



Hidili Industry International Development Limited  
*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1393

2009  
Interim Report





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## Corporate Information

### DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Xian Yang (*Chairman*)  
Mr. Sun Jiankun  
Mr. Wang Rong

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing  
Mr. Wang Zhiguo (resigned on 1 September 2009)  
Mr. Huang Rongsheng

### AUDIT COMMITTEE

Mr. Chan Chi Hing (*Chairman*)  
Mr. Huang Rongsheng  
Mr. Wang Zhiguo (resigned on 1 September 2009)

### REMUNERATION COMMITTEE

Mr. Chan Chi Hing (*Chairman*)  
Mr. Huang Rongsheng  
Mr. Wang Zhiguo (resigned on 1 September 2009)  
Mr. Xian Yang

### AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35th Floor  
One Pacific Place  
88 Queensway  
Hong Kong

### COMPANY SECRETARY

Mr. Chan Bing Chung, *HKICPA, FCCA*

### AUTHORIZED REPRESENTATIVES

Mr. Xian Yang  
Mr. Chan Bing Chung, *HKICPA, FCCA*

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEAD OFFICE

16th Floor, Dingli Mansion  
No. 81 Renmin Road  
Panzhuhua  
Sichuan 617000  
The People's Republic of China (the "PRC")

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1103, 11th Floor  
Ka Wah Bank Centre  
232 Des Voeux Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705  
Grand Cayman KY1-1107  
Cayman Islands

## Corporate Information (Continued)

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### LEGAL ADVISERS

Mallesons Stephen Jaques  
37th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### STOCK CODE

1393

### WEBSITE

<http://www.hidili.com.cn>

### PRINCIPAL BANKERS

Pudong Development Bank Chengdu Branch  
98-1 Shuangling Road  
Chengdu, Sichuan Province  
the PRC

China Citic Bank Chengdu Branch  
Associate Building, Huaneng Tower  
No. 47, Fourth Block, Renmin Nan Road  
Chengdu, Sichuan Province  
the PRC

Agricultural Bank of China  
Panzhuhua Branch  
10 Renmin Street, East District  
Panzhuhua, Sichuan Province  
the PRC

Bank of Communications  
Panzhuhua Branch  
129 Bingcaogang Grand Street  
Panzhuhua, Sichuan Province  
the PRC

Industrial and Commercial Bank of China (Asia) Limited  
33rd Floor, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

## Chairman's Statement

On behalf of 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"), I am pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2009 (the "Review Period").

During the Review Period, our turnover and gross profit amounted to approximately RMB635.9 million and RMB337.3 million respectively, recorded a respective decrease of approximately 46.6% and 56.7% as compared to corresponding period in 2008. Owing to the weak market condition, selling prices of our coal products stayed low in the Review Period. The Company lowered its raw coal production accordingly and concentrated in coal mines development in several coal mines in Guizhou province. The adjusted profit attributable to equity holders of the Company during the Review Period amounted to approximately RMB187.8 million after the adjustments for staff option costs of approximately RMB70.0 million which was regarded as exceptional in nature.

### BUSINESS REVIEW

Since the 4th quarter of 2008, in face of the shrinking market demand for steel, steelmakers had contracted capacity, which in turn reduced the demand for coal products. Steel market moderately recovered in the first half of 2009. Average sales of the Company's major products (clean coal and coke) had seen minor rebounds during the Review Period. During the Review Period, the Company sold approximately 266,200 tonnes of clean coal and approximately 326,600 tonnes of coke, representing year-on-year decrease of approximately 28.2% and 12.6%, respectively. Average selling price of clean coal and coke was approximately RMB811.2 and RMB1,152.6, representing a year-on-year decrease of approximately 34.2% and 35.1%, respectively.

During the Review Period, capacity of our coal mines in Guizhou was able to support our production, requiring no external purchase of raw coal, which substantially reduced production cost. During the Review Period, average cash cost of raw coal was approximately RMB130 per tonne; depreciation and amortization cost of raw coal was approximately RMB22 per tonne; production cost for clean coal was approximately RMB331 per tonne; and production cost for coke was approximately RMB471 per tonne.

On the other hand, lower price in coal market helped the Company to further acquire coal mines with lower cost to increase our coal reserve. From January to June 2009, the Company acquired 4 coal mines in the Yunnan Province, with an aggregate reserve around 88.6 million tonnes (based on PRC coal reserves standard) and average acquisition price of RMB6 per tonne.

In the first half of 2009, the Company suffered on mine accident with a death toll of 5.

## Chairman's Statement (Continued)

Significant events of the Group for the first half of 2009 are as follows:

In April 2009, the Company announced annual results for 2008, distributing no final dividend.

In April 2009, the Company granted share options to the management and independent non-executive directors of the Company.

From April to June 2009, the Company further acquired 4 coal mines in Yunnan with total reserve around 88.6 million tonnes (based on PRC coal reserves standard).

In June 2009, the Company completed the acquisition of coal washing plant in Fuyuan, Yunnan Province.

