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 OF UNAUDITED RESULTS FOR THE EIGHT MONTHS ENDED 31 AUGUST 2010 AND ANNOUNCEMENT OF PROPOSED ISSUE OF SENIOR NOTES

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 Group for the eight months ended 31 August 2010, together with the comparative figures for the corresponding period in 2009. This information is voluntarily announced by the Company to apprise the Shareholders and the public of certain information on the Company.

Further, the Company proposes to conduct an international offering of senior notes with bullet repayment unless redeemed earlier pursuant to their terms. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, including updated risk factors and descriptions of the projects undertaken by the Group, management's discussion and analysis and indebtedness information, which information has not previously been made public. An extract of such recent information can be viewed at the Company's website *www.hidili.com.cn* at approximately the same time when such information is released to the institutional investors. The pricing of the proposed Notes Issue, including the aggregate principal amount, the Offer Price and interest rate, will be determined through a book building exercise conducted by Citigroup Global Markets Inc., Merrill Lynch International, UBS AG, Hong Kong Branch and J.P. Morgan Securities Ltd. as joint bookrunners and lead managers. Upon finalizing the terms of the Notes, the Joint Bookrunners and the Company will enter into the Purchase Agreement. If the Notes are issued, the Company currently intends to use the proceeds of the proposed Notes Issue to upgrade existing production capacity in the Company's network of mines, plants and facilities in Southwestern China as well as existing machinery and infrastructure, to repay its existing indebtedness and to use the remaining proceeds for general corporate purposes.

The SGX-ST has granted its approval in-principle for the Admission of the Notes to the Official List of the SGX-ST. Such approval-in-principle is not to be taken as an indication of the merits of the Company or the Notes.

Rothschild (Hong Kong) Limited has been appointed as financial adviser to the Company in respect of the Notes Issue.

As no binding agreement in relation to the proposed Notes Issue has been entered into as at the date of this announcement, the proposed Notes Issue may or may not materialize. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

FINANCIAL HIGHLIGHTS

	Eight months ended 31 August		
	2010	**2009**	**Change**
	RMB'000	*RMB'000*	*%*
	(unaudited)	(unaudited)	
Turnover	**1,427,764**	848,793	68
Gross profit	**967,362**	423,771	128
Profit before tax	**457,437**	201,963	126
Profit and total comprehensive income attributable to owners of the Company	**376,295**	175,954	114
Basic earnings per share *(RMB cents)*	**18.27**	8.54	114

UNAUDITED RESULTS FOR THE EIGHT MONTHS ENDED 31 AUGUST 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE EIGHT MONTHS ENDED 31 AUGUST 2010

		Eight months ended 31 August	
		2010	2009
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	4	**1,427,764**	848,793
Cost of sales		**(460,402)**	(425,022)
Gross profit		**967,362**	423,771
Other income		**7,857**	4,546
Distribution expenses		**(171,346)**	(85,252)
Administrative expenses		**(192,078)**	(130,725)
Net (loss) gain on derivatives and held-for-trading investments		**(13,371)**	16,247
Impairment loss recognised in respect of property, plant and equipment	10	**(20,000)**	—
Finance costs	5	**(120,987)**	(26,624)
Profit before tax		**457,437**	201,963
Income tax expense	6	**(77,172)**	(28,004)
Profit and total comprehensive income for the period	7	**380,265**	173,959
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**376,295**	175,954
Non-controlling interests		**3,970**	(1,995)
		380,265	173,959
Earnings per share	9		
Basic *(RMB cents)*		**18.27**	8.54
Diluted *(RMB cents)*		**18.07**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2010

