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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: 1393)

### **Cooperative Framework Agreement**

On 24 May 2010, Sichuan Hidili together with certain wholly owned subsidiaries of the Company, namely, Liupanshui Hidili, Panzhihua Zhenxuan and Hidili Investment collectively entered into Cooperative Framework Agreement with Shaoguan Steel together with its associated company, SGIS Songshan in relation to (i) the supply of clean coal for a term of 10 years from 2011 to 2020; and (ii) the establishment of a joint venture company to engage in coal washing activity.

Reference is made to the announcement of Hidili Industry International Development Limited (the “**Company**”) dated 4 December 2009 (the “**Announcement**”) relating to a framework agreement entered into with Shaoguan Steel in relation to the proposed cooperation in the supply of clean coal and establishment of joint venture engaged in coal washing activity. Otherwise stated, terms used in this announcement shall have the same meanings as those defined in the Announcement.

Sichuan Hidili has entered into Framework Agreement with Shaoguan Steel on 4 December 2009. After negotiation for couples of months, both parties gradually finalized part of the detailed terms of the Framework Agreement. On 24 May 2010, Sichuan Hidili together with certain wholly owned subsidiaries of the Company, namely, 六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited\*) (“Liupanshui Hidili”), 攀枝花市振軒商貿有限公司 (Panzhihua City Zhenxuan Commercial and Trade Company Limited\*) (“Panzhihua Zhenxuan”) and

四川恒鼎投资有限公司 (Sichuan Hidili Investment Limited\*) (“Hidili Investment”) collectively entered into a cooperative framework agreement (“Cooperative Framework Agreement”) with Shaoguan Steel together with its associated company 廣東韶關松山股份有限公司 (SGIS Songshan Company Limited) (“SGIS Songshan”) in relation to (i) the supply of clean coal for a term of 10 years from 2011 to 2020; and (ii) the establishment of a joint venture company to engage in coal washing activity.

The major terms of the Cooperative Framework Agreement are as follows:-

## **SUPPLY OF CLEAN COAL**

1. Sichuan Hidili, Liupanshui Hidili, Panzhihua Zhenxuan and Hidili Investment together with their fellow subsidiaries (collectively as “Seller”) will supply Shaoguan Steel, SGIS Songshan and their associated companies (collectively as “Buyer”) with guaranteed volume of clean coal for a period of 10 years commencing from 2011 to 2012.
2. The contracted annual volume of clean coal supplied amounts to 470,000 tonnes in 2011, 570,000 tonnes in 2012 and 800,000 tonnes from 2013 onwards. The Seller confirms to sell and the buyer confirms to purchase not less than 95% of the contracted annual volume of clean coal as mentioned above.
3. On top of the contracted annual volume of clean coal supplied, Seller agrees to further supply to Buyer not more than 1.5 million tonnes of clean coal per annum by separately entering into a long term coking coal supply agreement.

## **ESTABLISHMENT OF A JOINT VENTURE**

1. Liupanshui Hidili, Panzhihua Zhenxuan and SGIS Songshan agree to establish a joint venture company in Liupanshui, Guizhou province with shareholding of 51%, 19.5% and 29.5% respectively. The joint venture company is principally engaged in coal washing activity with annual raw coal processing capacity of 2.4 million tonnes.
2. Total investment of the joint venture company amounts to not more than RMB150 million.
3. Regarding the detailed terms of the formation of the joint venture company, Liupanshui Hidili, Panzhihua Zhenxuan and SGIS Songshan will enter into a shareholding agreement after further negotiation.

## **BENEFIT OF SIGNING THE COOPERATIVE FRAMEWORK AGREEMENT**

Shaoguan Steel is a leading state-owned steel manufacturer in Guangdong province. The Company considers the signing of the Cooperative Framework Agreement can help to secure the sales of increasing output of clean coal in Guizhou and Yunnan and strengthen the business relationship with Shaoguan Steel. With the setting up of the joint venture company, Shaoguan Steel can obtain stable supply of quality clean coal for further processing. In return, the Company can ease the capital expenditure in the construction of coal washing plants.

\* *for identification only*

By Order of the board of directors  
**Hidili Industry International Development Limited**  
**Xian Yang**  
*Chairman*

Hong Kong  
28 May 2010

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