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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)

MAJOR TRANSACTIONS IN RELATION TO THE DISPOSALS OF ASSETS BY CERTAIN SUBSIDIARIES OF THE COMPANY

THE DISPOSALS

On 2 September 2013, Liupanshui Hidili, Guizhou Fengjinyuan and Panxian Qingyuan entered into the Jinhe Agreement pursuant to which the parties conditionally agreed to the sale of the Jinhe Coal Mine by Liupanshui Hidili to Guizhou Fengjinyuan and Panxian Qingyuan at a consideration of RMB570,000,000 (equivalent to approximately HK\$716,368,000).

On 2 September 2013, Panxian Hengji, Guizhou Fengjinyuan and Panxian Qingyuan entered into the Dongguaao Agreement pursuant to which the parties conditionally agreed to the sale of the Dongguaao Coal Mine by Panxian Hengji to Guizhou Fengjinyuan and Panxian Qingyuan at a consideration of RMB344,170,000 million (equivalent to approximately HK\$432,548,000).

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios for the Disposals will exceed 25% but are less than 75%, the Disposals constitute major transactions for the Company under the Listing Rules. Therefore, the Disposals are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Under the Listing Rules, completion of the Disposals is subject to the Shareholders' approval.

So far as the Company is aware, none of the Shareholders is materially interested in the Disposals. As such, no Shareholder is required to abstain from voting if general meeting were to be convened to approve the Disposals. Sanlian, which is interested in 1,100,674,000 Shares, representing approximately 53.81% of the existing issued share capital of the Company as at the date of this announcement, has given a written shareholder's approval to the Disposals in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. As such, no Shareholders' meeting will be held to approve the Disposals pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular shall be despatched to the Shareholders within 15 business days after the publication of this announcement. As additional time is required for the Company to prepare the relevant information, including the production of a Competent Person's Report pursuant to Chapter 18 of the Listing Rules for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to a date not later than 15 November 2013.

As Completion is subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE DISPOSALS

The Jinhe Agreement

On 2 September 2013, Liupanshui Hidili, Guizhou Fengjinyuan and Panxian Qingyuan entered into the Jinhe Agreement pursuant to which the parties conditionally agreed to the sale of the Jinhe Coal Mine by Liupanshui Hidili to Guizhou Fengjinyuan and Panxian Qingyuan at a consideration of RMB570,000,000 (equivalent to approximately HK\$716,368,000).

The principal terms of the Jinhe Agreement are as follows:

Date

2 September 2013

Parties

- (1) Liupanshui Hidili
- (2) Guizhou Fengjinyuan
- (3) Panxian Qingyuan

Target assets

Pursuant to the Jinhe Agreement, Guizhou Fengjinyuan and Panxian Qingyuan will acquire the Jinhe Coal Mine from Liupanshui Hidili.

Consideration

The consideration for the sale of the Jinhe Coal Mine is RMB570,000,000 (equivalent to approximately HK\$716,368,000), which was determined after arm's length negotiation among the parties to the Jinhe Agreement with reference to, among other things, the valuation of the net assets value of the Jinhe Coal Mine as at 31 July 2013 as appraised by Sichuan Huaxia, an independent valuer appointed by Liupanshui Hidili that possesses relevant professional qualification.

Guizhou Fengjinyuan and Panxian Qingyuan must pay the consideration to Liupanshui Hidili in cash in the following manner:

