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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)

VOLUNTARY ANNOUNCEMENT
UNAUDITED INTERIM RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009
AND
BUSINESS INFORMATION UPDATE

The board of directors (the “Board”) of Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the nine months ended 30 September 2009, together with the comparative figures for the corresponding period in 2008, in addition to certain additional business information updates regarding the Group’s operations.

This is a voluntary announcement made by the Company to apprise the Shareholders and the public of certain information on the Company.

FINANCIAL HIGHLIGHTS

	Nine months ended		Change
	30 September		
	2009	2008	%
	<i>RMB’000</i>	<i>RMB’000</i>	
	(Unaudited)	(Unaudited)	
Turnover	947,925	2,051,205	(54)
Gross profit	501,436	1,324,863	(62)
Profit before tax	232,144	966,848	(76)
Profit and total comprehensive income			
attributable to owners of the Company	203,604	904,087	(77)
Basic earnings per share (<i>RMB cents</i>)	9.9	43.9	(77)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

		Nine months ended	
		30 September	
	<i>Note</i>	2009	2008
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover		947,925	2,051,205
Cost of sales		<u>(446,489)</u>	<u>(726,342)</u>
Gross profit		501,436	1,324,863
Other income		6,447	31,501
Distribution expenses		(101,117)	(130,338)
Administrative expenses		(151,893)	(204,476)
Net fair value gain (loss) on derivatives and held-for-trading investments		8,588	(26,100)
Finance costs		<u>(31,317)</u>	<u>(28,602)</u>
Profit before tax	3	232,144	966,848
Income tax expense		<u>(30,634)</u>	<u>(63,261)</u>
Profit for the period and total comprehensive income		<u>201,510</u>	<u>903,587</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		203,604	904,087
Minority interests		<u>(2,094)</u>	<u>(500)</u>
		<u>201,510</u>	<u>903,587</u>
Earnings per share			
Basic (<i>RMB cents</i>)		<u>9.9</u>	<u>43.9</u>
Diluted (<i>RMB cents</i>)		<u>9.9</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

	30 September 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	6,228,343	5,129,237
Prepaid lease payments	31,497	31,737
Deposits for acquisition of mines	288,150	–
Deposit paid for acquisition of land use rights	15,000	–
Intangible assets	113,667	119,591
Goodwill	11,065	11,065
	<u>6,687,722</u>	<u>5,291,630</u>
CURRENT ASSETS		
Inventories	159,989	132,851
Bills and trade receivables	435,450	686,158
Bills receivables discounted with recourse	226,450	315,140
Other receivables and prepayments	164,716	103,136
Amounts due from related parties	22,413	7,645
Held-for-trading investments	38,324	23,139
Pledged bank deposits	634,515	31,448
Bank balances and cash	1,583,423	694,820
	<u>3,265,280</u>	<u>1,994,337</u>
CURRENT LIABILITIES		
Bills and trade payables	147,677	130,528
Advances drawn on bills receivables discounted with recourse	226,450	315,140
Other payables and accrued expenses	545,270	697,878
Amount due to a related party	821	2,200
Derivative financial instruments	–	1,873
Tax payables	51,355	51,086
Bank borrowings – due within one year	2,187,749	160,000
	<u>3,159,322</u>	<u>1,358,705</u>
NET CURRENT ASSETS	<u>105,958</u>	<u>635,632</u>
	<u>6,793,680</u>	<u>5,927,262</u>

30 September 2009	31 December 2008
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Audited)

CAPITAL AND RESERVES

Share capital	198,605	198,605
Share premium and reserves	5,866,102	5,640,190

Equity attributable to owners of the Company	6,064,707	5,838,795
Minority interests	89,285	35,759

TOTAL EQUITY	6,153,992	5,874,554
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NON-CURRENT LIABILITIES

Provision for restoration and environmental costs	8,821	7,843
Deferred tax liabilities	50,033	44,865
Other long term payables	130,834	–
Bank borrowings – due after one year	450,000	–

	639,688	52,708
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	6,793,680	5,927,262
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009*

	Nine months ended	
	30 September	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	479,222	189,765
Net cash used in investing activities	(2,092,671)	(881,853)
Net cash from (used in) financing activities	<u>2,502,052</u>	<u>(1,375,242)</u>
Net increase (decrease) in cash and cash equivalents	888,603	(2,067,330)
Cash and cash equivalents at 1 January	<u>694,820</u>	<u>2,560,779</u>
Cash and cash equivalents at 30 September, represented by bank balances and cash	<u><u>1,583,423</u></u>	<u><u>493,449</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

1. GENERAL

Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (the “Company”) was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. In the opinion of the directors, the Company’s parent company and ultimate holding company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands. The Company acts as an investment holding company and its subsidiaries are engaged in mining of coal, sale of coke, raw coal and clean coal and provision of transportation services.

The Group’s principal operations are conducted in the People’s Republic of China (the “PRC”). The financial information are presented in Chinese Renminbi (“RMB”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on 1 January 2009.

