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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)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTEREST IN CERTAIN WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY

THE DISPOSAL

On 28 November 2013, Sichuan Hidili and Sichuan Guoli entered into the Agreement pursuant to which the parties conditionally agreed to the Disposal at a consideration of RMB414 million (equivalent to approximately HK\$523 million) which is payable by Sichuan Guoli to Sichuan Hidili.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios for the Disposal will exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENT

On 28 November 2013, Sichuan Hidili and Sichuan Guoli entered into the Agreement pursuant to which the parties conditionally agreed to the Disposal at a consideration of RMB414 million (equivalent to approximately HK\$523 million) which is payable by Sichuan Guoli to Sichuan Hidili.

The principal terms of the Agreement are set out below:

Date

28 November 2013

Parties

- (1) Sichuan Hidili
- (2) Sichuan Guoli

Target Group

Pursuant to the Agreement, Sichuan Guoli will acquire 100% of the equity interest in Hidili Lithium and the Target Companies from Sichuan Hidili.

Purchase Consideration

The consideration for the Disposal (including the assignment of debts of approximately RMB315 million) shall be RMB414 million (equivalent to approximately HK\$523 million) which was determined after arm's length negotiation among the parties to the Agreement with reference to, among other things, the valuation of the net assets value of the Target Group as at 31 October 2013 of approximately RMB108 million as appraised by 四川華夏資產評估事務所有限公司 (Sichuan Huaxia Assets Appraisal Co., Ltd.*), an independent valuer jointly appointed by the Company and Sichuan Guoli that possesses relevant professional qualification.

Sichuan Guoli must pay the Purchase Consideration to Sichuan Hidili in cash in the following manner:

- (a) a sum of RMB50 million (equivalent to approximately HK\$63 million) (“**First Payment**”) will be paid by Sichuan Guoli to Sichuan Hidili within two days from the date of the Agreement; and
- (b) the balance of RMB364 million (equivalent to approximately HK\$460 million) will be paid by Sichuan Guoli to Sichuan Hidili on or before 28 December 2013, on the basis that the transfer of the equity interest in Hidili Lithium contemplated under the Disposal in the name of Sichuan Guoli has been registered with the relevant authorities within ten days from the date of the First Payment.

Undertakings, representations and warranties

Sichuan Hidili undertakes to Sichuan Guoli, among others, that: (i) Sichuan Hidili will obtain the mining right in the name of Sichuan Dexin on or before 27 December 2013; (ii) the Target Group will not amend their business licenses and constitutional documents; (iii) the Target Group will not declare any dividends to their respective equityholders; (iv) the Target Group do not and will not pledge any of their assets; (v) Sichuan Hidili will procure the Target Group to comply with their respective obligations under the Agreement; (vi) the Target Group do not have further liabilities (other than disclosed in the consolidated

financial statements as attachment 1 to the Agreement and the expenses arising from the repayment of loans and daily operations); and (vii) the existing directors, supervisors and managers of the Target Group will resign.

Termination

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

- (a) a unilateral termination of the Agreement by any party;
- (b) the transfer of the equity interest in Hidili Lithium contemplated under the Disposal in the name of Sichuan Guoli is not registered within three months from the First Payment;
- (c) Sichuan Guoli fails to settle 20% or more of the Purchase Consideration within three months from the date of the Agreement; or
- (d) Sichuan Hidili fails to obtain the mining right contemplated under the Disposal in the name of Sichuan Dexin on or before 27 December 2013.

Upon the termination of the Agreement, Sichuan Hidili must refund all payments received from Sichuan Guoli. In addition, for unilateral termination of the Agreement, the party in default is subject to a penalty of RMB28 million.