### OUTLOOK

2009 would be a tough and challenging year for our operation. The year began amid the financial storm which severely shadowed steel market. Supported by various economic stimulation policies from the government, steel producers are recovering after adjustments. We expect that the operation environment for the Company will turn around.

Presently, the Company is proceeding with the construction of mines and auxiliary facilities in Guizhou as planned. Capacity is expected to see substantial growth next year. Meanwhile, the Company continues to implement and promote cost control measures to improve production efficiency and to meet demands from steelmakers.

The Company will finance the working and construction capital for development by seizing the low financing cost opportunity. We are to prudently utilize the financial leverage to finance the capital needed for acquisition of mines. In line with the macro economy and policies, the Company will selectively acquire quality resources of coking coal in Yunnan and Guizhou Province at relatively low cost. We aim to become an integrator for China's small and mid scale coal mines.

On behalf of the Board, I'd like to express our gratitude to our shareholders, our management and all our employees. We look forward to achieving impressive results in the coming financial period.

By order of the Board of  
**Hidili Industry International Development Limited**  
**恒鼎實業國際發展有限公司**  
**Xian Yang**  
*Chairman*

Chengdu, Sichuan Province, the PRC  
13 August 2009

## Management Discussion and Analysis

### FINANCIAL HIGHLIGHTS

The Board is pleased to present the unaudited interim results of the Group for the Review Period, together with the comparative figures for the corresponding period in 2008.

	Six months ended 30 June		Change %
	2009 <i>RMB'000</i> (Unaudited)	2008 <i>RMB'000</i> (Unaudited)	
Turnover	<b>635,852</b>	1,190,733	-46.6%
Gross Profit	<b>337,271</b>	778,764	-56.7%
Profit before taxation	<b>131,112</b>	559,723	-76.6%
Profit attributable to equity holders of the Company	<b>117,834</b>	534,549	-78.0%
Basic earnings per share ( <i>RMB cents</i> )	<b>5.7</b>	25.9	-78.0%

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW

#### TURNOVER

During the Review Period, turnover of the Group amounted to approximately RMB635.9 million, representing a decrease of 46.6%, as compared with approximately RMB1,190.7 million for the corresponding period in 2008. The decrease was primarily attributable to both the drop in sales volume of the principal products and by-products and the average selling prices of clean coal and coke during the Review Period resulting from the weak demand of coal products by the steel manufacturers. The sales volume recorded for clean coal and coke during the Review Period amounted to approximately 266,200 tonnes and 326,600 tonnes respectively as compared to the corresponding period in 2008 of 371,000 tonnes and 373,700 tonnes respectively, representing decrease of 28.2% and 12.6% respectively. During the Review Period, the average selling price of both clean coal and coke decreased sharply for 34.2% and 35.1% respectively.

The following table sets forth the Group's turnover contribution and average selling price by products and as a percentage of total turnover for the Review Period, together with the comparative amounts for the corresponding period in 2008:

	Six months ended 30 June 2009			Six months ended 30 June 2008		
	Average selling price RMB	Turnover RMB million (Unaudited)	% of total turnover %	Average selling price RMB	Turnover RMB million (Unaudited)	% of total turnover %
Principal products						
Coke	1,152.6	376.4	59.2%	1,776.4	663.8	55.7%
Clean coal	811.2	215.9	33.9%	1,233.5	457.6	38.4%
Principal products total		592.3	93.1%		1,121.4	94.1%
By-products						
High-ash thermal coal	161.6	29.6	4.7%	157.2	37.8	3.2%
Coal tar	1,244.1	9.9	1.6%	1,718.2	16.6	1.4%
Other by-products	N/A	4.1	0.6%	N/A	14.9	1.3%
By-products total		43.6	6.9%		69.3	5.9%
Total turnover		635.9	100.0%		1,190.7	100.0%

## Management Discussion and Analysis (Continued)

### COST OF SALES

Cost of sales for the Review Period was approximately RMB298.6 million, representing a decrease of approximately RMB113.4 million, or approximately 27.5%, as compared with approximately RMB412.0 million in the corresponding period in 2008. The decrease was primarily due to the decrease in cost of material, fuel and power during the Review Period.

Material, fuel and power costs in the Review Period were approximately RMB163.5 million, representing a decrease of approximately RMB122.2 million, or approximately 42.8%, as compared with approximately RMB285.7 million in the corresponding period in 2008. The decrease was primarily due to (i) decrease in the production volumes of coke and clean coal and (ii) the cost saving in purchase of raw coal and clean coal from outside suppliers for further production in Guizhou province in 2008. The following table sets forth the production volume of the principal products in Panzhihua, Sichuan province and Pan county, Guizhou province.