	NOTES	**31 August 2010 *RMB'000* (unaudited)**	31 December 2009 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**8,987,096**	7,968,805
Prepaid lease payments		**30,603**	31,062
Deposits	11	**407,622**	219,950
Deposit paid for acquisition of land use rights		**25,514**	25,274
Deposit for acquisition for additional interests in a subsidiary		**—**	36,000
Intangible assets		**106,425**	111,691
Goodwill		**11,065**	11,065
		9,568,325	8,403,847
CURRENT ASSETS			
Inventories		**244,816**	144,704
Bills and trade receivables	12(a)	**1,057,763**	516,366
Bills receivables discounted with recourse	12(b)	**83,140**	241,019
Other receivables and prepayments		**413,617**	210,177
Amounts due from related parties		**53,965**	83,755
Held-for-trading investments		**66,341**	48,641
Pledged and restricted bank deposits		**234,107**	577,883
Bank balances and cash		**637,012**	674,545
		2,790,761	2,497,090
CURRENT LIABILITIES			
Bills and trade payables	13	**267,070**	131,875
Advances drawn on bills receivables discounted with recourse		**83,140**	241,019
Other payables and accrued expenses		**450,100**	698,389
Amount due to a non-controlling interests of a subsidiary		**15,897**	—
Amount due to a related party		**800**	—
Tax payables		**65,991**	47,952
Secured bank and other borrowings — due within one year	14	**1,773,000**	2,467,084
		2,655,998	3,586,319
NET CURRENT ASSETS (LIABILITIES)		**134,763**	(1,089,229)
		9,703,088	7,314,618

	NOTES	31 August 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	15	**198,605**	198,605
Share premium and reserves		**6,473,827**	6,079,391
Equity attributable to owners of the Company		**6,672,432**	6,277,996
Non-controlling interests		**159,634**	145,087
TOTAL EQUITY		**6,832,066**	6,423,083
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**10,584**	9,329
Deferred tax liabilities		**252,287**	244,682
Other long term payables	16	**232,860**	142,524
Secured bank and other borrowings — due after one year	14	**902,000**	495,000
Convertible loan notes	17	**1,473,291**	—
		2,871,022	891,535
		9,703,088	7,314,618

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 AUGUST 2010

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Convertible loan notes reserve	Future development fund	Share option reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009 (audited)	198,605	3,310,400	695,492	269,598	—	99,213	—	—	1,265,487	5,838,795	35,759	5,874,554
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	175,954	175,954	(1,995)	173,959
Transfer	—	—	—	—	—	13,622	—	—	(13,622)	—	—	—
Capital contribution from a non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	54,730	54,730
Recognition of equity-settled share based payment expenses	—	—	—	—	—	—	17,847	—	—	17,847	—	17,847
At 31 August 2009 (unaudited)	198,605	3,310,400	695,492	269,598	—	112,835	17,847	—	1,427,819	6,032,596	88,494	6,121,090
At 1 January 2010 (audited)	198,605	3,310,400	695,492	315,969	—	152,011	35,692	—	1,569,827	6,277,996	145,087	6,423,083
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	376,295	376,295	3,970	380,265
Transfer	—	—	—	—	—	28,393	—	—	(28,393)	—	—	—
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	12,175	12,175
Recognition of equity-settled share based payment expenses	—	—	—	—	—	—	25,135	—	—	25,135	—	25,135
Acquisition of additional interest in a non-wholly owned subsidiary *(note)*	—	—	—	—	—	—	—	(43,402)	—	(43,402)	(1,598)	(45,000)
Recognition of equity component of convertible loan notes	—	—	—	—	242,408	—	—	—	—	242,408	—	242,408
Dividend *(note 8)*	—	—	—	—	—	—	—	—	(206,000)	(206,000)	—	(206,000)
At 31 August 2010 (unaudited)	198,605	3,310,400	695,492	315,969	242,408	180,404	60,827	(43,402)	1,711,729	6,672,432	159,634	6,832,066

note: In March 2010, the Group acquired the remaining 15% equity interests of its subsidiary from the non-controlling interest at an aggregate consideration of RMB45 million. The excess of the fair value of the consideration paid over the carrying amount of the net assets acquired has been debited directly to equity.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE EIGHT MONTHS ENDED 31 AUGUST 2010

		Eight months ended 31 August	
		2010	2009
	NOTE	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(62,672)**	513,929
NET CASH USED IN INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1,200,607)**	(1,082,914)
Deposits paid for acquisition of assets and land use rights		**(187,912)**	(99,800)
Decrease (increase) in pledged and restricted bank deposits		**343,776**	(603,035)
Acquisition of a subsidiary	18	**(1,000)**	(6,200)
Interest received		**4,957**	2,817
Proceeds from disposal of property, plant and equipment		**1,844**	1,002
		(1,038,942)	(1,788,130)
NET CASH FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible loan notes, net of issuance costs		**1,664,668**	—
New bank borrowings raised		**1,740,000**	1,250,000
Capital contribution from non-controlling interests		**12,175**	12,470
Repayment of bank borrowings		**(2,037,084)**	(160,000)
Interest paid		**(100,678)**	(26,624)
Acquisition of additional interest in a non-wholly owned subsidiary		**(9,000)**	—
Dividend paid		**(206,000)**	—
		1,064,081	1,075,846
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(37,533)**	(198,355)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**674,545**	694,820
CASH AND CASH EQUIVALENTS AT 31 AUGUST, represented by bank balances and cash		**637,012**	496,465

