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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2011	2010	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Turnover	**1,127,415**	1,050,924	7.3%
Gross Profit	**727,596**	716,863	1.5%
Profit before tax	**337,525**	348,735	-3.2%
Profit and total comprehensive income for the period	**265,407**	301,630	-12.0%
Adjusted EBITDA	**554,721**	531,897	4.3%
Basic earnings per share *(RMB cents)*	**12.6**	14.4	-12.5%
Diluted earnings per share *(RMB cents)*	**12.5**	14.2	-12.0%

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 six months ended 30 June 2011 (the "Review Period"), together with the comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	4	**1,127,415**	1,050,924
Cost of sales		**(399,819)**	(334,061)
Gross profit		**727,596**	716,863
Other income		**6,228**	17,651
Distribution expenses		**(138,117)**	(123,603)
Administrative expenses		**(113,450)**	(135,671)
Net gain (loss) on derivatives and held-for-trading investments		**3,708**	(33,371)
Finance costs		**(148,440)**	(93,134)
Profit before tax		**337,525**	348,735
Income tax expense	5	**(72,118)**	(47,105)
Profit and total comprehensive income for the period	6	**265,407**	301,630
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**260,086**	296,542
Non-controlling interests		**5,321**	5,088
		265,407	301,630
Earnings per share			
Basic *(RMB cents)*	8	**12.6**	14.4
Diluted *(RMB cents)*		**12.5**	14.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**11,054,645**	10,072,361
Prepaid lease payments		**30,046**	30,385
Deposits		**267,060**	318,516
Deposit paid for acquisition of land use rights		**25,538**	25,538
Deposit for acquisition of additional interests in subsidiaries		**52,500**	52,500
Convertible bond receivable		**59,415**	63,536
Derivative component in convertible bond receivable		**15,771**	3,269
Intangible assets		**102,917**	104,817
Goodwill		**11,065**	11,065
Available-for-sale investment		**67,707**	—
Loan receivables		**26,173**	25,173
		11,712,837	10,707,160
CURRENT ASSETS			
Inventories		**291,568**	242,974
Bills and trade receivables	9(a)	**690,306**	938,975
Bills receivables discounted with recourse	9(b)	**82,665**	241,733
Other receivables and prepayments		**664,003**	488,357
Amounts due from related parties		**96,948**	106,942
Held-for-trading investments		**100,890**	97,369
Pledged and restricted bank deposits		**160,777**	165,791
Bank balances and cash		**384,440**	1,649,037
		2,471,597	3,931,178

CURRENT LIABILITIES			
Bills and trade payables	10	**374,589**	271,407
Advances drawn on bills receivables discounted with recourse		**82,665**	241,733
Other payables and accrued expenses		**364,013**	462,997
Amount due to a related party		**600**	1,200
Amount due to a non-controlling shareholder of a subsidiary		**15,142**	15,455
Tax payables		**92,204**	91,698
Secured bank and other borrowings — due within one year		**825,228**	676,000
		1,754,441	1,760,490
NET CURRENT ASSETS		**717,156**	2,170,688
		12,429,993	12,877,848
CAPITAL AND RESERVES			
Share capital		**199,051**	198,605
Share premium and reserves		**7,084,550**	6,774,207
Equity attributable to owners of the Company		**7,283,601**	6,972,812
Non-controlling interests		**169,653**	163,602
TOTAL EQUITY		**7,453,254**	7,136,414

NON-CURRENT LIABILITIES		
Provision for restoration and environmental costs	**12,885**	11,646
Deferred tax liabilities	**310,364**	306,989
Other long term payables	**173,926**	222,790
Secured bank and other borrowings — due after one year	**380,000**	1,094,000
Senior notes	**2,548,266**	2,596,614
Convertible loan notes	**1,551,298**	1,509,395
	4,976,739	5,741,434
	12,429,993	12,877,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands which is in turn held by the trust formed by Mr. Xian Yang. The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Company acts as an investment holding company and its subsidiaries are engaged in mining and sale of coke, raw coal and clean coal.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standard Board ("IASB").

