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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 ISSUE OF RMB DENOMINATED US DOLLAR SETTLED**

**1.50% CONVERTIBLE BONDS DUE 2015**  
**AND**  
**FURTHER BUSINESS UPDATE**  
**AND**  
**RESUMPTION OF TRADING**

**Joint Lead Managers**

*(in alphabetical order)*

**BofA Merrill Lynch**

**Merrill Lynch Far East Limited**

**Citigroup Global Markets Limited**

The Board is pleased to announce that on January 12, 2010, the Company and the Joint Lead Managers entered into the Subscription Agreement, pursuant to which each of the Joint Lead Managers has agreed to procure subscribers to subscribe and pay for, or failing which itself to subscribe and pay for, on a several basis in the proportions set out in the Subscription Agreement, the Bonds to be issued by the Company at par. The Bonds have an aggregate principal amount of RMB1,707 million.

Based on the initial Conversion Price of HK\$12.58 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 154,142,424 Shares, representing approximately 7.48% of the issued share capital of the Company as at the date of this announcement and approximately 6.96% of the issued share capital of the Company as enlarged assuming full conversion of the Bonds. The New Shares will be allotted and issued pursuant to the general mandate of the Company granted to the Directors at the annual general meeting held on September 9, 2009 and will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date. The issue of the Bonds is not subject to the approval of the Shareholders. As at the date of this announcement, there has been no issue of Shares under the general mandate granted.

The estimated net proceeds from the issue of the Bonds, after deduction of commission and administrative expenses (amounting to approximately US\$5.53 million), will be approximately US\$244.47 million. The Board intends to use the net proceeds from the issue of the Bonds for repayment of the Company's existing short-term indebtedness, plus accrued and unpaid interest and any other amounts payable in connection with such prepayment, and for expanding the Company's network of mines, production plants and facilities in South West China through general acquisitions, and to fund capital expenditure and general working capital of the mines of the Company.

Citigroup Global Markets Limited and Merrill Lynch Far East Limited are the Joint Lead Managers for the issue of the Bonds.

The Company has received approval-in-principle from the Singapore Stock Exchange for the listing of the Bonds and will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

**Completion of the subscription and issue of the Bonds is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed "The Subscription Agreement" below for further information.**

**As the subscription and issue of the Bonds may or may not complete, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended with effect from 9:30 a.m. on January 12, 2010 pending the release of this announcement. Application has been made by the Company to the Hong Kong Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on January 13, 2010.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

January 12, 2010

### **Parties**

- (1) The Company;
- (2) Citigroup Global Markets Limited; and
- (3) Merrill Lynch Far East Limited.

### **Proposed issue of the Bonds**

The Company has entered into the Subscription Agreement with the Joint Lead Managers, pursuant to which and subject to the fulfillment of the conditions set out therein each of the Joint Lead Managers has agreed to procure subscribers to subscribe and pay for, or failing which itself to subscribe and pay for, on a several basis in the proportions set out in the Subscription Agreement, the Bonds to be issued by the Company with an aggregate principal amount of RMB1,707 million, to be settled in US Dollars.

## **Conversion of the Bonds**

Based on the initial Conversion Price of HK\$12.58 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 154,142,424 Shares, representing approximately 7.48% of the issued share capital of the Company as at the date of this announcement and approximately 6.96% of the issued share capital of the Company as enlarged assuming full conversion of the Bonds. The New Shares will be allotted and issued pursuant to the general mandate of the Company granted to the Directors at the annual general meeting held on September 9, 2009 and will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date. The issue of the Bonds is not subject to the approval of the Shareholders. As at the date of this announcement, there has been no issue of Shares under the general mandate granted.

