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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)

ANNOUNCEMENT

The board of directors (the “Board”) of Hidili Industry International Development Limited (the “Company”) noted that the Economy and Informatization Commission of Guizhou province, the Guizhou Provincial Finance Bureau, the Price Bureau of Guizhou province and the Energy Bureau of Guizhou province (collectively “Concerned authorities”) jointly issued the “Notice on the Amendment and Promulgation of the Administrative Measures regarding the Collection and Use of the Coal Price Regulation Fund of Guizhou province and the Implementation Rules of the Administrative Measures regarding the Collection and Use of the Coal Price Regulation Fund of Guizhou province” (Shengjingxinban [2011] No.56)(《關於修訂印發貴州省煤炭價格調節基金徵集使用管理辦法和貴州省煤炭價格調節基金徵集使用管理辦法實施細則的通知》(省經信辦[2011]56號)) (the “Joint Notice”), the “Administrative Measures regarding the Collection and Use of the Coal Price Regulation Fund of Guizhou province (Revision)”(《貴州省煤炭價格調節基金徵集使用管理辦法(修訂)》) (the “Administrative Measures”) and the “Implementation Rules of the Administrative Measures regarding the Collection and Use of the Coal Price Regulation Fund of Guizhou province (Revision)”(《貴州省煤炭價格調節基金徵集使用管理辦法實施細則(修訂)》) (the “Implementation Rules”) on 28 September 2011.

THE JOINT NOTICE

It is mentioned in the Joint Notice that:

Since the beginning of this year, there has been continuous tight supply of thermal coal in Guizhou province. After the meeting of the provincial government held on 12 June 2011 to ensure the supply of thermal coal, thermal coal supply became stable. However, the excessive drought substantially paralyzed the hydropower stations and the peak regulation capacity of hydropower and making it very difficult to ensure the power supply and leaving the thermal coal supply under unprecedented pressure. In order to proactively prepare for the coal production and thermal coal supply before the flood season of next year, it is necessary to strengthen the purchasing capacity of the power plants to purchase thermal coal so as to improve their power generation and supply in meeting the power demand, the provincial government therefore issued the “Urgent Notice of the General Office of the Provincial People’s Government on Taking Emergency Temporary Adjustive Measures to Ensure Power Supply and Thermal Coal Production and Supply.” (Qianfubanfadian [2011] No.268)(《貴州省人民政府辦公廳關於採取應急臨時調節措施保障電力供應和電煤生產供應的緊急通知》(黔府辦發電[2011]268號) (the “Urgent Notice”).

Following the Urgent Notice, the Concerned Authorities revised and promulgated the Administrative Measures and Implementation Rules.

THE ADMINISTRATIVE MEASURES AND IMPLEMENTATION RULES

According to the Administrative Measures and Implementation Rules:

1. An additional levy of 10% of the selling price (value added tax inclusive) of raw coking coal will be levied as the coal price regulation fund (the “Coal Price Regulation Fund”). The additional levy will be collected along with other taxes and fees.
2. If coal producers wash and process the raw coal, the Coal Price Regulation Fund shall be imposed on the raw coal consumed based on the average selling prices of similar products in the local county (city, district, special zone).

3. For raw coal that is purchased from other places and is washed and processed by coal producers in Guizhou province, if the Coal Price Regulation Fund has been levied when the raw coal was first purchased, such Coal Price Regulation Fund can be refunded upon presentation of the suppliers' payment receipt.
4. If the Coal Price Regulation Fund to be levied is less than RMB50/ton, RMB50 shall be collected.
5. Different policy will be imposed on the coal selling locally in the province and coal selling to other provinces, therefore, outgoing raw coal and washed mixed coal are subject to second levy, i.e. an additional RMB200/ton. If end users in the province can provide valid instruments, the Coal Price Regulation Fund collected as the second levy shall be returned within 30 days.
6. Save for the fees as stipulated by laws, regulations and policies of China as well as the People's Government at provincial level, all other coal-related fees are cancelled.

IMPACT TO THE COMPANY

The Company is principally engaged in the production of clean coking coal in Guizhou province. The Company washes the raw coking coal to clean coking coal and then sells them to customers engaged in the steel industry of which most of them are located outside the Guizhou province.

Prior to the promulgation of the revisions made to the Administrative Measures and the Implementation Rules, the Company was required to pay to the local government some coal-related fees for outgoing coal (出省涉煤費用) in respect of its clean coking coal sold to other provinces. The fees are adjusted in accordance with the supply condition of thermal coal in the relevant region. As at 30 September 2011, the Company paid such fees at a rate of RMB209.20/ton.

According to the aforesaid regulations, the Company shall contribute the Coal Price Regulation Fund for the raw coal from 1 October 2011 with reference to the average selling price of similar products in Panxian County. Meanwhile, the Group will no longer pay the local government the coal-related fees for outgoing coal. The products of the Company exported to other provinces are clean coking coal and not raw coal or washed mixed coal (which is subject to second levy as stipulated in the aforesaid regulations). Therefore, the Company's products are not subject to the second levy as aforementioned.

The Board is of the view that the aforesaid regulations have no material effect on the operations of the Company in Guizhou province.

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

Hong Kong
12 October 2011

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.