RSA Fee Participant's Pro Rata share of 1% of the Claim Amount on Default Date who: (a) becomes a party to the RSA on or prior to 31 January 2022; (b) validly holds or controls its Pro Rata Notes (in the case of a RSA Fee Recipient who is not a member of the Steering Committee, as specified in its accession letter) and still holds such Notes as at the Voting Instruction Deadline; (c) has voted all of its Pro Rata Notes (in the case of a RSA Fee Recipient who is not a member of the Steering Committee, as specified in its accession letter) in favour of the Scheme at the Scheme Meeting and has not withdrawn or revoked its vote in favour of the Scheme; (d) has fully complied with the material provisions of the RSA and has not breached any provision of the RSA in any material respect; and (e) has not, as at the Restructuring Effective Date, exercised its rights (if any) to terminate the RSA.

Work Fee

The Company shall pay on the Scheme Effective Date to each of the three Participating Scheme Creditors which constitute the Steering Committee a work fee in cash and in US dollars equal to such Participating Scheme Creditor's pro rata share of the Work Fee, which is equal to 0.25% of the Claim Amount on Default Date. A Participating Scheme Creditor's pro rata share shall mean the proportion that the principal amount outstanding on the Notes beneficially owned, held or controlled by that Participating Scheme Creditor bears to the aggregate holding of the Notes, each as at the date of the RSA.

SPECIFIC MANDATE TO ISSUE SCHEME SHARES

Subject to the satisfaction of the Scheme Conditions, the Company will issue and allot 2,342,838,557 Scheme Shares to each Participating Scheme Creditor as part of the Scheme Consideration on the Restructuring Effective Date.

Out of the 2,342,838,557 Scheme Shares, on the Restructuring Effective Date, 965,423,665 Initial Scheme Shares will be allotted and issued to the Initial Participating Scheme Creditors (other than the Creditor SPV) and 967,308,177 Initial Scheme Shares will be allotted and issued to the Creditor SPV. The

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remaining 410,106,715 Surplus Scheme Shares will be allotted and issued to the Scheme Consideration Trustee which will be distributed to the Participating Scheme Creditors (other than the Initial Participating Scheme Creditors), if any, on the Final Distribution Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Initial Participating Scheme Creditors and his/her/their ultimate beneficial owner(s) are third party(ies) independent of the Company and its connected persons.

Set out below are the principal terms of the Scheme Shares:

Issuer	The Company
Issue price	<p>The Scheme Shares Issue Price of HK\$0.631:</p> <ul style="list-style-type: none">(i) represents a premium of approximately 60% to closing price quoted on the Stock Exchange as at the Latest Practicable Date; and(ii) represents a premium of approximately 40% to the asset value per Share based on the net asset value of the Company as at 31 December 2021. <p>The Scheme Shares Issue Price was determined between the Company and the Steering Committee.</p>
Number of Scheme Shares	<p>2,342,838,557 Scheme Shares, representing:</p> <ul style="list-style-type: none">(i) approximately 114.5% of the existing issued share capital of the Company as at the Latest Practicable Date;(ii) approximately 53.4% of the entire issued Shares in the Company on a fully diluted basis as at the Restructuring Effective Date (without taking into account the Onshore Operating Creditors Converted Shares); and(iii) approximately 50.2% of the entire issued Shares in the Company on a fully diluted basis as a result of the issue and allotment of the Onshore Operating Creditors Converted Shares and the Scheme Shares.
Ranking	The Scheme Shares will rank <i>pari passu</i> in all respects with the Shares in issue.

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Listing	<p>Application will be made for the listing of the Scheme Shares on the Stock Exchange. The Scheme Shares will be listed and tradable on the Stock Exchange.</p> <p>The Scheme Shares will be allotted and issued under the New Shares Specific Mandate to be sought from the Shareholders at the EGM.</p>
Restrictions	<p>The issue of the Scheme Shares shall not result in the public float of the Shares falling below the minimum public float requirements under the Listing Rules.</p>
Lock-up	<p>The Scheme Shares shall not be subject to any lock-up, save for the SPP Shares which shall be sold in accordance with the terms of the SPP Deed.</p>

REASONS AND BENEFITS OF THE SCHEME

The Company is an investment holding Company and the Group is principally engaged in mining of raw coking coal from its coal mines in Guizhou and Sichuan Provinces.

The Group had total liabilities of RMB11,206 million as at 31 December 2021. It is estimated that, after the Scheme Claims in the aggregate amount of US\$190,740,098 are discharged and extinguished, approximately 11.18% of the liabilities on the financial statement of the Group as at 31 December 2021 is expected to be restructured by the Scheme. The net decrease of total liabilities of the Group will reduce the gearing ratio of the Group significantly.

The Scheme will ease the repayment pressure of the Company and allow the Company to continue as a going concern. This will reduce the risk of the Company from default as well as to retain cashflow for the Company's future business development. The issue of the Scheme Shares will help to enlarge the capital base of the Company. This will reduce the liquidity risk of the Company.

The Board considers that the terms of the Scheme Shares, the New USD Senior Notes, the Zero-coupon Bonds and the Cash Payment are fair and reasonable and in the interests of the Company, the Scheme Creditors and the Shareholders as a whole.

THE ONSHORE RESTRUCTURING

The Group's onshore operations are funded by the PRC Lending Banks. The Group's onshore bank borrowings form a significant part of the Group's overall indebtedness. As at 31 December 2021, the Group's onshore bank borrowings and accrued interest were approximately RMB7,707 million, which constituted 68.77% of the Group's indebtedness.

On 21 April 2020, the Company and the Onshore Creditors Committee reached the Preliminary Restructuring Framework on the settlement of the onshore bank borrowings and the discharge of the Conversion Interest.

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Apart from the indebtedness of the PRC Lending Banks, as at 31 December 2021, the Outstanding Debts due from the Group to the Onshore Operating Creditors were approximately RMB368.7 million.

The completion of the Onshore Restructuring is one of the Scheme Conditions. It is anticipated on the Restructuring Effective Date, the Conversion Interest (in the amount of approximately RMB948 million) and the Outstanding Debts due from the Group to the Onshore Operating Creditors of approximately RMB149.4 million will be discharged and extinguished. The Outstanding Debts of approximately RMB118.9 million will be settled in cash by instalments (instead of Onshore Operating Creditors Converted Shares) to 22 Onshore Operating Creditors who have entered into the Debt Settlement Agreements.

There are 39 Onshore Operating Creditors (representing Outstanding Debts in the amount of approximately RMB100.4 million) who have neither entered into the Settlement Agreements nor Debt Settlement Agreements. Their Outstanding Debts in the amount of approximately RMB100.4 million will be subject to further negotiations for repayment.

ISSUE OF PREFERRED SHARES TO CERTAIN PRC LENDING BANKS

Reference is made to the announcement of the Company dated 21 April 2020 in relation to, among other matters, the Preliminary Restructuring Framework.

The PRC Lending Banks (other than CM Bank) have confirmed that the Conversion Interest due from the Group will be fully satisfied and discharged by the issue of Preferred Shares instead of Shares.