## **Distribution**

The Bonds and the Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will be offered and sold in an institutional offering outside the United States in reliance on Regulation S of the Securities Act. None of the Bonds will be offered to the public in Hong Kong or the Cayman Islands nor will they be placed to any connected persons of the Company. The Bonds have not been offered or sold and will not be offered or sold in Hong Kong to the public within the meaning of the Companies Ordinance.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Joint Lead Managers are independent third parties not connected with the Company or any of its Subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Joint Lead Managers have informed the Company that they intend to offer and sell the Bonds to no less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) is and will be independent third parties not connected with the Company or any of its Subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Joint Lead Managers and their Subsidiaries or affiliates may purchase the Bonds for its and their own account and enter into transactions, including (i) credit derivatives, including assets swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (ii) equity derivatives and stock transfer transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions (including synthetic short positions for investors of the Bonds).

The Company will promptly notify the Hong Kong Stock Exchange upon becoming aware of any dealing in the Bonds by any connected person of the Company.

## Undertakings

The Company has undertaken with the Joint Lead Managers that neither the Company, any member of the Group, nor any person acting on behalf of the Company or any member of the Group will:

- (a) issue, offer, sell, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them other than:
  - (i) any Share to be issued in connection with any option granted pursuant to the share option scheme of the Company adopted on August 25, 2007 and which share option scheme is in compliance with the Listing Rules;
  - (ii) any Share issued by the Company as scrip dividend pursuant to the constitutional documents of the Company (for the avoidance of doubt, the issue of such scrip dividend shall be subject to any applicable conversion price adjustment provisions under the terms and conditions of the Bonds); and
  - (iii) the New Shares and the Bonds,
- (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive).

Mr. Xian Yang, the controlling shareholder of the Company, has also undertaken that, during the period commencing from (and including) the date of the Subscription Agreement to (and including) the date falling 90 days after the Closing Date (the “**Restricted Period**”), he will not and will procure that none of his nominee(s), trustee(s) or any persons otherwise acting on his behalf or controlled by him (including without limitation, Sanlian Investment Holding Limited) will not, without the prior written consent of the Joint Lead Managers:

- (a) offer, sell, contract to sell, or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Lock-up Shares or securities of the same class as the Bonds or the Lock-up Shares or any securities convertible into, exchangeable

for or which carry rights to subscribe or purchase the Bonds, the Lock-up Shares or securities of the same class as the Bonds, the Lock-up Shares or other instruments representing interests in the Bonds, the Lock-up Shares or other securities of the same class as them;

- (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares;
- (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise; or
- (d) announce or otherwise make public an intention to do any of the foregoing,

in each case, other than in respect of:

- (A) any stock lending arrangement entered into or to be entered into between Mr. Xian Yang (or any trustee, nominee or other person acting on his behalf) and any Joint Lead Manager and/or any transfer or re-transfer of Shares pursuant to such stock lending arrangement(s) or
- (B) any transfer of Shares pursuant to the enforcement of the share charge over 200,000,000 Shares entered into by Sanlian Investment Holding Limited in favour of Bank Sarasin-Rabo (Asia) Limited to secure the obligations of the Company under the USD130,000,000 working capital facility agreement entered into between the Company and Bank Sarasin-Rabo (Asia) Limited on August 26, 2009.

“**Lock-up Shares**” shall mean (a) all Shares held by Mr. Xian Yang directly or indirectly from time to time, including all Shares held by Mr. Xian Yang through nominee(s), trustee(s) or other person(s) otherwise acting on his behalf or controlled by him (including Sanlian Investment Holding Limited); together with (b) all shares or other form of equity securities held by Mr. Xian Yang directly or indirectly from time to time in any such nominee(s), trustee(s) or other person(s) otherwise acting on behalf of Mr. Xian Yang or controlled by him (including Sanlian Investment Holding Limited).

