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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 TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF EQUITY INTEREST IN PANZHIHUA HUIXING AND MINING RIGHT OF LUHUAN COAL MINE IN SICHUAN PROVINCE**

#### **THE ACQUISITIONS**

On 6 January 2014, Panzhihua Hidili, Mr. Kong and Ms. Wang entered into the Huixing Agreement pursuant to which the parties conditionally agreed to the Huixing Acquisition by Panzhihua Hidili from Mr. Kong and Ms. Wang at an aggregate consideration of RMB110 million (equivalent to approximately HK\$140 million).

On 6 January 2014, Panzhihua Hidili and Panzhihua Luhuan entered into the Luhuan Agreement pursuant to which the parties conditionally agreed to the Luhuan Acquisition by Panzhihua Hidili from Panzhihua Luhuan at a consideration of RMB48 million (equivalent to approximately HK\$61 million).

#### **IMPLICATION OF THE LISTING RULES**

As the applicable percentage ratios for the Acquisitions will exceed 5% and are less than 25%, the Acquisitions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the announcement requirements under Chapter 14 of the Listing Rules.

## THE ACQUISITIONS

### The Huixing Agreement

On 6 January 2014, Panzhihua Hidili, Mr. Kong and Ms. Wang entered into the Huixing Agreement pursuant to which the parties conditionally agreed to the acquisition of 100% equity interest in Panzhihua Huixing by Panzhihua Hidili from Mr. Kong and Ms. Wang respectively at an aggregate consideration of RMB110 million (equivalent to approximately HK\$140 million).

The principal terms of the Huixing Agreement are set out below:

#### Date

6 January 2014

#### Parties

- (1) Panzhihua Hidili
- (2) Mr. Kong
- (3) Ms. Wang

#### Target Company

Pursuant to the Huixing Agreement, Panzhihua Hidili will acquire 52% and 48% of the equity interest in Panzhihua Huixing from Mr. Kong and Ms. Wang, respectively.

#### Huixing Consideration

The aggregate consideration for the Huixing Acquisition is RMB110 million (equivalent to approximately HK\$140 million) which was determined after arm's length negotiation among the parties to the Huixing Agreement with reference to, among other things, the valuation of the net assets value of Panzhihua Huixing as at 30 November 2013 of approximately RMB113 million as appraised by Sichuan Huaxia, an independent valuer appointed by Panzhihua Hidili that possesses relevant professional qualification.

Panzhihua Hidili must pay the Huixing Consideration to Mr. Kong and Ms. Wang in cash in the following manner:

- (a) a sum of RMB30 million (equivalent to approximately HK\$38 million) paid before 11 October 2013 as deposit will become initial payment of the Huixing Consideration upon the signing of the Huixing Agreement; and
- (b) the balance of RMB80 million (equivalent to approximately HK\$102 million) (the "**Final Payment**") shall be paid by Panzhihua Hidili to Mr. Kong and Ms. Wang on or before seven days after the signing of the Huixing Agreement.

Completion of the Huixing Acquisition shall take place upon the registration on the change in ownership of Panzhihua Huixing to Panzhihua Hidili within 15 days after the Final Payment has been settled by Panzhihua Hidili to Mr. Kong and Ms. Wang.

### **Termination**

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

- (a) Panzhihua Hidili fails to settle the Final Payment within 30 days from the 7th day after the signing of the Huixing Agreement; or
- (b) Mr. Kong and Ms. Wang fail to register the change in ownership of Panzhihua Huixing to Panzhihua Hidili within 30 days from the 15th day after settlement of the Final Payment.

Upon the termination of the Huixing Agreement, the party in default is subject to a penalty of RMB22 million.

### **The Luhuan Agreement**

On 6 January 2014, Panzhihua Hidili and Panzhihua Luhuan entered into the Luhuan Agreement pursuant to which the parties conditionally agreed to the acquisition of the mining right of Luhuan Coal Mine owned by Panzhihua Luhuan by Panzhihua Hidili at a consideration of RMB48 million (equivalent to approximately HK\$61 million).

