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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 ON MAJOR OPERATIONAL DATA FOR
THE THREE MONTHS ENDED 31 DECEMBER 2013 AND
UPDATE ON ASSET POSITION OF THE GROUP**

This announcement is made by the board (the “**Board**”) of directors of Hidili Industry International Development Limited (the “**Company**”) (and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”).

The Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary information currently available to the Group, it is presently expected that the unaudited consolidated management accounts of the Group for the year ended 31 December 2013 may record a significant decline in consolidated net profit attributable to shareholders as compared to that for the corresponding period in 2012.

The Board together with the directors thereof confirm that the contents of this announcement do not contain any false statements, misleading representations or material omissions, and all of them jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the contents of this announcement.

OPERATIONAL DATA FOR THE THREE MONTHS ENDED 31 DECEMBER 2013

	Three months ended 31 December 2013	Three months ended 31 December 2012	Percentage change
Sales data			
Clean coking coal			
Sales volume (<i>thousand tonnes</i>)	170	201	(15%)
Average selling price (net of valued-added tax “VAT”) (<i>RMB per tonne</i>)	896	980	(9%)
	<i>Thousand tonnes</i>	<i>Thousand tonnes</i>	
Production data			
Raw coal			
Sichuan province	—	23	(100%)
Guizhou province	178	385	(54%)
Yunnan province ³	<u>77</u>	<u>69</u>	12%
Subtotal	<u>255</u>	<u>477</u>	(47%)
Clean coal			
Sichuan province	—	6	(100%)
Guizhou province	59	86	(31%)
Yunnan province ³	<u>38</u>	<u>87</u>	(56%)
Subtotal	<u>97</u>	<u>179</u>	(46%)
Coke			
Sichuan province	—	26	(100%)
Guizhou province	—	—	—
Yunnan province ³	<u>—</u>	<u>—</u>	—
Subtotal	<u>—</u>	<u>26</u>	(100%)

Notes:

1. The sales data does not include any of our attributable interest of mines in Yunnan province.
2. The selling prices for the three months ended 31 December 2013 were equivalent to the settlement prices between our customers and us before deducting operating tax and surcharges.
3. Taking into account of the coal mines disposal in Yunnan province, the raw coal and clean coal production volumes for the three months ended 31 December 2013 as disclosed above are for reference only. The revenue and production cost arising therefrom are not consolidated. Operating profit will be accounted for under equity method.

OPERATIONAL OVERVIEW

As at 31 December 2013, the Group owned 18 coal mines in Guizhou province. After the acquisition of these coal mines, the Company arranged for the development of a new production system in order to enlarge coal mine production capacity and to upgrade safety standards. As at 31 December 2013, the construction progress of the Group's coal mines in Guizhou province is as follows:

Location	Type of mines	Construction progress		
		Production	Trial run	Under construction
Guizhou province (18)	Integrated (9)	3	—	6
	Newly constructed (7)	5	—	2
	Expanded (2)	<u>1</u>	<u>—</u>	<u>1</u>
		<u>9</u>	<u>—</u>	<u>9</u>