### **Conditions Precedent to the Subscription Agreement**

The obligations of each of the Joint Lead Managers to subscribe and pay for (or failing which itself to subscribe and pay for) the Bonds are conditional upon:

- (1) **Due Diligence:** the Joint Lead Managers being satisfied with the results of their due diligence investigations with respect to the Company, the Group and the issue and offering of the Bond for the purposes of the preparation of the offering circular, and the offering circular having been prepared in form and content satisfactory to the Joint Lead Managers;

- (2) **Other Contracts:** the execution and delivery on or before the Closing Date of the trust deed constituting the Bonds and the paying, conversion and transfer agency agreement in relation to the Bonds, each in a form reasonably satisfactory to the Joint Lead Managers, by the respective parties;
- (3) **Certificate of No Default:** on the date of the Subscription Agreement, there having been delivered to the Joint Lead Managers a certificate of no default in the agreed form dated as of the date of the Subscription Agreement, and signed by a duly authorised officer of the Company;
- (4) **Listing:** the Hong Kong Stock Exchange having agreed to list the New Shares upon conversion of the Bonds and the Singapore Stock Exchange having agreed, subject to any conditions satisfactory to the Joint Lead Managers, to list the Bonds (or, in each case, the Joint Lead Managers being reasonably satisfied that such listing will be granted);
- (5) **Lock-up:** on the date of the Subscription Agreement the delivery to the Joint Lead Managers, a lock-up agreement executed by Mr. Xian Yang substantially in an agreed form, which shall not have been breached and shall remain in full force and effect on the Closing Date;
- (6) **Compliance:** up to and at the Closing Date:
  - (i) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct in all respects at, and as if made on, such dates;
  - (ii) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such dates; and
  - (iii) there having been delivered to the Joint Lead Managers a certificate in the agreed form, dated as of such dates, signed by two duly authorised officers of the Company confirming, among other things, that the representations and warranties under the Subscription Agreement are accurate and correct in all respects, the Company has performed all of its obligations under the Subscription Agreement and there has been no material adverse change;
- (7) **Material Adverse Change:** after the date of the Subscription Agreement or, if earlier, the dates as of which information is given in the offering circular up to and at the Closing Date, there not having occurred any material change nor any development or event involving a prospective material change, in the condition (financial or other), or the earnings, business, prospects, properties or results of operations of the Company or the Group, taken as a whole the effect of which, in the opinion of the Joint Lead Managers, is material and adverse in the context of the issue and offering of the Bonds;

- (8) **Consents:** on or prior to the Closing Date, the Company having obtained and there having been delivered to the Joint Lead Managers all consents and approvals required in relation to the issue of the Bonds and the performance of its obligations under the trust deed constituting the Bonds, the paying, conversion and transfer agency agreement in relation to the Bonds and the Bonds (including the consents and approvals required from all lenders);
- (9) **Auditors' Letters:** on the date of the offering circular and the Closing Date, there shall have been delivered to the Joint Lead Managers, letters from Deloitte Touche Tohmatsu, in form and substance satisfactory to the Joint Lead Managers, dated the date of publication of the offering circular, the Closing Date;
- (10) **Legal Opinions:** on the Closing Date, there shall have been delivered to the Joint Lead Managers legal opinions, in form and substance reasonably satisfactory to the Joint Lead Managers, dated the Closing Date, and such other resolutions and certificates as the Joint Lead Managers may reasonably require; and
- (11) **Waiver and consent letter:** certain existing lender of the Company having executed and delivered to the Joint Lead Managers a copy of a waiver and consent letter in form and substance satisfactory to the Joint Lead Managers.

Each Joint Lead Manager may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the above conditions precedent other than (2) and (11).

### **Termination of the Subscription Agreement**

The Joint Lead Managers may, by notice to the Company given at any time prior to payment of the net subscription monies for the Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (a) if any of the conditions precedents for the Subscription Agreement have not been satisfied or waived by the Joint Lead Managers as provided therein; or
- (b) if there shall have come to the notice of the Joint Lead Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations in the Subscription Agreement or any failure to perform any of the covenants, obligations or agreements of the Company in the Subscription Agreement; or
- (c) if, in the opinion of the Joint Lead Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the London Stock Exchange plc, the New York Stock Exchange, the Nasdaq National Market and/or the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (iii) a general moratorium on commercial banking activities in London, New York, the PRC and/or Hong Kong declared by the relevant authorities or a material disruption in commercial



banking or securities settlement or clearance services in the United Kingdom, New York, the PRC or Hong Kong or (iv) a material change or development involving a prospective material change in taxation affecting the Company, the Bonds and the Shares to be issued upon conversion of the Bonds or the transfer thereof; or