Principal products	Six months ended 30 June 2009		Six months ended 30 June 2008	
	Panzhihua Production volume	Pan County Production volume	Panzhihua Production volume	Pan County Production volume
	('000 tonnes)	('000 tonnes)	('000 tonnes)	('000 tonnes)
Raw coal	645.4	465.1	1,036.3	211.4
Clean coal	324.6	262.0	528.3	333.2
Coke	239.1	82.7	285.5	101.8

## Management Discussion and Analysis (Continued)

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

	Six months ended 30 June	
	2009 RMB	2008 RMB
Coal mining		
— cash cost	130	109
— depreciation and amortization	22	19
	<u>152</u>	<u>128</u>
Raw coal purchase cost	<u>—</u>	<u>502</u>
Average production cost of raw coal	<u>152</u>	<u>220</u>
Average production cost of clean coal	<u>337</u>	<u>443</u>
Average production cost of coke	<u>474</u>	<u>609</u>

During the Review Period, staff costs and depreciation and amortization led an slight increase from approximately RMB72.9 million and RMB28.6 million respectively in corresponding period in 2008 to RMB82.0 million and RMB32.6 million respectively. The increase was in line with the commencement of production in the Company's Guizhou coal mines.

### GROSS PROFIT

As a result of the foregoing, the gross profit in the Review Period was approximately RMB337.3 million, representing a decrease of approximately RMB441.5 million, or approximately 56.7%, as compared with approximately RMB778.8 million for the corresponding period in 2008. The gross profit margin was reduced to approximately 53.0% in the Review Period as compared with about 65.4% in the corresponding period in 2008.

## Management Discussion and Analysis (Continued)

### OTHER INCOME AND GAINS

Other income in the Review Period was approximately RMB4.3 million, representing a decrease of approximately RMB18.5 million, as compared with approximately RMB22.8 million in the corresponding period in 2008. The reduction in other income was mainly due to the drop in the bank interest income.

### DISTRIBUTION COSTS

Distribution costs in the Review Period were approximately RMB59.5 million, representing a decrease of approximately RMB31.8 million, or approximately 34.8%, as compared with approximately RMB91.3 million for the corresponding period in 2008. The decrease was resulted from (i) the decrease in sales volumes of clean coal and coke and (ii) the decrease in government levies on raw coal, clean coal and coke.

### ADMINISTRATIVE EXPENSES

Administrative expenses in the Review Period were approximately RMB139.2 million, representing a slight increase of approximately RMB22.6 million, or 19.4%, as compared with approximately RMB116.6 million for the corresponding period in 2008. When excluding the exceptional impact on the provision of staff option costs of approximately RMB70.0 million in the Review Period and the exchange loss of approximately RMB41.6 million resulting from the appreciation of Renminbi (“RMB”) for the proceeds of the global offering before the completion of remittance back to the PRC for the period from January to March 2008, the adjusted administrative expenses in the Review Period and the corresponding period in 2008 amounted to RMB69.2 million and RMB75.0 million respectively, representing a cost saving of approximately 7.7% mainly due to the decrease in professional fee.

### FAIR VALUE GAIN ON FINANCIAL INSTRUMENTS CLASSIFIED AS HELD-FOR-TRADING

The amount represented (i) gain on fair value changes on A Shares investments of approximately RMB18.4 million and (ii) loss on foreign currency forward exchange contracts which matured during the period of approximately RMB5.0 million.

## Management Discussion and Analysis (Continued)

### FINANCE COSTS

Finance costs in the Review Period amounted to approximately RMB25.3 million, representing an increase of approximately RMB2.2 million, or 9.5%, as compared with approximately RMB23.1 million for the corresponding period in 2008. The increase was primarily due to the interest expenses on the advances drawn on bills received discounted.

### TAXATION

Taxation in the Review Period was approximately RMB14.7 million, representing a decrease of approximately RMB10.8 million, or 42.4%, as compared with approximately RMB25.5 million for the corresponding period in 2008. The effective tax rate provided for PRC Enterprise Income Tax in the Review Period was approximately 11.2%, as compared to 1.3% in the corresponding period in 2008. During the Review Period, no deferred tax was provided on the withholding tax levied on the final dividend.

### PROFIT FOR THE PERIOD

As a result of the foregoing, profit attributable to equity holders of the Company for the Review Period amounted to approximately RMB117.8 million, representing a decrease of approximately RMB416.7 million, or 78.0%, as compared with approximately RMB534.5 million for the corresponding period in 2008. The net profit margin calculated on the profit attributable to equity holders of the Company for the Review Period maintained at 18.5% as compared to 44.9% for the corresponding period in 2008. The adjusted profit attributable to equity holders of the Company during the Review Period of approximately RMB174.4 million was arose at after excluding the impact from the provision of staff option costs of RMB70.0 million and the fair value gain on financial instruments of RMB13.4 million. The adjusted net profit margin become 27.4%.

## Management Discussion and Analysis (Continued)

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopted stringent financial management policies and maintained a healthy financial condition. The Group continued to fund operations principally with internally generated cash flow from operating activities and short-term bank borrowings.

The net current assets as at 30 June 2009 were approximately RMB291.0 million (At 31 December 2008: RMB635.6 million). As at 30 June 2009, the bank balances and cash of the Group amounted to approximately RMB861.4 million (At 31 December 2008: RMB694.8 million).

