Hidili 恒鼎

Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1393

2011 Interim Report

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing
Mr. Chen Limin
Mr. Huang Rongsheng

AUDIT COMMITTEE

Mr. Chan Chi Hing *(Chairman)*
Mr. Chen Limin
Mr. Huang Rongsheng

REMUNERATION COMMITTEE

Mr. Chan Chi Hing *(Chairman)*
Mr. Chen Limin
Mr. Huang Rongsheng
Mr. Xian Yang

AUDITORS

Deloitte Touche Tohmatsu
Certified public accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. Chu Lai Kuen

AUTHORIZED REPRESENTATIVES

Mr. Xian Yang
Ms. Chu Lai Kuen

REGISTERED OFFICE

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Cayman Islands

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Butterfield House
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
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183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER

Mallesons Stephen Jaques
13th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
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STOCK CODE

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PRINCIPAL BANKERS

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Panzhihua, Sichuan Province
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3 Garden Road
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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 2011 (the "Review Period").

During the Review Period, our turnover and gross profit amounted to approximately RMB1,127.4 million and RMB727.6 million respectively, recorded a slight increase of approximately 7.3% and 1.5% respectively as compared to corresponding period in 2010. The Group's coal mines in Guizhou and Yunnan provinces suspended production in the second quarter and led to decrease in our raw coal production volume. However, the impact to sales volume was compensated by the increase in average selling prices of clean coal and coke. Finally, the Group achieved an adjusted EBITDA during the Review Period of approximately RMB554.7 million, representing a margin of 49.2%.

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 of 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 of 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 to sales to our customers, through Fangchenggang (防城港), the Group further extended its customers' coverage to iron and steel enterprises located in northern areas and southern riverside areas by the water transportation network, in which sales volume to 寧波鋼鐵有限公司 (Ningbo Iron & Steel Co., Ltd.) and 武漢集團國際經濟貿易總公司 (International Economic & Trading Corporation WISCO) increased substantially in the Review Period.

As regard to 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 province 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 10.6% and 12.4% 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, in which consumption of 2.36 tonne of raw coal 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 accidents. 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 in Guizhou and Yunnan provinces respectively. 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.

By order of the board of directors
Chairman
Xian Yang

Hong Kong
25 August 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%

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 raw coal, clean coal and coke, the sales volume of their 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 principal 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 commencement of production to the coal mines 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 offset 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 RMB36.4 million or approximately 12.3%, 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). In addition, the senior notes are secured on the capital stock of, and guaranteed by, certain of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

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 盤縣盤鑫焦化有限公司(Panxian Panyi Coking Company Limited*)("Panxin Coking") and 盤縣盤翼選煤有限公司(Panxian Panyi Coal Washing Company Limited*)("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, is an agreed price consisting of a cost incurred and a reasonable profit margin.

Other Information

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

As at 30 June 2011, 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 (Cap 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 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 Listing Rules, to be notified to the Company and 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	1,096,631,000	Founder and beneficiary of trust	53.18%
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")	1,000	Beneficial owner	100%
Mr. Wang Rong ("Mr. Wang") *(Note 3)*	The Company	7,887,000	Interest of controlled corporation	0.38%
Mr. Wang	Pavlova Investment Limited ("Pavlova Investment")	1,000	Beneficial owner	100%

Notes:

1. The 1,096,631,000 shares of the Company are held by Sanlian Investment, the issued share capital of which is jointly held by Xian Yang No.1A Ltd. ("Xian Yang No.1A") and Sanlian No.1 Ltd. ("Sanlian No.1"). Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. Mr. Xian formed a discretionary trust, the Xian Yang Foundation 1, of which Sarasin Trust Company Guernsey Limited ("Sarasin Trust") was the trustee. Accordingly, Mr. Xian is deemed to be interested in the 1,096,631,000 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 entired 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 7,887,000 shares of the Company are held by Pavlova Investment, the entired issued share capital of which is held by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in 7,887,000 shares held by Pavlova Investment by virtue of the SFO. Mr. Sun is also a director of Pavlova Investment.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2011, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Saved as disclosed, at no time during the Review 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following persons, other than the Directors and 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	Number of issued ordinary shares held*	Nature of interest	Approximate percentage of the issued share capital of the Company*
Sarasin Trust *(Note 1)*	1,096,631,000 (L)	Trustee	53.18% (L)
Sanlian Investment *(Note 1)*	1,096,631,000 (L)	Beneficial owner	53.18% (L)
Mr. Xian *(Note 1)*	1,096,631,000 (L)	Interest of controlled corporation	53.18% (L)
Ms. Qiao Qian *(Note 2)*	1,096,631,000 (L)	Interest of spouse	53.18% (L)
JPMorgan Chase & Co.	206,614,921 (L) 1,000,000 (S) 32,542,858 (P)	Beneficial owner	10.00% (L) 0.05% (S) 1.58% (P)

* (L)-Long position, (S)-Short position, (P)-Lending Pool

Notes:

1. The entire issued share capital of Sanlian Investment is jointly owned by Xian Yang No.1A and Sanlian No.1. Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. Mr. Xian formed a discretionary trust, The Xian Yang Foundation 1, of which Sarasin Trust was the trustee. Accordingly, Mr. Xian is deemed to be interested in 1,096,631,000 shares of the Company held by Sanlian Investment by virtue of the SFO. Mr. Xian is the sole director of Sanlian Investment.

2. Ms. Qiao Qian is the spouse of Mr. Xian. By virtue of the SFO, Ms. Qiao Qian is also deemed, as the spouse of Mr. Xian, to be interested in all the shares of the Company in which Mr. Xian is deemed to be interested.

Save as disclosed above, 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 or its associated corporations of 5% or more which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTIONS

The Company has adopted a share option scheme on 25 August 2007 (the "Share Option Scheme"). 43,200,000 share options and 55,000,000 share options have been granted by the Company under the Share Option Scheme on 30 April 2009 and 26 February 2011 respectively. The detailed disclosure relating to the Share Option Scheme and valuation of the share options are set out in note 20 to the condensed consolidated financial statements.

Movements of Company's share options under the Scheme during the Review Period were as follows:

	Number of share options								
Name or category of participant	At 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2011	Date of grant	Exercise period	Exercise price *HK$*	Weighted average closing price per share immediate before the date of grant *HK$*
Directors									
Mr. Chan Chi Hing	40,000	–	40,000	–	–	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	40,000	–	40,000	–	–	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	20,000	–	–	–	20,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	100,000	–	80,000	–	20,000				

	Number of share options								
Name or category of participant	At 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2011	Date of grant	Exercise period	Exercise price *HK$*	Weighted average closing price per share immediate before the date of grant *HK$*
Mr. Huang Rongsheng	40,000	—	—	—	40,000	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	40,000	—	—	—	40,000	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	20,000	—	—	—	20,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	100,000	—	—	—	100,000				
	200,000	—	80,000	—	120,000				
Other employees in aggregate	17,128,000	—	5,261,000	—	11,867,000	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	17,128,000	—	—	—	17,128,000	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	8,564,000	—	—	—	8,564,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	—	21,960,000	—	—	21,960,000	25 February 2011	26 February 2012 to 24 August 2017	6.604	6.604
	—	21,960,000	—	—	21,960,000	25 February 2011	26 February 2013 to 24 August 2017	6.604	6.604
	—	10,980,000	—	—	10,980,000	25 February 2011	26 February 2014 to 24 August 2017	6.604	6.604
	42,820,000	54,900,000	5,261,000	—	92,459,000				
Other participants in aggregate	32,000	—	—	—	32,000	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	32,000	—	—	—	32,000	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	16,000	—	—	—	16,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	—	40,000	—	—	40,000	25 February 2011	26 February 2012 to 24 August 2017	6.604	6.604
	—	40,000	—	—	40,000	25 February 2011	26 February 2013 to 24 August 2017	6.604	6.604
	—	20,000	—	—	20,000	25 February 2011	26 February 2014 to 24 August 2017	6.604	6.604
	80,000	100,000	—	—	180,000				
	43,100,000	55,000,000	5,341,000	—	92,759,000				