- (d) if, in the opinion of the Joint Lead Managers, there shall have been a material change, or any development involving a prospective material change, in national or international financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or exchange controls or there shall have occurred an outbreak or escalation of hostilities or act of terrorism as would in its view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (e) if, in the opinion of the Joint Lead Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

Subject to the foregoing and other applicable terms of the Subscription Agreement, completion of the subscription and issue of the Bonds will take place on the Closing Date. The Directors consider that the terms and conditions of the Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **PRINCIPAL TERMS OF THE BONDS**

The principal terms of the Bonds are summarized as follows:

- |                                |   |
|--------------------------------|---|
| Issuer:                        | The Company.  |
| Principal amount of the Bonds: | RMB1,707 million.   |
| Issue price:                   | The Bonds are expected to be issued at 100% of the aggregate principal amount of the Bonds and to be settled in US Dollars at the exchange rate of USD1.00 to RMB6.8265.  |
| Structure:                     | To be sold in a transaction exempt from registration under the Securities Act.  |
| Number of Placees:             | Not less than six placees (who will be independent individual, corporate and/or institutional investors) and each of them and their respective ultimate beneficial owners will be independent third parties not connected with the Company or any of its Subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates. |

US Dollar settlement:	All amounts due under the Bonds shall be payable and settled in USD only, using the Spot Rate for exchange of RMB into USD two Business Days before the payment due date (the “ <b>US Dollar Equivalent</b> ”). Under the terms of the Bond, “Business Day” means, in relation to Beijing (for determining the US Dollar Equivalent of a RMB-denominated amount) or Hong Kong (for determining the US Dollar Equivalent of a HK\$-denominated amount), a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in such place and in New York City.
Maturity date:	January 19, 2015.
Conversion period:	Each Bondholder may exercise his/her/its conversion right at any time on or after the date falling six months after the Closing Date up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the tenth day prior to the Maturity Date (both days inclusive) or, if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (in the place aforesaid) on a date no later than seven Business Days (in the place aforesaid) prior to the date fixed for redemption or if notice requiring redemption has been given by such Bondholder pursuant to the terms and conditions of the Bonds, then up to the close of business (in the place aforesaid) on the Business Day (in the place aforesaid) prior to the giving of such notice.
Conversion ratio:	The aggregate RMB principal amount of the Bonds (translated into HK\$ at the fixed exchange rate of HK\$1.00 = RMB0.8803) divided by the applicable Conversion Price.
Conversion Price:	The initial Conversion Price is HK\$12.58 per Share.  The Conversion Price is subject to adjustment, pursuant to and subject to the terms and conditions of the Bonds, upon the occurrence of certain prescribed events, including but not limited to consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price and the other adjustment events set out in the terms and conditions of the Bonds. The Conversion Price may not be reduced so that, on conversion of the Bonds, Shares would fall to be issued at a discount to their par value.

Interest: The Bonds bear interest from (and including) the Closing Date at the rate of 1.50% per annum on the principal amount of the Bonds. The interest is payable semi-annually in arrear in equal installments (each an “**Interest Payment Date**”).