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 together with its subsidiaries are hereinafter collectively referred to as the Group. The Company acts as 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 is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009, except for the application of the accounting policies described below which relate to the transactions newly occurred during the current interim period and the adoption of revised IFRSs which have become effective during the current interim period.

Convertible loan notes

Convertible loan notes issued by the Company that contain liability and conversion option are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

In the current interim period, the Group has applied a number of new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning on 1 January 2010.

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

IAS 27 (2008) has been adopted and has been applied retrospectively (subject to specified transitional provisions). The revised Standard has resulted in changes in the Group's accounting policies regarding changes in ownership interests in subsidiaries of the Group. The new accounting policies in relation to changes in ownership interests in subsidiaries have been applied prospectively to changes that take place on or after 1 January 2010 in accordance with the relevant transitional provisions.

Under IAS 27 (2008), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, IAS 27 (2008) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Since there were no acquisition or disposal of partial interests in subsidiaries before, the adoption of IAS 27 (2008) has had no significant financial impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[2]
IAS 32 (Amendment)	Classification of Rights Issues[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[4]
IFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[6]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment focuses on the Group's business operations.

The Group's operating segments are comprised of: (i) coal mining; (ii) coking; (iii) others.

Principal activities are as follows:

Coal mining	—	Manufacture and sales of clean coal and its by-products
Coking	—	Manufacture and sales of coke and its by-products
Others	—	Manufacture and sales of alloy pig iron and others

Segments revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

Eight months ended 31 August 2010 (unaudited)

	Coal mining	Coking	Others	Segment total	Inter-segment eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE						
External	912,397	508,581	6,786	1,427,764	—	1,427,764
Inter-segment	370,772	—	—	370,772	(370,772)	—
Total	1,283,169	508,581	6,786	1,798,536	(370,772)	1,427,764
RESULTS						
Segment profit	500,736	292,538	2,742	796,016	—	796,016
Other income						7,857
Administrative expenses						(192,078)
Net loss on derivatives and held-for-trading investments						(13,371)
Impairment loss recognised in respect of property, plant and equipment						(20,000)
Finance costs						(120,987)
Profit before tax						457,437

Eight months ended 31 August 2009 (unaudited)

	Coal mining	Coking	Others	Segment total	Inter-segment eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE						
External	322,573	521,106	5,114	848,793	—	848,793
Inter-segment	359,058	—	—	359,058	(359,058)	—
Total	681,631	521,106	5,114	1,207,851	(359,058)	848,793
RESULTS						
Segment profit	86,562	250,364	1,593	338,519	—	338,519
Other income						4,546
Administrative expenses						(130,725)
Net gain on derivatives and held-for-trading investments						16,247
Finance costs						(26,624)
Profit before tax						201,963

Segment profit represents profit earned by each segment without allocation of other income, administrative expenses, finance costs and net gain (loss) on derivatives and held-for-trading investments. This is the measure reported to the chief operating decision maker (i.e. the executive directors of the Company) for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

No segment assets and liabilities are presented as they are not regularly reviewed by the chief operating decision maker.

5. FINANCE COSTS

	Eight months ended 31 August	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**61,029**	5,703
— advances drawn on bills receivable discounted	**17,505**	20,921
— interest expense on convertible loan notes	**64,570**	—
	143,104	26,624
Less: Interest capitalised in construction in progress	**(22,117)**	—
	120,987	26,624

6. INCOME TAX EXPENSE

	Eight months ended 31 August	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**72,035**	21,475
Deferred tax	**5,137**	6,529
	77,172	28,004

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The Company is not subject to any income tax expense in the Cayman Islands as the Cayman Islands levies no tax on the income of the Company.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

The provision for EIT is based on a statutory rate of 25% (For the eight months ended 31 August 2009: 25%) of the assessable profit of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain PRC subsidiaries of the Company which are exempted from EIT in accordance with the approval from the respective tax bureau.