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 report, 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

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LIMITED
恒鼎實業國際發展有限公司
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 48, which comprises the condensed consolidated statement of financial position of Hidili Industry International Development Limited (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2010 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2011

Condensed Consolidated Statement Of Comprehensive Income

For The Six Months Ended 30 June 2011

	NOTES	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (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	5	**(148,440)**	(93,134)
Profit before tax		**337,525**	348,735
Income tax expense	6	**(72,118)**	(47,105)
Profit and total comprehensive income for the period	7	**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	9		
Basic *(RMB cents)*		**12.6**	14.4
Diluted *(RMB cents)*		**12.5**	14.2

Condensed Consolidated Statement Of Financial Position

AS AT 30 JUNE 2011

	NOTES	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	11,054,645	10,072,361
Prepaid lease payments		30,046	30,385
Deposits	11	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	17	59,415	63,536
Derivative component in convertible bond receivable	17	15,771	3,269
Intangible assets		102,917	104,817
Goodwill		11,065	11,065
Available-for-sale investment	17	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	12(a)	690,306	938,975
Bills receivables discounted with recourse	12(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	13	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	14	825,228	676,000
		1,754,441	1,760,490
NET CURRENT ASSETS		717,156	2,170,688
TOTAL ASSETS LESS CURRENT LIABILITIES		12,429,993	12,877,848

	NOTES	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	15	**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	16	**173,926**	222,790
Secured bank and other borrowings - due after one year	14	**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

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Convertible loan notes reserve RMB'000	Future development fund RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010 (audited)	198,605	3,310,400	695,492	315,969	—	152,011	35,692	—	1,569,827	6,277,996	145,087	6,423,083
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	296,542	296,542	5,088	301,630
Transfer	—	—	—	—	—	8,818	—	—	(8,818)	—	—	—
Recognition of equity-settled share-based payment expenses	—	—	—	—	—	—	21,466	—	—	21,466	—	21,466
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	12,173	12,173
Acquisition of additional interest in a non-wholly owned subsidiary	—	—	—	—	—	—	—	(41,846)	—	(41,846)	(1,598)	(43,444)
Recognition of equity component of convertible loan notes	—	—	—	—	242,408	—	—	—	—	242,408	—	242,408
At 30 June 2010 (unaudited)	198,605	3,310,400	695,492	315,969	242,408	160,829	57,158	(41,846)	1,857,551	6,796,566	160,750	6,957,316
At 1 January 2011 (audited)	198,605	3,104,400	695,492	381,912	242,408	189,917	67,997	(43,402)	2,135,483	6,972,812	163,602	7,136,414
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	260,086	260,086	5,321	265,407
Transfer	—	—	—	31,245	—	16,631	—	—	(47,876)	—	—	—
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	730	730
Recognition of equity-settled share-based payment expenses	—	—	—	—	—	—	36,631	—	—	36,631	—	36,631
Shares issued upon exercise of share options	446	23,291	—	—	—	—	(9,665)	—	—	14,072	—	14,072
At 30 June 2011 (unaudited)	199,051	3,127,691	695,492	413,157	242,408	206,548	94,963	(43,402)	2,347,693	7,283,601	169,653	7,453,254

Condensed Consolidated Statement Of Cash Flows

For The Six Months Ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**491,835**	(48,987)
NET CASH USED IN INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(1,017,176)**	(960,051)
Deposits paid for acquisition of assets and land use rights	**(14,822)**	(72,122)
Decrease in pledged and restricted bank deposits	**5,014**	344,068
Acquisition of a subsidiary	**—**	(6,000)
Others	**25,636**	5,753
	(1,001,348)	(688,352)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from issue of convertible loan notes, net of issuance costs	**—**	1,680,513
Proceeds from issue of shares	**14,072**	—
New bank and other borrowings raised	**447,500**	1,740,000
Capital contribution from non-controlling shareholders	**730**	12,173
Repayment of bank and other borrowings	**(1,012,272)**	(2,037,084)
Repayment of other long term payables	**(48,864)**	—
Interest paid	**(156,250)**	(64,180)
	(755,084)	1,331,422
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,264,597)**	594,083
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,649,037**	674,545
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**384,440**	1,268,628