- (a) upon signing of the Jinhe Agreement, Guizhou Fengjinyuan and Panxian Qingyuan must pay 20% of the consideration amounting to RMB114,000,000 (equivalent to approximately HK\$143,274,000) to Liupanshui Hidili on or before 5 September 2013;
- (b) upon the completion of the disposal contemplated under the Jinhe Agreement, Guizhou Fengjinyuan and Panxian Qingyuan must pay 30% of the consideration amounting to RMB171,000,000 (equivalent to approximately HK\$214,910,000) to Liupanshui Hidili on or before 25 September 2013;
- (c) if the registration on the change in ownership of the Jinhe Coal Mine with the relevant authorities in the PRC can be completed on or before 31 December 2013, Guizhou Fengjinyuan and Panxian Qingyuan must pay the remaining consideration amounting to RMB285,000,000 (equivalent to approximately HK\$358,184,000) to Liupanshui Hidili on or before 31 December 2013;
- (d) if the registration on the change in ownership of the Jinhe Coal Mine with the relevant authorities in the PRC cannot be completed by 31 December 2013, Guizhou Fengjinyuan and Panxian Qingyuan must pay 20% of the consideration amounting to RMB114,000,000 (equivalent to approximately HK\$143,274,000) to Liupanshui Hidili on or before 31 December 2013. The remaining consideration amounting to RMB171,000,000 (equivalent to approximately HK\$214,910,000) must be paid by Guizhou Fengjinyuan and Panxian Qingyuan to Liupanshui Hidili within 15 business days upon the completion of such registration. If the registration cannot be completed by 31 December 2013 due to the default of Guizhou Fengjinyuan and Panxian Qingyuan, Guizhou Fengjinyuan and Panxian Qingyuan must pay a capital utilisation fee at a rate of 20% per annum accrued on a daily basis on the remaining consideration to Liupanshui Hidili. In any event, the remaining consideration must be settled on or before 30 June 2014.

Completion

Completion of the disposal contemplated under the Jinhe Agreement shall take place within two days after the settlement of the first stage payment (being 20% of the consideration amounting to RMB114,000,000 (equivalent to approximately HK\$143,274,000)) by Guizhou Fengjinyuan and Panxian Qingyuan.

Conditions for completion

Completion of the Jinhe Agreement is subject to, among others, the validity and performance of the Dongguaao Agreement and the approval of the shareholders of the Company.

Undertakings, representations and warranties

Liupanshui Hidili undertakes to Guizhou Fengjinyuan and Panxian Qingyuan, among others, that (i) it is the sole legal and beneficial owner of the Jinhe Coal Mine; (ii) it has complied with the relevant regulatory requirements in respect of the Jinhe Coal Mine, including obtaining the necessary licences and approvals; and (iii) the Jinhe Coal Mine is not the subject of any charges or securities.

Guizhou Fengjinyuan and Panxian Qingyuan undertake to Liupanshui Hidili, among others, that it possesses the necessary qualifications and abilities to acquire the Jinhe Coal Mine.

Termination

The Jinhe Agreement will terminate immediately upon the occurrence of, among others, the following events:

- (a) if the obligations of the parties under the Jinhe Agreement cannot be performed within 60 day after the occurrence of any of the force majeure events as defined in the Jinhe Agreement; or
- (b) if Guizhou Fengjinyuan and Panxian Qingyuan issue a notice of termination in writing to Liupanshui Hidili due to the breach of the undertakings, representations and warranties of Liupanshui Hidili under the Jinhe Agreement.

Guarantee

Guangxi Logistics agrees to guarantee the performance of the obligations of Guizhou Fengjinyuan and Panxian Qingyuan under the Jinhe Agreement from the execution date of the Jinhe Agreement to 31 December 2014.

The Dongguaao Agreement

On 2 September 2013, Panxian Hengji, Guizhou Fengjinyuan and Panxian Qingyuan entered into the Dongguaao Agreement pursuant to which the parties conditionally agreed to the sale of the Dongguaao Coal Mine by Panxian Hengji to Guizhou Fengjinyuan and Panxian Qingyuan at a consideration of RMB344,170,000 (equivalent to approximately HK\$432,548,000).

The principal terms of the Dongguaao Agreement are as follows:

Date

2 September 2013

Parties

- (1) Panxian Hengji
- (2) Guizhou Fengjinyuan
- (3) Panxian Qingyuan

Target assets

Pursuant to the Dongguaao Agreement, Guizhou Fengjinyuan and Panxian Qingyuan will acquire the Dongguaao Coal Mine from Panxian Hengji.