Pursuant to the "Application of preferential tax treatment for Foreign Investment Enterprise", Panzhihua City Hidili Coal Company Limited ("Hidili Coal"), Sichuan Hidili Industry Company Limited ("Sichuan Hidili"), Panzhihua City Tiandaoqin Industry & Trading Company Limited ("Tiandaoqin"), Panzhihua Yanjiang Industrial Company Limited ("Yanjiang"), Panzhihua City Tianchou Industry & Trading Company Limited ("Tianchou") and Panzhihua Yangfan Industry & Trading Company Limited ("Yangfan") were entitled to 2 years exemption from EIT from 2007 to 2008 and a 50% deduction of EIT rate for three years from 2009 to 2011. Therefore, the applicable tax rate of Hidili Coal and Tianchou for 2010 is 12.5% (For the eight months ended 31 August 2009: 12.5%).

For Tiandaoqin, Yangfan, Sichuan Hidili and Yanjiang, they were also entitled to the tax incentives in connection with the development of the western part of the PRC. The applicable tax rate for 2010 is 7.5% (For the eight months ended 31 August 2009: 7.5%).

Panzhihua City Sanlian Transportation Company Limited ("Sanlian Transportation") was entitled to the tax incentives in connection with the development of the western part of the PRC. According to the official approval issued by State Administration of Taxation of Sichuan Province, Sanlian Transportation is entitled to the policy of 2 year's exemption and 3 year's deduction of EIT rate from 2005 to 2009. The applicable tax rate for 2010 is 25% (For the eight months ended 31 August 2009: 12.5%).

According to the Taxpayer Exemption Application Form (納稅人減免稅申請審批表, "EIT Exemption Form") issued by the local tax bureau on 4 July 2007, Liupanshui Hidili Industry Company Limited ("Liupanshui Hidili") was entitled to a 2 years exemption from EIT from 2008 to 2009 and a 50% deduction of EIT rate for three years from 2010 to 2012. The applicable tax rate for 2010 is 12.5% (For the eight months ended 31 August 2009: Nil).

The EIT Law requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. At 31 August 2010, the aggregate amount of deferred tax of approximately RMB51,682,000 (31 December 2009: RMB46,068,000) has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits.

7. PROFIT FOR THE PERIOD

	Eight months ended 31 August	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**5,267**	5,267
Release of prepaid lease payments	**459**	451
Provision for restoration and environmental costs	**1,255**	866
Depreciation of property, plant and equipment	**63,126**	46,482
Loss on disposal of property, plant and equipment	**2,726**	—
Interest income	**(4,957)**	(2,817)

8. DIVIDEND

	Eight months ended 31 August	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividend recognised as distribution during the eight months ended 31 August 2010:		
Final for 2009, paid - RMB10 cents per share	**206,000**	—

The directors do not recommend the payment of an interim dividend for the current period (For the eight months ended 31 August 2009: Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Eight months ended 31 August	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted (31 August 2009: basic) earnings per share Profit for the period attributable to owners of the Company	**376,295**	175,954

Number of shares

	Eight months ended 31 August	
	2010	2009
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**2,060,000**	2,060,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	**22,297**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,082,297**	

No diluted earnings per share had been presented for the eight months ended 31 August 2009 as there were no potential ordinary shares in issue.

The computation of diluted earnings per share for the eight months ended 31 August 2010 does not assume the conversion of the Company's convertible loan notes since its assumed conversion would result in an increase in earnings per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the eight months ended 31 August 2010, the Group incurred approximately RMB451,084,000 and RMB544,523,000 (For the eight months ended 31 August 2009: approximately RMB595,661,000 and RMB231,794,000) on acquisition of mining structures and mining right and construction in progress respectively.

An impairment loss of RMB20,000,000 (For the eight months ended 31 August 2009: Nil) was recognised during the period in respect of production machinery in a coking plant which during the current period, the Group received notification from the local government authority to cease coking operations.

11. DEPOSITS

As at 31 August 2010, the deposit of RMB241,332,000 (31 December 2009: RMB99,950,000) was paid for acquisition of mines in the PRC. As at the date of approval for issuance of these condensed consolidated financial statements, the Group is still negotiating with the mine owners to agree the final amount of consideration.

