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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: 1393)

**GENERAL DISCLOSURE UNDER RULE 13.09(1) OF THE LISTING RULES**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

**THE ACQUISITION**

On 4 December 2009, Yunnan Hidili, a wholly-owned subsidiary of the Company, entered into the Zude Coal Mine Acquisition Agreement with Fuyuanxian Zude for the acquisition of mining rights and related assets of the Zude Coal Mine in Yunnan province, the PRC, with a consideration of RMB350 million (approximately HK\$397.3 million). The consideration shall be payable in cash.

Mr. Liao is the ultimate beneficial owner of the Zude Coal Mine.

**THE MEMORANDUM OF UNDERSTANDING**

On 4 December 2009, Yunnan Hidili and Qujing Mingzhu entered into the Memorandum of Understanding in relation to the proposed acquisitions of 20% equity interest in Fuyuan Kuntie, 18% equity interest in Guizhou Weiqing and 41.78% equity interest in Fuyuan Jintong. The total consideration for the Proposed Equity Interests Acquisitions amounted to not more than RMB150 million (approximately HK\$170.3 million). The Memorandum of Understanding is not legally binding. The final terms of the formal agreements, including but not limited to the consideration, in relation to the Proposed Equity Interests Acquisitions, have yet to be determined and finalised.

Mr. Liao is the ultimate beneficial owner of the Target Equity Interests.

**The Proposed Equity Interests Acquisitions may or may not proceed. Shareholders and other investors of the Company are advised to exercise caution when dealing in the Shares.**

The Proposed Equity Interests Acquisitions, if materialise, may constitute a connected transaction for the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. Further announcement regarding the Proposed Equity Interests Acquisitions will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

### **THE FRAMEWORK AGREEMENT**

On 4 December 2009, Sichuan Hidili, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Shaoguan Steel in relation to, among other matters, the proposed cooperation in (i) the supply of clean coal by Sichuan Hidili to Shaoguan Steel for a term of 10 years commencing from 2010; (ii) the establishment of joint venture companies in Panxian and Shaoguan to engage in coal washing and coking activities and (iii) joint development of logistics and transportation services in Fang Cheng Port. The Framework Agreement is not legally binding. The final terms of the formal agreements in relation to the transactions contemplated under the Framework Agreement have yet to be determined and finalised.

The Proposed Cooperation, if materialise, may constitute notifiable transactions for the Company under Chapter 14 of the Listing Rules. Further announcement regarding the Proposed Cooperation will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

**The Proposed Cooperation may or may not proceed. Shareholders and other investors of the Company are advised to exercise caution when dealing in the Shares.**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

### **THE ACQUISITION**

The Board announces that on 4 December 2009, Yunnan Hidili, a wholly-owned subsidiary of the Company, entered into the Zude Coal Mine Acquisition Agreement with Fuyuanxian Zude for the acquisition of mining rights and related assets of the Zude Coal Mine in Yunnan province, the PRC, with a consideration of RMB350 million (approximately HK\$397.3 million).

The ultimate beneficial owner of the Zude Coal Mine is Mr. Liao. Mr. Yan held 100% interest in Fuyuanxian Zude on trust for Mr. Liao. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fuyuanxian Zude, Mr. Yan and Mr. Liao are third parties independent of the Company and connected persons of the Company.

The consideration of RMB350 million (approximately HK\$397.3 million) for the acquisition of the Zude Coal Mine is to be satisfied in cash. The payment terms are as follows:

1. an amount of RMB100 million (approximately HK\$113.5 million) shall be payable within 5 Business Days after signing of the Zude Coal Mine Acquisition Agreement;
2. an amount of RMB100 million (approximately HK\$113.5 million) shall be payable within 3 months after signing of the Zude Coal Mine Acquisition Agreement and the takeover of the Zude Coal Mine by Yunnan Hidili; and
3. the remaining portion of RMB150 million (approximately HK\$170.3 million) shall be payable within 5 months after signing of the Zude Coal Mine Acquisition Agreement. If the transfer of the mining right to Yunnan Hidili or its designated company does not take place within 5 months after signing of the Zude Coal Mine Acquisition Agreement, Yunnan Hidili shall retain RMB50 million (approximately HK\$56.8 million) and such amount shall only be payable within seven Business Days after completion of the transfer of the mining right to Yunnan Hidili or its designated company.

The consideration for the Acquisition will be funded by bank borrowings.