Consideration

The consideration for the sale of the Dongguaao Coal Mine is RMB344,170,000 (equivalent to approximately HK\$432,548,000), which was determined after arm's length negotiation among the parties to the Dongguaao Agreement with reference to, among other things, the valuation of the net assets value of the Dongguaao Coal Mine as at 31 July 2013 as appraised by Sichuan Huaxia appointed by Panxian Hengji.

Guizhou Fengjinyuan and Panxian Qingyuan must pay the consideration to Panxian Hengji in cash in the following manner:

- (a) upon signing of the Dongguaao Agreement, Guizhou Fengjinyuan and Panxian Qingyuan must pay 20% of the consideration amounting to RMB68,834,000 (equivalent to approximately HK\$86,510,000) to Panxian Hengji on or before 5 September 2013;
- (b) upon the completion of the disposal contemplated under the Dongguaao Agreement, Guizhou Fengjinyuan and Panxian Qingyuan must pay 30% of the consideration amounting to RMB103,251,000 (equivalent to approximately HK\$129,764,000) to Panxian Hengji on or before 25 September 2013;
- (c) if the registration on the change in ownership of the Dongguaao Coal Mine with the relevant authorities in the PRC can be completed on or before 31 December 2013, Guizhou Fengjinyuan and Panxian Qingyuan must pay the remaining consideration amounting to RMB172,085,000 (equivalent to approximately HK\$216,274,000) to Panxian Hengji on or before 31 December 2013;
- (d) if the registration on the change in ownership of the Dongguaao Coal Mine with the relevant authorities in the PRC cannot be completed by 31 December 2013, Guizhou Fengjinyuan and Panxian Qingyuan must pay 20% of the consideration amounting to RMB68,834,000 (equivalent to approximately HK\$86,510,000) to Panxian Hengji on or before 31 December 2013. The remaining consideration amounting to RMB103,251,000 (equivalent to approximately HK\$129,764,000) must be paid by Guizhou Fengjinyuan

and Panxian Qingyuan to Panxian Hengji within 15 business days upon the completion of such registration. If the registration cannot be completed by 31 December 2013 due to the default of Guizhou Fengjinyuan and Panxian Qingyuan, Guizhou Fengjinyuan and Panxian Qingyuan must pay a capital utilisation fee at a rate of 20% per annum accrued on a daily basis on the remaining consideration to Panxian Hengji. In any event, the remaining consideration must be settled on or before 30 June 2014.

Completion

Completion of the disposal contemplated under the Dongguaao Agreement shall take place within two days after the settlement of the first stage payment of the consideration (being 20% of the consideration amounting to RMB68,834,000 (equivalent to approximately HK\$86,510,000)) by Guizhou Fengjinyuan and Panxian Qingyuan.

Conditions for completion

Completion of the Dongguaao Agreement is subject to, among others, the validity and performance of the Jinhe Agreement and the approval of the shareholders of the Company.

Undertakings, representations and warranties

Panxian Hengji undertakes to Guizhou Fengjinyuan and Panxian Qingyuan, among others, that: (i) it is the sole legal and beneficial owner of the Dongguaao Coal Mine; (ii) it has complied with the relevant regulatory requirements in respect of the Dongguaao Coal Mine, including obtaining the necessary licences and approvals; and (iii) the Dongguaao Coal Mine is not the subject of any charges or securities.

Guizhou Fengjinyuan and Panxian Qingyuan undertake to Panxian Hengji, among others, that it possesses the necessary qualifications and abilities to acquire the Dongguaao Coal Mine.

Termination

The Dongguaao Agreement will terminate immediately upon the occurrence of, among others, the following events:

- (a) if the obligations of the parties under the Dongguaao Agreement cannot be performed within 60 days after the occurrence of any of the force majeure events as defined in the Dongguaao Agreement; or
- (b) if Guizhou Fengjinyuan and Panxian Qingyuan issue a notice of termination in writing to Panxian Hengji due to the breach of the undertakings, representations and warranties of Panxian Hengji under the Dongguaao Agreement.