Redemption at the option of the Company: On giving not less than 30 nor more than 60 days’ notice to the Bondholders, the trustee of the Bonds and the Principal Agent (which notice shall be irrevocable), the Company:

- (1) may at any time after the date falling three years after Closing Date and prior to the Maturity Date, redeem all, but not some only, of the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount on the redemption date, together with accrued but unpaid interest to the date of redemption, provided, however, that no such redemption may be made unless the Closing Price of the Shares translated into RMB at the Prevailing Rate applicable to the relevant Trading Day, for 20 out of 30 consecutive Trading Days, where the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given, was at least 130% of the applicable Early Redemption Amount divided by the prevailing Conversion Ratio; or
- (2) may at any time redeem all but not some only of the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount on the redemption date, together with accrued but unpaid interest to the date of redemption, if at any time at least 90% in aggregate RMB principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

“**Early Redemption Amount**” in respect of each RMB100,000 in principal amount of Bonds shall mean the amount which is determined to be the amount which, together with unpaid accrued interest from the immediately preceding Interest Payment Date or, if none, the Closing Date, and after taking into account any interest paid in respect of such Bonds in preceding periods, represents for the Bondholder on the relevant date for determination of the Early Redemption Amount a gross yield to maturity of 3.50% per annum (calculated on a semi annual basis).

“**Prevailing Rate**” refers to a rate for exchanging HK\$ and RMB; the “Prevailing Rate” applicable to any Trading Day shall be the RMB/HK\$ official fixing rate, expressed as the amount of RMB per one HK\$, reported by the People’s Bank of China which appears on the Reuters Screen “SAEC” Page opposite the symbol “HKDCNY” page at or about 9:15 a.m. (Beijing time) on the relevant Trading

Date; and if such rate is unavailable on a particular Trading Day, the Prevailing Rate in effect for the last preceding Trading Day shall be deemed to be the Prevailing Rate for such Trading Day.

Redemption at the option  
of the Bondholders:

The Company will, at the option of any Bondholder, redeem all or some only of such Bondholder's Bonds on the date falling three years after Closing Date at a redemption price equal to the US Dollar Equivalent of its RMB principal amount multiplied by 106.2687%, together with accrued but unpaid interest to the date of redemption.

Redemption for  
taxation reasons:

At any time the Company may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders, the trustee of the Bonds and the Principal Agent (which notice shall be irrevocable), redeem all but not some only of the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount, together with accrued but unpaid interest to the date of redemption if the Company satisfies the trustee of the Bonds immediately prior to the giving of the Tax Redemption Notice that (i) the Company has or will become obliged to pay additional amounts under the terms and conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Subscription Agreement, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Redemption for delisting,  
or Change of Control:

Following the occurrence of any of the following events:

- (1) when the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); or
- (2) when there is a Change of Control,

each Bondholder will have the right at his/her/its option, to require the Company to redeem all but not some only of his/her/its Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount, together with accrued but unpaid interest to the date of redemption.

Redemption at maturity:	Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the Bonds, the Company will redeem each Bond at an amount equal to the US Dollar Equivalent of its RMB principal amount multiplied by 110.8254% together with accrued but unpaid interest thereon on the Maturity Date.
Voting Rights:	Before conversion of the Bonds, the Bondholders will not have any right to attend or vote at any general meeting of the Company by virtue of their being Bondholders.
Listing:	Approval-in-principle has been received for the listing of the Bonds on the Singapore Stock Exchange. The Bonds will be traded on the Singapore Stock Exchange in a minimum board lot size of USD200,000 for so long as the Bonds are listed on the Singapore Stock Exchange. The Shares are currently, and those Shares to be issued upon conversion of the Bonds will be, listed on the Hong Kong Stock Exchange.
Transferability:	Subject to the terms and conditions of the Bonds and the paying, conversion and transfer agency agreement in relation to the Bonds, the Bonds will be freely transferable.
Status:	The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Denomination:	RMB100,000 each or integral multiples thereof without coupons attached.
Ranking of Bonds and New Shares:	The Bonds are expected to constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. The Bonds shall rank <i>pari passu</i> in all respects among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of the Company. The New Shares, when fully paid and allotted, will rank <i>pari passu</i> in all respects with the then Shares in issue on the date of allotment and issue of the relevant New Shares.
Negative Pledge:	The Company undertakes that, so long as any of the Bonds remains outstanding or any amount is due under or in respect of any Bond or otherwise under the trust deed constituting the Bonds, it will not, and will procure that none of its Subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their

respective present or future assets or revenues to secure any Relevant Indebtedness of the Company or any Subsidiary of the Company or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company's obligations under the Bonds are secured equally and rateably: (a) by the same Encumbrance; or (b) at the option of the Company, by such other security, guarantee, indemnity or other arrangement as the trustee of the Bonds in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an extraordinary resolution of the Bondholders.