The principal terms of the Luhuan Agreement are set out below:

#### **Date**

6 January 2014

#### **Parties**

- (1) Panzhihua Hidili
- (2) Panzhihua Luhuan

#### **Luhuan Consideration**

The consideration for the Luhuan Acquisition is RMB48 million (equivalent to approximately HK\$61 million) which was determined after arm's length negotiation among the parties to the Luhuan Agreement with reference to, among other things, the valuation of the mining rights of Luhuan Coal Mine as at 30 November 2013 of approximately RMB48 million as appraised by Sichuan Huaxia, an independent valuer appointed by Panzhihua Hidili that possesses relevant professional qualification.

Panzhihua Hidili must pay the Luhuan Consideration to Panzhihua Luhuan in cash in full within seven days after the signing of the Luhuan Agreement.

Completion of the Luhuan Acquisition shall take place upon the settlement of the Luhuan Consideration.

### **Termination**

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

- (a) Panzihua Hidili fails to settle the Luhuan Consideration within 30 days from the 7th day after the signing of the Luhuan Agreement; or
- (b) Panzihua Luhuan fails to hand over the tangible assets of Luhuan Coal Mine to Panzihua Hidili within 30 days after the settlement of the Luhuan Consideration.

Upon the termination of the Luhuan Agreement, the party in default is subject to a penalty of RMB9.6 million.

### **INFORMATION OF THE GROUP, PANZHIHUA HIDILI, MR. KONG, MS. WANG, PANZHIHUA HUIXING AND PANZHIHUA LUHUAN**

#### **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.

#### **Panzhuhua Hidili**

Panzhuhua 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.

#### **Mr. Kong, Ms. Wang and Panzihua Huixing**

Panzhuhua Huixing is a limited liability company established in the PRC. Mr. Kong and Ms. Wang held 52% and 48% equity interest in Panzihua Huixing respectively. Panzihua Huixing engages in coal mining in Zhangjiawan Coal Mine located in Renhe District, Panzihua City, Sichuan province. The current annual production capacity of Zhangjiawan Coal Mine is 240,000 tonnes of anthracite.

The results and net assets value of Panzhihua Huixing for the two years ended 31 December 2012 and eleven months ended 30 November 2013 prepared in accordance with accounting principles generally accepted in the PRC are as follows:

	<b>Year ended 31 December 2011 <i>RMB'000</i> (Unaudited)</b>	<b>Year ended 31 December 2012 <i>RMB'000</i> (Unaudited)</b>	<b>Eleven months ended 30 November 2013 <i>RMB'000</i> (Unaudited)</b>
Profit (Loss) before taxation	(5,302)	795	(4,986)
Profit (Loss) after taxation	(5,302)	795	(4,986)
Net assets	7,435	8,670	78,864

### **Panzhihua Luhuan**

Panzhihua Luhuan is a limited liability company established in the PRC. Mr. Kong and Ms. Wang held 96% and 4% equity interest in Panzhihua Luhuan respectively. Panzhihua Luhuan engages in coal mining and coal washing in Luhuan Coal Mine located in Renhe District, Panzhihua City, Sichuan province. The current annual production capacity of Luhuan Coal Mine is 90,000 tonnes of raw coking coal.

The results and net assets value of Panzhihua Luhuan for the two years ended 31 December 2012 and eleven months ended 30 November 2013 prepared in accordance with accounting principles generally accepted in the PRC are as follows:

	<b>Year ended 31 December 2011 <i>RMB'000</i> (Unaudited)</b>	<b>Year ended 31 December 2012 <i>RMB'000</i> (Unaudited)</b>	<b>Eleven months ended 30 November 2013 <i>RMB'000</i> (Unaudited)</b>
Profit (Loss) before taxation	(4,780)	271	(17,749)
Profit (Loss) after taxation	(4,780)	271	(17,749)
Net assets (liabilities)	17,444	17,715	(34)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Panzhihua Huixing, Panzhihua Luhuan and its ultimate beneficial owners (including Mr. Kong and Ms. Wang) are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