The consideration for the Acquisition was arrived at after arm's length negotiations with Mr. Liao and Fuyuanxian Zude with reference to the estimated coal resources of the Zude Coal Mine and the current price range of coal resources in Yunnan province, the PRC. To the best of the knowledge of the Directors having made all reasonable enquires, the current market price of coal resources in Yunnan province, the PRC ranges from RMB8 to RMB12 per tonne, subject to the grade of the coal resources.

The Directors consider that the Acquisition is on normal commercial terms and in the normal and usual course of business of the Company. The Directors further consider that the terms under the Zude Coal Mine Acquisition Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

The Zude Coal Mine, located in Fuyuanxian, Yunnan province, is a leading consolidated mine confirmed under the document titled "Yun Mei Zheng He (2008) No. 44" (《雲煤整合(2008)44號》) issued by the Leadership Committee for the Consolidation of Mining Resources in Yunnan province (雲南省煤炭資源整合工作領導小組) with a mining area of 1.584 sq. km after the consolidation. The mining right of the mine was granted in July 2006 and the estimated reserve was approximately 35 million tonnes with annual designed capacity of 600,000 tonnes. The new production facilities of the Zude Coal Mine are still under construction.

As the applicable percentage ratios do not exceed 5%, the transaction contemplated under the Zude Coal Mine Acquisition Agreement does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. As Mr. Liao is not a connected person of the Company as particularly set out in the paragraph headed "The Memorandum of Understanding" below, the transaction contemplated under the Zude Coal Mine Acquisition Agreement does not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

## **THE MEMORANDUM OF UNDERSTANDING**

The Board announces that on 4 December 2009, Yunnan Hidili and Qujing Mingzhu entered into the Memorandum of Understanding in relation to the proposed acquisitions of 20% equity interest in Fuyuan Kuntie, 18% equity interest in Guizhou Weiqing and 41.78% equity interest in Fuyuan Jintong. The total consideration for the Proposed Equity Interests Acquisitions amounted to RMB150 million (approximately HK\$170.3 million). The Memorandum of Understanding is not legally binding. The final terms of the formal agreements, including but not limited to the consideration, in relation to the Proposed Equity Interests Acquisitions, have yet to be determined and finalised.

Until the earlier of the execution of any definitive and final binding agreements or 31 December 2010, Qujing Mingzhu agrees to enter into exclusive negotiation with Yunnan Hidili regarding the Proposed Equity Interests Acquisitions.

Mr. Liao is holding the entire equity interests in Qujing Mingzhu, which holds 20% equity interest in Fuyuan Kuntie, 18% equity interest in Guizhou Weiqing and 41.78% equity interest in Fuyuan Jintong respectively. Yunnan Kaijie, being a substantial shareholder of two subsidiaries of the Company and thus, a connected person of the Company, owned 64% equity interest in Fuyuan Kuntie, 51% equity interest in Guizhou Weiqing and 33.18% equity interest in Fuyuan Jintong respectively. Accordingly, Fuyuan Kuntie, Guizhou Weiqing and Fuyuan Jintong are associates of Yunnan Kaijie and thus, connected persons of the Company. The Directors are informed that Fuyuan Kuntie, Guizhou Weiqing and Fuyuan Jintong are not subsidiaries of Qujing Mingzhu and Qujing Mingzhu does not control the board of directors of each of Fuyuan Kuntie, Guizhou Weiqing and Fuyuan Jintong. Accordingly, Mr. Liao and Qujing Mingzhu are not associates of Fuyuan Kuntie, Guizhou Weiqing and Fuyuan Jintong and thus, are not connected persons of the Company.

Having said that, the Proposed Equity Interests Acquisitions, if materialise, may constitute a connected transaction for the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. Further announcement regarding the Proposed Equity Interests Acquisitions will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

**The Proposed Equity Interests Acquisitions may or may not proceed. Shareholders and other investors of the Company are advised to exercise caution when dealing in the Shares.**

### **Information on the Target Equity Interests**

Fuyuan Kuntie is a limited liability company established in the PRC. The principal activity of Fuyuan Kuntie is clean coal processing. Its coal washing plant is located in the intersection of Panxian, Liupanshui municipal, Guizhou province and Fuyuanxian, Yunnan province, adjacent to the Zude Coal Mine and other coal mines in Lemin, Panxian owned by the Company (including Tianyuan, Ludi, Xileqing, Gongjiantian, Hongxing) as well as the railway warehouses of Guizhou Weiqing and therefore provides convenient transportation. Currently, the coal washing plant has a processing capacity of 600,000 tonnes per year. Upon completion of the Proposed Equity Interests Acquisitions

(if materialise), the Company will be entitled to utilise the processing capacity of Fuyuan Kuntie at a sub-contracting charge of RMB40 per tonne of clean coal produced. The Company is intended to expand the coal washing plant with an expected capital contribution of approximately RMB1 billion and its annual processing capacity will reach 2.4 million tonnes.