The Conversion Interest of approximately RMB948 million calculated as at 31 December 2018 shall be fully satisfied and discharged by the Company issuing and allotting the Preferred Shares to Oriental Toprich, which is entrusted by the PRC Lending Banks to hold the Preferred Shares on trust for the PRC Lending Banks (other than CM Bank).

Oriental Toprich is a company incorporated under the laws of the British Virgin Islands. The sole shareholder and sole director of Oriental Toprich is an independent third party. Its principal business is investment holding for holding the Preferred Shares for the PRC Lending Banks (other than CM Bank) only.

As at the Latest Practicable Date, CM Bank has not confirmed to accept the issue of preferred shares to fully satisfy and discharge its outstanding interest due from the Group. As at 31 December 2021, accrued interest due to CM Bank amounted to approximately RMB198.3 million (including its conversion interest of approximately RMB102.4 million which it has not yet confirmed to accept the issue of preferred shares). The Company will further negotiate with CM Bank on the settlement of its outstanding interest.

The balance of borrowings due to CM Bank amounted to approximately RMB574.8 million and will be extended for a further period of 5 years to be repaid by 4 February 2025 pursuant to the Post Syndication Agreement.

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CM Bank has been trying to sell its balance of borrowings together with the accrued interest to another onshore creditor which, if successful, a new creditor will purchase the balance of borrowings together with the accrued interests from CM Bank. The Company will negotiate with the new creditor regarding the settlement of the accrued interest including but not limited to payment in cash by installments. As at the Latest Practicable Date, no agreement has been reached between CM Bank and any purchaser.

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SPECIFIC MANDATE TO ISSUE PREFERRED SHARES

The principal terms of the Preferred Shares are as follows:

Issuer	:	The Company
Allottee	:	Oriental Toprich
Number of Preferred Shares	:	1,793,524,789
Par value	:	HK\$0.10
Issue date	:	To be issued on or around the Restructuring Effective Date (the “ Issue Date ”)
Validity	:	From the Issue Date until they are repurchased or 10 years from the Issue Date, whichever is earlier.
Preferred Shares Issue Price	:	HK\$0.631 per Preferred Share which is the same as the Scheme Shares Issue Price.
Interest-free repurchase period	:	For a period of 36 months from the Issue Date, the Company can repurchase the Preferred Shares at the Preferred Shares Issue Price (the “ Repurchase Period ”).
Transferability	:	Oriental Toprich may not transfer or sell the Preferred Shares during the validity of the Preferred Shares to any party other than the respective PRC lending Banks.
Listing	:	The Preferred Shares will not be listed and traded on the Stock Exchange. The Preferred Shares will be allotted and issued under the Preferred Shares Specific Mandate to be sought from the Shareholders at the EGM.
Status of the Preferred Shares	:	In the event of a winding up, acquisition, or merger of the Company, the rights and claims of Oriental Toprich shall rank in priority to holders of ordinary shares and other preferred shares in the Company.
Convertibility	:	The Preferred Shares will not be converted into Shares.

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- Voting Rights : Holders of the Preferred Shares shall not be entitled to attend or vote at any general meeting of the Company by reason only of his/her/its being the holder(s) of the Preferred Shares, save for voting rights at a class meeting of the holders of the Preferred Shares for matters which require their consent under the Articles or the law.
- Guarantee arrangement : Upon the completion of the issue and allotment of the Preferred Shares by the Company, Oriental Toprich shall execute a guarantee in favour of each PRC Lending Bank in respect of the Preferred Shares and undertake to do all steps required under the laws of the PRC and the BVI in relation to the same, including the execution of relevant documents so that the relevant PRC Lending Banks can enforce creditor's rights in relation to the Conversion Interest against Oriental Toprich in the PRC court.
- Following the commencement of such litigation or enforcement process, the PRC Lending Banks (other than CM Bank) agree to facilitate Oriental Toprich to arrive at settlement or mediation in performance of its obligations as a guarantor, and for application of the Preferred Shares for satisfying the Conversion Interest.
- Repurchase arrangements : If the Company fails to repurchase all or part of the Preferred Shares at the Preferred Shares Issue Price within the Repurchase Period, interest shall accrue at the prevailing loan prime rate designated by the People's Bank of China on those Preferred Shares not yet repurchased by the Company starting from the fourth anniversary of the Issue Date at the Preferred Shares Issue Price per Preferred Share and interest shall be payable on 30 June and 31 December commencing from the fourth anniversary of the Issue Date, until all the Preferred Shares are repurchased by the Company. Such interest shall be payable by the Company to the PRC Lending Banks.
- Dividend : No dividend will be declared to the holders of the Preferred Shares.

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Conditions precedent

The restructuring for the indebtedness of the PRC Lending Banks is conditional upon the satisfaction of the following conditions precedent:

- (a) each parties being duly authorised and having fulfilled their internal conditions and qualifications for the restructuring and the signing and performance of the Preliminary Framework Agreement;
- (b) the arrangement and terms of the restructuring not being prohibited by any relevant laws or regulations of the PRC, Hong Kong, or the BVI;
- (c) dismissal of the Company's winding up petition in Hong Kong;
- (d) the completion of the issue of the Scheme Shares to the Scheme Creditors pursuant to the Scheme, the completion of the issue of the Onshore Operating Creditors Converted Shares to the Onshore Operating Creditors and the completion of the issue of the Preferred Shares to Oriental Toprich are inter-conditional, in the event that the issue of the Scheme Shares and the Onshore Operating Creditors Converted Shares to the Onshore Operating Creditors cannot be completed, the issuance of the Preferred Shares will not proceed;
- (e) the security arrangements with respect to the indebtedness of the PRC Lending Banks remaining unchanged and effective;
- (f) the Company having convened the EGM to approve the issue and allotment of the Preferred Shares to Oriental Toprich and the Proposed Amendments to the Memorandum and Articles; and
- (g) the Onshore Creditors Committee having implemented effective financial management with respect to the Company and Hidili China pursuant to the terms of the Preliminary Restructuring Framework.

The Company's winding up petition was dismissed on 25 July 2022.

REASONS FOR ISSUING THE PREFERRED SHARES

The Company has engaged in extensive negotiations with the PRC Lending Banks in an attempt to restructure the onshore bank borrowings in order to ensure that the Group can operate as a going concern after the implementation of the Restructuring. As agreed in the Post Syndication Agreement which took effect on 20 April 2020, the outstanding principal of approximately RMB5,867 million (calculated as at 30 November 2019) together with the outstanding interest of approximately RMB616.99 million (after the discharge of the Conversion Interest owed to the PRC Lending Banks) (collectively the "**Remaining Debt**") will be extended for a further period of 5 years to be repaid by 4 February 2025.

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The issue of the Preferred Shares to fully satisfy and discharge the Conversion Interest can delay the payment of Conversion Interest and retain cash for future business development. The Board considers that the terms of the Preferred Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE SETTLEMENT AGREEMENTS

On 23 November 2022 (after trading hours), the Settlement Agreements were entered into between the Company and a total of 125 Onshore Operating Creditors (representing Outstanding Debts in the amount of approximately RMB149.4 million) in relation to the settlement of their respective Outstanding Debts due from the Group by the issue and allotment of an aggregate of the 282,844,625 Onshore Operating Creditors Converted Shares.