As at 30 June 2009, the total bank and other borrowings of the Group were approximately RMB1,260 million (At 31 December 2008: RMB160 million), which are repayable within one year, carrying interest at market rates ranging from 1.68% to 8.22% per annum.

As at 30 June 2009, the Group's bank balances and cash, except amounts of approximately USD6.5 million, were held in RMB and all of its borrowings were made in RMB.

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Group as at 30 June 2009 was 15.1% (At 31 December 2008: 2.2%).

### PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2009, the Group pledged assets in an aggregate amount of approximately RMB800.0 million (At 31 December 2008: RMB274.2 million) to banks for credit facilities in the amount of RMB1,260 million granted to the Group (At 31 December 2008: RMB160 million).

### EMPLOYEES

As at 30 June 2009, the Group had an aggregate of 9,667 employees representing an increase of 661 employees from 9,006 employees at 31 December 2008. The increase was in line with the continuing development of the Group's operations in Guizhou province.

During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB117.0 million (corresponding period in 2008: RMB101.8 million).

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.



## Management Discussion and Analysis (Continued)

### **RISK IN FOREIGN EXCHANGE**

Since all of the Group's business activities are transacted in RMB, the directors of the Company (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 US\$6.5 million.

### **SIGNIFICANT INVESTMENT HELD**

The Group had invested in certain A Shares in the PRC which amounted to approximately RMB41.6 million as at 30 June 2009.

### **MATERIAL ACQUISITION AND DISPOSAL**

During the Review Period, the Group entered into various sales and purchase agreements for the acquisition for coal mines and a coal washing plant in Yunnan province at an aggregate consideration of RMB532.7 million. Saved as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

### **CONTINGENT LIABILITIES**

As at 30 June 2009, the Group did not have any material contingent liabilities.

## Management Discussion and Analysis (Continued)

### CONNECTED TRANSACTION

- (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 RMB9.8 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 under the framework agreement dated 14 July 2008 (the "Framework Agreement"). Yunnan Kaijie Industry Company Limited, the holder of 57% and 51% equity interest in Panxian Panshi and Panxian Panying respectively, is a substantial shareholder of each of Panxian Panxin Coking Company Limited and Panxian Panyi Coal Washing Company Limited. 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, Panxian Panxin Coking Company Limited and Panxian Panyi Coal Washing Company Limited, an agreed price consisting of the reasonable cost incurred and a reasonable profit margin.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES

As at 30 June 2009, the Directors and chief executive of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which are required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Name	Name of the entity	Number of issued ordinary shares held	Nature of interest	Approximate percentage of the issued share capital of the Company/ percentage of shareholding
Mr. Xian Yang (“Mr. Xian”) (Note 1)	The Company	1,097,631,000	Interest of controlled corporation	53.3%
Mr. Xian	Sanlian Investment Holding Limited (“Sanlian Investment”)	1,000	Beneficial owner	100%
Mr. Sun Jiankun (“Mr. Sun”) (Note 2)	The Company	15,380,000	Interest of controlled corporation	0.8%
Mr. Sun	Able Accord Enterprises Limited (“Able Accord”)	1	Beneficial owner	100%
Mr. Wang Rong (“Mr. Wang”) (Note 3)	The Company	15,380,000	Interest of controlled corporation	0.8%
Mr. Wang	Pavlova Investment Limited (“Pavlova Investment”)	1	Beneficial owner	100%

## Other Information (Continued)

*Notes:*

1. The 1,097,631,000 shares of the Company are held by Sanlian Investment, the entire issued share capital of which is held by Mr. Xian. Accordingly, Mr. Xian is deemed to be interested in 1,097,631,000 shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is also the sole director of Sanlian Investment.
2. The 15,380,000 shares of the Company are held by Able Accord, the entire issued share capital of which is held by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in 15,380,000 shares held by Able Accord by virtue of the SFO. Mr. Sun is also a director of Able Accord.
3. The 15,380,000 shares of the Company are held by Pavlova Investment, the entire issued share capital of which is held by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in 15,380,000 shares held by Pavlova Investment by virtue of the SFO. Mr. Wang is also a director of Pavlova Investment.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2009, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, so far as is known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Name of the member of the Group	Number of issued ordinary shares held/ Amount of registered capital held	Nature of interest	Approximate percentage of the issued share capital of the Company/ Percentage of equity holding
Sanlian Investment (Note 1)	The Company	1,097,631,000	Beneficial owner	53.3%
Mr. Xian (Note 1)	The Company	1,097,631,000	Interest of controlled corporation	53.3%
Ms. Qiao Qian (Note 2)	The Company	1,097,631,000	Interest of spouse	53.3%
Mr. Yu Zhengyong (Note 3 and 4)	盤縣次凹子工貿有限公司 (Panxian Ciazhi Industry and Trading Company Limited*) ("Ciazhi")	RMB1,000,000	Beneficial owner	20%
Mr. Tan Wenxing (Note 3)	盤縣黔榮實業有限公司 (Panxian Qian Rong Industry Company Limited*)	RMB9,800,000	Beneficial owner	49%
北京金字天正智能控制股份有限公司 (Beijing Jin Zi Tian Zheng Intelligent Control Joint Stock Limited*)	攀枝花恒鼎金字天正信息工程有限公司 (Panzhizhua Hidili Jin Zi Tian Zheng Information System Company Limited*)	RMB2,450,000	Beneficial owner	49%