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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group has adopted new accounting policies as described below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cashflows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations (new or revised IFRSs) issued by the IASB.

The application of these new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorized for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financials Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

The five new or revised standards on consolidation, joint arrangements and disclosures were issued in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company (the "Directors") anticipate that these new or revised standards will be applied in the Group's consolidated financial statements in accordance with their effective dates.

The Directors anticipate that the application of these new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

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:-

	Six months ended 30 June 2011 (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	**982,610**	**140,151**	**4,654**	**1,127,415**	**—**	**1,127,415**
Inter-segment	**105,075**	**—**	**—**	**105,075**	**(105,075)**	**—**
	1,087,685	**140,151**	**4,654**	**1,232,490**	**(105,075)**	**1,127,415**
RESULTS						
Segment results	**523,325**	**67,445**	**(1,291)**	**589,479**	**—**	**589,479**
Other income						**6,228**
Administrative expenses						**(113,450)**
Net gain on derivatives and held-for-trading investments						**3,708**
Finance costs						**(148,440)**
Profit before tax						**337,525**

	Six months ended 30 June 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	632,663	413,200	5,061	1,050,924	—	1,050,924
Inter-segment	292,166	—	—	292,166	(292,166)	—
	924,829	413,200	5,061	1,343,090	(292,166)	1,050,924
RESULTS						
Segment results	355,622	235,582	2,056	593,260	—	593,260
Other income						17,651
Administrative expenses						(135,671)
Net loss on derivatives and held-for-trading investments						(33,371)
Finance costs						(93,134)
Profit before tax						348,735

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) 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. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**68,385**	47,105
Deferred tax	**3,733**	—
	72,118	47,105

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 six months ended 30 June 2010: 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**1,900**	3,949
Release of prepaid lease payments	**339**	338
Provision for restoration and environmental costs	**1,239**	837
Depreciation of property, plant and equipment	**70,225**	52,370

7. DIVIDENDS

On 29 March 2011, a final dividend of RMB6.5 cents per share in respect of the year ended 31 December 2010 (2010: RMB10 cents per share in respect of the year ended 31 December 2009) has been proposed by the Directors and is subject to approval by the shareholders in general meeting to be convened on 2 September 2011. The aggregate amount of the final dividend declared in the current interim period amounted to RMB134,247,000 (2010: RMB206,000,000).

The Directors do not recommend the payment of an interim dividend for the current period (for the six months period ended 30 June 2010: Nil).

8. 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:

Earnings

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**260,086**	296,542

Number of shares

	Six months ended 30 June	
	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,063,281**	2,060,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**19,512**	22,834
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,082,793**	2,082,834

The computation of diluted earnings per shares for the six months ended 30 June 2011 and 2010 does not assume the conversion of Company's convertible loan notes since its assumed conversion would result in an increase in earnings per share.

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

(a) BILLS AND TRADE RECEIVABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**394,303**	600,747
Less: allowable for bad debts	**(4,683)**	(4,683)
	389,620	596,064
Bills receivables	**300,686**	342,911
	690,306	938,975

The Group generally allows an average credit period ranging from 90-120 days to its trade customers and the average 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:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**640,200**	823,981
91-120 days	**26,287**	96,016
121-180 days	**183**	4,169
181-365 days	**23,636**	4,903
Over 365 days	**—**	9,906
	690,306	938,975

(b) BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-90 days	**35,372**	148,390
91-120 days	**20,800**	93,343
121-180 days	**26,493**	—
	82,665	241,733

10. BILLS AND TRADE PAYABLES

The aged analysis of the Group's bills and trade payables, presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**313,788**	228,850
91-180 days	**25,339**	19,730
181-365 days	**6,611**	8,763
Over 365 days	**28,851**	14,064
	374,589	271,407

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Review Period, turnover of the Group reached approximately RMB1,127.4 million, representing an increase of approximately 7.3%, as compared with approximately RMB1,050.9 million in the corresponding period in 2010. The increase was primarily attributable to the increase of average selling prices of the principal products but off-set by the decrease in sales volume of by-products.