In addition, as at 31 August 2010, the Group has entered into a memorandum of understanding with an independent third party and the deposit of RMB166,290,000 (31 December 2009: RMB120,000,000) was paid for acquisition of the transportation rights and 20% equity interests in a company engaged in clean coal washing. As at the date of approval for issuance of condensed consolidated financial statements, no binding agreement has been signed and the Group is still negotiating with the independent third party to agree the final amount of consideration.

12. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(a) BILLS AND TRADE RECEIVABLES

The Group generally allows a credit period ranging from 90-120 days to its trade customers and the credit period for bills receivables is ranging from 90-180 days. The aged analysis of trade receivables and bills receivables, net of allowances, presented based on the invoice date at the end of the reporting period, is as follows:

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Aged:		
0 - 90 days	**814,227**	482,559
91 - 120 days	**131,478**	14,560
121 - 180 days	**95,041**	14,337
181 - 365 days	**12,692**	4,910
Over 365 days	**4,325**	—
	1,057,763	516,366

(b) BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

The Group generally allows a credit period ranging from 90-180 days to its customers. The aged analysis of bills receivables discounted with full recourse are as follows:

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 - 90 days	**—**	162,749
91 - 120 days	**—**	78,270
121 - 180 days	**83,140**	—
	83,140	241,019

13. BILLS AND TRADE PAYABLES

The aged analysis of the Group's bills and trade payables at the end of the reporting period is as follows:

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 - 90 days	**173,439**	116,640
91 - 120 days	**3,361**	10,485
121 - 180 days	**61,893**	3,014
181 - 365 days	**10,827**	1,736
Over 365 days	**17,550**	—
	267,070	131,875

14. SECURED BANK AND OTHER BORROWINGS

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank loans	**2,425,000**	2,712,084
Other loans	**250,000**	250,000
	2,675,000	2,962,084

The secured bank and other borrowings are repayable as follows:

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank and other borrowings		
Within one year	**1,773,000**	2,467,084
More than one year, but not exceeding two years	**336,000**	255,000
More than two years, but not exceeding three years	**566,000**	240,000
Total bank and other borrowings	**2,675,000**	2,962,084
Less: Amount due within one year shown under current liabilities	**(1,773,000)**	(2,467,084)
Amount due after one year	**902,000**	495,000

During the current period, the Group obtained new bank loans amounting to RMB1,740 million (For the eight months ended 31 August 2009: RMB1,250 million) and repaid bank loans amounting to RMB2,037 million (For the eight months ended 31 August 2009: RMB160 million). The loans carry interest at prevailing market rates and are repayable over a period of one to five years. The proceeds were used to finance the acquisition of property, plant and equipment, repayment of existing debts and for general working capital purpose of the Group.

As at 31 August 2010, long-term secured bank loans RMB702 million (31 December 2009: RMB400 million), short-term secured bank loans of RMB198 million (31 December 2009: RMB100 million) and short-term secured other loans of RMB250 million (31 December 2009: RMB250 million) were secured by the registered capital of a subsidiary, Shenzhen Hengxin Dingli Commercial Trading Company Limited ("Shenzhen Hengxin"), held by the Group.

15. SHARE CAPITAL

	Number of shares	**Amount**	**Amount**
		HK$'000	*RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 August 2010 and 31 December 2009	10,000,000,000	1,000,000	
Issued and fully paid:			
At 31 August 2010 and 31 December 2009	2,060,000,000	206,000	198,605

16. OTHER LONG TERM PAYABLES

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other long term payables comprise of:		
Consideration payable for mining right	**291,794**	173,619
Less: Amount due within one year shown under current liabilities (included in other payables and accrued expenses)	**(58,934)**	(31,095)
	232,860	142,524

The amounts carried interest at floating interest rates and is repayable in instalments over two to ten years. The effective interest rate is 5.31%.

17. CONVERTIBLE LOAN NOTES

The Company issued RMB1,707 million aggregate principal amount of US dollars settled 1.5% convertible loan notes of nominal value of HK$0.1 each on 19 January 2010 at the exchange rate of USD1 to RMB6.8265. The convertible loan notes are denominated in RMB and settled in US dollars which equivalent of its RMB principal amount of RMB1,707 million at the prevailing exchange rate of the date of settlement. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 19 January 2015 at a conversion price of HK$12.58 per convertible loan notes at a fixed exchange rate of HK$1 to RMB0.8803. Interest of 1.5% will be paid semi-annually up until the settlement date.