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 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 Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

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 asset, 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 cash flows 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 have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised 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 Financial 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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Impairment of financial assets *(Continued)*

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 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 of the Company 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

4. REVENUE AND SEGMENT INFORMATION (Continued)

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 RMB'000	Coking RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment eliminations RMB'000	Total RMB'000
REVENUE						
External	982,610	140,151	4,654	1,127,415	—	1,127,415
Inter-segment	105,075	—	—	105,075	(105,075)	—
Total	1,087,685	140,151	4,654	1,232,490	(105,075)	1,127,415
RESULTS						
Segment profit	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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

SEGMENTS REVENUES AND RESULTS *(Continued)*

Six months ended 30 June 2010 (unaudited)

	Coal mining *RMB'000*	Coking *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Inter-segment eliminations *RMB'000*	Total *RMB'000*
REVENUE						
External	632,663	413,200	5,061	1,050,924	—	1,050,924
Inter-segment	292,166	—	—	292,166	(292,166)	—
Total	924,829	413,200	5,061	1,343,090	(292,166)	1,050,924
RESULTS						
Segment profit	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 of the Company) for the purpose of resource allocation and assessment of segment performance.

SEGMENT ASSETS AND LIABILITIES

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

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**31,720**	43,457
— advances drawn on bills receivable discounted	**13,643**	17,966
— interest expense on senior notes	**111,704**	—
— interest expense on convertible loan notes	**54,811**	46,473
	211,878	107,896
Less: Interest capitalised in construction in progress	**(63,438)**	(14,762)
	148,440	93,134

6. INCOME TAX EXPENSE

	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.

6. INCOME TAX EXPENSE *(Continued)*

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.

Pursuant to the "Application of preferential tax treatment for Foreign Investment Enterprise", Panzhihua City Hidili Coke Company Limited ("Hidili Coke"), Sichuan Hidili Industry Company Limited ("Sichuan Hidili"), Panzhihua City Tiandaoqin Industry & Trading Company Limited ("Tiandaoqin"), Panzhihua Yanjiang Industrial Company Limited ("Yanjiang"), Panzhihua City Tianchou Industry & Trading Company Limited ("Tianchou") and Panzhihua Yangfan Industry & Trading Company Limited ("Yangfan") were entitled to 2 years exemption from EIT from 2007 to 2008 and a 50% deduction of EIT rate for three years from 2009 to 2011. Therefore, the applicable tax rate of Hidili Coke and Tianchou for 2011 is 12.5% (for the six months ended 30 June 2010: 12.5%).

For Tiandaoqin, Yangfan, Sichuan Hidili and Yanjiang, they were also entitled to the tax incentives in connection with the development of the western part of the PRC in 2010. The applicable tax rate for 2011 is 12.5% (For the six months ended 30 June 2010: 7.5%).

According to the Taxpayer Exemption Application Form (納稅人減免稅申請審批表, "EIT Exemption Form") issued by the local tax bureau on 4 July 2007, Liupanshui Hidili Industry Company Limited ("Liupanshui Hidili") was entitled to a 2 years exemption from EIT from 2008 to 2009 and a 50% deduction of EIT rate for three years from 2010 to 2012. The applicable tax rate for 2011 is 12.5% (for the six months ended 30 June 2010: 12.5%).

The EIT Law requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. At 30 June 2011, the aggregate amount of deferred tax of approximately RMB59,253,000 (31 December 2010: RMB55,520,000) has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits.

7. PROFIT FOR THE PERIOD

	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

8. DIVIDEND

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 proposed in the current interim period amounted to approximately 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 ended 30 June 2010: Nil).