Other Arrangement

Pursuant to the Agreement, Sichuan Guoli proposes to have a capital injection on or before 23 December 2013. Sichuan Guoli will guarantee Sichuan Hidili or its associates to inject RMB10 million for equity interest in Sichuan Guoli. Sichuan Hidili or its associates will be entitled to 1,250,000 shares of Sichuan Guoli if the capital injection completed on or before 23 December 2013 otherwise Sichuan Hidili or its associates will be entitled to 1,315,789 shares of Sichuan Guoli for the capital injection on or before 1 May 2014. However, the amount of the capital injection of Sichuan Guoli has not yet been determined at the date of the Agreement. The percentage of equity interest to be held by Sichuan Hidili or its associates is estimated to be not more than 5%. If the capital injection by Sichuan Hidili into Sichuan Guoli is not completed, Sichuan Guoli is subject to a penalty of RMB20 million.

ACCOUNTING IMPACT AFTER THE DISPOSAL

Upon completion of the Disposal, (i) Sichuan Guoli will start to consolidate the results of the Target Group from 1 November 2013; and (ii) the Target Group will cease to be the subsidiaries of the Company.

The Group expects that it would realize a gain on the Disposal of approximately RMB103 million, which is calculated based on net consideration of RMB414 million and after deducting the combined net liabilities value of the Target Group as at 31 October 2013 of approximately RMB4 million and the assignment of debts of approximately RMB315 million.

INFORMATION OF THE GROUP, THE TARGET GROUP AND SICHUAN GUOLI

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.

Target Group

The principal activity of the Target Group is lithium mining in Aba, Sichuan province. Sichuan Dexin and Aba Hidili are the direct wholly-owned subsidiaries of Hidili Lithium. An exploration right of lithium mine in Aba, Sichuan province is held by Sichuan Dexin. The lithium reserves is estimated to be not less than 510,000 tonnes.

The results and net assets value of the Target Group for the two years ended 31 December 2012 and ten months ended 31 October 2013 prepared in accordance with accounting principles generally accepted in the PRC are as follows:

	Year ended 31 December 2011 RMB'000 (Unaudited)	Year ended 31 December 2012 RMB'000 (Unaudited)	Ten months ended 31 October 2013 RMB'000 (Unaudited)
Loss before taxation	2,386	1,927	4,991
Loss after taxation	2,386	1,927	4,991
Net liabilities	4,269	6,196	3,727

Sichuan Hidili

Sichuan 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.

Sichuan Guoli

Sichuan Guoli is a limited liability company established in the PRC with limited liability. Its principal activities are manufacture and sales of lithium carbonates and related products.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group can streamline its business operations and direct its effort on coal mining. Besides, the Directors believe that the Disposal can strengthen the Group's cashflow and secure for the repayment of the short-term borrowings. The proceed from the Disposal will be used to repay short-term borrowings. In addition, the Disposal can enhance the cash flow position of the Group by releasing more working capital under the reduction of capital expenditures required for future development of the lithium mine.

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

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios for the Disposal will exceed 5% and are less than 25%, the Disposal constitutes a discloseable for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Aba Hidili”	阿壩恒鼎鋰鹽有限公司 (Aba Hidili Lithium Carbonates Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Agreement”	the conditional agreement dated 28 November 2013 entered into among Sichuan Hidili and Sichuan Guoli in relation to the Disposal
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of 100% equity interest in the Target Group (including assignment of debts) by Sichuan Hidili to Sichuan Guoli
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Purchase Consideration”	RMB414 million (equivalent to approximately HK\$523 million) which shall be paid by Sichuan Guoli to Sichuan Hidili in respect of the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Dexin”	四川德鑫礦業資源有限公司 (Sichuan Dexin Mining Resources Co., Ltd*), a company incorporated in the PRC with limited liability and indirect wholly-owned subsidiary of the Company
“Sichuan Guoli”	四川國理鋰材料有限公司 (Sichuan Guoli Lithium Materials Co., Ltd*), a company established in the PRC with limited liability
“Sichuan Hidili”	四川恒鼎實業有限公司 (Sichuan Hidili Industry Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Hidili Lithium”	四川恒鼎鋰業科技有限公司 (Sichuan Hidili Lithium Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Companies”	collectively, Sichuan Dexin and Aba Hidili

“Target Group” collectively, the Target Company and the Target Companies
“%” 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 29 November 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 Lemin 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 RMB0.79113. 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*