The bondholders may, at their option, require the Company to redeem all or some of the convertible loan notes on 19 January 2013 at 106.2687% of their principal amount. Accordingly, the liability component of the convertible loan notes is classified as non-current liability as at 31 August 2010.

Unless previously redeemed, converted or purchased, the convertible loan notes will be redeemed by the Company at 110.8254% of their principal amount on 19 January 2015.

The convertible loan notes contain two components: liability and equity elements. The equity element is presented in equity heading convertible loan notes reserve. The effective interest rate of the liability component is 7.51% per annum.

The movement of the liability component of the convertible loan notes for the eight months ended 31 August 2010 is set out below:

	31 August 2010 ***RMB'000*** **(unaudited)**	31 December 2009 *RMB'000* (audited)
At the beginning of the period/year	**—**	—
Addition	**1,422,260**	—
Effective interest expenses	**64,570**	—
Interest paid	**(13,539)**	—
At the end of the period/year	**1,473,291**	—

18. ACQUISITION OF A SUBSIDIARY

(a) On 2 February 2010, the Group acquired a washing plant through the acquisition of 100% equity interest in Fuyuan County Fude Coal Preparation Company Limited ("Fuyuan Fude"), at a consideration of RMB1,000,000. Fuyuan Fude is engaged in clean coal washing.

The acquisition has been accounted for as an acquisition of assets and liabilities. The net assets acquired by the Group are as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	13,562
Other payables	(2,562)
Bank borrowings	(10,000)
	1,000
Satisfied by:	
Cash	1,000
Net cash outflow arising on acquisition:	
Cash consideration paid	1,000

Fuyuan Fude contributed RMB21,315,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

(b) During the period ended 31 August 2009, the Group acquired 100% equity interest in Fuyuan County Maosheng Coal Preparation Company Limited ("Fuyuan Maosheng") at a consideration of RMB6,200,000. Fuyuan Maosheng is engaged in clean coal washing. The acquisition has been accounted for using the purchase method.

The net assets acquired by the Group are as follows:

	Acquiree's carrying before combination *RMB'000*	Fair value adjustment *RMB'000*	Fair value *RMB'000*
Net assets acquired:			
Property, plant and equipment	5,430	783	6,213
Other receivables	796	—	796
Other payables	(809)	—	(809)
	5,417	783	6,200
Satisfied by:			
Cash			6,200
Net cash outflow arising on acquisition:			
Cash consideration paid			6,200

Fuyuan Maosheng did not have significant contribution to the Group's profit for the period between the date of acquisition and the end of the operating period.

19. CAPITAL COMMITMENTS

	31 August 2010 ***RMB'000*** **(unaudited)**	31 December 2009 *RMB'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**218,995**	256,956

20. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks for credit facilities granted to the Group:

	31 August 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property, plant and equipment	**1,312,510**	1,379,254
Bank deposits	**163,320**	520,108
Bills receivable	**20,000**	12,870
Prepaid lease payments	**5,899**	5,989
	1,501,729	1,918,221

21. RELATED PARTY DISCLOSURES

In addition to the balances with related parties set out in the condensed consolidated statement of financial position, during the period, the Group entered into the following transactions with related parties:

a) The compensation of the key management personnel of the Group for the eight months ended 31 August 2010 was approximately RMB5,080,000 (For the eight months ended 31 August 2009: approximately RMB4,133,000).

b) Transactions with related parties:

			Eight months ended 31 August	
Name of Company	Relationship	Nature of transactions	**2010**	2009
			RMB'000	*RMB'000*
			(unaudited)	(unaudited)
Panxian Panshi Logistic Distribution Co., Ltd. ("Panzian Panshi")	An investee company	Transportation costs payable by the Group	**10,073**	8,437
Panxian Panying Logistic Distribution Co., Ltd. ("Panxian Panying")	An investee company	Transportation costs payable by the Group	**1,189**	3,020
Hengwei Zhitai Company Limited	A company ultimately owned by Mr. Xian Fan, brother of Mr. Xian Yang	Technical support income receivable by the Group	**471**	—
Yunnan Kaijie Industry Company Limited	Controlling shareholder of Panxian Panshi and Panxian Panying	Transportation costs payable by the Group	**7,759**	—
Mr. Xian Jilun	Father of Mr. Xian Yang	Rental payable by the Group	**800**	800

As at 31 August 2010, the director, Mr. Xian Yang guaranteed the bank borrowings of approximately RMB1,643 million (31 December 2009: RMB1,617million).