UPDATE ON ASSET POSITION OF THE GROUP

In accordance with the requirements set out in, among others, “the Notice of Proposal for the Merger and Restructuring of Coal Mining Enterprises for Guizhou Province (Trial Implementation) (貴州省煤礦企業兼併重組方案(試行)的通知)”, “the Implementation Rules on Merging and Restructuring Coal Mining Enterprises of Guizhou Province” (貴州省煤礦企業兼併重組工作實施細則) and “the Notice of the General Office of the Guizhou Provincial Government on Further Promoting the Merger and Restructuring of Coal Mining Enterprises for the Entire Province” (貴州省政府辦公廳關於進一步推進全省煤礦企業兼併重組工作的通知), coal mining enterprises in Guizhou province are required to form coal mining enterprise group by ways of merger and restructuring with an aim to maintain the number of coal mining enterprise groups below 100 (aggregate annual production capacity of each coal mining enterprise group in Liupanshui region shall not be less than 2,000,000 tonnes), annual production capacity of a single mine, which has undergone merging and restructuring as well as integration and technological enhancement, shall not be less than 300,000 tonnes, annual production capacity of a single gas outburst mine shall not be less than 450,000 tonnes. As required by the Guizhou Government, any merger and restructuring of a coal mine has to be conducted by a coal mining enterprise group which possesses relevant qualification for merger and restructuring as approved by the government authorities, and each coal mine enterprise group which has undergone merger and restructuring shall, in principle, reduce the number of its existing coal mines by 50%. At present, the Company is one of the 29 coal mining enterprises (the first batch) which has been granted the relevant qualification for merger and restructuring in the Guizhou province. In this regard, in 2013, we commenced the process of integration of our coal mines in Guizhou province by gradually integrating our 18 independent mining areas into nine mining areas, and the integrated design annual production capacity of the nine mining areas is approximately 6,900,000 tonnes, subject to the final approval by the Guizhou provincial government. Such integration will retain the Company's existing coal resources and reserves in full and production capacity of coal mines in Guizhou region will not be affected, however, a loss of surface asset of approximately RMB150 million may arise from such merger and restructuring.

As required by “the Implementation Proposal for the Merger and Restructuring of Coal Mines in Panzhihua City” 《攀枝花市煤礦兼併重組實施方案》, the coal mines of the Group in Sichuan province will undergo integration in full. The existing 12 coal mines of the Group in Sichuan province will integrate into eight coal mines (five wholly-owned mines and three non wholly-owned mines) with the coal mines owned by another nine coal mining enterprises (companies not associated with the Company) by ways of merger and restructuring as well as equity acquisition. Upon the integration, annual production capacity of the Company’s wholly-owned coal mines in the region will be approximately 1,500,000 tonnes, subject to the final approval by the Sichuan provincial government. A loss of asset of approximately RMB200 million in Sichuan region will arise from such merger and restructuring.

The proposal for merger and restructuring of coal mines of the Group in the aforesaid two regions is subject to the approval by the relevant provincial governments, and the Company will make further announcement as and where approximate.

As disclosed in the announcement of the Company dated 18 October 2013, the coking plant of Panzhihua Hidili Coal Industry Co., Ltd.* (攀枝花市恒鼎煤焦化有限公司) in Sichuan province with annual production capacity of 600,000 tonnes of coke has shut down in accordance with the requirement of relevant industrial policy, and an estimated loss of approximately RMB200 million will arise from such closure.

The major operational data for the three months ended 31 December 2013 was calculated based on the internal statistics of the Company and are intended to give investors an overview of the production and operation of the Group. The major operational data may somewhat differ from the data disclosed in the relevant periodic reports of the Company. In addition, affected by various factors, including (but not limited to) the adjustment of the macroeconomic policy of the State, changes in the domestic and overseas market conditions, bad weather and disasters, equipment maintenance and safety inspection, material differences may exist among the productive and operational data published quarterly. The aforesaid productive and operational data does not make any express or implied forecasts or guarantees in respect of the Group’s operating condition. The investors are hereby reminded of the risks which may result from inappropriate reliance upon or utilization of the information given above.

PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors that, based on the preliminary information currently available to the Group, it is presently expected that the unaudited consolidated management accounts of the Group for the year ended 31 December 2013 may record a significant decline in consolidated net profit attributable to shareholders as compared to that for the corresponding period in 2012. The directors of the Company (the “**Directors**”) consider that the expected decline is mainly attributable to (i) the merger and restructuring of our abovementioned coal mines in the Guizhou province as required by the government; (ii) the integration of our abovementioned coal mines in the Sichuan province as required by the government; and iii) the shut down of our coking plant in Sichuan province as abovementioned.

The information contained in this announcement represents a preliminary assessment made by the Board solely based on the information currently available to the Board and the preliminary review of the consolidated management accounts of the Group for the year ended 31 December 2013 by the Group's management, which are subject to finalization and necessary adjustments and have not yet been audited, confirmed or reviewed by the Company's auditors or its audit committee. Shareholders and potential investors are advised to carefully consider the financial information of the Group to be disclosed in the Company's final results announcement for the year ended 31 December 2013, which is expected to be published by the end of March 2014.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong
28 January 2014

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