9. EARNINGS PER SHARE

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

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group incurred approximately RMB310 million and RMB756 million on acquisition of property, plant and equipment and construction in progress, respectively. At 30 June 2011, the legal titles of the mining rights included in property, plant and equipment with carrying values of approximately RMB2,564 million (31 December 2010: RMB4,032 million), have not been granted by the relevant government authorities and the relevant title transfers are still under application. In the opinion of the director, taking into account of the PRC lawyers legal opinion, all the risks and rewards of ownership of mining rights have been transferred to the Group.

11. DEPOSITS

As at 30 June 2011, the deposit of RMB108,789,000 (31 December 2010: RMB160,245,000) was paid for acquisition of mines in the PRC. As at the date of approval for issuance of these condensed consolidated financial statements, the Group is still negotiating with the mine owners to agree the final amount of consideration.

In addition, as at 30 June 2011, deposit of RMB158,271,000 (31 December 2010: RMB158,271,000) was paid for acquisition of the transportation rights and 20% equity interests in a company engaged in clean coal washing pursuant to a memorandum of understanding entered with an independent third party. As at the date of approval for issuance of condensed consolidated financial statements, no binding agreement has been signed and the Group is still negotiating with the independent third party to agree the final amount of consideration.

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

(A) BILLS AND TRADE RECEIVABLES

The Group generally allows an average credit period ranging from 90 to 120 days to its trade customers and the average credit period for bills receivables is ranging from 90 to 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 *RMB'000* (unaudited)	31 December 2010 *RMB'000* (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 to 180 days to its customers. The aged analysis of bills receivables discounted with full recourse are as follows:

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

13. 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 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
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

14. SECURED BANK AND OTHER BORROWINGS

The secured bank and other borrowings are repayable as follows:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Bank and other borrowings		
Within one year	825,228	596,000
More than one year, but not exceeding two years	—	336,000
More than two years, but not exceeding five years	380,000	758,000
	1,205,228	1,690,000
Carrying amount of bank borrowings that are not repayable one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	—	80,000
Total bank and other borrowings	1,205,228	1,770,000
Less: Amount due within one year shown under current liabilities	(825,228)	(676,000)
Amount due after one year	380,000	1,094,000

During the current period, the Group obtained new bank loans amounting to RMB447.5 million (for the six months ended 30 June 2010: RMB1,740 million) and repaid bank loans amounting to RMB1,012 million (for the six months ended 30 June 2010: RMB2,037 million). The loans are secured and repayable over a period of one to five years. Bank loan amounting to RMB40 million carries interest at fixed rate of 6.31% per annum. The remaining loans carry interest at variable market rates ranging from 7.2% to 7.57% per annum. The proceeds were used to finance the acquisition of property, plant and equipment, repayment of existing debts and for general working capital purpose of the Group.

15. SHARE CAPITAL

	Number of shares	Amount *HK$'000*	Amount *RMB'000*
Ordinary shares of HK$0.1 each			
Authorised:			
At 30 June 2011 and 31 December 2010	10,000,000,000	1,000,000	
Issued and fully paid:			
As at 1 January 2011	2,060,000,000	206,000	198,605
Exercise of share options	5,341,000	534	446
As at 30 June 2011	2,065,341,000	206,534	199,051

16. OTHER LONG TERM PAYABLES

	30 June 2011 *RMB'000* (unaudited)	31 December 2010 *RMB'000* (audited)
Other long term payables comprise of:		
Consideration payable for mining right	**232,860**	281,724
Less: Amount due within one year shown under current liabilities (included in other payables and accrued expenses)	**(58,934)**	(58,934)
	173,926	222,790

Pursuant to the mining right agreements entered into between the Group and the relevant government authority of the PRC from 2008 to 2010, the consideration payable for the mining right in respect of the mining site located at Guizhou Province carried interest at prevailing market rates and is repayable in instalments over two to ten years. The effective interest rate is 5.31%.