The average selling price (net of value added tax) of both clean coal and coke increased from RMB1,127.0 per tonne and RMB1,448.4 per tonne respectively in the corresponding period in 2010 to RMB1,347.0 per tonne and RMB1,594.8 per tonne during the period, representing an increase of 19.5% and 10.1% respectively.

During the Review Period, the Group further increased its sales volume of clean coal and reduced the sales volume of coke as considering higher margin in sales of clean coal than coke and the closing down of the Guizhou coking plant. In line with the decrease in production volume of both raw coal, clean coal and coke, the sales volume of respective by-products and other products decreased. Accordingly, the revenue generated from the sales of by-products and other products decreased from RMB85.2 million and RMB35.7 million in the corresponding period in 2010 to RMB52.6 million and RMB8.4 million respectively.

The following table sets forth the Group's turnover contribution, sales volume and average selling price by products for the Review Period, together with the comparative amounts for the corresponding period in 2010:

	Six months ended 30 June					
	2011			2010		
	Turnover *RMB'000*	**Sales volume** *(thousand Tones)*	**Average Selling Price** *(RMB/ Tonne)*	Turnover *RMB'000*	Sales Volume *(thousand Tones)*	Average selling price *(RMB/ Tonne)*
Principal products						
Clean coal	**933,504**	**693.0**	**1,347.0**	531,912	472.0	1,127.0
Coke	**132,962**	**83.4**	**1,594.8**	398,086	274.8	1,448.4
Principal products total	**1,066,466**			929,998		
By-products						
High-ash thermal coal	**45,373**	**263.6**	**172.1**	70,124	298.4	235.0
Coal tar	**7,189**	**3.0**	**2,416.2**	15,114	7.3	2,075.3
By-products total	**52,562**			85,238		
Other products						
Raw coal	**3,733**	**26.2**	**142.7**	30,627	61.3	499.7
Benzene	**2,563**	**0.6**	**4,023.3**	4,446	1.3	3,301.3
Others	**2,091**			615		
Other products total	**8,387**			35,688		
Total turnover	**1,127,415**			1,050,924		

Cost of sales

Cost of sales for the Review Period was approximately RMB399.8 million, representing an increase of approximately RMB65.7 million, or approximately 19.7%, as compared with approximately RMB334.1 million in the corresponding period in 2010.

During the Review Period, the Group recorded a reduction in the production volume of the principle products. Due to the suspension of production for comprehensive safety check on all coal mines imposed by the Guizhou provincial government and the municipal government of Qujing city, Yunnan province during March to May 2011, the raw coal and clean coal production decreased from approximately 1,722,000 tonnes and 766,000 tonnes respectively in the corresponding period in 2010 to approximately 1,540,000 tonnes and 671,000 tonnes respectively during the Review Period. The Group estimated that the suspension of production affected our raw coal production of approximately 370,000 tonnes during the Review Period. The Group's coke production further decreased to approximately 77,000 tonnes in the Review Period as compared to approximately 237,000 tonnes in the corresponding period in 2010 resulting from the closing down of the Guizhou coking plant. Accordingly, the Group shifted the decrease consumption of clean coal to sales.

The following table illustrates the production volume of the principal products in Panzhihua, Sichuan province, Pan county, Guizhou province and Fuyuan county, Yunnan province and the purchase volume of principal products as well.