## Other Information (Continued)

Name	Name of the member of the Group	Number of issued ordinary shares held/ Amount of registered capital held	Nature of interest	Approximate percentage of the issued share capital of the Company/ Percentage of equity holding
雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*) ("Yunnan Kaijie")	盤縣盤翼選煤有限公司 (Panxian Panyi Coal Washing Company Limited*)	RMB4,500,000	Beneficial owner	30%
Yunnan Kaijie	盤縣盤鑫焦化有限公司 (Panxian Panxin Coking Company Limited*)	RMB21,000,000	Beneficial owner	30%
Mr. Liu Chang Sheng	盤縣天成煤業有限公司 (Panxian Tian Cheng Mining Company Limited*)	RMB750,000	Beneficial owner	15%
Mr. Chen Lao Ling	富源縣大河青坪煤業有限公司 (Fuyuanxian Dahe Qing Ping Mining Company Limited*)	RMB1,600,000	Beneficial owner	10%

### Notes:

- The entire issued share capital of Sanlian Investment is owned by Mr. Xian. Mr. Xian is deemed to be interested in 1,097,631,000 shares of the Company held by Sanlian Investment by virtue of the SFO. Mr. Xian is the sole director of Sanlian Investment.
- Ms. Qiao Qian is the spouse of Mr. Xian. By virtue of the SFO, Ms. Qiao Qian is also deemed, as spouse, to be interested in all the shares of the Company in which Mr. Xian is deemed to be interested.
- Mr. Yu Zhengyong and Mr. Tan Wenxing are independent third parties of the Company, save for their respective interest disclosed above.
- Up to 30 June 2009, Mr. Yu Zhengyong has paid up the registered capital of Ciaozi to the extent of RMB700,000.

## Other Information (Continued)

Save as disclosed above, as at 30 June 2009, so far as is known to the Directors and chief executive of the Company, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had/would have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### SHARE OPTION SCHEME

The Company has adopted a share option scheme on 25 August 2007 (the “Share Option Scheme”). The principal terms and conditions of the Share Option Scheme, which was conditionally approved by a resolution of the Shareholders of the Company dated 25 August 2007, are set out in the section headed “Share Option Scheme” in Appendix VII to the prospectus of the Company dated 10 September 2007. During the Review Period, 43,200,000 share options have been granted by the Company under the Share Option Scheme.

### AUDIT COMMITTEE

An audit committee was established on 25 August 2007 in compliance with Rule 3.21 of the Listing Rules and the Code on Corporate Governance Practices (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 report, the audit committee consists of three independent non-executive Directors, namely, Mr. Chan Chi Hing (Chairman), Mr. Huang Rongsheng and Mr. Wang Zhiguo.

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 condensed consolidated financial statements of the Group for the Review Period.

## Other Information (Continued)

### 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 provision 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 Chief Executive Officer while being responsible for the effective operation of the Board as the 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 benefitted 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 OF THE COMPANY

The Company has adopted the 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  
**Hidili Industry International Development Limited**  
恒鼎實業國際發展有限公司  
**Xian Yang**  
Chairman

Chengdu, Sichuan Province, the PRC  
13 August 2009

\* For identification purpose only

# Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	Six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Turnover	4	635,852	1,190,733
Cost of sales		(298,581)	(411,969)
Gross profit		337,271	778,764
Other income	5	4,347	22,847
Distribution costs		(59,491)	(91,286)
Administrative expenses		(139,170)	(116,552)
Fair value gain/(loss) on financial instruments classified as held-for-trading		13,417	(10,986)
Finance costs	6	(25,262)	(23,064)
Profit before taxation	7	131,112	559,723
Taxation	8	(14,657)	(25,470)
Profit and comprehensive income for the period		<u>116,455</u>	<u>534,253</u>
Attributable to:			
Equity holders of the Company		117,834	534,549
Minority interests		(1,379)	(296)
		<u>116,455</u>	<u>534,253</u>
Dividends	9	—	173,040
Earnings per share, basic (RMB cents)	10	<u>5.7</u>	<u>25.9</u>

## Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2009

		30 June 2009	31 December 2008
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	5,418,843	5,129,237
Prepaid lease payment		31,400	31,737
Deposits for acquisition of coal mines		254,120	—
Intangible assets		117,692	119,591
Goodwill	12	11,848	11,065
		<u>5,833,903</u>	<u>5,291,630</u>
<b>CURRENT ASSETS</b>			
Inventories		153,872	132,851
Bills and trade receivables	13	340,736	686,158
Bills receivable discounted with recourse		251,729	315,140
Other receivables and repayments		241,699	103,136
Amounts due from related parties		—	7,645
Held-for-trading investments	14	41,556	23,139
Pledged bank deposits		641,483	31,448
Bank balance and cash		861,369	694,820
		<u>2,532,444</u>	<u>1,994,337</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	107,197	130,528
Advances drawn on bills receivables discounted with recourse		251,729	315,140
Other payables and accrued expenses		571,096	697,878
Amounts due to a related party		600	2,200
Derivative financial instruments	15	—	1,873
Tax payables		50,830	51,086
Secured bank borrowings	17	1,260,000	160,000
		<u>2,241,452</u>	<u>1,358,705</u>