Guarantee

Guangxi Logistics agrees to guarantee the performance of the obligations of Guizhou Fengjinyuan and Panxian Qingyuan, under the Dongguaao Agreement from the execution date of the Dongguaao Agreement to 31 December 2014.

Liupanshui Hidili agrees to guarantee the performance of the obligations of Panxian Hengji under the Dongguaao Agreement from the execution date of the Dongguaao Agreement to 31 December 2014.

Accounting impact after the Disposals

Upon the completion of the Disposals, the Group expects that it would realise a gain on the Disposals of approximately RMB10,600,000, which is calculated based on the aggregate consideration for the sale of the Dongguaao Coal Mine and Jinhe Coal Mine of RMB914,170,000 and after deducting the combined net book value of the Dongguaao Coal Mine and Jinhe Coal Mine as at 31 July 2013 of approximately RMB903,570,000.

INFORMATION OF THE GROUP, THE TARGET ASSETS AND THE PARTIES TO THE DISPOSALS

The Group

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

The Group is one of the largest integrated coal enterprises in South West China and is principally engaged in coal mining and processing and sales of clean coal, coke, alloy pig iron and related by-products.

Liupanshui Hidili

Liupanshui Hidili is a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company. Its principal activities are coal mining and investment holding.

Panxian Hengji

Panxian Hengji is a limited liability company established in the PRC and is an indirect non wholly-owned subsidiary of the Company. Its principal activity is coal mining.

Guizhou Fengjinyuan

Guizhou Fengjinyuan is a limited liability company established in the PRC. Its principal activities are investment holding, coal mining, coal washing and coking. Guizhou Fengjinyuan holds 51% equity interest in Panxian Qingyuan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guizhou Fengjinyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Panxian Qingyuan

Panxian Qingyuan is a limited liability company established in the PRC. Its principal activity is trading of coal products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Panxian Qingyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Guangxi Logistics

Guangxi Logistics is a limited liability company established in the PRC. Guangxi Logistics is a stated-owned enterprise and its principal activities are provision of logistic and storage services in Guangxi province, trading of commodities, mining and investment holding. Guangxi Logistics holds 49% equity interest of Guizhou Fengjinyuan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guangxi Logistics and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Target assets

Jinhe Coal Mine is located in Baiguozen, Liupanshui, Guizhou province. Jinhe Coal Mine is still under construction and has not yet commenced mining operation. The planned production capacity of Jinhe Coal Mine is 450,000 tonnes per annum. As at 31 July 2013, the net book value of Jinhe Coal Mine amounted to approximately RMB573,645,000, prepared in accordance with accounting principles generally accepted in the PRC.

Dongguaao Coal Mine is located in Baiguozen, Liupanshui, Guizhou province. Dongguaao Coal Mine has obtained production permit in September 2012 with production capacity of 300,000 tonnes per annum. As at 31 July 2013, the net book value of Dongguaao Coal Mine amounted to approximately RMB329,925,000, prepared in accordance with accounting principles generally accepted in the PRC.

REASONS FOR THE DISPOSALS

Undergoing coal mines consolidation in Guizhou province, the Group has carefully assessed further capital expenditures required together with future operating cash flow generated from both Jinhe Coal Mine and Dongguaao Coal Mine in the coming two to three financial years. The Directors believe that the Disposals can help to strengthen the Group's current liquidity position since (i) the proceed from the Disposals will be used for repayment of certain short-term debts and (ii) capital expenditures originally assigned to Jinhe Coal Mine can be released and well allocated to other coal mines under construction in order to speed up the development process.

In conclusion, the Directors (including the independent non-executive Directors) believe that the terms and conditions of the Disposals are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios for the Disposals will exceed 25% but are less than 75%, the Disposals constitute major transactions for the Company under the Listing Rules. Therefore, the Disposals are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Under the Listing Rules, completion of the Disposals is subject to the Shareholders' approval.