	Six months ended 30 June					
Principal products	**2011 Raw coal production volume** ***('000 tonnes)***	**2011 Clean coal production volume** ***('000 tonnes)***	**2011 Coke production volume** ***('000 tonnes)***	2010 Raw coal production volume *('000 tonnes)*	2010 Clean coal production volume *('000 tonnes)*	2010 Total production volume *('000 tonnes)*
Panzhihua	**720**	**353**	**77**	626	281	206
Guizhou	**443**	**161**	**—**	753	322	67
Yunnan	**377**	**157**	**—**	343	163	—
	1,540	**671**	**77**	1,722	766	273
Purchase volume	**24**	**21**	**—**	—	—	—

Material, fuel and power costs for the Review Period were approximately RMB197.5 million, representing an increase of approximately RMB62.1 million, or approximately 45.9%, as compared with approximately RMB135.4 million in corresponding period in 2010. The increase primarily resulted from the material costs from purchase of raw coal for further production and purchase of clean coal for sales during the suspension of production of our Guizhou and Yunnan coal mines during March to May 2011. The total purchase costs during the Review Period amounting to approximately RMB37.4 million. Besides, the increase of the material, fuel and power costs was resulted from the increase in both usage of materials and fuel and the respective consumption costs during the Review Period.

Staff costs for the Review Period were approximately RMB101.4 million, representing a decrease of approximately RMB14.4 million, or approximately 12.4%, as compared with approximately RMB115.8 million in corresponding period of 2010. The decrease was primarily attributable to the decrease in production volume of the Group's principal products during the Review Period.

Depreciation and amortisation for the Review Period were approximately RMB51.0 million, representing an increase of approximately RMB10.8 million, or approximately 26.9%, as compared with approximately RMB40.2 million in corresponding period of 2010. The increase was primarily attributable to the additional capital expenditures to the coal mines commenced production during the Review Period and increased the Group's depreciable asset base accordingly.

The following table set forth the unit production costs of the respective segment.

	Six months ended 30 June	
	2011	2010
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**144**	134
Depreciation and amortisation	**24**	22
Total production cost	**168**	156
Purchase cost of raw coal	**706**	—
Average cost of raw coal	**174**	156
Average cost of clean coal	**429**	335
Average cost of coke	**702**	478

Gross profit

As a result of the foregoing, the gross profit for the Review Period was approximately RMB727.6 million, representing a slight increase of approximately RMB10.7 million or approximately 1.5%, as compared with approximately RMB716.9 million in corresponding period in 2010. The gross profit margin during the Review Period was approximately 64.5% as compared with approximately 68.2% in corresponding period in 2010.

Other income

Other income for the Review Period amounted to approximately RMB6.2 million, representing a decrease of approximately RMB11.5 million or approximately 65.0%, as compared with approximately RMB17.7 million in corresponding period in 2010. The decrease was primarily due to the decrease in investment income of approximately RMB11.7 million recorded in the corresponding period in 2010 relating to the net gain on disposal of certain investment of A shares and exchangeable bonds of a private company.

Distribution expenses

Distribution expenses for the Review Period were approximately RMB138.1 million, representing an increase of approximately RMB14.5 million or approximately 11.7%, as compared to approximately RMB123.6 million in corresponding period of 2010. The increase was mainly attributable to the increase in government levies in Guizhou and Yunnan provinces of approximately RMB20.2 million.

Administrative expenses

Administrative expenses during the Review Period were approximately RMB113.5 million, representing a decrease of approximately RMB22.2 million or approximately 16.4%, as compared to approximately RMB135.7 million in corresponding period in 2010. The decrease was resulted from exchange gains relating to the senior notes of approximately RMB48.3 million which was off set by the increase in staff costs and staff option of approximately RMB7.2 million and RMB15.2 million, respectively.

Net gain (loss) on derivative and held-for-trading investments

The Group recorded a net gain on derivative and held-for-trading investments in the amount of approximately RMB3.7 million during the Review Period as compared to a net loss in the amount of approximately RMB33.4 million in the corresponding period in 2010. The net gain in the Review Period represented fair value gain of the Group's investment in convertible bonds receivable of approximately RMB10.2 million and investment in certain A shares of approximately RMB1.0 million but offset by fair value losses of approximately RMB7.5 million on the investment of shares in a coal mining company listed on the Australian Securities Exchange.