## Condensed Consolidated Statement of Financial Position (Continued)

AS AT 30 JUNE 2009

	<b>30 June 2009</b>	31 December 2008
<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>NET CURRENT ASSETS</b>	<b>290,992</b>	635,632
	<b>6,124,895</b>	<b>5,927,262</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>198,605</b>	198,605
Reserves	<b>5,828,429</b>	5,640,190
Equity attributable to equity holders of the Company	<b>6,027,034</b>	5,838,795
Minority interests	<b>44,538</b>	35,759
<b>TOTAL EQUITY</b>	<b>6,071,572</b>	5,874,554
<b>NON-CURRENT LIABILITY</b>		
Deferred taxation	<b>44,865</b>	44,865
Provision for restoration and environmental costs	<b>8,458</b>	7,843
	<b>53,323</b>	52,708
	<b>6,124,895</b>	<b>5,927,262</b>

## Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	Share premium	Special reserve	Future development fund	Statutory surplus reserve	Share option reserve	Accumulated profits	Attributable to equity holders of the Company	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	198,605	3,310,400	695,492	71,234	153,074	—	579,680	5,008,485	6,982	5,015,467
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	534,549	534,549	(296)	534,253
Transfer	—	—	—	12,375	—	—	(12,375)	—	—	—
Capital contribution by a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	300	300
Dividends	—	—	—	—	—	—	(173,040)	(173,040)	—	(173,040)
At 30 June 2008	198,605	3,310,400	695,492	83,609	153,074	—	928,814	5,369,994	6,986	5,376,980
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	468,801	468,801	(746)	468,055
Transfer	—	—	—	15,604	116,524	—	(132,128)	—	—	—
Arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	29,519	29,519
At 31 December 2008	198,605	3,310,400	695,492	99,213	269,598	—	1,265,487	5,838,795	35,759	5,874,554
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	117,834	117,834	(1,379)	116,455
Transfer	—	—	—	11,660	—	—	(11,660)	—	—	—
Share options at fair value	—	—	—	—	—	70,405	—	70,405	—	70,405
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	10,158	10,158
	<u>198,605</u>	<u>3,310,400</u>	<u>695,492</u>	<u>110,873</u>	<u>269,598</u>	<u>70,405</u>	<u>1,371,661</u>	<u>6,027,034</u>	<u>44,538</u>	<u>6,071,572</u>

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Net cash from operating activities	<u>278,009</u>	<u>95,064</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(326,001)	(1,021,204)
(Increase) decrease in pledged bank deposits	(610,035)	1,219,458
Deposit paid for acquisition of coal mines	(254,120)	(156,750)
Increase in advances	—	(241,500)
Acquisition of a subsidiary	(6,200)	—
Others	—	(20,143)
Net cash used in investing activities	<u>(1,196,356)</u>	<u>(220,139)</u>
<b>Financing activities</b>		
New bank and other borrowings raised	1,110,000	550,000
Repayment of bank and other borrowings	(10,000)	(1,510,900)
Interest paid on bank and other borrowings	(25,262)	(23,064)
Capital contribution from minority shareholders	10,158	300
Dividends paid	—	(173,040)
Net cash from (used in) financing activities	<u>1,084,896</u>	<u>(1,156,704)</u>
Net increase (decrease) in cash and cash equivalents	166,549	(1,281,779)
Cash and cash equivalents at 1 January	<u>694,820</u>	<u>2,560,779</u>
Cash and cash equivalents at 30 June	<u><u>861,369</u></u>	<u><u>1,279,000</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<u><u>861,369</u></u>	<u><u>1,279,000</u></u>

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 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 of the Company, the Company’s ultimate holding company is Sanlian Investment Holding Limited (“Sanlian Investment”), a company incorporated in the British Virgin Islands. The Company together with its subsidiaries are hereafter collectively referred to as the Group. The Company acts as investment holding while its subsidiaries are engaged in coal mining, manufacture and sales of coke and clean coal and provision of transportation services.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”.

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 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 financial statement for the year ended 31 December 2008, with the following accounting policies newly adopted in the current interim period.

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

IAS 27 (Revised)	Consolidated and Separate Financial Statement <sup>1</sup>
IAS 39 (Amendment)	Eligible Hedged Item <sup>1</sup>
IFRS 3 (Revised)	Business Combinations <sup>1</sup>
IFRIC 9 & IAS 39 (Amendment)	Embedded Derivatives <sup>2</sup>
IFRIC — 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
IFRIC — 18	Transfer of Assets from Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 30 June 2009

<sup>3</sup> Effective for transfer on or after 1 July 2009

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material effect on the results and the financial position of the Group.

