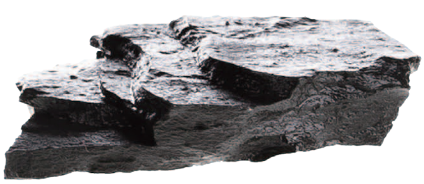
Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1393

2014 INTERIM REPORT

Contents



Corporate Information

DIRECTORS

Executive Directors

Mr. Xian Yang (Chairman)
Mr. Sun Jiankun

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

Ms. Chu Lai Kuen

AUTHORIZED REPRESENTATIVES

Mr. Xian Yang
Ms. Chu Lai Kuen

REGISTERED OFFICE

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

HEAD OFFICE

16th Floor, Dingli Mansion
No. 185 Renmin Road
Panzhihua
Sichuan 617000
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3702, 37th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
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 ADVISER

King & Wood Mallesons
13th Floor
Gloucester House
The Landmark
15 Queen's Road Central
Central
Hong Kong

STOCK CODE

1393

WEBSITE

http://www.hidili.com.cn

PRINCIPAL BANKERS

China Minsheng Banking Corp. Ltd,
Chengdu Branch
No. 2, Remin Road South
Chengdu, Sichuan Province
PRC

Panzhihua City Commercial Bank Ltd,
Zhuhuyuan Branch
Floor 1, Ping Street, Laodong Building
East District, Panzhihua City
Sichuan Province
PRC

Ping An Bank Co., Ltd.
Kunming Branch
No. 450, Qingnian Road
Kunming, Sichuan Province
PRC

China Everbright Bank Co., Ltd.
Chengdu Niushikou Sub-Branch
New Angle Plaza
No. 668, Jindong Road
Chengdu, Sichuan Province
PRC

Wing Lung Bank
16/F, Wing Lung Bank Building
45 Des Voeux Road Central
Central, Hong Kong

Nanyang Commercial Bank
12/F
151 Des Voeux Road Central
Central, Hong Kong

Chairman's Statement

BUSINESS REVIEW

During the six months ended 30 June 2014 (the "Review Period"), due to the coal mine consolidation in Sichuan and Guizhou provinces in the PRC, the Group's coal mines contributed low raw coal production volume of approximately 618,000 tonnes as compared to approximately 785,000 tonnes in the corresponding period in 2013, representing a decrease of 21.3%. Accordingly, it gave rise to a decrease in the Group's sales volume of clean coal from approximately 308,400 tonnes in the corresponding period in 2013 to 273,900 tonnes during the Review Period, representing a decrease of 11.2%. In addition, the average selling price (net of value added tax) of clean coal dropped from approximately RMB1,058.7 per tonne in the corresponding period in 2013 to approximately RMB863.3 per tonne during the Review Period regarding the weak market demand from steel manufacturers. During the Review Period, the Group did not carry out any exploration activities.

As regards customers, the large stated-owned steel manufacturers continued to maintain significant customer portfolio of the Group. Top five largest customers contributed to approximately 62.4% of total revenue. However, considering the weak demand in the steel industry, the steel manufacturers tend to lengthen the credit period which will result in a longer receivable turnover. The Group will try to launch an effective credit control policy to speed up the turnover and to avoid any bad and doubtful debts.

During the Review Period, the average production cost of raw coal and clean coal maintained at a high level of approximately RMB241 per tonne and RMB598 per tonne, respectively, as compared to approximately RMB258 per tonne and RMB642 per tonne, respectively, in the corresponding period of 2013. The average production cost maintained at high level mainly resulted from high sharing of materials, fuel and power and depreciation among low production level, and high absorption of operating costs in washing plants due to low utilization.

OUTLOOK

In the first half of 2014, downward pressure on domestic economy, arduous situation in coal industry and coal prices lingering at low level continued to put the Company into a difficult business environment. However, the Company has been committed to overcome difficulties by focusing on production and construction of coal mines. During the Review Period, the Company has nine consolidated core mines in Guizhou province, (i) one mine entered into production in the second quarter, (ii) four mines are allowed to undergo consolidation and production at the same time and the number of coal mines in production increased to five and (iii) the remaining four mines were under construction. In Sichuan province, the Company has five consolidated core mines which have been issued the notice for resumption of production.

During the Review Period, our emphasis on reinforcement of structural reform and reduction of administrative expenses has achieved prominent results. In future, the Company will focus on strengthening capital management, enhancing capital utilization, tightening mining technologies management, increasing production and construction efficiency, stepping up our efforts in management of production costs and selling expenses, strictly controlling its cost and expenses as well as reinforcing its system formulation, so as to ensure the management of all tasks will be effectively implemented.

Chairman's Statement *(Continued)*

In the event that the environment for our coal production becoming more favorable, production volume will increase and costs will drop, the Company believes our operations in the second half of the year will turn positive as compared with that in the first half of the year.

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

Hong Kong
7 August 2014

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
		(restated)	
Revenue from continuing operations	**327,965**	408,213	(19.7%)
Gross Profit from continuing operations	**50,441**	166,344	(69.7%)
Loss before taxation from continuing operations	**(1,129,702)**	(226,111)	399.6%
Loss and total comprehensive expense for the period	**(968,681)**	(268,207)	261.2%
Adjusted EBITDA from continuing operations	**68,616**	85,546	(19.8%)
Basic loss per share from continuing operations (RMB cents)	**(47)**	(12)	296.7%

FINANCIAL REVIEW

Revenue from continuing operations

During the Review Period, revenue from continuing operations of the Group recorded approximately RMB328.0 million, representing a decrease of approximately 19.6%, as compared with approximately RMB408.2 million in the corresponding period in 2013. The decrease was primarily attributable to the decrease in both sales volume and average selling price of clean coal. During the Review Period, the sales volume of clean coal amounted to approximately 273,900 tonnes as compared to approximately 308,400 tonnes in the corresponding period in 2013, representing a decrease of 11.2%. The average selling price (net of value added tax) of clean coal amounted to approximately RMB863.3 per tonne as compared to approximately RMB1,058.7 per tonne in the corresponding period in 2013, representing a decrease of approximately 18.5%.