So far as the Company is aware, none of the Shareholders is materially interested in the Disposals. As such, no Shareholder is required to abstain from voting if general meeting were to be convened to approve the Disposals. Sanlian, which is interested in 1,100,674,000 Shares, representing approximately 53.81% of the existing issued share capital of the Company as at the date of this announcement, has given a written shareholder's approval to the Disposals in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. As such, no Shareholders' meeting will be held to approve the Disposals pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular shall be despatched to the Shareholders within 15 business days after the publication of this announcement. As additional time is required for the Company to prepare the relevant information, including the production of a Competent Person's Report pursuant to Chapter 18 of the Listing Rules, for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to a date not later than 15 November 2013.

None of the Directors has any material interest in the transactions contemplated under the Jinhe Agreement and the Dongguaao Agreement and thus none of them is required to abstain from voting on the relevant Board resolutions approving such transactions.

As Completion is subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Competent Person”	a person satisfying the requirements of Rule 18.21 and 18.22 of the Listing Rules

“Competent Person’s Report”	the public report prepared by the Competent Person in compliance with the requirements under Chapter 18 of the Listing Rules
“Completion”	completion of the Disposals pursuant to the Jinhe Agreement and the Dongguaao Agreement
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposals”	collectively, the proposed disposal of the Jinhe Coal Mine by Liupanshui Hidili and the proposed disposal of the Dongguaao Coal Mine by Panxian Hengji
“Dongguaao Agreement”	the conditional agreement and the supplemental letter dated 2 September 2013 entered into among Panxian Hengji, Guizhou Fengjinyuan and Panxian Qingyuan in relation to the sale of the Dongguaao Coal Mine, including the mining rights, the operation and management rights, land use rights (if any) and some of the facilities on and over the Dongguaao Coal Mine
“Dongguaao Coal Mine”	the coal mine located at Baiguozen, Panxian, Liupanshui, Guizhou, the PRC which is wholly-owned by Panxian Hengji
“Group”	the Company and its subsidiaries
“Guangxi Logistics”	廣西物資集團有限責任公司 (Guangxi Logistics Group Co., Ltd*), a company established in the PRC with limited liability
“Guizhou Fengjinyuan”	貴州豐鑫源礦業有限公司 (Guizhou Fengjinyuan Mining Co., Ltd*), 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
“Jinhe Agreement”	the conditional agreement and the supplemental letter dated 2 September 2013 entered into among Liupanshui Hidili, Guizhou Fengjinyuan and Guangxi Logistics in relation to the sale of the Jinhe Coal Mine, including the mining rights, the operation and management rights, land use rights (if any) and some of the facilities on and over the Jinhe Coal Mine

“Jinhe Coal Mine”	the coal mine located at Baiguozhen, Panxian, Liupanshui, Guizhou, the PRC which is wholly-owned by Liupanshui Hidili
“Listing Rules”	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 in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Panxian Hengji”	盤縣恒吉工貿有限公司 (Panxian Hengji Industry and Trade Co., Ltd*), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Panxian Qingyuan”	盤縣慶源煤業有限公司 (Panxian Qingyuan Coal Mine Co., Ltd*), a company established in the PRC with limited liability
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sanlian”	Sanlian Investment Holding Limited
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Huaxia”	四川華夏資產評估事務所有限責任公司 (Sichuan Huaxia Assets Appraisal Co., Ltd*), a valuer which is independent of the Company and its connected persons
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board of
Hidili Industry International Development Limited
恒鼎實業國際發展有限公司
Xian Yang
Chairman

Hong Kong
2 September 2013

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

For the purpose of this announcement, amounts in RMB have been translated into Hong Kong dollars at HK\$1.00 equal to RMB0.79568. No representation is made that any amount in RMB or Hong Kong dollars could have been or could be converted at the above rate or at any other rates or at all.

** For identification purpose only*