The terms of each Settlement Agreement entered into by the Onshore Operating Creditors are the same. Set out below are the principal terms of the Settlement Agreements:

Parties

- (1) The Company
- (2) 125 Onshore Operating Creditors. The Onshore Operating Creditors are the operating creditors located in the PRC. As at the Latest Practicable Date, there are 186 Onshore Operating Creditors, out of which 125 (representing Outstanding Debts in the amount of approximately RMB149.4 million) have entered into the Settlement Agreements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Onshore Operating Creditors and his/her/its ultimate beneficial owner(s) are third party(ies) independent of the Company and its connected persons.

Settlement of Outstanding Debts

The Outstanding Debts due to the Onshore Operating Creditors are in the sum of approximately RMB368.7 million as at 31 December 2021. As at the date of each Settlement Agreement, the Debtors (being Hidili China and/or Liupanshui Hidili) failed to settle the Outstanding Debts to the Onshore Operating Creditor on time. The Company has agreed to guarantee the settlement of the Outstanding Debts.

Subject to the satisfaction of the Scheme Conditions and the terms of each Settlement Agreement, the Company shall issue and allot 282,844,625 Onshore Operating Creditors Converted Shares at the issue price of HK\$0.631 to each Onshore Operating Creditor or its designated entity who have entered into the Settlement Agreements to satisfy and discharge their Outstanding Debts.

Upon the issue of the Onshore Operating Creditors Converted Shares, their Outstanding Debts shall be fully discharged and shall be deemed to have been fully settled. Such Onshore Operating Creditors waives the right to make any claim or initiate any legal proceeding against the Debtor and/or the Company in respect of their Outstanding Debts, failing which it shall indemnify the Debtor and/or the Company in full for any loss or costs resulting from such claim or legal proceeding.

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SPECIFIC MANDATE TO ISSUE ONSHORE OPERATING CREDITORS CONVERTED SHARES

Set out below are the principal terms of the Onshore Operating Creditors Converted Shares:

Issuer	The Company
Issue price	<p>The issue price of HK\$0.631:</p> <ul style="list-style-type: none">(i) represents a premium of approximately 60% to closing price quoted on the Stock Exchange as at the Latest Practicable Date; and(ii) represents a premium of approximately 40% to the asset value per Share based on the net asset value of the Company as at 31 December 2021. <p>The issue price in the same as the Scheme Shares Issue Price.</p>
Par value	HK\$0.10
Issue date	To be issued on or around the Restructuring Effective Date
Number of Onshore Operating Creditors Converted Shares	<p>282,844,625 Onshore Operating Creditors Converted Shares, representing:</p> <ul style="list-style-type: none">(i) approximately 13.8% of the existing issued share capital of the Company as at the Latest Practicable Date; and(ii) approximately 6.1% of the entire issued Shares in the Company on a fully diluted basis as a result of the issue and allotment of the Onshore Operating Creditors Converted Shares and the Scheme Shares.
Ranking	The Onshore Operating Creditors Converted Shares will rank <i>pari passu</i> in all respects with the Shares in issue.
Listing	<p>Application will be made for the listing of and permission to deal in the Onshore Operating Creditors Converted Shares on the Stock Exchange.</p> <p>The Onshore Operating Creditors Converted Shares will be allotted and issued under the New Shares Specific Mandate to be sought from the Shareholders at the EGM.</p>

LETTER FROM THE BOARD

Restrictions	The issue of the Onshore Operating Creditors Converted Shares shall not result in the public float of the Shares falling below the minimum public float requirements under the Listing Rules.
Lock-up	The Onshore Operating Creditors Converted Shares shall not be subject to any lock-up or dealing restrictions.

Conditions precedent

The obligations of each party to each Settlement Agreement are conditional upon the satisfaction of the following conditions precedent:

- (a) requirements under the Listing Rules, the Hong Kong Code on Takeovers and Mergers (if applicable), and the Memorandum and Articles, including but not limited to the approval by the Shareholders at the EGM the issue and allotment of the Onshore Operating Creditors Converted Shares by the Company; and
- (b) the Listing Committee of the Stock Exchange having approved the listing of and permission to deal in the Onshore Operating Creditors Converted Shares to be issued and allotted by the Company, and such approval not having been revoked prior to the date of completion of each Settlement Agreement.

None of the above conditions precedent is waivable. If any of the above conditions precedent is not satisfied by 31 December 2022 (or such other date as may be agreed in writing between the parties to the Settlement Agreement), such Settlement Agreement shall be terminated and neither party thereto shall have any further obligations under the Settlement Agreement save as to any rights on any antecedent breach of the Settlement Agreement. The Company will seek consent from the parties to the Settlement Agreements to further extend the long stop date.

REASONS FOR ENTERING INTO THE SETTLEMENT AGREEMENTS

The Company has engaged in negotiations with the Onshore Operating Creditors to settle their Outstanding Debts which has been overdue for certain period of time. The issue of the Onshore Operating Creditor Converted Shares to satisfy and discharge their Outstanding Debts can decrease the liabilities of the Group and retain cashflow for future business development. The Board considers that the terms of Settlement Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion shall take place within fourteen days after satisfaction of all the above conditions precedent, or such other date as the parties to each Settlement Agreement may agree in writing.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DEBT RESTRUCTURING ON ASSETS AND LIABILITIES OF THE GROUP

Based on the unaudited condensed consolidated statement of financial position for the six months ended 30 June 2022, the Group had net current liabilities of approximately RMB8,691 million as at 30 June 2022 including bank borrowings falling due within one year of approximately RMB5,749 million and the Notes outstanding of approximately RMB1,319 million.

As shown in the unaudited pro forma financial information of the Group contained in Appendix I to this circular, on the basis that the Debt Restructuring had been completed on 30 June 2022:

- (i) The issue of Scheme Shares to Scheme Creditors will discharge the outstanding Notes of approximately RMB1,319 million;
- (ii) The issue of the New USD Senior Notes to the SPP Participants in according with the terms of SPP Deed will act as an added measure of protection to the SPP Participants. The maturity date of the New USD Senior Notes will be 31 January 2025. Such liabilities will be crystallized once Trigger Events occurred and will not contribute to any net liabilities to the Group as at 30 June 2022;
- (iii) The issue of Preferred Shares and extension of the Remaining Debts will delay the settlement of Conversion Interest of approximately RMB948 million to 10 years from the Issue Date and the Remaining Debts of approximately RMB6,332 million to 4 February 2025 respectively;
- (iv) The issue of Onshore Operating Creditors Converted Shares to Onshore Operating Creditors will discharge the Outstanding Debts of approximately RMB149.4 million;
- (v) The unaudited pro forma consolidated net current assets of the Group will be approximately RMB44.8 million. This illustrates the improvement in the Group's financial position as compared to the unaudited net current liabilities of approximately RMB8,691 million as at 30 June 2022; and
- (vi) The unaudited pro forma consolidated net assets of the Group will be approximately RMB2,747 million. Accordingly, the net asset position of the Group is expected to be strengthened as compared to the unaudited net assets of the Group of approximately RMB1,372 million as at 30 June 2022.

Further details of unaudited pro forma consolidated statement of financial position of the Group are set out in the unaudited pro forma financial information of the Group contained in Appendix I to this circular.