During the consolidation of coal mines in Sichuan and Guizhou provinces in the PRC, limited raw coal production volume was contributed to further manufacture of clean coal for sales and led to decrease of sales volume of clean coal and its by-products accordingly. Further, the slowdown in the demand from steel manufacturers led to the decrease in the average selling price.

The following table sets out the Group's revenue contribution, sales volume and average selling price by products during the Review Period, together with the comparative amounts for the corresponding period in 2013:

	Six months ended 30 June					
	2014			2013		
	Turnover RMB'000	**Sales Volume (thousand tonnes)**	**Average Selling Price (RMB/ Tonne)**	Turnover RMB'000	Sales Volume (thousand tonnes)	Average Selling Price (RMB/ Tonne)
Principal product						
Clean coal	**236,424**	**273.9**	**863.3**	326,460	308.4	1,058.7
By-product						
High-ash thermal coal	**24,449**	**97.2**	**251.6**	49,673	228.8	217.1
Other products						
Raw coal	**58,569**	**165.7**	**353.5**	30,324	97.2	312.0
Others	**8,523**			1,756		
Other products total	**67,092**			32,080		
Total turnover	**327,965**			408,213		

Cost of sales from continuing operations

Cost of sales from continuing operations during the Review Period was approximately RMB277.5 million, representing an increase of approximately RMB35.6 million, or approximately 14.7%, as compared with approximately RMB241.9 million in the corresponding period in 2013. During the Review Period, the production volume of raw coal reduced from approximately 785,000 tonnes in the corresponding period in 2013 to approximately 618,000 tonnes during the Review Period, representing a decrease of approximately 21.3% in relation to a low production level maintained during the consolidation of coal mines in Sichuan and Guizhou provinces in the PRC.

The following table illustrates the production volume of the principal products in Sichuan, Guizhou and Yunnan provinces of the PRC and the purchase volume of principal products for the respective period.

	Six months ended 30 June			
	2014 Raw coal ('000 tonnes)	**2014 Clean coal ('000 tonnes)**	2013 Raw coal ('000 tonnes)	2013 Clean coal ('000 tonnes)
Production volume				
Sichuan	**27**	**5**	2	1
Guizhou	**591**	**158**	755	157
Yunnan	**–**	**–**	28	89
	618	**163**	785	247
Purchase volume	**–**	**113**	–	67

Material, fuel and power costs during the Review Period were approximately RMB192.9 million, representing an increase of approximately RMB68.3 million, or approximately 54.8%, as compared with approximately RMB124.6 million in corresponding period in 2013. Although the production volume of raw coal decreased by approximately 21.3%, the unit mining cost still maintained at a high level as spending on materials, fuel and power consumptions continued to share among low level of production. Besides, approximately 113,000 tonnes of clean coal were purchased from outsiders for sales during the Review Period.

Staff costs during the Review Period were approximately RMB43.6 million, representing a decrease of approximately RMB15.1 million, or approximately 25.7%, as compared with approximately RMB58.7 million in the corresponding period of 2013. The decrease was in line with the decrease in the production volume of the Group's principle products during the Review Period.

Depreciation and amortisation during the Review Period were approximately RMB17.0 million, representing a decrease of approximately RMB13.8 million, or approximately 44.8%, as compared with approximately RMB30.8 million in corresponding period of 2013. The decrease was mainly attributable to the decrease in amortisation of mining right resulted from the low raw coal production volume. However, the depreciation and amortisation of mining assets shared among the raw coal production volume was relatively high.

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

	Six months ended 30 June	
	2014	2013
	RMB per tonne	RMB per tonne
Coal mining		
Cash cost	**213**	220
Depreciation and amortisation	**28**	38
Total production cost	**241**	258
Average cost of clean coal	**598**	642
Purchase cost of clean coal	**926**	1,066

Gross profit from continuing operations

As a result of the foregoing, the gross profit from continuing operations during the Review Period was approximately RMB50.4 million, representing a significant decrease of approximately RMB115.9 million or approximately 69.7%, as compared with approximately RMB166.3 million in corresponding period in 2013. The gross profit margin during the Review Period was approximately 15.4% as compared with approximately 40.7% in the corresponding period in 2013.

Other income, gains and losses from continuing operations

During the Review Period, the Group recorded an aggregate losses of approximately RMB704.4 million, representing a substantial decrease of approximately RMB802.6 million, as compared to aggregate gains of approximately RMB98.2 million in the corresponding period in 2013. The decrease was mainly attributable to (i) the turnaround from an exchange gain of approximately RMB85.1 million in the corresponding period in 2013 to an exchange loss of approximately RMB29.6 million during the period, (ii) an impairment loss recognised on trade receivables of approximately RMB20.9 million and (iii) an impairment loss recognised in respect of property, plant and equipment of approximately RMB709.5 million during the coal mine consolidation in Sichuan and Guizhou provinces in the PRC.

Distribution expenses from continuing operations

Distribution expenses from continuing operations during the Review Period were approximately RMB31.9 million, representing a decrease of approximately RMB20.7 million or approximately 39.4%, as compared to approximately RMB52.6 million in the corresponding period of 2013. The decrease was in line with the decrease in sales volume of the Group's principal products.

Administrative expenses from continuing operations

Administrative expenses from continuing operations during the Review Period were approximately RMB157.4 million, representing a decrease of approximately RMB21.2 million or approximately 11.9%, as compared to approximately RMB178.7 million in the corresponding period in 2013. The decrease was mainly attributable to the cost saving in staff costs of approximately RMB24.7 million after the closure of coking plant and disposal of Yunnan mining operation in 2013.

Finance costs from continuing operations

Finance costs from continuing operations for the Review Period amounted to approximately RMB274.5 million, representing a slight increase of approximately RMB15.4 million or approximately 5.9%, as compared with approximately RMB259.1 million in the corresponding period in 2013. The increase was mainly attributable to a decrease in interest capitalised on construction in progress of approximately RMB31.7 million after the disposal of Yunnan mining operation in 2013 but set off with a decrease in interest payable of approximately RMB16.3 million.