### 4. TURNOVER AND SEGMENT INFORMATION

The Group is engaged in mining and manufacture and sales of coke, clean coal, alloy pig iron and related by-products.

Turnover is related to revenue earned from the sales described above and excluded applicable value-added tax in the People's Republic of China (the "PRC").

All of the Group's turnover is derived from the operation in the PRC and all customers of the Group are located in the PRC. In addition, the Group's assets are substantially located in the PRC. Therefore, no geographical segment is presented.

#### BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two main operating divisions — coal mining and coking. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the Group are as follows:

Coal mining	—	Coal Mining and sales of raw coal, 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

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2009 (Unaudited)					
	Coal Mining	Coking	Others	Inter- segment eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>GROSS REVENUE</b>					
External	245,921	386,325	3,607	—	635,852
Inter-segment	272,393	—	—	(272,393)	—
Total	<u>518,314</u>	<u>386,325</u>	<u>3,607</u>	<u>(272,393)</u>	<u>635,852</u>

Inter-segment transactions were carried out at a margin of 35%.

#### RESULT

Segment results	<u>94,210</u>	<u>182,760</u>	<u>811</u>	<u>—</u>	277,780
Unallocated corporate expenses					(139,170)
Unallocated corporate income					4,347
Fair value gain on financial instruments classified as held-for-trading					13,417
Finance costs					<u>(25,262)</u>
Profit before taxation					131,112
Taxation					<u>(14,657)</u>
<b>Profit for the period</b>					<u><u>116,455</u></u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2008 (Unaudited)				Consolidated RMB'000
	Coal mining RMB'000	Coking RMB'000	Others RMB'000	Inter- segment eliminations RMB'000	
<b>GROSS REVENUE</b>					
External	503,616	680,437	6,680	—	1,190,733
Inter-segment	360,041	—	—	(360,041)	—
<b>Total</b>	<b>863,657</b>	<b>680,437</b>	<b>6,680</b>	<b>(360,041)</b>	<b>1,190,733</b>
Inter-segment transactions were carried out at cost.					
<b>RESULT</b>					
Segment results	286,668	398,421	2,389	—	687,478
Unallocated corporate expenses					(116,552)
Unallocated corporate income					22,847
Fair value loss on financial instruments classified as held-for-trading					(10,986)
Finance costs					(23,064)
Profit before taxation					559,723
Taxation					(25,470)
<b>Profit for the period</b>					<b>534,253</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	2,818	22,383
Others	1,529	464
	<u>4,347</u>	<u>22,847</u>

### 6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on borrowings wholly repayable within five years:		
— bank borrowings	4,297	23,064
— advances drawn on bills receivables discounted	20,965	—
	<u>25,262</u>	<u>23,064</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortization of prepaid lease payment	337	337
Provision for restoration and environmental costs	615	768
Depreciation and amortization of property, plant and equipment	36,888	31,538
(Gain) Loss on fair value changes on held-for-trading investments	(18,417)	14,927
Allowance for bad and doubtful debts in respect of bills and trade receivables	—	2,807
Loss on derivative financial instruments which matured during the period	5,000	4,782
Exchange loss (included in administrative expenses)	98	41,629
Gain on fair value changes of outstanding derivative financial instruments	—	(8,723)
	<u>          </u>	<u>          </u>

### 8. TAXATION

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	14,657	7,433
Deferred taxation	—	18,037
	<u>14,657</u>	<u>25,470</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 8. TAXATION (CONTINUED)

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

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% (2008: 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 or EIT in accordance with the approval from the respective tax bureau.

Pursuant to "Application of preferential tax treatment for Foreign Investment Enterprise", 四川恒鼎實業有限公司 (Sichuan Hidili Industry Company Limited\*) ("Sichuan Hidili"), 攀枝江市恒鼎煤焦化有限公司 (Panzhuhua City Hidili Coke Company Limited\*) ("Hidili Coal"), 攀枝江市天道勤工貿有限公司 (Panzhuhua City Tiandaoqin Industry & Trading Company Limited\*) ("Tiandaoqin"), 攀枝江市沿江實業有限公司 (Panzhuhua Yanjiang Industrial Company Limited\*) ("Yanjiang"), 攀枝江市天酬工貿有限公司 (Panzhuhua City Tianchou Industry & Trading Company Limited\*) ("Tianchou") and 攀枝江市揚帆工貿有限公司 (Panzhuhua Yangfan Industry & Trading Company Limited\*) ("Yangfan") were entitled to 2 years exemption from State EIT from 2007 to 2008 and a 50% deduction of State EIT for three years from 2009 to 2011. Therefore, all of them were subject to 50% tax exemption in the current period (2008: 100% tax exemption).

攀枝江市三聯運輸有限公司 (Panzhuhua 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 years exemption and 3 years deduction from 2005 to 2009. The applicable tax rate for 2008 is 12.5% (2008: 12.5%).