As at 31 December 2009, short-term secured bank loans of US$130 million (equivalent to RMB887 million) was secured by Mr. Xian Yang's interests in the Company. The said loans were repaid during the period.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of senior notes to international institutional investors. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, including updated risk factors and descriptions of the projects undertaken by the Group, management's discussion and analysis, related party transactions and indebtedness information, which information has not previously been made public. An extract of such recent information can be viewed at the Company's website *www.hidili.com.cn* at approximately the same time when such information is released to the institutional investors. The pricing of the proposed Notes Issue, including the aggregate principal amount, the Offer Price and interest rate, will be determined through a book building exercise conducted by the Joint Bookrunners. The Notes, if issued, will have bullet repayment, unless earlier redeemed pursuant to their terms. As at the date hereof, the amount, terms and conditions of the proposed Notes Issue are yet to be determined. Upon finalizing the terms of the Notes, the Joint Bookrunners and the Company will enter into the Purchase Agreement. The Company will make a further announcement upon the execution of the Purchase Agreement.

None of the proposed Notes Issue will be offered to the public in Hong Kong and none of the proposed Notes Issue will be placed to any connected persons of the Company.

Rothschild (Hong Kong) Limited has been appointed as financial adviser to the Company in respect of the Notes Issue.

Reason for the Notes Issue

As indicated below, the Company proposes to issue the Notes in order to upgrade its network of mines, plants and facilities in Southwestern China as well as existing machinery and infrastructure and to repay its existing indebtedness to financial institutions.

Proposed use of proceeds

The Company intends to apply the net proceeds from the proposed Notes Issue as follows:-

(i) approximately 40-50% to upgrade existing production capacity in its network of mines, plants and facilities in Southwestern China as well as existing machinery and infrastructure;

(ii) approximately 40-50% to repay its existing indebtedness to financial institutions, plus accrued and unpaid interest and any other amounts payable in connection with such repayment; and

(iii) up to 10% for general corporate purposes.

The Company may adjust the foregoing in response to changing market conditions and circumstances. The Company will carefully evaluate the situation and may reallocate the use of the proceeds from the proposed Notes Issue.

Listing

The SGX-ST has granted its approval in-principle for the Admission of the Notes to the Official List of the SGX-ST. Such approval-in-principle is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

ABOUT THE COMPANY

The Company is one of the largest non-state-owned integrated coal companies in Southwestern China in terms of revenues for the year ended December 31, 2009. It is primarily engaged in the mining, production and sale of high quality clean coal and coke.

GENERAL

As no binding agreement in relation to the proposed Notes Issue has been entered into as at the date of this announcement, the proposed Notes Issue may or may not materialize. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the proposed Notes Issue will be made by the Company as and when appropriate.

DEFINITIONS

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

"Board"	the board of Directors of the Company
"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, and the ordinary shares of which are listed on the Main Board of the Stock Exchange
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Joint Bookrunners"	Citigroup Global Markets Inc., Merrill Lynch International, UBS AG, Hong Kong Branch and J.P. Morgan Securities Ltd.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Notes"	the senior notes to be issued by the Company
"Notes Issue"	the issue of the Notes by the Company
"Offer Price"	the final price at which the Notes will be sold
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Purchase Agreement"	the agreement proposed to be entered into between the Company and the Joint Bookrunners in relation to the Notes Issue pursuant to which the Joint Bookrunners will act as initial purchasers of the Notes

"RMB"	Renminbi, the lawful currency of the PRC
"Securities Act"	the US Securities Act of 1933, as amended
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share(s)"	the ordinary share(s) with nominal value of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US" or "United States"	the United States of America
"US$", "USD" or "US Dollars"	United States dollar, the lawful currency of the United States
"%"	per cent

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

Hong Kong
October 18, 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.