Taxation from continuing operations

During the Review Period, the Company recorded a material tax credit from continuing operations of approximately RMB161.0 million, representing a decrease of approximately RMB179.3 million as compared with tax provision of approximately RMB18.3 million in the corresponding period in 2013. The amount of income tax expense represented PRC Enterprise Income Tax ("EIT") of approximately RMB0.9 million and deferred tax credit of approximately RMB161.9 million mainly arising from the tax impact on the impairment of property, plant and equipment. For the current period EIT, the effective tax rate is considered to be not comparable as there was significant tax effect of tax losses not recognised resulting from loss incurred in certain subsidiaries of the Company.

Loss for the period from continuing operations

As a result of the foregoing, the loss attributable to the owners of the Company from continuing operations during the Review Period was approximately RMB968.2 million, representing a significant increase of approximately RMB722.7 million or approximately 294.4%, as compared with loss of approximately RMB245.5 million in the corresponding period in 2013.

Adjusted EDITDA from continuing operations

The following table illustrates the Group's adjusted EBITDA from continuing operations for the respective periods. The Group's EBITDA margin was 20.9% during the Review Period as compared with 21.0% in the corresponding period in 2013.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Loss for the period from continuing operations	**(968,681)**	(244,445)
Adjusted for:		
— Impairment on property, plant and equipment	**709,539**	–
	(259,142)	(244,445)
Finance costs	**274,474**	259,110
Taxation	**871**	18,692
Depreciation and amortisation	**52,413**	52,189
Adjusted EBITDA	**68,616**	85,546

Note: Taxation mentioned above only considers provision for EIT for the respective periods for the calculation of adjusted EBITDA.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the Group incurred net current liabilities of approximately RMB3,175 million as compared to approximately RMB3,001 million at 31 December 2013.

During the Review Period, cash flows from operating activities maintained at low level due to a limited production volume from the Company's coal mines in Sichuan and Guizhou provinces in the PRC. The Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal and the management of the Group is also implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position. The Group will further improve its financial position in providing liquidity and cash flows by implementing a number of measures, including but not limited to, raising further medium to long term banking facilities and rolling over short term banking facilities to medium term when they fall due.

As at 30 June 2014, the bank balances and cash of the Group amounted to approximately RMB194 million (as at 31 December 2013: approximately RMB322 million).

As at 30 June 2014, the total bank and other borrowings of the Group were approximately RMB5,221 million (as at 31 December 2013: approximately RMB4,587 million), of which approximately RMB2,795 million was repayable within one year (as at 31 December 2013: approximately RMB1,580 million). As at 30 June 2014, loan amounting to RMB1,745 million carries interest at fixed rate ranging from 2.55% to 9.25% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 9% per annum.

The gearing ratio (calculated 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 2014 was 51.6% (as at 31 December 2013: 45.8%).

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2014, the Group pledged assets in an aggregate amount of approximately RMB3,535 million (as at 31 December 2013: approximately RMB2,449 million) to banks for credit facilities.

As at 30 June 2014, the director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB658 million (as at 31 December 2013: approximately RMB1,233 million).

EMPLOYEES

As at 30 June 2014, the Group maintained an aggregate of 5,234 employees as compared with 5,839 employees at 31 December 2013. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) were approximately RMB92.5 million (corresponding period in 2013: approximately RMB141.7 million). The decrease mainly attributable to the closure of coking plant and the disposal of Yunnan mining operation in 2013.

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 (the "Directors") of the Company consider that the Group's risk in foreign exchange is insignificant. However, during the Review Period, the Group was exposed to an exchange rate risk mainly arising from the foreign currency bank balances of approximately US$4.6 million and HK$2.4 million.

SIGNIFICANT INVESTMENT HELD

The Group had invested in unlisted equity investments of RMB118.7 million representing 15%, 5%, 5% and 1.24% equity interest in four entities respectively. The principal activities of the investees are manufacturing of mining machinery, mining of potassium chloride and manufacturing of potassic fertilizer, coking coal trading information centre and manufacture of lithium salt products, respectively.

MATERIAL ACQUISITION AND DISPOSAL

On 6 January 2014, 攀枝花恒鼎礦業有限公司 (Panzhihau Hidili Mining Company Limited*) ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong Dexing 孔德興 ("Mr. Kong") and Ms. Wang Chaohui 王朝會 ("Ms. Wang"), independent third parties of the Company, pursuant to which the parties conditionally agreed to acquire 100% equity interest in 攀枝花市會興工貿有限責任公司 (Panzhihau Huixing Industry and Commercial Company Limited*), the company engaging in coal mining in Zhangjiawan Coal Mine located in Renhe District, Panzhihua City, Sichuan province, by Panzhihua Hidili from Mr. Kong and Ms. Wang at an aggregate consideration of RMB110 million.

On 6 January 2014, Panzhihua Hidili entered into the conditional agreement with 攀枝花市綠環工貿有限責任公司 (Panzhihua City Luhuan Industry and Commercial Company Limited*) ("Panzhihua Luhuan"), a company incorporated in the PRC with limited liability, pursuant to which the parties conditionally agreed to the acquisition of the mining right and mining structure of the coal mine located at Renhe District, Panzhihua City, Sichuan Province, the PRC by Panzhihua Hidili from Panzhihua Luhuan at a consideration of RMB48 million.

Saved as disclosed above, there was no other material acquisition or disposal of subsidiaries and associated companies by the Group during the Review Period.

CONTINGENT LIABILITIES

On 28 January 2013, Blackrock Japan Co., Limited (the "First Plaintiff") and Blackrock (Singapore) Limited (the "Second Plaintiff") (collectively known as the "Plaintiffs"), commenced legal proceedings against the Company in the High Court of Hong Kong Special Administrative Region Court of First Instance (the "Action").

The First Plaintiff is the investment manager of two high yield bond funds (the "Funds") in January 2010. It delegated the investment management of the Funds to the Second Plaintiff. The Funds were the holders of certain bonds issued by the Company (the "Bonds"). Under the terms of the Bonds, the Funds were entitled to require the Company to redeem some or all of the Bonds on 19 January 2013. Instead of issuing redemption notices on 18 and 19 December 2012, it is alleged that the Plaintiffs had issued by mistake notices (the "Notices") electing to convert the Bonds into Shares. The Plaintiffs asserted that the Company knew or ought to have known that the Notices were issued by mistake and therefore are void, or alternatively are voidable in equity, and are of no legal effect.