In the case of (a) above, the trustee of the Bonds is permitted and authorised to, without the consent of any Bondholders:

- (A) enter into an intercreditor agreement;
- (B) enter into any security document, trust deed or indenture in relation to the Collateral (as defined below); and/or
- (C) take any other action necessary to permit the creation and registration of any such Encumbrance(s) on the collateral (the "**Collateral**"), including without limitation, the appointment of any collateral agent under the intercreditor agreement to hold the Collateral on behalf of the Bondholders and the holders of other Relevant Indebtedness of the Company.

"**Encumbrance**" refers to a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person.

## **SECURITIES LENDING AGREEMENTS**

Concurrently with the execution of the Subscription Agreement, a broker of Sanlian Investment Holding Limited, the controlling shareholder of the Company (the "**Lender**"), entered into a securities lending agreement with each of the Joint Lead Managers, to effect the lending of up to 65,000,000 Shares (the "**Maximum Number of Shares**") in aggregate by the Lender to the Joint Lead Managers.

The Maximum Number of Shares subject to the securities lending agreements represent 42.17% of the Shares into which the aggregate number of Bonds may be converted based on the initial Conversion Price.

## **COMPARISON OF CONVERSION PRICE**

The initial Conversion Price of HK\$12.58 represents:

- (1) a premium of approximately 30.0% over the closing price of HK\$9.68 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 24.7% over the volume weighted average closing price of HK\$10.09 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (3) a premium of approximately 25.4% over the volume weighted average closing price of HK\$10.03 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Joint Lead Managers with reference to the closing price of the Shares quoted on the Hong Kong Stock Exchange on the Last Trading Day.

## **GENERATE MANDATE**

By a resolution of the shareholders of the Company passed at the annual general meeting held on September 9, 2009, the Company granted a general mandate to the Directors to allot and issue up to 20% of the issued share capital of the Company, being 412,000,000 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the general mandate granted. As at the date of this announcement, the Company is entitled to issue up to 412,000,000 Shares pursuant to such general mandate. The New Shares will be issued under such general mandate.

## **APPLICATION FOR LISTING**

The Company has received approval-in-principle from the Singapore Stock Exchange for the listing of the Bonds and will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

## **REASONS FOR AND BENEFITS OF THE BONDS ISSUE**

The Board considers that the entry into of the Subscription Agreement and the issue of the Bonds pursuant to it represent an opportunity to broaden the capital base of the Company and to obtain immediate funding on attractive terms. The Board considers that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

## USE OF PROCEEDS

The estimated net proceeds from the issue of the Bonds, after deduction of commission and administrative expenses (amounting to approximately US\$5.53 million, will be approximately US\$244.47 million). The Board intends to use the net proceeds from the issue of the Bonds for the following purposes:

- (i) approximately US\$130.0 million to repay the Company's existing short-term indebtedness, plus accrued and unpaid interest and any other amounts payable in connection with such repayment; and
- (ii) the remaining proceeds, to continue to expand the Company's network of mines, production plants and facilities in South West China through general acquisitions, and to fund capital expenditure and general working capital of the mines of the Company.

## SHAREHOLDING OF THE COMPANY

The table below summarizes the shareholding structure of the Company: (i) as at the date of this announcement; and (ii) upon the conversion of the Bonds into Shares in full. This table is based on the interests in Shares which have been disclosed to the Company pursuant to Part XV of the SFO as at the date of this announcement.