Finance costs

Finance costs for the Review Period amounted to approximately RMB148.4 million, representing an increase of approximately RMB55.3 million or approximately 59.4%, as compared with approximately RMB93.1 million in corresponding period in 2010. The increase was mainly attributable to (i) the increase interest expenses payable for the Group's senior notes that issued in October 2010 of approximately RMB111.7 million and (ii) increase in interest expenses payable for the Group's convertible loan notes issued in January 2010 of approximately RMB8.3 million and offset by (i) decrease in interest payable for bank and other borrowings of approximately RMB11.8 million resulting from the repayment of borrowings with the proceeds from the Group's senior notes during the Review Period, (ii) decrease in interest on the advances drawn on bills receivable discounted of approximately RMB4.4 million, and (iii) increase in interest capitialised in mining structure and mining rights of approximately RMB48.6 million.

Income tax expenses

Income tax expenses during the Review Period were approximately RMB72.1 million, representing an increase of approximately RMB25.0 million or approximately 53.1%, as compared with approximately RMB47.1 million in corresponding period in 2010. The amount of income tax expense represented EIT of approximately RMB68.4 million and deferred tax of approximately RMB3.7 million arising from the withholding tax upon distribution of profits earned by the PRC subsidiaries. The effective tax rate for the Review Period increased to approximately 21.4% as compared with approximately 13.5% in corresponding period in 2010. The increase was mainly resulting from impact of the non-taxable items of share option costs and interest on convertible loan notes and senior notes but offset by the net gain on derivatives and held-for-trading investments and exchange gain.

Profit for the period

As a result of the foregoing, the profit attributable to the owners of the Company for the Review Period was approximately RMB260.1 million, representing a slight decrease of approximately RMB36.5 million or approximately 12.2%, as compared with approximately RMB296.5 million in corresponding period in 2010. The net profit margin was approximately 23.1% for the Review Period as compared with approximately 28.2% in corresponding period in 2010.

EBITDA and adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the respective period. The Group's adjusted EBITDA margin was 49.2% for the Review Period as compared with 50.6% in corresponding period in 2010.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit and total comprehensive income for the period	**265,407**	301,630
Finance costs	**148,440**	93,134
Income tax expenses	**72,118**	47,105
Depreciation and amortization	**72,464**	56,657
EBITDA	**558,429**	498,526
Net (gain) loss on derivatives and held-for-trading investments	**(3,708)**	33,371
Adjusted EBITDA	**554,721**	531,897

Liquidity, financial resources and capital structure

The Group continued to fund operations principally with internally generated cash flow and short-term bank borrowings. The expansion of operation in Guizhou and Yunnan provinces was mainly funded by bank borrowings and the issuance of convertible loan notes and senior notes.

During the Review Period, the Group further made use of the proceeds from the issue of senior notes to repay certain long-term borrowings and finance the development of coal mines in Guizhou and Yunnan provinces. Accordingly, the net current assets decreased from approximately RMB2,170.7 million to RMB717.2 million.

As at 30 June 2011, the total bank and other borrowings of the Group were RMB1,205.2 million, in which approximately RMB825.2 million is repayable within one year, with interest rate ranging from fixed rate of 5.31% to 6.31% and floating rate of 6.34% to 7.57%.

The gearing ratio (calculate as the aggregate of total bank and other borrowings, convertible loan notes and senior notes divided by total assets) of the Group as at 30 June 2011 was 37.4%.

Pledge of Assets of the Group

As at 30 June 2011, the Group pledged assets in an aggregate amount of RMB1,219.5 million (At 31 December 2010: RMB1,759.3 million) to banks for credit facilities in the amount of RMB3,725.2 million granted to the Group (At 31 December 2010: RMB3,200.0 million).

Employees

As at 30 June 2011, the Group maintained an aggregate of 14,079 employees as compared with 14,470 employees at 31 December 2010.