As at 31 December 2021, the Group's onshore bank borrowings and accrued interest were approximately RMB7,707 million. Set out below is the breakdown of the composition of the onshore bank borrowings and accrued interest:

LETTER FROM THE BOARD

	RMB million
Conversion Interest to be discharged by issue of Preferred Shares	948
Remaining Debts to be extended to 4 February 2025	6,332
Conversion interest due to CM Bank which settlement shall be subject to further negotiation	102
Payables on demand	<u>325</u>
Total	<u><u>7,707</u></u>

As at 31 December 2021, the Outstanding Debts due from the Group to the Onshore Operating Creditors were approximately RMB368.7 million. Set out below is the breakdown of the Outstanding Debts due from the Group to the Onshore Operating Creditors:

	RMB million
Settlement by issue of Onshore Operating Creditors Converted Shares	149.4
Settlement in cash by instalments	118.9
Subject to further negotiation	<u>100.4</u>
Total	<u><u>368.7</u></u>

PROPOSED AMENDMENTS TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

The Memorandum and the Articles will be amended to incorporate the terms of the Preferred Shares and the other relevant amendments. The Proposed Amendments to the Memorandum and Articles will be subject to the approval of the Shareholders at the EGM by a special resolution. The text of the Proposed Amendments to the Memorandum and Articles is set out in the notice of EGM.

The legal advisers to the Company as to Hong Kong laws and Cayman Islands laws have respectively confirmed that the Proposed Amendments to the Memorandum and Articles conform with the applicable requirements under the Listing Rules and do not contravene the applicable laws of the Cayman Islands. The Company confirms that there is nothing unusual about the Proposed Amendments to the Memorandum and Articles for a Cayman Islands company listed on the Stock Exchange.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

IMPACT OF THE ISSUE OF NEW SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Scheme Shares to the Creditor SPV, the Initial Participating Scheme Creditors and the Scheme Consideration Trustee; and (iii) immediately after the issue of the Onshore Operating Creditors Converted Shares to the Onshore Operating Creditors and the issue of the Scheme Shares to the Creditors SPV, the Initial Participating Scheme Creditors and the Scheme Consideration Trustee

Assuming that there will not be any other changes in the issue share capital and shareholding structure of the Company

Shareholders	As at the Latest Practicable Date		Immediately after the issue of the Scheme Shares to the Creditor SPV, the Initial Participating Scheme Creditors and the Scheme Consideration Trustee		Immediately after the issue of the Onshore Operating Creditors Converted Shares to the Onshore Operating Creditors and the issue of the Scheme Shares to the Creditors SPV, the Initial Participating Scheme Creditors and the Scheme Consideration Trustee	
	No. of shares	Approximate %	No. of shares	Approximate %	No. of shares	Approximate %
Mr. Xian	1,040,674,000	50.87	1,040,674,000	23.7	1,040,674,000	22.3
Directors (other than Mr. Xian)						
Mr. Sun Jiankun	19,380,000	0.95	19,380,000	0.5	19,380,000	0.4
Mr. Zhuang Xianwei	500,000	0.02	500,000	0.0	500,000	0.0
Creditor SPV			967,308,177	22.0	967,308,177	20.7
Initial Participating Scheme Creditors	-	-	965,423,665	22.0	965,423,665	20.7
Scheme Consideration Trustee			410,106,715	9.4	410,106,715	8.8
Onshore Operating Creditors	-	-	-	-	282,844,625	6.1
Oriental Toprich	-	-	-	-	-	-
Public shareholders	985,044,399	48.16	985,044,399	22.4	985,044,399	21.0
Total	2,045,598,399	100%	4,388,436,956	100%	4,671,281,581	100%

EGM

A notice convening the EGM to be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 30 January 2023 at 10:30 a.m. is set out on pages EGM-1 to EGM-7 of this circular. The EGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the grant of the New Shares Specific Mandate; (ii) the grant of the Preferred Shares Specific Mandate; and (iii) the Proposed Amendments to the Memorandum and Articles.

LETTER FROM THE BOARD

Any Shareholder who is interested in the Scheme, the agreements in relation to the Onshore Restructuring and the transactions contemplated thereunder shall abstain from voting on the resolution(s) to be proposed at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Scheme, the agreements in relation to the Onshore Restructuring and the transactions contemplated thereunder and no Shareholder is required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same with branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to have been revoked. Voting on the proposed resolution at the EGM will be taken by poll.

CLOSURE OF BOOKS

The register of members of the Company will be closed from Friday, 20 January 2023 to Monday, 30 January 2023 (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the identity of the shareholders entitled to attend and vote at the EGM. In order to qualify for attending and voting at the, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 19 January 2023.

RECOMMENDATION

Having considered the above mentioned benefits to the Group, the Directors consider that the Scheme and the transactions contemplated thereunder and the issue of the Preferred Shares and Onshore Operating Creditors Converted Shares are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote for (i) the resolution to approve the Scheme and the transaction contemplated thereunder, (ii) the granting of the New Shares Specific Mandate; (iii) the grant of the Preferred Shares Specific Mandate; and (iii) the Proposed Amendments to the Memorandum and Articles.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to II to this circular.

Yours faithfully,
By order of the Board
Hidili Industry International Development Limited
Xian Yang
Chairman and Executive Director

For the purpose of illustration only, amounts denominated in US\$ have been translated into HK\$ at the exchange rate of US\$1 to HK\$7.7505.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited

Certified Public Accountants

30 December 2022

The Board of Directors

Hidili Industry International Development Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of Hidili Industry International Development Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes as set out in Appendix I of the circular (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Appendix I of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the debt restructuring (the “**Debt Restructuring**”) on the Group’s financial position as at 30 June 2022 as if the Debt Restructuring had taken place on 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2022, on which no review report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Debt Restructuring as at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Practising Certificate Number P07374

Hong Kong, 30 December 2022

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors of the Company to illustrate the effect of the Debt Restructuring, assuming the transaction had been completed as at 30 June 2022, might have affected the financial position of the Group.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as extracted from the interim report of the Group for the six months ended 30 June 2022 after making certain pro forma adjustments resulting from the Debt Restructuring.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Debt Restructuring actually occurred on 30 June 2022. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular and other financial information included elsewhere in the Circular.