In line with the coal mine consolidation in Sichuan province, the Group believes that better utilisation of its current coal mine resources and production capacity in Renhe District, Panzhihua City, Sichuan province can be achieved after the Acquisitions. The Group's current annual production capacity in Renhe District before the consolidation amounts to 100,000 tonnes of anthracite from Dahegou Coal Mine. After the Acquisitions, the Group will integrate and upgrade the production facilities in Dahegou Coal Mine, Zhangjiawan Coal Mine and Luhuan Coal Mine. The Group's annual capacity can be increased from 340,000 tonnes of anthracite and 90,000 tonnes of raw coking coal to 550,000 tonnes of anthracite and 300,000 tonnes of raw coking coal respectively after the integration. The expected capital expenditures are estimated to be around RMB370 million in total in the forthcoming three years. The Directors believe that the expected capital expenditures can be partly funded by the working capital generated from the current production activities.

The Directors (including the independent non-executive Directors) believe that the terms and conditions of the Acquisitions 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 Acquisitions will exceed 5% and are less than 25%, the Acquisitions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the 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:

“Acquisitions”	collectively, the Huixing Acquisition and Luhuan Acquisition
“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
“Dahegou Coal Mine”	the coal mine located at Renhe District, Panzhihua City, Sichuan province, the PRC, which is wholly-owned by 四川恒鼎實業有限公司 (Sichuan Hidili Industry Co., Ltd*), an indirect wholly-owned subsidiary of the Company
“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
“Huixing Acquisition”	the proposed acquisition of 100% equity interest in Panzhihua Huixing
“Huixing Agreement”	the conditional agreement dated 6 January 2014 entered into among Panzhihua Hidili, Mr. Kong and Ms. Wang in relation to the Huixing Acquisition
“Huixing Consideration”	RMB110 million (equivalent to approximately HK\$140 million) which shall be paid by Panzhihua Hidili to Mr. Kong and Ms. Wang in respect for the Huixing Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luhuan Acquisition”	the proposed acquisition of mining right and mining structure of Luhuan Coal Mine owned by Panzhihua Luhuan
“Luhuan Agreement”	the conditional agreement dated 6 January 2014 entered into among Panzhihua Hidili and Panzhihua Luhuan in relation to the Luhuan Acquisition
“Luhuan Coal Mine”	the coal mine located at Renhe District, Panzhihua City, Sichuan province, the PRC which is wholly owned by Panzhihua Luhuan
“Luhuan Consideration”	RMB48 million (equivalent to approximately HK\$61 million) which shall be paid by Panzhihua Hidili to Panzhihua Luhuan in relation to the Luhuan Acquisition
“Mr. Kong”	孔德興先生 (Mr. Kong Dexing*), the beneficial owner of 52% and 96% equity interest in Panzhihua Huixing and Panzhihua Luhuan respectively
“Ms. Wang”	王朝會女士 (Ms. Wang Chaohui*), the beneficial owner of 48% and 4% equity interest in Panzhihua Huixing and Panzhihua Luhuan respectively
“Panzhihua Hidili”	攀枝花恒鼎礦業有限公司 (Panzhihua Hidili Mining Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Panzhihua Huixing”	攀枝花市會興工貿有限責任公司 (Panzhihua City Huixing Industry and Commercial Co., Ltd*), a company incorporated in the PRC with limited liability

“Panzhuhua Luhuan”	攀枝花市綠環工貿有限責任公司 (Panzhuhua City Luhuan Industry and Commercial Co., Ltd*), a company incorporated 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
“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
“Zhangjiawan Coal Mine”	the coal mine located at Renhe District, Panzhuhua City, Sichuan province, the PRC which is wholly owned by Panzhuhua Huixing
“%”	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, 7 January 2014

*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 RMB0.78658. 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