3. PROFIT BEFORE TAX

Nine months ended	
30 September	
2009	2008
RMB’000	RMB’000
(Unaudited)	(Unaudited)

Profit before tax has been arrived at after charging (crediting):

Amortisation of intangible assets	5,924	633
Amortisation of prepaid lease payment	510	506
Provision for restoration and environmental costs	978	1,091
Depreciation and amortisation of property, plant and equipment	63,259	56,434
Impairment loss (reversal of impairment loss) recognised on		
– trade receivable	4,344	1,808
– other receivables and prepayments	(5,443)	946
	<u>(1,099)</u>	<u>2,754</u>

VOLUNTARY DISCLOSURE MATTERS

References to mines and plants as being owned by the Company or having been acquired by the Company refer to the date on which the agreement to acquire a mine or plant is signed. The Company treats such date as the date of acquisition for each mine or plant. The Company considers a mine or plant as being “owned” or having been “acquired” as of such date of acquisition, even if control or mining rights with respect to the mine or plant have not yet been transferred to the Company as of that date. Transfer of control of each acquired mine or plant typically takes place over a period of several months following the date of acquisition. Transfer of legal title for these mines or plants to the Company involves a process of application to the relevant PRC government authorities that can take anywhere from a few months to a year or more.

The Company wishes to bring several factors affecting its business to the attention of the investing public. The Company has enjoyed significant growth through the strategic acquisitions of coal mines and coal processing facilities since the Company’s initial public offering in September 2007. Many of these factors relate to, or have increased significance as a result of, these acquisitions.

Business Licenses

One of the Company’s subsidiaries has not yet obtained the appropriate licenses required under PRC laws and regulations to fully carry out all of its coal-related business activities. Fuyuan Maosheng Coal Selection Limited (“Fuyuan Maosheng”) (富源縣茂盛選煤有限責任公司), which engages in coal selection, coal washing and the sale of coal, has a license for coal-related business, but the license does not set forth coal washing as part of Fuyuan Maosheng’s business scope. Fuyuan Maosheng does not have the appropriate license for its business because such mining business was recently acquired by the Company and the Company is in the process of updating the business license for this subsidiary to ensure full compliance with PRC laws and regulations.

Mining Permits

In Liupanshui, Guizhou province, the Company is applying to the relevant authorities to transfer to it the mining right permits of the following recently acquired mines: Yuqibuhei Mine, Dongguaao Mine, Shunyuan mine, Xiangxing Mine, Yangchang Mine, Hongxing Mine, Yunjinhe Mine, Gongjiaotian Mine and Yunidahe Mine. Except for Yuqibuhei Mine, which is already in full commercial production under a new mining system the Company put in place, the rest of the mines are still under development and are only producing under their old production systems. The mining right permits for those mines will only be issued in the Company’s name after the transfer processes are complete – which processes normally take a few months or more after the signing of the acquisition agreements. Similarly, the Company does not have mining permits in relation to Yanhe Mine, Jianglang Mine, Qingping Mine, Xingjian Mine, Zude Mine and Yunxiang Mine which were recently acquired in Yunnan province. The Company acquired these five mines by signing purchase agreements for the relevant mining assets, mining rights and operating rights which allow the Company to receive relevant profits from these mines pursuant to these agreements, but the arrangements do not provide for the transfer of the mining permits to be held by the Group.

The mining permits for the Company's Dechang Mine, Xileqing Mine, Hongxing Mine, Yunjinhe Mine and Yunidahe Mine have all expired, and the Company is currently in the process of renewing them.

Insurance

The Company's subsidiaries maintain various types of insurance for their employees as required under the relevant PRC laws and regulations, including occupational injury, medical, and retirement insurances. However, some of the Company's subsidiaries do not maintain all of the various types of insurance required by law. For example, other than Yunnan Hidili Coal Industry Company Limited (雲南恒鼎煤業有限公司), none of the subsidiaries maintain accidental injury insurance for their underground mining workers although the Company does maintain Occupational Injury Insurance and Employer Liability Insurance. Accidental injury insurance is required under PRC law. The Company will continue to review and assess the relevant risks and make necessary adjustments to its insurance practices in reference to business needs and relevant legal requirements.

Land Title

The Company's mines in Liupanshui, Guizhou province occupy an aggregate area of approximately 520,000 square meters that contains various buildings used as offices and ancillary facilities. None of the Company's subsidiaries in Liupanshui holds the relevant land use permits for these lands, and the buildings and offices on these lands have not undergone the proper planning, construction or completion procedures with the local authorities. The Company is undertaking procedures to obtain the right to occupy and use the lands it occupies in Guizhou province.

The Company's mines in Fuyuan, Yunnan province occupy an aggregate area of approximately 130,000 square meters that contains various buildings as offices and ancillary facilities. The Company acquired all these mines during 2009. Except for Daxiang Mine, for which the Company holds the land use right, some of the lands for the Company's Fuyuan mines are collectively-owned lands leased to the Company from local authorities, while others are held through relevant temporary land use right certificates.