During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB191.1 million (corresponding period in 2010: RMB163.1 million). The increase mainly represented the increase in share option expenses of approximately RMB15.2 million in relation to the new share option scheme granted in February 2011.

The salary and bonus policy of the Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

Risk in Foreign Exchange

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. However, during the Review Period, the Group was exposed to exchange rate risk mainly arising from the foreign currency bank balances of approximately HK$24.5 million, US$38.1 million and AUD0.2 million.

Significant Investment Held

The Group held certain A Shares in the PRC of approximately RMB51.6 million and investment in shares in a private coal mining company which was listed on the Australian Securities Exchange of approximately RMB49.3 million as at 30 June 2011.

Material Acquisition and Disposal

During the Review Period, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Contingent Liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities.

Connected Transactions

(a) During the Review Period, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, a controlling shareholder of the Company and a Director, for the lease of the Company's head office located at 16th and 17th Floor, Dingli Mansion, No. 81 Renmin Road, Panzhihua, Sichuan province, the PRC. The rent paid by the Group is determined with reference to the market rent of comparable properties in the market.

(b) During the Review Period, an aggregate amount of transportation costs of approximately RMB10.4 million were paid to 盤縣盤實物流配送有限公司(Panxian Panshi Logistic Distribution Company Limited*) ("Panxian Panshi") and 盤縣盤鷹物流配送有限公司(Panxian Panying Logistic Distribution Company Limited*) ("Panxian Panying") respectively, for the provision of railway logistic services. Besides, transportation costs of approximately RMB9.3 million were paid to 雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*) ("Yunnanu Kaijie"). Yunnan Kaijie, the holder of 57% and 51% equity interest in Panxian Panshi and Panxian Panying respectively, is a substantial shareholder of each of Panxin Coking and Panyi Coal Washing. As Panxian Panshi and Panxian Panying occupy a monopolistic position of the local railway logistic service in Boguozhen, no relevant market price can be obtained. The pricing basis of the railway logistic service under the Framework Agreement is determined with reference to the pricing offered to other customers by Panxian Panshi and Panxian Panying and the current pricing adopted under the agreement made between the former shareholders of Panxian Panshi, Panxian Panying, Panxin Coking and Panyi Coal Washing, an agreed price consisting of there as on able cost incurred and a reasonable profit margin.

BUSINESS REVIEW

During the Review Period, benefited from the strong coal market, the average selling price of major products of the Group saw a substantial increase as compared with the corresponding period last year. The average selling price of clean coal and coke increased from RMB1,127.0 per tonne and RMB1,448.4 per tonne, respectively, in the corresponding period last year to RMB1,347.0 per tonne and RMB1,594.8 per tonne during the Review Period, representing an increase of 19.5% and 10.1%, respectively. Taking into account the relatively higher gross profit from sales of clean coal than that of coke and the closing down of the Group's coking plant in Guizhou, the Group reduced the sales volume of coke by approximately 69.7% to 83,400 tonnes, while increased the sales volume of clean coal by approximately 46.8% to 693,000 tonnes during the Review Period. As regards sales customers, through Fangchenggang, the Group further extended its customer coverage to iron and steel enterprises located in northern areas and southern riverside areas by the water transportation network, sales volume to Ningbo Iron & Steel Co., Ltd. and International Economic & Trading Corporation WISCO increased substantially in the Review Period.