17. CONVERTIBLE BOND RECEIVABLE/DERIVATIVE COMPONENT IN CONVERTIBLE BOND RECEIVABLE/AVAILABLE-FOR-SALE INVESTMENT

(A) During the current interim period, the Group subscribed an unlisted convertible bond with principal amount of US$10,000,000 (equivalent to RMB66,278,000) which carries 12% coupon interest from an independent third party. On maturity on 30 December 2013, the bond will be redeemed at redemption amount of the principal amount plus 15% per annum calculated from the closing date to the actual date of payment. The fair value at initial recognition of the receivable and derivative components, which amount to RMB59,415,000 and RMB6,863,000 respectively, are determined based on the valuation provided by an independent professionally qualified valuers not connected with the Group. Subsequent to initial recognition, the receivable component is carried at amortised cost using the effective interest method.

The convertible bond was recognised as follows:

	Debt component *RMB'000*	**Derivative component** *RMB'000*
At date of subscription	59,415	6,863
Fair value gain credited to profit or loss	—	8,908
At 30 June 2011	59,415	15,771

17. CONVERTIBLE BOND RECEIVABLE/DERIVATIVE COMPONENT IN CONVERTIBLE BOND RECEIVABLE/AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

(A) *(Continued)*

The methods and assumptions applied for the valuation of the convertible bond are as follows:

(i) Valuation of receivable component

The fair value of receivable component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible bonds issuer and maturity term. The effective interest rate of the receivable component is 16.47%.

(ii) Valuation of derivative components

Derivative components are measured at fair value using the Binomial Option Pricing model, at initial recognition and at the end of reporting period. The inputs into the model as at date of subscription and at 30 June 2011, was as follows:

	(Date of subscription) 31 March 2011	**30 June 2011**
Volatility *(Note a)*	43.72%	33.60%
Dividend yield	0%	0%
Option life	2.75 years	2.5 years
Risk free rate *(Note b)*	1.46%	0.92%
Probability of IPO	30%	80%

Notes:

a. The expected volatility was estimated based on the average derivations of the continuously compounded rates of return on the share price of industry average.

b. The risk-free interest rate was determined by reference to yield of 2-years US Zero Rate Curve as at valuation date.

17. CONVERTIBLE BOND RECEIVABLE/DERIVATIVE COMPONENT IN CONVERTIBLE BOND RECEIVABLE/AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

(B) During the year ended 31 December 2010, the Group subscribed an unlisted convertible bond with principal amount of US$10,000,000 (equivalent to RMB66,074,000) which carries zero coupon interest from an independent third party. On maturity on 31 December 2012, the bond will be redeemed at redemption amount of the principal amount plus 20% per annum calculated from the closing date to the actual date of payment. The fair value at initial recognition of the receivable component and derivative components, which amount to RMB63,536,000 and RMB2,538,000 respectively, are determined based on the valuation provided by Jones Lang LaSalle Sallmanns, independent professionally qualified valuers not connected with the Group. Subsequent to initial recognition, the receivable component is carried at amortised cost using the effective interest method.

On 12 March 2011, the Group converted all the outstanding convertible bonds into unlisted ordinary shares and were classified as available-for-sale investment with carrying value of RMB67,707,000. The unlisted equity investments represent investments in unlisted equity securities issued by private entity incorporated in the Cayman Islands. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

The convertible bond was recognised as follows:

	Debt component *RMB'000*	**Derivative component** *RMB'000*
At 1 January 2011	63,536	3,269
Fair value gain credited to profit or loss	—	902
Conversion	(63,536)	(4,171)
At 30 June 2011	—	—

The methods and assumptions applied for the valuation of the convertible bond are as follows:

(i) Valuation of receivable component

The fair value of receivable component at initial recognition was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible bonds issuer and maturity term. The effective interest rate of the receivable component as at 31 December 2010 is 19.86%.

17. CONVERTIBLE BOND RECEIVABLE/DERIVATIVE COMPONENT IN CONVERTIBLE BOND RECEIVABLE/AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

(B) *(Continued)*

(ii) Valuation of derivative components

Derivative components are measured at fair value using the Binomial Option Pricing model, at initial recognition and on 12 March 2011. The inputs into the model as at date of subscription and on 12 March 2011, was as follows:

	(Date of subscription) 20 December 2010	**12 March 2011**
Conversion price	US$1.919	US$1.919
Volatility *(Note a)*	49.83%	45.26%
Dividend yield	0%	0%
Option life	2 years	1.8 years
Risk free rate *(Note b)*	0.69%	0.71%

Notes:

a. The expected volatility was estimated based on the average derivations of the continuously compounded rates of return on the share price of industry average.

b. The risk-free interest rate was determined by reference to yield of 2-years Hong Kong Government BFV Curve as at valuation date.