APPENDIX I

UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	Pro Forma Adjustments						Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2022 RMB'000 (Note 1)
	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 RMB'000 (Note 1)	Offshore Restructuring - (i) issuance of Scheme Shares, and (ii) issuance of New USD Senior Notes for SPP Participants RMB'000 (Note 2)	Offshore Restructuring - issuance of Zero-coupon Bonds offshore RMB'000 (Note 3)	Onshore Restructuring - issuance of Preferred Shares RMB'000 (Note 4)	Onshore Restructuring - extension of Remaining Debts RMB'000 (Note 5)	Onshore Restructuring - settlement of outstanding debts of Onshore Operating Creditors RMB'000 (Note 6)	
NON-CURRENT ASSETS							
Property, plant and equipment	8,884,849	-	-	-	-	-	8,884,849
Right-of-use assets	121,431	-	-	-	-	-	121,431
Interests in a joint venture	1,369,249	-	-	-	-	-	1,369,249
Long-term deposits	14,259	-	-	-	-	-	14,259
Deferred tax assets	7,704	-	-	-	-	-	7,704
Other receivables	-	555,218	-	-	-	-	555,218
Total non-current assets	10,397,492	555,218	-	-	-	-	10,952,710
CURRENT ASSETS							
Inventories	283,803	-	-	-	-	-	283,803
Bills and trade receivables	868,393	-	-	-	-	-	868,393
Bills receivables discounted with recourse	247,330	-	-	-	-	-	247,330
Other receivables and prepayments	982,717	-	-	-	-	-	982,717
Amount due from a joint venture	204,721	-	-	-	-	-	204,721
Pledged bank deposits	821	-	-	-	-	-	821
Bank and cash balances	40,179	-	-	-	-	-	40,179
Total current assets	2,627,964	-	-	-	-	-	2,627,964

APPENDIX I
UNAUDITED PRO FORMA FINANCIAL INFORMATION

	Pro Forma Adjustments						Unaudited pro forma condensed statement of financial position of the Group as at 30 June 2022 RMB'000 (Note 1)
	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 RMB'000 (Note 1)	Offshore Restructuring – (i) issuance of Scheme Shares, and (ii) issuance of New USD Senior Notes for SPP Participants RMB'000 (Note 2)	Offshore Restructuring – issuance of Zero-coupon Bonds offshore RMB'000 (Note 3)	Onshore Restructuring – issuance of Preferred Shares RMB'000 (Note 4)	Onshore Restructuring – extension of Remaining Debts RMB'000 (Note 5)	Onshore Restructuring – settlement of outstanding debts of Onshore Operating Creditors RMB'000 (Note 6)	
CURRENT LIABILITIES							
Bills and trade payables	956,756	-	-	-	-	-	956,756
Contract liabilities	133,181	-	-	-	-	-	133,181
Advances drawn on bills receivables discounted with recourse	247,330	-	-	-	-	-	247,330
Accruals and other payables	2,836,985	12,833	(249,448)	(948,102)	(616,990)	(149,450)	885,828
Lease liabilities	28,441	-	-	-	-	-	28,441
Tax payables	48,079	-	-	-	-	-	48,079
Senior Notes – 2015	1,318,697	(1,318,697)	-	-	-	-	-
Scheme Creditors payables	-	-	46,771	-	-	-	46,771
Zero – coupon Bonds	-	-	202,677	-	-	-	202,677
Bank borrowings	5,749,377	-	-	-	(5,715,314)	-	34,063
Total current liabilities	11,318,846	(1,305,864)	-	(948,102)	(6,332,304)	(149,450)	2,583,126
NET CURRENT (LIABILITIES)/ ASSETS							
	(8,690,882)	1,305,864	-	948,102	6,332,304	149,450	44,838
TOTAL ASSETS LESS CURRENT LIABILITIES							
	1,706,610	1,861,082	-	948,102	6,332,304	149,450	10,997,548
NON-CURRENT LIABILITIES							
Other payables	289,980	-	-	-	-	-	289,980
Provision for restoration and environmental costs	13,208	-	-	-	-	-	13,208
Lease liabilities	22,935	-	-	-	-	-	22,935
New USD Senior Notes	-	555,218	-	-	-	-	555,218
Preferred Shares	-	-	-	1,028,831	-	-	1,028,831
Bank borrowings	-	-	-	-	6,332,304	-	6,332,304
Deferred tax liabilities	8,025	-	-	-	-	-	8,025
Total non-current liabilities	334,148	555,218	-	1,028,831	6,332,304	-	8,250,501
Net assets/(liabilities)	1,372,462	1,305,864	-	(80,729)	-	149,450	2,747,047

B. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1 The unaudited condensed consolidated statement of assets and liabilities as at 30 June 2022 is extracted from the Group's interim report for the six months ended 30 June 2022 dated 31 August 2022.

2 a) The Scheme will release the Company and the Note Subsidiary Guarantors from the Scheme Claims of the Scheme Creditors. The Scheme Claims will be fully, irrevocably and unconditionally released, and in return, subject to the terms of the Scheme, the Participating Scheme Creditors will be entitled to receive the Scheme Consideration, which comprise (i) the Scheme Shares; (ii) the Zero-coupon Bonds and (iii) the Cash Payment. In addition, the Consent Fee, RSA Fee and Work Fee will also be payable to certain eligible Scheme Creditors. As at the Voting Instruction Deadline, 141 Scheme Creditors representing Notes in the principal amount of US\$150,761,000 have submitted the Account Holder Letters.

The Scheme Shares are issued and allotted to the Participating Scheme Creditors (or, if applicable, the Creditor SPV) in accordance with the terms of the Scheme and the SPP Deed. The Scheme Shares shall be listed and tradeable on the Stock Exchange.

Subject to the satisfaction of the Scheme Conditions, the Company will issue and allot 2,342,838,557 Scheme Shares at the issue price of HK\$0.631 to each Participating Scheme Creditor as part of the Scheme Consideration on the Restructuring Effective Date.

Out of the 2,342,838,557 Scheme Shares, on the Restructuring Effective Date, 965,423,665 Initial Scheme Shares will be allotted and issued to the Initial Participating Scheme Creditors (other than the Creditor SPV) and 967,308,177 Initial Scheme Shares will be allotted and issued to the Creditor SPV. The remaining 410,106,715 Surplus Scheme Shares will be allotted and issued to the Scheme Consideration Trustee which will be distributed to the Participating Scheme Creditors (other than the Initial Participating Scheme Creditors), if any, on the Final Distribution Date.

The Senior Notes – 2015 amounting to approximately RMB1,318,697,000 is debited. The adjustment reflects the effect of the release of the Senior Notes – 2015 according to the arrangement of the Scheme.

b) The adjustment reflects the effect of accrual of handling fee amounting to approximately US\$1,821,000 (equivalent to approximately RMB12,833,000) including the Consent Fee amounting to approximately US\$951,000, the RSA Fee amounting to approximately US\$393,000, and the Work Fee amounting to approximately US\$477,000.

- c) The Company will issue the New USD Senior Notes in the aggregate principal amount equal to the Issue Date Principal Amount (i.e. rounded up to US\$78,800,000)(equivalent to approximately RMB555,218,000) to the Creditor SPV which will hold the same for the benefit of the SPP Participants in accordance with the terms of the SPP Deed as an added measure of protection to the SPP Participants. The Creditor SPV (initially, as the sole noteholder of the New USD Senior Notes) will hold the New USD Senior Notes on trust absolutely for the benefit of the SPP Participants until the Notes Transfer Date (if any) and will, on that date, transfer and otherwise deal with the New USD Senior Notes in accordance with the terms of the SPP Deed.

The maturity date of the New USD Senior Notes will be 31 January 2025, unless repurchased or redeemed earlier. Interest on the New USD Senior Notes will accrue at the interest rate on and from the interest calculation start date. The interest calculation start date commences on the relevant trigger date which preceded the Notes Transfer Date. Interest is payable semi-annually on each interest payment date, i.e. the date falling six months after the interest calculation start date and every six months thereafter.

The adjustment reflects the effect of issuance of the New USD Senior Notes by crediting New USD Senior Notes and debiting Other receivables amounting to approximately RMB555,218,000 which is assumed as fair value.