As regards capacity, the production volume of raw coal and clean coal of the Group was affected by the suspension of production in coal mines for comprehensive safety check imposed by the Guizhou provincial government and the municipal government of Qujing city, Yunnan provinces from March to May 2011. The production volume of raw coal and clean coal reduced to approximately 1,540,000 tonnes and 671,000 tonnes, respectively, during the Review Period as compared with approximately 1,722,000 tonnes and 766,000 tonnes in the corresponding period of last year, representing a decrease of approximately 13.1% and 10.6% respectively. During the Review Period, the average production cost of raw coal and clean coal increased to RMB174 per tonne and RMB429 per tonne, respectively, as compared to RMB156 per tonne and RMB335 per tonne, respectively, in the corresponding period of 2010. The increase was mainly due to (i) the high average purchase cost of raw coal of RMB706 per tonne from outsiders for further processing during suspension of production in Guizhou and Yunnan provinces, (ii) the conversion rate of raw coal to clean coal increased to 2.36, such as raw coal consumption of 2.36 tonne for production of 1 tonne of clean coal, as compared to 1.92 in the corresponding period in 2010, (iii) increase in consumption costs of materials and fuel, and (iv) sharing of higher fixed costs resulting from the decrease in production volume.

During the Review Period, the total employee fatalities in our coal mines were 4.

OUTLOOK

The construction of mines and auxiliary facilities in Guizhou and Yunnan provinces has proceeded as scheduled and the capacity of certain mines was gradually released. As at 30 June 2011, we have a total of (i) 20 coal mines in Guizhou province, comprising 10 integrated coal mines, 8 newly constructed coal mines and 2 expanded coal mines, of which 1 integrated coal mine and 3 newly constructed coal mines are currently under trial run, and 1 newly constructed coal mine has completed the trial run stage and has commenced production, and (ii) a total of 10 coal mines in Yunnan province comprising 5 integrated coal mines, 2 newly constructed coal mines, 2 expanded coal mines and 1 coal mine with exploration right, of which 1 integrated coal mine is currently under trial run and 1 newly constructed coal mine has completed the trial run stage and has commenced production.

The Board noted that a series of coal mine accidents had occurred in Pan county, Liupanshui city, Guizhou province and Qujing city, Yunnan province in March and April 2011. None of the Group's coal mines was involved in these accident. However, the production of the coal mines in these regions was suspended to facilitate an inspection conducted by a special action team established by the coal mines management authorities. Due to the above suspension of production, the Group's raw coal production at the coal mines in Guizhou province and Qujing city, Yunnan province has, in aggregate, decreased 370,000 tonnes as at 30 June 2011. Although such suspension in production affected our raw coal production, it obviously proved that the Group's coal mines are under good safety control to tackle safety issues as all the coal mines have passed the comprehensive check.

During the Review Period, the Group made use of the proceeds from the issue of senior notes to repay certain long term borrowings and finance the capital expenditures. As at 30 June 2011, the Company's cash and bank balances and net current assets amounted to approximately RMB384.4 million and RMB717.2 million, respectively. To ease the pressure on the Group's working capital, the Group has unused bank facilities in aggregate of approximately RMB2,520 million of which RMB1,120 million relating to long-term facilities of 5 years.

On behalf of the Board, the Company would like to express its gratitude to its shareholders, its management and all of its employees. We look forward to achieving impressive results in the coming financial period.

OTHER INFORMATION

Audit committee

An audit committee was established on 25 August 2007 in compliance with Rule 3.21 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely Mr. Chan Chi Hing (Chairman), Mr. Chen Limin in and Mr. Huang Rongsheng.

The audit committee has reviewed together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and, has reviewed the consolidated financial statements of the Group for the Review Period.

Corporate governance

Mr. Xian Yang is both the Chairman of the Board and Chief Executive Officer of the Company. The Board considers that although such structure deviates from Code A.2.1 of the Code, the effective operation of the Group will not be impaired since Mr. Xian has exercised sufficient delegation in the daily operation of the Group's business as the Chief Executive Officer of the Company while being responsible for the effective operation of the Board as Chairman of the Board. The Board is of the view that such structure has been operating well over the years, and the Board and senior management have benefited from the leadership and experience of Mr. Xian.

Save as disclosed above, the Board is of the view that the Company has complied with the code provisions set out in the Code during the Review Period. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or derivation from the Code by the Company any time during the Review Period.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Review Period.

Purchase, sales or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Review Period.

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

Hong Kong
25 August 2011

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.