Guizhou Weiqing is a limited liability company established in the PRC. The principal activities of Guizhou Weiqing are warehouse management and provision of railway logistics service in Pan county, Liupanshui, Guizhou province, the PRC. The annual transportation capacity of Guizhou Weiqing is approximately 2.5 million tonnes. Upon completion of the Proposed Equity Interests Acquisitions (if materialise), the Company will be entitled to utilise 50% of the annual transportation capacity of Guizhou Weiqing. The railway warehouse of Guizhou Weiqing, located at the intersection of Panxian, Guizhou and Fuyuanxian, Yunnan province, is the best site for the delivery of clean coal products processed by the coal washing plant in Fuyuan Kuntie. Guizhou Weiqing is also the only company which can provide such logistics service in the region.

Fuyuan Jintong is a limited liability company established in the PRC. The principal activities of Fuyuan Jintong are warehouse management and provision of railway logistics service in Fuyuanxian, Yunnan province, the PRC. The annual transportation capacity of Fuyuan Jintong amounts to approximately 3 million tonnes. Upon completion of the Proposed Equity Interests Acquisitions (if materialise), the Company will be entitled to utilise 80% of the annual transportation capacity of Fuyuan Jintong. The railway warehouse of Fuyuan Jintong, located at the center of most coal mines and coal washing plants in Fuyuan, is the best site for the delivery of clean coal products produced by the Company in Fuyuan region. Fuyuan Jintong is also the only company which can provide such logistics service in the region.

### **Reasons for and benefits of the Acquisition and the Proposed Equity Interests Acquisitions**

As stated in the Company's 2009 interim report, the Company developed businesses in Fuyuanxian, Yunnan province, the PRC including the mining, processing and sale of coal. As of 30 June 2009, the Company acquired four coal mines in the region with an aggregate reserve of approximately 88.6 million tonnes (based on PRC coal reserves standard). The Acquisition will further enrich the Company's coal reserves in Yunnan province. The Proposed Equity Interests Acquisitions will enhance the Company's integration in downstream coal washing facilities as well as logistics service and substantially reduce the transportation cost in the course of operation of the Company. Given the importance of these coal washing companies and logistics companies and the exclusivity of the services provided by Guizhou Weiqing and Fuyuan Jintong in particular, the Directors consider that the Acquisition and the Proposed Equity Interests Acquisitions are strategical significant to expedite the Company's development and growth in Yunnan province, the PRC.

## **THE FRAMEWORK AGREEMENT**

On 4 December 2009, Sichuan Hidili, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Shaoguan Steel in relation to, among other matters, the proposed cooperation in the supply of clean coal by Sichuan Hidili to Shaoguan Steel for a term of 10 years commencing from 2010. The Framework Agreement is not legally binding. The final terms of the formal agreements in relation to the transactions contemplated under the Framework Agreement have yet to be determined and finalised.

The major terms of the Framework Agreement are as follows:

- 1 Sichuan Hidili will annually supply to Shaoguan Steel not less than 600,000 tonnes of clean coal in 2010, not less than 1,000,000 tonnes of clean coal in 2011 and 2012 and not less than 1,500,000 tonnes of clean coal from 2013 to 2020.
- 2 Joint venture companies will be established in Panxian, Guizhou province and Shoaguan, Guangdong province. Shoaguan Steel will invest 30% to 40% equity interest and 15% equity interest, respectively, in a coal washing company and a coking company established by Sichuan Hidili in Panxian. Sichuan Hidili will invest 15% equity interest in a coking company established by Shoaguan Steel in Shoaguan. Shaoguan Steel have the first right to purchase clean coal and coke produced by the joint venture companies. Sichuan Hidili will guarantee the supply of raw coal to the joint venture companies.
- 3 Shaoguan Steel and Sichuan Hidili will jointly develop logistics and transportation services in Fang Cheng Port for the delivery of coking coal products.

Shaoguan Steel is a Stated-owned Enterprise established in the PRC. Shaoguan Steel is principally engaged in the manufacture and sale of iron and steel products. Shaoguan Steel operates manufacturing plants in Guangdong province, the PRC.