A statement of claim was served on the Company on 25 February 2013 and the Company served the defence on 29 April 2013. On 24 June 2013, the Plaintiffs indicated they would seek to amend their statement of claim, and also seek to resolve the dispute by way of mediation. The Action resumed on 12 November 2013.

An amended writ of summons and amended statement of claim was served on the Company on 9 December 2013. The Company filed an amended defence on 7 January 2014.

Saved as disclosed above, as at 30 June 2014, the Group did not have any other material contingent liabilities.

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

As at 30 June 2014, 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	1,100,674,000	Founder and beneficiary of trust	53.81%
Mr. Xian	Sanlian Investment Holding Limited ("Sanlian Investment")	1,000	Beneficial owner	100%
Mr. Sun Jiankun ("Mr. Sun") (Note 2)	The Company	19,380,000	Interest of controlled corporation	0.95%
Mr. Sun	Able Accord Enterprises Limited ("Able Accord")	1,000	Beneficial owner	100%
Mr. Chan Chi Hing	The Company	80,000	Beneficial owner	0.004%

Notes:

1. The 1,100,674,000 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. In 2011, 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 1,100,674,000 shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is also the sole director of Sanlian Investment.

2. The 19,380,000 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 19,380,000 shares held by Able Accord by virtue of the SFO. Mr. Sun is also a director of Able Accord.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2014, 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.

Other Information *(Continued)*

Saved as disclosed, at no time during the year 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 2014, 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)	561,343,740 (L)	Trustee	27.44% (L)
Sanlian Investment (Note 1)	1,100,674,000 (L)	Beneficial owner	53.81% (L)
Mr. Xian (Note 1)	1,100,674,000 (L)	Interest of controlled corporation	53.81% (L)
Ms. Qiao Qian (Note 2)	1,100,674,000 (L)	Interest of spouse	53.81% (L)
Baring Private Equity Asia GP V, L.P. (Note 3)	400,000,000	Interest of controlled corporation	19.55% (L)
Jean Eric Salata (Note 3)	400,000,000	Interest of controlled corporation	19.55% (L)

* (L)-Long position, (S)-Short position

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. In 2011, 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 1,100,674,000 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.

3. Baring Private Equity Asia GP V, L.P. was wholly controlled by Baring Private Equity Asia GP V Limited (as general partner), a company which wholly controlled The Baring Asia Private Equity Fund V, L.P. Baring Private Equity Asia GP V. Limited was wholly controlled by Mr. Jean Eric Salata. Baring Private Equity Asia V Holding (8) Limited was 99.35% controlled by The Baring Asia Private Equity Fund V, L.P. Accordingly, Baring Private Equity Asia GP V, L.P. and Jean Eric Salata by virtue of the SFO are deemed to be interested in 400,000,000 shares of the Company.

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").

On 30 April 2009, 26 February 2011 and 4 February 2013, 43,200,000 share options, 55,000,000 share options and 44,700,000 share options have been granted by the Company respectively under the Share Option Scheme.

At 30 June 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 137,147,000 (2013: 137,147,000). The directors and employees should be remained in office or employed by the Group for the options to be vested.

	Number of share options								
Name or category of participant	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2014	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	–	–	–	–	–	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	–	–	–	–	–	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
	20,000	–	–	–	20,000				
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				
	120,000	–	–	–	120,000				
Other employees in aggregate	11,587,000	–	–	–	11,587,000	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	26 February 2011	27 February 2012 to 24 August 2017	6.604	6.604
	21,960,000	–	–	–	21,960,000	26 February 2011	27 February 2013 to 24 August 2017	6.604	6.604
	10,980,000	–	–	–	10,980,000	26 February 2011	27 February 2014 to 24 August 2017	6.604	6.604
	44,700,000	–	–	–	44,700,000	4 February 2013	5 February 2014 to 24 August 2017	2.266	2.266
	136,879,000	–	–	–	136,879,000				
Other participants in aggregate	–	–	–	–	–	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	26 February 2011	27 February 2012 to 24 August 2017	6.604	6.604
	40,000	–	–	–	40,000	26 February 2011	27 February 2013 to 24 August 2017	6.604	6.604
	20,000	–	–	–	20,000	26 February 2011	27 February 2014 to 24 August 2017	6.604	6.604
	148,000	–	–	–	148,000				
	137,147,000	–	–	–	137,147,000				

Other Information *(Continued)*

The Group recognised the total expense of RMB5,990,000 (for the six months ended 30 June 2013: RMB26,602,000) for the current period in relation to the share options granted by the Company.

During both years, no share options have been exercised, forfeited, cancelled or lapsed under the Scheme.

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 Corporate Governance Code (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 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

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 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 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
7 August 2014

Report on Review of Condensed Consolidated Financial Statements

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 the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Hidili Industry International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Report on Review of Condensed Consolidated Financial Statements *(Continued)*

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to note 2 to the condensed consolidated financial statements which indicates that, as at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately RMB3,174,794,000 and the Group incurred a loss of approximately RMB968,681,000 for the six-month period then ended. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately RMB427 million as disclosed in note 22 to the condensed consolidated financial statements. The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future upon implementation of those measures as disclosed in note 2 to the condensed consolidated financial statements. However, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In addition, as disclosed in note 12 to the condensed consolidated financial statements, the Group is negotiating with the relevant government authorities of the People's Republic of China (the "PRC") in relation to the mines merger and consolidation plans in respect of the Group's coal mines in Sichuan and Guizhou provinces, pursuant to which the Group considered that some of the identified mining structures, including those under construction, will no longer be used in the mining operations because of safety and environmental factors. Accordingly, an impairment loss of RMB709,549,000 in respect of property, plant and equipment has been recognised in the condensed consolidated financial statements. However, the negotiations with the relevant government authorities of the PRC in relation to the process of finalising and completing the mines merger and consolidation have not been concluded and the Group has not obtained the mining licences granted by the relevant government authorities. Accordingly, once these negotiations have been finalised, the ultimate recoverable amount of other relevant property, plant and equipment may be significantly lower than their carrying amounts and this may have a consequential effect on the final amount of the impairment to be recognised in respect of the property, plant and equipment.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2014

