Hidili Industry International Development Limited
恒鼎實業國際發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01393)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

	2010	2009	Change
	RMB'000	*RMB'000*	*%*
Turnover	**2,437,319**	1,495,396	63.0
Gross Profit	**1,693,297**	871,270	94.3
Profit Before Tax	**822,230**	458,361	79.4
Profit Attributable to the Owners of the Company	**669,505**	403,509	65.9
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	**1,164,422**	614,249	89.6
Basic Earning per share *(RMB cents)*	**32.5**	19.6	65.8

The Board proposed the payment of a final cash dividend of RMB6.5 cents per share to all shareholders of the Company.

The board (the "Board") of directors (the "Directors") of Hidili Industry International Development Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (the "Year") together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2010	2009
	Notes	***RMB'000***	*RMB'000*
Turnover	4	**2,437,319**	1,495,396
Cost of sales		**(744,022)**	(624,126)
Gross profit		**1,693,297**	871,270
Other income	5	**15,105**	11,428
Distribution expenses		**(341,654)**	(153,849)
Administrative expenses		**(321,332)**	(233,142)
Net gain on derivatives and held-for-trading investments		**17,151**	19,003
Impairment loss recognized in respect of property, plant and equipment		**(26,350)**	—
Finance costs	6	**(213,987)**	(56,349)
Profit before tax	7	**822,230**	458,361
Income tax expenses	8	**(146,188)**	(56,382)
Profit and total comprehensive Income for the year	7	**676,042**	401,979
Attributable to:			
Owners of the Company		**669,505**	403,509
Non-controlling interests		**6,537**	(1,530)
		676,042	401,979
Earnings per share			
Basic *(RMB cents)*	10	**32.5**	19.6
Diluted *(RMB cents)*	10	**32.1**	19.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,072,361**	7,968,805
Prepaid lease payments		**30,385**	31,062
Deposits		**318,516**	219,950
Deposits paid for acquisition of land use rights		**25,538**	25,274
Deposits paid for acquisition of additional interests in subsidiaries		**52,500**	36,000
Convertible bond receivable		**63,536**	—
Derivative component in convertible bond receivable		**3,269**	—
Intangible assets		**104,817**	111,691
Goodwill		**11,065**	11,065
Loan receivables		**25,173**	—
		10,707,160	8,403,847
CURRENT ASSETS			
Inventories		**242,974**	144,704
Bills and trade receivables	11(a)	**938,975**	516,366
Bills receivables discounted with recourse	11(b)	**241,733**	241,019
Other receivables and prepayments		**488,357**	210,177
Amount due from related parties		**106,942**	83,755
Held-for-trading investments		**97,369**	48,641
Pledge and restricted bank deposits		**165,791**	577,883
Bank balances and cash		**1,649,037**	674,545
		3,931,178	2,497,090

	Notes	**2010** *RMB'000*	2009 *RMB'000*
CURRENT LIABILITIES			
Bills and trade payables	12	**271,407**	131,875
Advances drawn on bills receivables discounted with recourse		**241,733**	241,019
Other payables and accrued expenses		**462,997**	698,389
Amount due to a related party		**1,200**	—
Amount due to a non-controlling interest of a subsidiary		**15,455**	—
Tax payables		**91,698**	47,952
Secured bank and other borrowings — due within one year		**676,000**	2,467,084
		1,760,490	3,586,319
NET CURRENT ASSETS (LIABILITIES)		**2,170,688**	(1,089,229)
		12,877,848	7,314,618
CAPITAL AND RESERVES			
Share capital		**198,605**	198,605
Share premium and reserves		**6,774,207**	6,079,391
Equity attributable to owners of the Company		**6,972,812**	6,277,996
Non-controlling interests		**163,602**	145,087
TOTAL EQUITY		**7,136,414**	6,423,083

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITY			
Provision for restoration and environmental costs		**11,646**	9,329
Deferred tax liabilities		**306,989**	244,682
Other long term payables		**222,790**	142,524
Secured bank and other borrowings — due after one year		**1,094,000**	495,000
Senior notes		**2,596,614**	—
Convertible loan notes		**1,509,395**	—
		5,741,434	891,535
		12,877,848	7,314,618

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 "Stock Exchange"). The address of the registered office and 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 ("Sanlian Investment"), a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited. The Company is an investment holding company and its subsidiaries are engaged in mining and sale of coke, raw coal and clean coal and provision of transportation services.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

In the current year, the Group has applied the following new and revised standards, amendment and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee (the "IFRIC") which are or have been effective.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009,
IFRSs (Amendments)	Improvements to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC — Int 17	Distributions of Non-cash Assets to Owners

The adoption of the new IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 24 (as revised in 2009)	Related Party Disclosures[5]
IAS 32 (Amendment)	Classification of Rights Issues[6]
IFRIC — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
IFRIC — Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 July 2010.

[3] Effective for annual periods beginning on or after 1 January 2013.

[4] Effective for annual periods beginning on or after 1 January 2012.

[5] Effective for annual periods beginning on or after 1 January 2011.

[6] Effective for annual periods beginning on or after 1 February 2010.

[7] Effective for annual periods beginning on or after 1 July 2010.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

The consolidated financial statements have been prepared in accordance with the IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")and by the Companies Ordinance Cap 32 of the Laws of Hong Kong.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating and reportable segments under IFRS 8 are comprised of: (i) coal mining; (ii) coking; and (iii) others.

