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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)

ISSUE OF US\$400 MILLION 8.625% SENIOR NOTES DUE 2015

On October 28, 2010, the Company, the Subsidiary Guarantors and the Joint Bookrunners entered into the Purchase Agreement in relation to the issue of US\$400 million 8.625% senior notes due 2015.

The estimated net proceeds of the Notes Issue will amount to approximately US\$389 million and the Company intends to use the proceeds to upgrade existing production capacity in the Company's network of mines, plants and facilities in Southwestern China as well as existing machinery and infrastructure, to repay its existing indebtedness and for general corporate purposes.

The SGX-ST has granted its approval in-principle for the Admission of the Notes to the Official List of the SGX-ST. Such approval-in-principle is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

Rothschild (Hong Kong) Limited acted as financial adviser to the Company in respect of the Notes Issue.

The Notes are expected to be issued on or about November 4, 2010.

Reference is made to the announcement of the Company dated October 18, 2010 in relation to the Notes Issue. The Board is pleased to announce that on October 28, 2010, the Company, the Subsidiary Guarantors and the Joint Bookrunners entered into the Purchase Agreement in relation to the Notes Issue.

THE PURCHASE AGREEMENT

Date: October 28, 2010

Parties: (a) the Company as the issuer;

(b) the Subsidiary Guarantors as the guarantors of the Company's obligations under the Notes; and

(c) the Joint Bookrunners.

The Joint Bookrunners are the initial purchasers as well as the joint lead managers in respect of the offer and sale of the Notes. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Joint Bookrunners is an independent third party and not a connected person of the Company and its connected persons.

The Notes will be offered by the Joint Bookrunners (i) in the United States, to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act, and (ii) outside the United States, in compliance with Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

Principal terms of the Notes

Issuer:	the Company
Aggregated principal amount:	US\$400 million
Offering Price:	100% of the principal amount of the Notes
Settlement date:	November 4, 2010
Interest rate:	8.625% per annum, payable semi-annually in arrears on May 4 and November 4 of each year, commencing May 4, 2011
Maturity:	November 4, 2015
Subsidiary Guarantees:	guarantees will be provided by the Subsidiary Guarantors
Collateral:	The Company has agreed to pledge or cause the Subsidiary Guarantor Pledgor to pledge the capital stock of all of the Subsidiary Guarantors held by it on a first priority basis on the original issue date in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Notes are general obligations of the Company and guaranteed by the Subsidiary Guarantors on a senior basis. The Notes are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes and rank at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law). The Notes are also effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than the Subsidiary Guarantors.

Covenants

The Notes, the Indenture and the guarantees to be provided by the Subsidiary Guarantors will limit the Company's ability and the ability of its restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue or sell capital stock of restricted subsidiaries;
- (v) guarantee indebtedness of restricted subsidiaries;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into transactions with shareholders or affiliates; and
- (xi) effect a consolidation or merger.

Events of Default

The events of defaults under the Notes include, among others:

- (i) default in the payment of principal;
- (ii) default in the payment of interest;

- (iii) defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes;
- (iv) there occurs with respect to any indebtedness of the Company or any restricted subsidiary having an outstanding principal amount of US\$5.0 million or more in the aggregate for all such indebtedness, an event of default or a failure to pay principal of such indebtedness;
- (v) one or more final judgments or orders for the payment of money are rendered against the Company or any of its restricted subsidiaries and are not paid or discharged;
- (vi) involuntary bankruptcy or insolvency proceedings against the Company or any restricted subsidiary;
- (vii) voluntary bankruptcy or insolvency proceedings commenced by the Company or any restricted subsidiary; and
- (viii) default by the Company or any Subsidiary Guarantor in the performance of any of its obligations under the security provided in relation to the Notes.

Redemption

At any time on or after November 4, 2013, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on November 4 of any year set forth below:

Period	Redemption Price
2013	104.3125%
2014	102.15625%

At any time prior to November 4, 2013, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time prior to November 4, 2013, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the proceeds from sales of certain kinds of capital stock of the Company at a redemption price of 108.625% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the Notes originally issued remains outstanding after each such redemption.

Information about the Company

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 Stock Exchange since September 21, 2007.

The Company is one of the largest non-state-owned integrated coal companies in Southwestern China in terms of revenues for the year ended December 31, 2009. It is primarily engaged in the mining, production and sale of high quality clean coal and coke.

Reason for the Notes Issue

As indicated below, the Company proposes to issue the Notes in order to upgrade its network of mines, plants and facilities in Southwestern China as well as existing machinery and infrastructure and to repay its existing indebtedness to financial institutions.

Proposed Use of Proceeds

The estimated net proceeds of the Notes Issue will amount to approximately US\$389 million and the Company intends to use the proceeds from the proposed Notes Issue as follows:-

- (i) approximately 40-50% to upgrade existing production capacity in its network of mines, plants and facilities in Southwestern China as well as existing machinery and infrastructure;
- (ii) approximately 40-50% to repay its existing indebtedness to financial institutions, plus accrued and unpaid interest and any other amounts payable in connection with such repayment; and
- (iii) up to 10% for general corporate purposes.

The Company may adjust the foregoing in response to changing market conditions and circumstances. The Company will carefully evaluate the situation and may reallocate the use of the proceeds from the proposed Notes Issue.

Listing

The SGX-ST has granted its approval in-principle for the Admission of the Notes to the Official List of the SGX-ST. Such approval-in-principle is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

Rating

The Notes have been provisionally rated BB- (with a negative outlook) by Standard & Poor's and B1 by Moody's.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“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 Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indenture”	the indenture to govern the Notes
“Joint Bookrunners”	Citigroup Global Markets Inc., Merrill Lynch International, UBS AG, Hong Kong Branch and J.P. Morgan Securities Ltd. as joint bookrunners and joint lead managers in respect of the offer and sale of the Notes

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Notes”	US\$400 million 8.625% senior notes due 2015 to be issued by the Company
“Notes Issue”	the issue of the Notes by 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)
“Purchase Agreement”	the agreement dated October 28, 2010 entered into between the Company, the Subsidiary Guarantors and the Joint Bookrunners in relation to the Notes Issue
“Securities Act”	the United States Securities Act of 1933, as amended
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	guarantees to be provided by the Subsidiary Guarantors
“Subsidiary Guarantors”	certain subsidiaries of the Company which will provide guarantees at the original issue date of the Notes to guarantee the Company’s obligations under the Notes

“Subsidiary Guarantor Pledgor”	a Subsidiary Guarantor that will pledge the capital stock of all of the Subsidiary Guarantors held by it on a first priority basis on the original issue date in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, which Subsidiary Guarantor Pledgor will initially be Hidili Investment Holding Limited
“US\$”	US dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, October 29, 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.