- 3 a) The Zero-coupon Bonds will be issued to the Participating Scheme Creditors in an aggregate principal amount (i.e. approximately RMB202,677,000) equal to 13/16 of the Total Accrued Interest Amount. The Total Accrued Interest Amount (i.e. approximately US\$35,403,000) (equivalent to approximately RMB249,448,000) is defined as the sum of (i) the Accrued Interest Amount (pre-Original Termsheet Signing Date) (i.e. approximately US\$24,319,000) and (ii) the Accrued Interest Amount (post-Original Termsheet Signing Date) (i.e. approximately US\$11,084,000). The maturity date of the Zero-coupon Bonds is 30 November 2022. It is subject to amortization redemption. As the Restructuring Effective Date will occur after the maturity date of the Zero-coupon Bond, the Company will distribute the Zero-coupon Bonds in the form of cash instead of the definitive bonds to the Participating Scheme Creditors; and
- b) the Cash Payment to be issued to the Participating Scheme Creditors in a total amount (i.e. approximately RMB46,771,000) equal to 3/16 of the Total Accrued Interest Amount which will be paid in cash.

The adjustment reflects the effect of the reallocation from accrued interest to Zero-coupon Bonds and Scheme Creditors payables.

- 4 The Conversion Interest of approximately RMB948 million calculated as at 31 December 2018 shall be fully satisfied and discharged by the Company issuing and allotting the Preferred Shares to Oriental Toprich, which is entrusted by the PRC Lending Banks to hold the Preferred Shares on trust for the PRC Lending Banks (other than CM Bank).

The adjustment reflects the effect of the settlement of the Conversion Interest of approximately RMB948,102,000 by issuance of 1,793,525,000 Preferred Shares at the issue price of HK\$0.631 total amounting to RMB1,028,831,000 which is assumed as fair value.

- 5 The Company has engaged in extensive negotiations with the PRC Lending Banks in an attempt to restructure the onshore bank borrowings in order to ensure that the Group can operate as a going concern after the implementation of the Restructuring. As agreed in the Post Syndication Agreement which took effect on 20 April 2020, the outstanding principal of approximately RMB5,715,314,000 as at 30 June 2022 together with the outstanding interest of approximately RMB616,990,000 (after the discharge of the Conversion Interest owed to the PRC Lending Banks) (collectively the “**Remaining Debt**”) will be extended for a further period of 5 years to be repaid by 4 February 2025.

The adjustment reflects the effect of the reallocation from current liabilities – bank borrowings and accrued interests to non-current liabilities – bank borrowings.

- 6 The Settlement Agreements were entered into between the Company and a total of 125 Onshore Operating Creditors (representing Outstanding Debts in the amount of approximately RMB149,450,000) in relation to the settlement of their respective Outstanding Debts due from the Group by the issue and allotment of an aggregate of the 282,844,625 Onshore Operating Creditors Converted Shares at the issue price of HK\$0.631.

The adjustment reflect the effect of the settlement of the Outstanding Debts amounting to approximately RMB149,450,000.

- 7 In the Unaudited Pro Forma Financial Information, the tradition of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.1.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. INTERESTS OF DIRECTORS

(1) Interests in the Shares, underlying shares and debentures of the Company and its associated corporations

(a) Directors' and chief executive's interests and short positions in the Shares and underlying shares and debentures of the Company and its associated corporations

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors and chief executive	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company <i>(Note 3)</i>
Mr. Xian Yang	Corporate/other interests	1,040,674,000 <i>(Note 1)</i>	50.87
Mr. Sun Jiankun	Corporate/other interests	19,380,000 <i>(Note 2)</i>	0.95
Mr. Zhuang Xianwei	Personal interests	500,000	0.02

Notes:

- (1) The 1,040,674,000 Shares are held by Sanlian Investment Holding Limited (“**Sanlian Investment**”), the issued share capital of which is jointly held by Xian Yang No.1A Ltd. (“**Xian Yang No.1A**”) and Sanlian No.1 Ltd. (“**Sanlian No.1**”). Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian formed a discretionary trust, The Xian Yang Foundation 1, of which Trident Trust Company (Singapore) Pte. Limited (“**Trident Trust**”) was the trustee. Accordingly, Mr. Xian is deemed to be interested in the 1,040,674,000 Shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is also the sole director of Sanlian Investment.

- (2) The 19,380,000 Shares are held by Able Accord Enterprises Limited (“**Able Accord**”), the entire issued share capital of which is held by Mr. Sun Jiankun. Accordingly, Mr. Sun Jiankun is deemed to be interested in 19,380,000 shares held by Able Accord by virtue of the SFO. Mr. Sun Jiankun is also a director of Able Accord.
- (3) Based on 2,045,598,399 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors of the Company is a director or employee of a company which has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(2) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(3) Interests in contracts

As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Group subsisting as at the date of this circular, in which any of the Directors was materially interested, directly or indirectly, and which was significant in relation to the business of the Group as a whole.

(4) Interests in competing business

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and their respective close associates had an interest in any business which compete or is likely to compete, either directly or indirectly, with the business of the Group.

(5) Directors’ service contracts

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of two years.

As at the Latest Practicable Date, none of the Directors had, or was proposed to have, a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation))

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, Shareholders who had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Number of Shares held	Nature of interest	Approximate percentage of the issued share capital of the Company <i>(Note 3)</i>
Sarasin Trust Holding Ltd. <i>(Note 1)</i>	561,343,740	Trustee	27.44
Sanlian Investment <i>(Note 1)</i>	1,040,674,000	Beneficial owner	50.87
Mr. Xian Yang <i>(Note 1)</i>	1,040,674,000	Interest of controlled corporation	50.87
Ms. Qiao Qian <i>(Note 2)</i>	1,040,674,000	Interest of spouse	50.87

Notes:

- (1) The entire issued share capital of Sanlian Investment is jointly owned by Xian Yang No.1A and Sanlian No.1. Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian formed a discretionary trust, The Xian Yang Foundation 1, of which Trident Trust was the trustee. Accordingly, Mr. Xian is deemed to be interested in 1,040,674,000 Shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is the sole director of Sanlian Investment.
- (2) Ms. Qiao Qian is the spouse of Mr. Xian. By virtue of the SFO, Ms. Qiao Qian is also deemed, as the spouse of Mr. Xian, to be interested in all the shares of the Company in which Mr. Xian is deemed to be interested.
- (3) Based on 2,045,598,399 Shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, no person or company (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, there were no litigations or claims of material importance, known to the Directors, pending or threatened against any member of the Group:

- (a) On 15 April 2016, Hidili China received a Notice of Court Action attaching the writ of summons issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院); and
- (b) On 1 June 2017, both of Sichuan Haohang Trading Company Limited, a wholly-owned subsidiary of the Company and Sichuan Hidili Industry Co., Ltd., a wholly-owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons issued by the Higher People's Court of Sichuan Province of the People's Republic of China (四川省高級人民法院).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinions, letters or advice which are contained in this circular:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

- (b) The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of and references to its name and/or opinion in the form and context in which it is included.
- (c) As at the Latest Practicable Date, the above expert had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, the above expert had any shareholding in any member of the Group and any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office	16th Floor, Dingli Mansion No. 185 Renmin Road Panzhihua Sichuan 617000 PRC
Principal place of business in Hong Kong	Room 1306, 13th Floor Tai Tung Building 8 Fleming Road Wanchai Hong Kong
Authorised Representatives	Mr. Xian Yang Ms. Chu Lai Kuen
Company Secretary	Ms. Chu Lai Kuen <i>A fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants</i>
Auditors	ZHONGHUI ANDA CPA Limited 23rd Floor, Tower 2 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Kowloon Hong Kong
Principal Share Registrar and Transfer Office	Suntera (Cayman) Limited Suite 3204, Unit 2A Block 3, Building D P.O. Box 1586 Gardenia Court, Camana Bay Grand Cayman KY1-1100 Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
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8. DOCUMENT AVAILABLE FOR INSPECTION

The written consent referred to in the paragraph under the heading "EXPERT AND CONSENT" in this Appendix will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hidili.com.cn for a period of 14 days from the date of this circular.