Name of Shareholder	Shareholding as at the date of this announcement		Shareholding upon the conversion of the Bonds into Shares in full at the initial Conversion Price of HK\$12.58 each	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company
Sanlian Investment <sup>(1)</sup>	1,097,631,000	53.28	1,097,631,000 <sup>(4)</sup>	49.57
Able Accord Enterprises Limited <sup>(2)</sup>	15,380,000	0.75	15,380,000	0.70
Pavlova Investment Limited <sup>(3)</sup>	15,380,000	0.75	15,380,000	0.70
Bondholders	0	0	154,142,424	6.96
Templeton Asset Management Limited	148,853,000	7.23	148,853,000	6.72
JPMorgan Chase & Co	103,042,702	5.00	103,042,702	4.65
Other Shareholders	679,713,298	32.99	679,713,298	30.70
<b>Total</b>	<b>2,060,000,000</b>	<b>100</b>	<b>2,214,142,424</b>	<b>100</b>



*Notes:*

- (1) The entire issued share capital of Sanlian Investment Holding Limited (“**Sanlian Investment**”), a company incorporated in the British Virgin Islands, is owned by Mr. Xian Yang (“**Mr. Xian**”), an executive Director and the Chairman of the Company. Mr. Xian is also the sole director of Sanlian Investment. Mr. Xian is deemed to be interested in 1,097,631,000 Shares held by Sanlian Investment by virtue of the SFO. Ms. Qiao Qian is the spouse of Mr. Xian. By virtue of the SFO, Ms. Qiao Qian is also deemed, as spouse, to be interested in all the Shares in which Mr. Xian is deemed to be interested.
- (2) The entire issued share capital of Able Accord Enterprises Limited (“**Able Accord**”), a company incorporated in the British Virgin Islands, is owned by Mr. Sun Jiankun (“**Mr. Sun**”), an executive Director of the Company. Mr. Sun is also a director of Able Accord. Mr. Sun is deemed to be interested in 15,380,000 Shares held by Able Accord by virtue of the SFO.
- (3) The entire issued share capital of Pavlova Investment Limited (“**Pavlova Investment**”), a company incorporated in the British Virgin Islands, is owned by Mr. Wang Rong (“**Mr. Wang**”), an executive Director of the Company. Mr. Wang is also a director of Pavlova Investment. Mr. Wang is deemed to be interested in 15,380,000 Shares held by Pavlova Investment by virtue of the SFO.
- (4) This figure does not take into account of any Shares which may be lent to the Joint Lead Managers pursuant to the securities lending agreement described under the paragraph headed “Securities Lending Agreements” above.

## **FUND RAISING IN THE PAST 12 MONTHS**

The Company has not carried out any capital fund raising activities since the listing of its Shares on the Main Board of the Hong Kong Stock Exchange on September 21, 2007.

## **GENERAL**

Citigroup Global Markets Limited and Merrill Lynch Far East Limited as the Joint Lead Managers for the issue of the Bonds.

**Completion of the subscription and the issue of the Bonds is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “The Subscription Agreement” above for further information.**

**As the subscription and the issue of the Bonds may or may not be completed, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.**

## **INFORMATION ABOUT THE GROUP**

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability on September 1, 2006 and has been listed on the Hong Kong Stock Exchange since September 21, 2007.

The Group is one of the largest privately-owned integrated coal companies in South West China based on the revenue for the year ended December 31, 2008. The Group is primarily engaged in the business of mining, production and sales of high quality clean coal and coke.

## **FURTHER BUSINESS UPDATE**

In the announcement of the Company dated January 8, 2010, the Company announced that Fuyuan Maosheng Coal Selection Limited (“**Fuyuan Maosheng**”) (富源縣茂盛選煤有限責任公司), a subsidiary of the Company which engages in coal selection, coal washing and the sale of coal, has a license for its coal-related business (the “**License**”), but the License does not set forth coal washing as part of Fuyuan Maosheng’s business scope. The Company has recently received confirmation from the relevant PRC authority that given Fuyuan Maosheng’s coal washing business does not belong to a category that requires special approval, Fuyuan Maosheng can conduct its coal washing business pursuant to the License (in which coal-washing does not have to be included as part of the business scope).