	NOTES	**Six months ended 30.6.2014 RMB'000 (unaudited)**	30.6.2013 RMB'000 (unaudited) (restated)
Continuing operation			
Revenue	4	**327,965**	408,213
Cost of sales		**(277,524)**	(241,869)
Gross profit		**50,441**	166,344
Other income, gains and losses	5	**(704,429)**	98,209
Distribution expenses		**(31,862)**	(52,636)
Administrative expenses		**(157,408)**	(178,671)
Net gain on held-for-trading investments		**–**	498
Share of losses of associates		**(1,137)**	(745)
Share of losses of joint ventures		**(10,833)**	–
Finance costs	6	**(274,474)**	(259,110)
Loss before tax		**(1,129,702)**	(226,111)
Taxation	7	**161,021**	(18,334)
Loss for the period from continuing operations		**(968,681)**	(244,445)
Discontinued operation			
Loss for the period from discontinued operation	8	**–**	(23,762)
Loss and total comprehensive expense for the period	9	**(968,681)**	(268,207)
Loss and total comprehensive expense for the period attributable to owners of the Company			
— from continuing operations		**(968,192)**	(245,479)
— from discontinued operation		**–**	(23,762)
Loss and total comprehensive expense for the period attributable to the owners of the Company		**(968,192)**	(269,241)
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests from continuing operations		**(489)**	1,034
		(968,681)	(268,207)
Loss per share	11		
From continuing and discontinued operation			
Basic (RMB cents)		**(47)**	(13)
Diluted (RMB cents)		**(47)**	(13)
From continuing operations			
Basic (RMB cents)		**(47)**	(12)
Diluted (RMB cents)		**(47)**	(12)

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	12	**8,178,673**	8,483,068
Prepaid lease payments		**86,667**	87,450
Intangible assets		**137,608**	140,123
Interests in joint ventures		**2,389,167**	2,400,000
Interests in associates		**42,150**	39,287
Available-for-sale investments		**118,702**	188,630
Long term deposits and other receivables		**307,743**	318,703
Pledged and restricted bank deposits	15	**714,660**	94,450
Deferred tax assets		**231,200**	69,307
		12,206,570	11,821,018
Current Assets			
Inventories		**76,694**	133,037
Bills and trade receivables	13(a)	**432,772**	456,013
Bills receivables discounted with recourse	13(b)	**17,110**	90,000
Other receivables and prepayments	14	**637,275**	943,994
Amount due from a joint venture		**117,763**	111,115
Amounts due from related parties		**–**	38
Pledged and restricted bank deposits	15	**1,000,431**	919,348
Bank balances and cash		**193,659**	322,207
		2,475,704	2,975,752
Assets classified as held for sales		**–**	308,005
		2,475,704	3,283,757
Current Liabilities			
Bills and trade payables	16	**357,179**	368,732
Advances drawn on bills receivables discounted with recourse		**17,110**	90,000
Other payables and accrued expenses		**444,751**	437,696
Amounts due to related parties		**3,274**	2,472
Amount due to a non-controlling shareholder		**14,765**	14,765
Tax payables		**28,792**	40,804
Convertible loan notes		**7,283**	–
Senior notes		**2,351,404**	2,322,661
Bank and other borrowings — due within one year	17	**2,425,940**	3,007,898
		5,650,498	6,285,028
Liabilities associated with assets classified as held for sale		**–**	64
		5,650,498	6,285,092
Net Current Liabilities		**(3,174,794)**	(3,001,335)
Total Assets less Current Liabilities		**9,031,776**	8,819,683

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2014

	NOTES	**30.6.2014 RMB'000 (unaudited)**	31.12.2013 RMB'000 (audited)
Capital and Reserves			
Share capital	18	**197,506**	197,506
Reserves		**5,821,832**	6,784,034
Equity attributable to owners of the Company		**6,019,338**	6,981,540
Non-controlling interests		**35,908**	36,397
Total Equity		**6,055,246**	7,017,937
Non-current Liabilities			
Provision for restoration and environmental costs		**16,340**	16,095
Other long term payables	19	**37,680**	71,880
Deferred tax liabilities		**127,155**	127,155
Bank and other borrowings — due after one year	17	**2,795,355**	1,579,542
Convertible loan notes		**–**	7,074
		2,976,530	1,801,746
		9,031,776	8,819,683

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2014

	Attributable to owners of the Company												
	Share capital	Share premium	Treasury shares	Special reserve	Statutory surplus reserve	Convertible loan notes reserve	Future development fund	Share option reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	197,506	2,935,794	–	695,492	533,790	652	168,505	234,552	(99,070)	2,314,319	6,981,540	36,397	7,017,937
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	–	–	(968,192)	(968,192)	(489)	(968,681)
Transfer	–	–	–	–	–	–	3,113	–	–	(3,113)	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	5,990	–	–	5,990	–	5,990
At 30 June 2014 (unaudited)	197,506	2,935,794	–	695,492	533,790	652	171,618	240,542	(99,070)	1,343,014	6,019,338	35,908	6,055,246
At 1 January 2013 (audited)	199,078	2,852,040	–	695,492	503,002	179,434	278,137	181,381	(96,152)	2,492,385	7,284,797	99,800	7,384,597
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	–	–	(269,241)	(269,241)	1,034	(268,207)
Transfer	–	–	–	–	6,226	–	9,089	–	–	(15,315)	–	–	–
Conversion of convertible loan notes	764	121,408	–	–	–	(10,995)	–	–	–	–	111,177	–	111,177
Acquisition of additional interests in non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(2,918)	–	(2,918)	(63,542)	(66,460)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	26,622	–	–	26,622	–	26,622
Repurchase of shares	–	–	(39,990)	–	–	–	–	–	–	–	(39,990)	–	(39,990)
Redemption of convertible loan notes	–	–	–	–	–	(167,787)	–	–	–	167,787	–	–	–
At 30 June 2013 (unaudited)	199,842	2,973,448	(39,990)	695,492	509,228	652	287,226	208,003	(99,070)	2,375,616	7,110,447	37,292	7,147,739