9. GENERAL

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“**EGM**”) of Hidili Industry International Development Limited (the “**Company**”) will be held at 24th Floor, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong on Monday, 30 January 2023 at 10:30 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolutions of the Company.

ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company of HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares (each an “**Ordinary Share**”) of HK\$0.10 each be and is hereby re-designated and re-classified as HK\$1,000,000,000 divided into (i) 8,000,000,000 Ordinary Shares of par value of HK\$0.10 each and (ii) 2,000,000,000 non-convertible non-voting preferred shares of par value of HK\$0.10 each (each a “**Preferred Share**”). All of the existing issued ordinary shares of the Company shall be designated as Ordinary Shares which shall have the same rights and restrictions attached thereto as are attached to the ordinary shares immediately prior to the re-designation and re-classification of the authorised share capital of the Company and the Preferred Shares shall carry equal rights and rank *pari passu* with one another and each Preferred Share shall have the rights and benefits and subject to the restrictions set out in the preliminary restructuring framework dated 21 April 2020 entered into among the Company, 中國民生銀行股份有限公司成都分行 (China Minsheng Bank Chengdu Branch*), 平安銀行股份有限公司成都分行 (Ping An Bank Chengdu Branch*), 平安銀行股份有限公司昆明分行 (Ping An Bank Kunming Branch*), 招商銀行股份有限公司深圳車公廟支行 (China Merchants Bank Shenzhen Che Gong Temple Branch*), 四川銀行股份有限公司攀枝花竹湖園支行 (Sichuan Bank Company Limited Panzhihua Commercial Bank Zhuhuyuan Branch*) and 中國信達資產管理股份有限公司四川省分公司 (China Cinda Assets Management Co., Ltd. Sichuan Branch*) (collectively, the “**PRC Lending Banks**”), Mr Xian Yang and 恒鼎實業(中國)集團有限公司 (Hidili Industry (China) Group Limited*) and the confirmations given by each of China Minsheng Bank Chengdu Branch, Ping An Bank Chengdu Branch, Ping An Bank Kunming Branch, Sichuan Bank Company Limited Panzhihua Commercial Bank Zhuhuyuan Branch and China Cinda Assets Management Co., Ltd. Sichuan Branch regarding the issue of the Preferred Shares (collectively, the “**Onshore Restructuring Agreement**”) (a copy of the Onshore Restructuring Agreement is marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purposes).”
2. “**THAT** the Onshore Restructuring Agreement in relation to the issue and allotment of an aggregate of 1,793,524,789 Preferred Shares to the relevant subscriber as provided in the Onshore Restructuring Agreement to satisfy and discharge the conversion interest in the

NOTICE OF EGM

amount of approximately RMB948 million, upon the terms and subject to conditions set out in the Onshore Restructuring Agreement and all the transactions contemplated thereby, be and are hereby approved, ratified and confirmed.”

3. “**THAT** subject to and conditional upon passing of resolutions no.1 and no.2 above and resolution no.5 below, the terms of the Preferred Shares as set out in the Onshore Restructuring Agreement be and are hereby approved and that the board of directors (the “**Board**”) of the Company be and is hereby authorised to allot and issue an aggregate of 1,793,524,789 Preferred Shares at an issue price of HK\$0.631 per Preferred Share to Oriental Toprich Limited, upon the terms and subject to conditions of the Onshore Restructuring Agreement and on such other terms and conditions as may be determined by the Board. The registered office provider of the Company or any director (the “**Director**”) or share registrar of the Company be and is authorised and instructed to update the Register of Members of the Company, to attend to any necessary filing in accordance with the applicable law and record the foregoing issue and allotment of the Preferred Shares as resolved above and that a share certificate (if appropriate) be issued to any holder who requests the same, with full power and authority hereby granted to any one Director to prepare, execute (with the affixation of the common seal, if required) and deliver any such share certificate.”
4. “**THAT** the settlement agreements dated 23 November 2022 (the “**Settlement Agreements**”) (a copy of the Settlement Agreement is marked “**B**” and produced to the EGM and signed by the chairman of the EGM for identification purposes) entered into between the Company and 125 Onshore Operating Creditors (as defined in the circular dated 30 December 2022 (the “**Circular**”) in relation to the issue and allotment of an aggregate of 282,844,625 Ordinary Shares to the subscribers in accordance with the Settlement Agreements, as onshore operating creditors converted shares (the “**Onshore Operating Creditors Converted Shares**”) at an issue price of HK\$0.631 each which are Ordinary Shares to satisfy and discharge their respective indebtedness due from the Group (as defined in the Circular), upon the terms and subject to conditions set out in the Settlement Agreements and all the transactions contemplated thereby, be and are hereby approved, ratified and confirmed.”
5. “**THAT** subject to and conditional upon passing of resolution 4 above and the Listing Committee (the “**Listing Committee**”) of the Stock Exchange of Hong Kong Limited granting or agreeing to grant the Listing of and permission to deal in the Onshore Operating Creditors Converted Shares, the terms of the Onshore Operating Creditors Converted Shares as set out in the Settlement Agreements be and are hereby approved and the Board be and is hereby authorised to allot and issue an aggregate of 282,844,625 Onshore Operating Creditors Converted Shares to 125 Onshore Operating Creditors, upon the terms and subject to conditions set out in the Settlement Agreements and on such other terms and conditions as may be determined by the Board. The registered office provider of the Company or any Director or share registrar of the Company be and is authorised and instructed to update the Register of Members of the Company, to attend to any necessary filling in accordance with the applicable law and record the foregoing issue and allotment of the Onshore Operating Creditors Converted Shares and that share certificate(s) (if appropriate) be issued to any holder who

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requests the same, with full power and authority hereby granted to any one Director to prepare, execute (with the affixation of the common seal, if required) and deliver any such share certificates.”