According to the Taxpayer Exemption Application Form ("EIT Exemption Form") issued by the local tax bureau on 4 July 2007, 六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited\*) ("Liupanshui Hidili") was entitled to 2 years exemption from EIT from 2008 to 2009 and a 50% deduction of EIT for three years from 2010 to 2012. Therefore, Liupanshui Hidili was subject to tax exemption in the current period (2008: 100% tax exemption).

There was no significant unprovided deferred taxation for both periods or at the respective balance sheet date.

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 9. DIVIDENDS

The directors of the Company do not propose the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

On 18 June 2008, the payment of a dividend of RMB8.4 cents per share to the Company's shareholders as the final dividend for 2007 was approved.

### 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2009 and the six months ended 30 June 2008 and on the weighted average number of 2,060,000,000 shares in issue.

No diluted earnings per share has been presented for the six months ended 30 June 2009 and the six months ended 30 June 2008 as there are no outstanding potential ordinary shares during the period.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB331,992,000 on acquisition of property, plant and equipment.

### 12. GOODWILL

	<i>RMB'000</i>
<b>Cost</b>	
At 1 January 2009	11,065
Arising on acquisition of subsidiaries	783
	<hr/>
At 30 June 2009	11,848
	<hr/> <hr/>

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 13. BILLS AND TRADE RECEIVABLES

	30 June 2009 <i>RMB'000</i> (Unaudited)	31 December 2008 <i>RMB'000</i> (Audited)
Trade receivables	123,069	261,758
Impairment loss recognized	(2,690)	(2,690)
	120,379	259,068
Bills receivables	220,357	427,090
	340,736	686,158

The Group generally allows an average credit period ranged from 90-120 days to its trade customers. The aged analysis of trade receivables and bills receivables, net of allowance, is as follows:

	30 June 2009 <i>RMB'000</i> (Unaudited)	31 December 2008 <i>RMB'000</i> (Audited)
Aged:		
0-90 days	280,731	605,236
91-120 days	15,895	56,255
121-180 days	29,217	16,415
181-365 days	14,893	8,252
	340,736	686,158

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 14. HELD-FOR-TRADING INVESTMENTS

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Equity securities listed in the PRC	<u>41,556</u>	<u>23,139</u>

The fair values of these investments in securities are based on their quoted bid prices.

### 15. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30 June 2009</b>		31 December 2008	
	<b>Assets RMB'000 (Unaudited)</b>	<b>Liabilities RMB'000 (Unaudited)</b>	Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Foreign currency forward contracts	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,873</u>

Major terms of certain foreign currency contracts are as follows:

Notional amount	Maturity	Exchange rate
31 December 2008		
US\$49,400,000 aggregated in total	From 28 November 2008 to 27 February 2009	Sell US\$ and Buy RMB at 6.846

The fair values are determined based on the valuation provided by a professional valuer for equivalent instruments as at the balance sheet date.

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 16. TRADE PAYABLES

The aged analysis of the Group's trade payables is as follows:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Aged:		
0-90 days	95,621	116,833
91-180 days	3,733	9,415
181-365 days	2,378	3,014
Over 365 days	5,465	1,266
	<u>107,197</u>	<u>130,528</u>

### 17. SECURED BANK BORROWINGS

The bank borrowings are repayable within one year and carry interest at market rates ranging from 5.310% to 8.217% per annum.

As at 30 June 2009 and at 31 December 2008, the bank loans of RMB90 million were secured by the Group's 100% interests in Tiandaoqin, Yangfan and Yanjiang.

Details of the assets pledged for the remaining bank borrowings are further set out in note 19.

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 18. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed combined financial statements in respect of acquisition of property, plant and equipment	<u><b>217,497</b></u>	<u>37,337</u>

### 19. PLEDGE OF ASSETS

As at 30 June 2009, the Group pledged assets in an aggregate amount of approximately RMB800.0 million (At 31 December 2008: RMB274.2 million) to banks for credit facilities in the amount of RMB1,260 million granted to the Group (At 31 December 2008: RMB160 million).

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 20. RELATED PARTY DISCLOSURES

(a) During the period, the Group had the following transactions with related parties:

Name of related party	Relationship	Nature of transactions	Six months ended 30 June	
			2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Mr. Xian Jilun	Father of Mr. Xian Yang, shareholder and director of the Company	Rental payable by the Group	<u>600</u>	<u>600</u>
Panxian Panshi	An investee company	Transportation costs payable by the Group	<u>7,457</u>	<u>—</u>
Panxian Panying	An investee company	Transportation costs payable by the Group	<u>2,383</u>	<u>—</u>

(b) At the balance sheet date, the Group had the outstanding balances with the related parties:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>Amount due to a related party</b>		
Mr. Xian Jilun	<u>600</u>	<u>2,200</u>

Balance represents rental expenses payable to Mr. Xian Jilun by the Group. Balance was unsecured, interest free and repayable on demand.

## Notes to the Condensed Consolidated Financial Statements (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 20. RELATED PARTY DISCLOSURES (CONTINUED)

#### (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Basic salaries and allowances	1,048	1,006
Retirement benefit scheme contribution	53	5
	<u>1,101</u>	<u>1,011</u>