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2014

	NOTES	Six months ended 30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Net cash used in operating activities		**(55,758)**	(60,330)
Net cash used in investing activities			
Withdrawal of pledged and restricted bank deposits		**1,071,240**	720,221
Proceeds from disposal of property, plant and equipment		**363,588**	–
Proceeds from disposal of subsidiaries	21	**253,146**	–
Proceeds from disposal of available-for-sale investments		**104,063**	–
Placement of pledged and restricted bank deposits		**(1,772,533)**	(1,603,757)
Additions to property, plant and equipment	12	**(336,267)**	(389,929)
Acquisition of a subsidiary	20	**(74,725)**	–
Deposits paid for acquisition of assets and land use rights		**(18,474)**	(14,593)
Deposit received for disposals of subsidiaries		**–**	1,200,000
Other investing cash flows		**23,688**	18,263
		(386,274)	(69,795)
Net cash from (used in) financing activities			
New bank and other borrowings raised	17	**2,807,855**	3,622,514
Repayment of bank and other borrowings	17	**(2,174,000)**	(2,135,664)
Interest paid		**(308,437)**	(332,209)
Repayment of other long term payables		**(34,200)**	(53,244)
Repurchase of shares		**–**	(39,990)
Acquisition of additional interests in non-wholly owned subsidiaries		**–**	(40,980)
Redemption of convertible loans notes		**–**	(1,696,553)
Other financing cash flows		**17,912**	50,179
		309,130	(625,947)
Net decrease in cash and cash equivalents		**(132,902)**	(756,072)
Cash and cash equivalents at 1 January		**326,561**	1,554,368
Cash and cash equivalents at 30 June		**193,659**	798,296
Represented by:			
Bank balances and cash		**193,659**	793,093
Bank balances and cash classified as held for sale		**–**	5,203
		193,659	798,296

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2014

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. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is Room 3702, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. In the opinion of the directors, the Company's parent company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands and ultimate holding company is Sarasin Trust Company Guernsey Limited, which is controlled by Mr. Xian Yang, the Executive director of the Company. 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 raw coal and clean coal.

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

2. BASIS OF PREPARATION

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

In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately RMB3,174,794,000 and the Group incurred a loss of approximately RMB968,681,000. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately RMB427,379,000 as disclosed in note 22.

The directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future, taking into consideration of presently available unutilised banking facilities of approximately RMB4,875 million which are repayable after 12 months from drawn down date. In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, the management of the Group expects certain mines will complete the merger and consolidation and will resume production in the second half of 2014. The management of the Group is also implementing active cost-saving measures to improve its operating cash flows and financial position.

Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to International Financial Reporting Standards ("IFRSs"):

- Amendments to IFRS 10, IFRS 12 and IFRS 27 *Investment entities*;
- Amendments to IAS 32 *Offsetting financial assets and financial liabilities*;
- Amendments to IAS 36 *Recoverable amount disclosures for non-financial assets*;
- Amendments to IAS 39 *Novation of derivatives and continuation of hedge accounting*; and
- IFRIC-INT 21 *Levies*.

The application of the above new interpretation and amendments to 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.

4. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purpose of allocating resources to segments and assessing their performance. Information reported to the chief operating decision makers (i.e. the executive directors) for the purposes of resource allocation and performance assessment focuses on the Group's business operations, which is the basis upon which the Group is organised.

The Group's reportable and operating segments under IFRS 8 in its continuing operations are comprised of: (i) coal mining; and (ii) others. Management identifies the Group's segments by the nature of the Group's operation.

Principal activities are as follows:

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

An operating segment regarding manufacture and sales of coke and its by-product was discontinued during the year ended 31 December 2013. The segment information reported below does not include any amounts relating to the discontinued operation, which are disclosed in note 8.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segments revenues and results

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

Six months ended 30 June 2014

	Coal mining RMB'000	Others RMB'000	Total RMB'000
REVENUE			
External	**327,405**	**560**	**327,965**
RESULTS			
Segment (loss) profit	**(712,049)**	**226**	**(711,823)**
Other income, gains and losses			**25,973**
Administrative expenses			**(157,408)**
Share of losses of joint ventures			**(10,833)**
Share of losses of associates			**(1,137)**
Finance costs			**(274,474)**
Loss before tax			**(1,129,702)**

Six months ended 30 June 2013

	Coal mining RMB'000	Others RMB'000	Total RMB'000
REVENUE			
External	406,457	1,756	408,213
RESULTS			
Segment profit	113,196	512	113,708
Other income, gains and losses			98,209
Administrative expenses			(178,671)
Net gain on held-for-trading investments			498
Share of losses of associates			(745)
Finance costs			(259,110)
Loss before tax			(226,111)

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segments revenues and results *(Continued)*

Segment profit represents profit earned by each segment without allocation of certain other income, gains and losses, administrative expenses, finance costs, net gain on held-for-trading investments, share of losses of joint ventures and share of losses of associates. This is the measure reported to the chief operating decision makers (i.e. the executive directors of the Company) for the purposes of resource allocation and assessment of segment performance.

Revenue information

Revenue from coal mining segment include RMB122,871,000 (for the six months ended 30 June 2013: RMB68,093,000) which arose from sale of clean coal to customers which were purchased from independent third parties. The cost of these coal products sold was RMB112,641,000 (six months ended 30 June 2013: RMB63,005,000). This arrangement was made in view of the impact of the suspension of the Group's mines for mines merger and consolidation process (2013: for safety inspection and government deliberations since the occurrence of accidents in mining operations in the vicinity of the Group's mines) which affected the Group's ability to produce sufficient amounts of coal products to fulfil its customer's orders.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Interest income	**21,031**	10,925
Gain on disposal of available-for-sale investments	**36,358**	–
Gain on disposal of subsidiaries	**1,476**	–
Exchange (loss) gain	**(29,633)**	85,095
(Loss) gain on disposal of property, plant and equipment	**(9,867)**	302
Impairment loss recognised on trade receivables	**(20,853)**	–
Impairment loss recognised in respect of property, plant and equipment (note 12)	**(709,549)**	–
Others	**6,608**	1,887
	(704,429)	98,209

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

For the Six Months Ended 30 June 2014

6. FINANCE COSTS

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**177,818**	193,494
— advances drawn on bills receivable discounted	**29,754**	17,169
Interest expense on senior notes	**100,408**	107,201
Effective interest expense on convertible loan notes	**256**	6,620
	308,236	324,484
Less: Interest capitalised in construction in progress	**(33,762)**	(65,374)
	274,474	259,110

7. TAXATION

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax — PRC Enterprise Income Tax ("EIT")	**(871)**	(18,692)
Deferred tax	**161,892**	358
	161,021	(18,334)

The provision of EIT is based on a statutory rate of 25% of the assessable profit of the Group entities which recorded profit for the period as determined in accordance with the relevant income tax rules and regulations of the PRC.