INFORMATION UPDATES ON THE COMPANY

Since 2004, the Company has increased its number of mines through strategic acquisitions from 12 to 42 as of the date of this announcement. The 28 mines that the Company newly acquired in Liupanshui, Guizhou province and Fuyuan, Yunnan province are either recently constructed mines or newly consolidated. Currently, most of these 28 mines are either not producing anything at all or operating under their original production systems, except that Yuqibuhei is in commercial production while Tianyuan and Yiqi are in trial production.

After completing the most recent acquisitions of mines and plants, the total capital expenditure of the Company in developing these acquired mines and plants amounts to approximately RMB1.0-1.5 billion.

The Company currently owns 42 mines. Its production volume of raw coal was approximately 2,179,500 tons, 2,275,000 tons, 2,798,000 tons and 1,751,800 tons for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively. It sold approximately 862,000 tons of clean coal and 682,100 tons of coke in 2008 and approximately 380,400 tons of clean coal and 474,100 tons of coke in the nine months ended 30 September 2009.

The following table sets forth the production volume, unit production cost, average selling price (net of VAT) and sales volume of each of the Company's principal products during the nine months ended 30 September 2008 and 30 September 2009:

	Nine months ended 30 September							
	2009				2008			
	Production volume	Unit production cost	Average selling price (net of VAT)	Sales volume	Production volume	Unit production cost	Average selling price (net of VAT)	Sales volume
<i>(thousand tons)</i>	<i>(RMB/ton)</i>	<i>(RMB/ton)</i>	<i>(thousand tons)</i>	<i>(thousand tons)</i>	<i>(RMB/ton)</i>	<i>(RMB/ton)</i>	<i>(thousand tons)</i>	
Principal products								
Coke	490.6	488	1,189.6	474.1	556.3	655	1,913.8	555.1
Clean Coal	944.4	350	804.5	380.4	1,306.0	526	1,424.9	616.2

For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, sales to the five largest customers of the Company amounted to RMB713.8 million, RMB682.6 million, RMB2,065.0 million and RMB791.4 million, respectively, representing 87.6%, 65.5%, 83.0% and 83.5% of the Company's total revenue for the relevant periods. During the same periods, sales to the single largest customer of the Company amounted to RMB389.4 million, RMB322.8 million, RMB785.5 million and RMB324.8 million, respectively, representing 47.8%, 31.0%, 31.6% and 34.3% of the Company's total revenue for the relevant periods.

On 4 December 2009, the Company entered into a memorandum of understanding in relation to the proposed acquisitions of a 18% equity interest in Guizhou Weiqing Coking Logistic Company Limited, a company that offers warehouse management and railway logistic services in Liupanshui, and a 41.78% equity interest in Fuyuan Jintong Coking Company Limited, a similar company located in Fuyuan. These arrangements, if completed, will give the Company 50% and 60% of the annual transportation capacity of each of the target entities. In addition, the Company is continuing to explore other similar investment opportunities in logistics companies in Guizhou and Yunnan that will contribute further to our overall railway transportation capacity.

BUSINESS UPDATES OF THE GROUP FOR THE THREE MONTHS ENDED 31 DECEMBER 2009

The operating environment for the Company started to turn around with coal demand from the steel, cement and power sectors improving in the fourth quarter of 2009. As of the date of this announcement, and since 30 September 2009, the Company has experienced increased average monthly sales volume and higher pricing levels for the majority of its products as compared with the first nine months of 2009. In the first nine months of 2009, the Company sold approximately 474 thousand tons of coke and 380 thousand tons of clean coal and the average selling prices of coke and clean coal was approximately RMB1,190 per ton and RMB805 per ton, respectively. For the three months ended 31 December 2009, the Company sold approximately 220 thousand tons and 240 thousand tons of coke and clean coal, respectively. The Company also believes that its profit margin may have improved in the three months ended 31 December 2009 compared to the nine months ended 30 September 2009 given market improvement.

Information contained in the “Business Update of the Group for the three months ended 31 December 2009” is only based on the preliminary assessment of the management accounts of the Group by the management of the Company and is not based on any figures or information which has been audited by the Company’s auditors.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this announcement are based on current expectations. These statements are not guarantees of future events or results. Future events and results involve some risks, uncertainties and assumptions that are difficult to predict. Actual events and results could vary materially from the description contained herein due to many factors including changes in the market, changes in the business and financial condition of the Company and its subsidiaries.

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

By order of the Board
Hidili Industry International Development Limited
XIAN Yang
Chairman

Hong Kong, 8 January 2010

As at the date of this announcement, the executive directors of the Company are Mr. XIAN Yang (Chairman), Mr. SUN Jiankun and Mr. WANG Rong; and the independent non-executive directors of the Company are Mr. CHAN Chi Hing, Mr. CHEN Limin and Mr. HUANG Rongsheng.