6. “**THAT** subject to all the other resolutions set out in this notice being passed, the scheme of arrangement (the “**Scheme**”), material particulars of which are disclosed in the scheme of arrangement document of the Company despatched to the creditors of the Company (details of the major terms of the Scheme are set out in the section headed “Letter from the Board – The Scheme” in the Circular), which are to be proposed and effected as a scheme under Section 673 and 674 of the Companies Ordinance, be and is hereby approved.”
7. “**THAT** subject to the Listing Committee granting or agreeing to grant the listing of and permission to deal in the scheme shares (the “**Scheme Shares**”), the Board be and is hereby granted a specific and unconditional mandate to exercise the powers of the Company to issue and allot 2,342,838,557 Ordinary Shares as Scheme Shares to the Participating Scheme Creditors (are defined in the Circular) pursuant to the Scheme at an issue price of HK\$0.631 per Scheme Share which shall rank *pari passu* in all respects among themselves and with the existing Ordinary Shares in issue at the date of such issue and allotment. The registered office provider of the Company or any Director or share registrar of the Company be and is authorised and instructed to update the Register of Members of the Company, to attend to any necessary filing in accordance with the applicable law and record the foregoing issue and allotment of the Scheme Shares and that share certificate(s) (if appropriate) be issued to any holder who requests the same, with full power and authority hereby granted to any one Director to prepare, execute (with the affixation of the common seal, if required) and deliver any such share certificates.”
8. “**THAT** subject to and conditional upon the passing of resolution no.7 above, the Board be and is hereby granted a specific and unconditional mandate to exercise the powers of the Company to accept the surrender for no consideration and cancel any Surplus Scheme Shares (as defined in the Circular) that were not distributed to the Scheme Creditors (as defined in the Circular) pursuant to the Scheme.”
9. “**THAT** any one Director be and is hereby authorised for and on behalf of the Company to execute (with the affixation of the common seal, if required) all such documents, instruments and agreements and to do all such acts and things deemed by him/her/them to be incidental to, ancillary to, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Onshore Restructuring Agreement, the Settlement Agreements, the Scheme and the transactions contemplated thereunder, including but not limited to the re-designation and re-classification of authorised share capital, the allotment and issue of the Preferred Shares, the Onshore Operating Creditors Converted Shares, the Scheme Shares, the redemption of the Preferred Shares and the surrender for no consideration and cancellation of the Surplus Scheme Shares as he/she/they may consider necessary, desirable or expedient.”

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SPECIAL RESOLUTIONS

10. **“THAT** the amended and restated memorandum of association and articles of association of the Company (the **“M&A”**) be amended in the following manner:

(a) by deleting clause 8 of the amended and restated memorandum of association in its entirety and replacing by the following new clause 8:

“The share capital of the Company is HK\$1,000,000,000 divided into (i) 8,000,000,000 ordinary shares of a par value of HK\$0.10 each and (ii) 2,000,000,000 non-convertible non voting preferred shares of a par value of HK\$0.10 each.”

(b) by adding the following new definitions into the section headed “Interpretation” in Article 1:

“shares” the ordinary shares with a par value of HK\$0.10 each in the share capital of the Company

“Preferred Shares” the non-convertible non-voting preferred shares with a nominal or par value of HK\$0.10 each in the share capital of the Company

“Repurchase Period” the period of three years from the date of issue of the Preferred Shares

(c) by inserting the following Article 15A immediately after the existing Article 15:

“15A. Notwithstanding other provisions of these Articles, the Preferred Shares shall confer on the registered holders thereof the following rights and privileges and be subject to the following rights, restrictions and provisions:

(1) Ranking

The Preferred Shares constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and rank *pari passu* without any preference among themselves.

(2) Validity

The Preferred Shares shall be for a period of 10 years from the issue date.

(3) Voting Rights

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Holders of the Preferred Shares shall not be entitled to attend or vote at any general meeting of the Company by reason only of his/her/its being the holder(s) of the Preferred Shares, save for voting rights at a class meeting of the holders of the Preferred Shares for matters which require their consent under the Articles or the Law.

(4) Dividend Rights

Holders of the Preferred Shares shall not have the right to receive any dividends.

(5) Redemption

Subject to the Law and the Articles, the Company shall have the right to redeem the Preferred Shares at the original issue price within the Repurchase Period. If the Company fails to redeem all or part of the Preferred Shares at the original issue price within the Repurchase Period, interest shall accrue at the prevailing loan prime rate designated by the People's Bank of China on those Preferred Shares not yet redeemed.

(6) Conversion

The Preferred Shares cannot be converted into shares of the Company.

(7) Transferability

Subject to any restrictions in the rules of the Designated Stock Exchange and the Articles, holders of the Preferred Shares cannot transfer or dispose the Preferred Shares during the validity of the Preferred Shares to any parties other than companies which are subsidiaries of holders of the Preferred Shares.

(8) Liquidation Preference

In the event of any Liquidation Event or M&A Event, holder of the Preferred Shares would be entitled to receive, in preference to the holders of shares, such amount which represents its pro rata portion had it converted the then outstanding Preferred Shares into shares immediately prior to the Liquidation Event or M&A Event (as defined below).

A "Liquidation Event" shall include a liquidation, winding-up or dissolution of the Company. A "M&A Event" shall include mergers and acquisition of the Company.

(9) Interest payment

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Interest shall accrue commencing on the fourth anniversary of the issue date and interest will be paid on 30 June and 31 December at the prevailing loan prime rate designated by the People's Bank of China on those Preferred Shares that one not yet repurchased.

11. “**THAT** the third amended and restated M&A of the Company (in the form of document produced to the EGM) and marked “C” and produced to the EGM and signed by the chairman of the EGM for identification purposes), which consolidates all of the proposed amendments referred to in Resolution no. 10 above be approved and adopted as the third amended and restated M&A of the Company in substitution in their entirety for and to the exclusion of the existing M&A with immediate effect, and that any Directors be and is hereby authorised to do all things and acts to effect the adoption of the third amended and restated M&A and to make relevant registrations and filings in accordance with the applicable laws, regulations and requirements.”

By order of the Board
Hidili Industry International Development Limited
Xian Yang
Chairman and Executive Director

Hong Kong, 30 December 2022

NOTICE OF EGM

Notes:

1. Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
 2. A form of proxy is enclosed. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of a form of proxy will not preclude you from attending and voting in person if you are subsequently able to be present.
 3. The register of members of the Company will be closed from Friday, 20 January 2023 to Monday, 30 January 2023 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for the attendance at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 19 January 2023.
 4. As at the date of this notice, the executive directors of the Company are Mr. Xian Yang, 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.
 5. In view of the ongoing novel coronavirus (COVID-19) outbreak, to safeguard the health and safety of the Shareholders, the Company will implement precautionary measures at the EGM, including but not limited to:
 - compulsory body temperature checks for all attendees;
 - compulsory wearing of surgical face masks for each attendee throughout the EGM;
 - maintaining proper distance between seats; and
 - no provision or distribution of refreshments, corporate gifts or souvenirs.
- Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into, or required to leave, the EGM venue. The Company reminds Shareholders not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with any person who has contracted or is suspected to have contracted COVID-19. The Company will keep the evolving COVID-19 condition under review and may implement and/or announce additional measures before the date of the EGM.
6. The Company reminds Shareholders that physical attendance in person at the EGM is **NOT** necessary for the purpose of exercising their voting rights at the EGM and that as an alternative, they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by completing and returning the form of proxy enclosed in accordance with the instructions printed thereon.
 7. In the event that a black rainstorm warning or a tropical cyclone warning number 8 or above is hoisted or remains hoisted at on Monday, 30 January 2023, the EGM will be adjourned to the same time and place on the first business day after 30 January 2023.