Deferred tax credit recognised during the six months ended 30 June 2014 represents deferred tax assets recognised in respect of impairment of property, plant and equipment during current period.

8. DISCONTINUED OPERATION

During the year ended 31 December 2013, the coking plant of Panzhihua City Hidili Coke Company Limited, a wholly-owned subsidiary of the Company, had been listed by the Ministry of Industry and Information Technology of the PRC as one of the first batch of enterprises with obsolete industrial production capability. Since the capital investments for improving of the technology for coking machineries is high, the management of the Company considered it is not worth to further invest in the coking business. Accordingly, the management of the Company decided to abandon the coking operation and wrote off all of the coking machineries of Panzhihua City Hidili Coke Company Limited. Accordingly, the Group's coking business ceased operations during the year ended 31 December 2013 and are presented as discontinued operation.

The loss for the six months ended 30 June 2013 from the discontinued coking operation was set out below. The comparative figures in the statement of profit or loss and other comprehensive income have been restated to re-present the coking operation as a discontinued operation.

	RMB'000
Revenue	58,373
Cost of sales	(67,989)
Other income	165
Distribution costs	(2,022)
Administration expenses	(10,094)
Finance costs	(2,195)
Loss for the year	(23,762)

Loss after taxation from discontinued operation includes the following:

	Six months ended 30.6.2013 RMB'000
Release of prepaid lease payments	265
Depreciation and amortisation of property, plant and equipment	7,560
Salaries and other benefits	10,292
Retirement benefits scheme contribution	694

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

For the Six Months Ended 30 June 2014

9. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period from continuing operations has been arrived at after charging the following items:		
Amortisation of intangible assets	**2,515**	1,900
Release of prepaid lease payments	**634**	50
Provision for restoration and environmental costs	**245**	327
Depreciation of property, plant and equipment	**49,264**	50,239
Directors' remunerations	**1,307**	1,494
Salaries and other benefits	**84,361**	106,048
Retirement benefits scheme contribution	**846**	7,576
Share-based payment expenses	**5,990**	26,602
Total staff costs	**92,504**	141,720

10. DIVIDEND

No dividends were paid, declared or proposed for the six months ended 30 June 2014 and 2013 or since the end of the reporting period.

11. LOSS PER SHARE

From continuing and discontinued operations

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

Loss

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(968,192)**	(269,241)

Number of shares

	Six months ended	
	30.6.2014	30.6.2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,045,598**	2,071,619

11. LOSS PER SHARE *(Continued)*

From continuing operations

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

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	**(968,192)**	(269,241)
Less: Loss for the period from discontinued operation	**–**	(23,762)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(968,192)**	(245,479)

From discontinued operation

Basic and diluted loss per share for the discontinued operation for the period ended 30 June 2013 was RMB1 cent per share, which was based on the loss for the period from the discontinued operation of RMB23,762,000 and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the six months ended 30 June 2014 and 2013 does not assume the conversion of the Company's convertible loan notes and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB128.3 million (six months ended 30 June 2013: RMB104.9 million) and RMB208 million (six months ended 30 June 2013: RMB285 million) on acquisition of property, plant and equipment and construction in progress, respectively.

In addition, the Group is negotiating with the relevant government authorities of the People's Republic of China (the "PRC") in relation to the mines merger and consolidation plans in respect of the Group's coal mines in Sichuan and Guizhou provinces, pursuant to which the Group considered that some of the identified mining structures, including those under construction, will no longer be used in the mining operations because of safety and environmental factors. Accordingly, an impairment loss of RMB57,249,000, RMB304,125,000 and RMB348,175,000 of buildings, mining structures and construction in progress has been recognised respectively in the condensed consolidated financial statements. However, the negotiations with the relevant government authorities of the PRC in relation to the process of finalising and completing the mines merger and consolidation have not been concluded and the Group has not obtained the mining licences granted by the relevant government authorities. The directors believe that the amount estimated in respect of the impairment is appropriate based on the currently available information obtained from the negotiations with the relevant government authorities. However, once these negotiations have been finalised, the ultimate recoverable amount of other relevant property, plant and equipment may be significantly lower than their carrying amount and this may have a consequential effect on the final amount of the impairment to be recognised in respect of the property, plant and equipment.

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

For the Six Months Ended 30 June 2014

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 30 June 2014, the legal titles of the mining rights included in property, plant and equipment with carrying values of approximately RMB239 million (31 December 2013: RMB242 million), have not been granted by the relevant government authorities and the relevant title transfers are still under application. In the opinion of the directors, 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.

13. 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 following is an analysis of trade receivables and bills receivables by age, net of allowance for doubtful debts, presented based on the invoice date, which approximately respective revenue recognition dates is as follows:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Aged:		
0–90 days	**328,400**	302,968
91–120 days	**28,423**	25,036
121–180 days	**11,377**	14,627
181–365 days	**35,318**	74,913
Over 365 days	**29,254**	38,469
	432,772	456,013

During the period ended 30 June 2014, the Group made an allowance of RMB20,853,000 in respect of the trade receivables related to the coal mining business, which was past due over 1 year at the reporting date with long age and slow repayment history in respect of certain customers. The directors of the Company considered the related receivables from these customers may not be collected in full and specific allowance is made.

13. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE *(Continued)*

(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 is as follows:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
0–90 days	**15,910**	90,000
91–180 days	**1,200**	–
	17,110	90,000

14. OTHER RECEIVABLES AND PREPAYMENT

During the current interim period, the Group received partial remaining proceeds on disposal of coal mines of approximately RMB347,588,000. The remaining proceeds of RMB133,748,000 is expected to be recovered in September 2014.