Because of various reasons, we exceeded the production limits in our mines (all of our operating mines in Panzhihua and Yuqibuhei Mine) that are in full commercial production, but we received confirmations from relevant authorities confirming that we are likely to be able to continue to produce at current capacity and would not be penalized for such conduct.

In the announcement of the Company dated December 16, 2009, the Company announced that the approximate date for commencement of commercial production for the Gushuzhai Mine of the Company was December 2009. As at the date of this announcement, commercial production for the Gushuzhai Mine of the Company has not yet commenced. The Company is currently preparing for production but due to circumstances beyond its control, the timeline is uncertain. The Company will make announcement as and when appropriate to keep the Shareholders and prospective investors informed of the progress of this matter.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended with effect from 9:30 a.m. on January 12, 2010 pending the release of this announcement. Application has been made by the Company to the Hong Kong Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on January 13, 2010.

## DEFINITIONS

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

“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Bonds from time to time
“Bonds”	the 1.50% US dollar settled convertible bonds due 2015 of the aggregate principal amount of RMB1,707 million to be issued by the Company
“Business Day”	a day other than Saturday or Sunday on which banks are generally open for business Hong Kong, New York City and London
“Change of Control”	occurs when: <ul style="list-style-type: none"><li>(i) any Person or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the date on which the Bonds are constituted;</li><li>(ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity; or</li><li>(iii) one or more Persons (other than any Person referred to in sub-paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the Company’s issued share capital.</li></ul>
“Closing Date”	January 19, 2010 or such other date as the Company and the Joint Lead Managers may agree

“Closing Price”	the closing price of the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange for such day
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Hidili Industry International Development Limited, a company incorporated in the Cayman Islands with limited liability, and the ordinary shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Control”	means the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which New Shares will be issued upon conversion of the Bonds which will initially be HK\$12.58 per Share and will be subject to adjustment in the manner provided in the terms and conditions of the Bonds
“Director(s)”	director(s) of the Company
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Joint Lead Managers”	Citigroup Global Markets Limited and Merrill Lynch Far East Limited
“Last Trading Day”	January 11, 2010, being the last full trading day immediately before the date of the Subscription Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	January 19, 2015, being the fifth anniversary of the Closing Date
“New Shares”	Shares to be allotted and issued by the Company upon conversion of the Bonds
“Person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the board of directors of the Company or any other governing board and does not include the wholly-owned direct or indirect Subsidiaries of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Principal Agent”	the principal paying and conversion agent
“Regulation S”	Regulation S under the Securities Act
“Relevant Indebtedness”	any future or present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include (x) indebtedness under any secured transferable loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred) or (y) indebtedness issued solely to investors in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Act”	the US Securities Act of 1933, as amended
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	the ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited
“Subscription Agreement”	the subscription agreement entered into between the Company and the Joint Lead Managers dated January 12, 2010 in respect of the issue of the Bonds
“Subsidiary(ies)”	any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Cayman Islands law or Hong Kong law, regulations or International Financial Reporting Standards, should have its accounts consolidated with those of that person
“Trading Day”	means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for the business of dealing in securities, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall not be counted for ascertaining any period of dealing days
“US” or “United States”	the United States of America
“US\$”, “USD” or “US Dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

By order of the Board  
**Hidili Industry International Development Limited**  
**XIAN Yang**  
*Chairman*

Hong Kong, January 12, 2010

*As at the date of this announcement, the executive directors of the Company are Mr. XIAN Yang (Chairman), Mr. SUN Jiankun and Mr. WANG Rong; and the independent non-executive directors of the Company are Mr. CHAN Chi Hing, Mr. CHEN Limin and Mr. HUANG Rongsheng.*