18. CAPITAL COMMITMENTS

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	528,409	302,549

19. PLEDGE OF ASSETS

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Property, plant and equipment	1,050,487	1,585,642
Bank deposits	64,400	87,920
Bills receivable	99,002	80,000
Prepaid lease payments	5,650	5,718
	1,219,539	1,759,280

In addition, the senior notes are secured on the capital stock of, and guaranteed by, certain of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

20. SHARE OPTION SCHEME

The Company's share option scheme (''the Scheme''), was adopted pursuant to a written resolution passed by all the shareholders of the Company on 25 August 2007 for the primary purpose of providing incentives to eligible participants or rewards for their contribution to the Group, and will expire on 24 August 2017.

At 30 June 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 92,759,000 (2010: 43,100,000). The directors and employees should be remained in office or employed by the Group for the options to be vested.

The following table discloses movements in such holdings during the period:

	Number of share options
Outstanding as at 1 January 2011	43,100,000
Granted during the period	55,000,000
Exercised during the period	(5,341,000)
Outstanding as at 30 June 2011	92,759,000

The closing price of the Company's shares immediately before 26 February 2011, the date of grant, was HK$6.45.

In the current period, 55,000,000 options were granted on 26 February 2011. The estimated fair values of the options granted on 26 February 2011 with vesting date on 26 February 2012, 26 February 2013 and 26 February 2014 are HK$63,811,000, HK$32,968,100 and HK$67,661,000, respectively.

20. SHARE OPTION SCHEME *(Continued)*

The fair value was calculated using Binominal Option Pricing Model (the "Model"). The inputs into the Model were as follows:

	26 February 2011	**26 February 2011**	**26 February 2011**
Vesting date	26 February 2012	26 February 2013	26 February 2014
Grant date share price	HK$6.45	HK$6.45	HK$6.45
Exercise price	HK$6.604	HK$6.604	HK$6.604
Expected life	6.5 years	6.5 years	6.5 years
Expected volatility	57.52%	57.52%	57.52%
Risk-free interest rate	2.334%	2.334%	2.334%

The Company has used the Model to value the share options granted during the period. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The Group recognised the total expense of RMB36,631,000 (for the six months ended 30 June 2010: RMB21,466,000) for the current period in relation to the share options granted by the Company.

21. RELATED PARTY DISCLOSURES

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

(I) TRANSACTIONS

Name of Company	Relationship	Nature of transactions	Six months ended 30 June 2011 RMB'000 (unaudited)	Six months ended 30 June 2010 RMB'000 (unaudited)
Hengwei Zhitai Company Limited	A company ultimately owned by Mr. Xian Fan, brother of Mr. Xian Yang who is a shareholder and a director of the Company	Technical support income receivable by the Group	**420**	—
Mr. Xian Jilun	Father of Mr. Xian Yang	Rental payable by the Group	**600**	600
Panxian Panshi Logistic Distribution Co., Ltd. ("Panxian Panshi")	An investee company	Transportation costs payable by the Group	**7,055**	9,539
Panxian Panying Logistic Distribution Co., Ltd ("Panxian Panying")	An investee company	Transportation costs payable by the Group	**3,371**	868
Yunnan Kaijie Industry Company Limited	Controlling shareholder of Panxian Panshi and Panxian Panying	Transportation costs payable by the Group	**9,258**	—

As at 30 June 2011, the director, Mr. Xian Yang guaranteed the bank borrowings of approximately RMB693 million (31 December 2010: RMB1,353 million).

(II) 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 2011 RMB'000 (unaudited)	Six months ended 30 June 2010 RMB'000 (unaudited)
Short-term benefits	**1,497**	1,043
Post-employment benefits	**38**	24
Share-based payment expenses	**19,047**	3,675
	20,582	4,742