15. PLEDGED BANK DEPOSITS

As at 30 June 2014, the Group pledged bank deposits of RMB1,458 million to secure bank borrowings, of which RMB800 million is pledged for bank borrowings repayable in July 2014 and RMB658 million is pledged for a bank borrowing repayable in January 2016, and therefore classified as current assets and non-current assets, respectively.

16. BILLS AND TRADE PAYABLES

The following is an analysis of bills and trade payables by age, presented based on the invoice date.

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Aged:		
0–90 days	**97,237**	202,485
91–180 days	**121,852**	44,530
181–365 days	**66,858**	40,136
Over 365 days	**71,232**	81,581
	357,179	368,732

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

For the Six Months Ended 30 June 2014

17. BANK AND OTHER BORROWINGS

	30.6.2014 **RMB'000** **(unaudited)**	31.12.2013 RMB'000 (audited)
Secured bank loans	**4,821,295**	3,937,440
Unsecured other loans	**400,000**	650,000
	5,221,295	4,587,440

The bank and other borrowings are repayable as follows:

	30.6.2014 **RMB'000** **(unaudited)**	31.12.2013 RMB'000 (audited)
Carrying amount of bank borrowings repayable:		
Within one year	**2,425,940**	3,007,898
More than one year, but not exceeding two years	**1,615,000**	780,000
More than two years, but not exceeding five years	**1,180,355**	799,542
Total bank and other borrowings	**5,221,295**	4,587,440
Less: Amount due within one year shown under current liabilities	**(2,425,940)**	(3,007,898)
Amount due after one year	**2,795,355**	1,579,542

During the current interim period, the Group obtained new borrowings in an aggregate amount of RMB2,807.9 million (for the six months ended 30 June 2013: RMB3,622.5 million) and repaid borrowings in an aggregate amount of RMB2,174 million (for the six months ended 30 June 2013: RMB2,135.7 million). As at 30 June 2014, loan amounting to RMB1,745 million carries interest at fixed rate ranging from 2.55% to 9.25% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 9% 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.

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

For the Six Months Ended 30 June 2014

18. SHARE CAPITAL

	Number of shares	Amount HK$'000	Amount RMB'000
Ordinary shares of HK$0.1 each			
Issued and fully paid:			
As at 1 January 2013	2,065,653,000	206,565	199,078
Conversion of convertible loan notes	9,445,399	945	764
As at 30 June 2013	2,075,098,399	207,510	199,842
As at 1 January and 30 June 2014	2,045,598,000	204,560	197,506

19. OTHER LONG TERM PAYABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Other long term payables comprise:		
Consideration payable for mining right	**79,440**	125,004
Less: Amount due within one year shown under current liabilities (included in other payables and accrued expenses)	**(41,760)**	(53,124)
	37,680	71,880

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 6 January 2014, Panzhihua Hidili Mining Company Limited ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong and Ms. Wang, independent third parties of the Company, pursuant to which Panzhihua Hidili conditionally agreed to acquire 100% equity interest in Panzhihua Huixing Industry and Commercial Company Limited at an aggregate consideration of RMB110 million. The acquisition was entered into pursuant to the mines merger and consolidation process and was completed on 1 April 2014.

Consideration transferred

	RMB'000
Cash	110,000
Assets and liabilities recognised at the date of acquisition	
Property, plant and equipment	107,491
Inventories	1,394
Other receivables and prepayments	6,272
Bank balance and cash	5,275
Trade payables	(7,243)
Other payables	(3,189)
	110,000
Net cash outflow arising on acquisition	
Consideration in cash	110,000
Less: deposit paid in prior years	(30,000)
Less: cash and cash equivalent balances acquired	(5,275)
	74,725

21. DISPOSAL OF SUBSIDIARIES

On 28 November 2013, the Group and Sichuan Guoli Lithium Materials Co., Ltd., an independent third party, entered into an agreement pursuant to which the Group conditionally agreed to dispose of its entire equity interests in 四川恒鼎鋰業科技有限公司 ("Sichuan Hilidi Lithium Technology Co., Ltd.") and its subsidiaries ("Disposal Group") at a consideration of RMB414 million (the "Disposal"). On 28 March 2014, a supplemental agreement was entered between the parties and the consideration has been revised to RMB307.5 million. The transaction was completed on 5 April 2014.

Assets and liabilities recognised at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	300,866
Inventories	2,785
Other receivables and prepayments	3,704
Bank balance and cash	4,354
Trade payables	(86)
Other payables	(5,599)
	306,024
Gain on disposal	1,476
	307,500
Net cash inflow arising on disposal	
Total cash consideration	307,500
Less: deposit received in prior year	(50,000)
Less: bank balances and cash disposed of	(4,354)
	253,146

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

For the Six Months Ended 30 June 2014

22. CAPITAL COMMITMENTS

	30.6.2014 **RMB'000** **(unaudited)**	31.12.2013 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	**308,514**	346,446
The Group's share of the capital commitment made jointly with other joint venturers relating to its joint venture, Yunnan Dongyuan Hidili, Coal Industry Company Limited ("Yunnan Hidili"), is as follows:		
Commitments for the acquisition of property, plant and equipment	**118,865**	108,804

23. 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:

	30.6.2014 **RMB'000** **(unaudited)**	31.12.2013 RMB'000 (audited)
Property, plant and equipment	**2,014,086**	1,061,337
Bank deposits	**1,458,431**	919,348
Bills receivables	**62,324**	37,000
Other receivables	**–**	481,336
	3,534,841	2,499,021

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

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

For the Six Months Ended 30 June 2014

24. 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 30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Panxian Panshi Logistic Distribution Co., Ltd.	An investee company	Transportation costs	**–**	4,913
Panxian Panying Logistic Distribution Co., Ltd.	An investee company	Transportation costs	**–**	517
Mr. Xian Jilun	Father of Mr. Xian Yang	Rental expenses	**–**	300
Fuyuan Jintong Coking Company Limited	An associate	Transportation costs	**–**	77
Yunnan Hidili	Joint venture	Sales of coal	**29,631**	–

As at 30 June 2014, the director, Mr. Xian Yang guaranteed bank borrowings of approximately RMB658 million (31 December 2013: RMB1,233 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 30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Short-term benefits	**1,905**	2,397
Post-employment benefits	**29**	53
Share-based payment expenses	**–**	17,584
	1,934	20,034