The Proposed Cooperation, if materialise, may constitute notifiable transactions for the Company under Chapter 14 of the Listing Rules. Further announcement regarding the Proposed Cooperation will be made in accordance with all applicable requirements of the Listing Rules as and when appropriate.

**The Proposed Cooperation may or may not proceed. Shareholders and other investors of the Company are advised to exercise caution when dealing in the Shares.**



## DEFINITIONS

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

“Acquisition”	the acquisition of the Zude Coal Mine by Yunnan Hidili pursuant to the Zude Coal Mine Acquisition Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any calendar day(s) on which a bank in the PRC opens for business, including any Saturday or Sunday declared by the PRC Government as temporary working day (“Temporary Working Day”) (other than a statutory holiday or any Saturday or Sunday not being a Temporary Working Day)
“Company”	Hidili Industry International Development Limited 恒鼎實業國際發展有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Framework Agreement”	the non-binding framework agreement dated 4 December 2009 and entered into between Sichuan Hidili and Shaoguan Steel in relation to, among other matters, the Proposed Cooperation
“Fuyuan Jintong”	富源金通煤焦有限公司 (Fuyuan Jintong Coking Company Limited*), a company established in the PRC with limited liability
“Fuyuan Kuntie”	盤縣富源昆鐵選煤有限責任公司 (Panxian Fuyuan Kuntie Coal Washing Company Limited*), a company established in the PRC with limited liability
“Fuyuanxian Zude”	富源縣富村鎮祖德煤礦 (Fuyuanxian Fucunzhen Zude Coal Mine*), a private entity established in the PRC and holder of the Zude Coal Mine

“Group”	the Company and its subsidiaries
“Guizhou Weiqing”	貴州威箐煤焦物流有限公司 (Guizhou Weiqing Coking Logistic Company Limited*), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the non-binding memorandum of understanding dated 4 December 2009 and entered into between Yunnan Hidili and Qujing Mingzhu in relation to the Proposed Equity Interests Acquisitions
“Mr. Liao”	廖高周先生 (Mr. Liao Gaozhou*), the ultimate beneficial owner of the Zude Coal Mine and the Target Equity Interests
“Mr. Yan”	晏連雄先生 (Mr. Yan Lian Xiong*) held 100% interest in Fuyuanxian Zude
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Cooperation”	(i) the supply of clean coal of Sichuan Hidili to Shaoguan Steel in terms of 10 years; (ii) the establishment of joint venture companies in Panxian and Shaoguan to engage in coal washing and coking activities and (iii) joint development of logistics and transportation services in Fang Cheng Port
“Proposed Equity Interests Acquisitions”	the proposed acquisitions by Yunnan Hidili of the Target Equity Interests
“Qujing Mingzhu”	曲靖明珠集團投資開發有限公司 (Qujing Mingzhu Group Investment Development Company Limited*), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC



“Shaoguan Steel”	廣東省韶關鋼鐵集團有限公司 (Guangdong Province Shaoguan Steel Group Company Limited), a Stated-owned Enterprise established in the PRC
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Hidili”	四川恒鼎實業有限公司 (Sichuan Hidili Industry Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“sq. km.”	square kilometres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Interests”	collectively, 20% equity interest in Fuyuan Kuntie, 18% equity interest in Guizhou Weiqing and 41.78% equity interest in Fuyuan Jintong
“Yunnan Hidili”	雲南恒鼎煤業有限公司 (Yunnan Hidili Coal Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Yunnan Kaijie”	雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*), a limited liability company established in the PRC. Yunnan Kaijie, being a substantial shareholder of two subsidiaries of the Company and thus, a connected person of the Company, is the holder of 64% equity interests in Fuyuan Kuntie, 51% equity interests in Guizhou Weiqing and 33.18% equity interests in Fuyuan Jintong respectively
“Zude Coal Mine”	富源縣富村鎮祖德煤礦 (Fuyuanxian Fucunzhen Zude Coal Mine*)

“Zude Coal Mine Acquisition Agreement” the agreement dated 4 December 2009 and entered into between Yunnan Hidili and Fuyuanxian Zude in relation to the acquisition of the Zude Coal Mine by Yunnan Hidili from Fuyuanxian Zude

“%” per cent.

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

Hong Kong  
4 December 2009

*As at the date hereof, the executive Directors are Mr. Xian Yang (Chairman), Mr. Sun Jiankun, Mr. Wang Rong and the independent non-executive Directors are Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng.*

\* *For identification purposes only*