The Group's principal activities are as follows:

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

Segments revenues and results

	For the year ended 31 December 2010				
				Inter-segment	
	Coal mining	Coking	Others	eliminations	Total
	RMB'000	*RMB'000*	*RMB'00*	*RMB'000*	*RMB'000*
REVENUE					
External	**1,730,141**	**696,556**	**10,622**	**—**	**2,437,319**
Inter-segment	**463,917**	**—**	**—**	**(463,917)**	**—**
Total	**2,194,058**	**696,556**	**10,622**	**(463,917)**	**2,437,319**

Inter-segment transactions were carried out at a margin of 41%.

RESULTS					
Segment profit	**983,662**	**364,772**	**3,209**	**—**	**1,351,643**
Other income					**15,105**
Administrative expenses					**(321,332)**
Net gain on derivatives and held-for-trading investments					**17,151**
Impairment loss recognised in respect of property, plant and equipment					**(26,350)**
Finance costs					**(213,987)**
Profit before tax					**822,230**

	For the year ended 31 December 2009				
	Coal mining	**Coking**	**Others**	**Inter-segment eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'00*	*RMB'000*	*RMB'000*
REVENUE					
External	614,522	871,702	9,172	—	1,495,396
Inter-segment	636,382	—	—	(636,382)	—
Total	1,250,904	871,702	9,172	(636,382)	1,495,396

Inter-segment transactions were carried out at a margin of 37%.

RESULTS					
Segment profit	256,483	458,683	2,255	—	717,421
Other income					11,428
Administrative expenses					(233,142)
Net gain on derivatives and held-for-trading investments					19,003
Finance costs					(56,349)
Profit before tax					458,361

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

5. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Bank interest income	**9,214**	8,119
Dividend income from held-for-trading investments	**700**	660
Others	**5,191**	2,649
	15,105	11,428

6. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**99,266**	24,566
— advances drawn on bills receivable discounted	**34,974**	40,823
— convertible loans notes	**100,673**	—
— senior notes	**36,863**	—
	271,776	65,389
Less: Interest capitalised in construction in progress	**(57,789)**	(9,040)
	213,987	56,349

7. PROFIT FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Impairment loss (reversal of impairment loss) recognised on		
— trade receivables	**(4,155)**	6,148
— other receivables	**9,502**	247
— loan receivables	**—**	(5,610)
	5,347	785
Amortisation of prepaid lease payments	**677**	675
Amortisation of intangible assets (of which the RMB3,799,000 (2009:RMB3,800,000) included in distribution expenses and RMB3,075,000 (2009:RMB4,100,000) included in cost of sales)	**6,874**	7,900
Provision for restoration and environmental costs	**2,317**	1,486
Depreciation and amortisation of property, plant and equipment	**120,654**	90,964
Loss on disposal of property, plant and equipment	**46**	206

8. INCOME TAX EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**135,546**	50,072
Underprovision (overprovision) in prior years	**1,906**	(4,945)
	137,452	45,127
Deferred tax	**8,736**	11,255
	146,188	56,382

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% for 2010 and 2009.

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

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

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

9. DIVIDENDS

The Directors recommended payment of a final dividend of RMB6.5 cents per share (2009:RMB10 cents) for the Year. This proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

Earnings	**2010**	2009
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share	**669,505**	403,509

Number of shares	**2010**	2009
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,060,000**	2,060,000
Effect of dilutive potential ordinary shares:		
Share options	**22,778**	12,092
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,082,778**	2,072,092

The computation of diluted earnings per share for the Year 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.

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

(a) Bills and trade receivables

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**600,747**	397,047
Less: allowance for doubtful debts	**(4,683)**	(8,838)
	596,064	388,209
Bills receivables	**342,911**	128,157
	938,975	516,366

The Group generally allows an average credit period ranging from 90 to 120 days to its trade customers and an average credit period for bills receivables 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:

	2010	2009
	RMB'000	*RMB'000*
Aged:		
0 -90 days	**823,981**	482,559
91-120 days	**96,016**	14,560
121-180 days	**4,169**	14,337
181-365 days	**4,903**	4,910
Over 365 days	**9,906**	—
	938,975	516,366

(b) Bills receivables discounted with full 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:

	2010	2009
	RMB'000	*RMB'000*
Aged:		
0–90 days	**148,390**	162,749
91–120 days	**93,343**	78,270
	241,733	241,019

12. BILLS AND TRADE PAYABLES

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

	2010	2009
	RMB'000	*RMB'000*
Aged:		
0–90 days	**228,850**	116,640
91–180 days	**19,730**	13,499
181–365 days	**8,763**	1,736
Over 365 days	**14,064**	—
	271,407	131,875

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Year, turnover of the Group reached approximately RMB2,437.3 million, representing an increase of approximately 63.0%, as compared with approximately RMB1,495.4 million in 2009. The increase was primarily attributable to the increase in sales volumes of clean coal and average selling prices of the principal products and by-products. The sales volume recorded for clean coal and coke during the Year amounted to approximately 1,300,000 tonnes and 470,000 tonnes respectively as compared to approximately 610,000 tonnes and 688,000 tonnes respectively in 2009, representing an increase in volume of clean coal of approximately 113.1% and a decrease in volume of coke of 31.7% respectively. The average selling price in 2010 for both clean coal and coke increased significantly from RMB869.8 per tonne and RMB1,234.3 per tonne respectively to RMB1,131.7 per tonne and RMB1,419.4 per tonne, representing an increase of approximately 30.1% and 15.0% respectively. During the Year, the Group sold 241,000 tonnes of raw coal for approximately RMB116.0 million in the Guizhou and Yunnan provinces. The Group considered to sell out the raw coal directly in order to save transportation costs in transferring to washing plants that far away from the coal mines. The Group expects, with the completion in the development of new washing plants in the year 2011, the raw coal produced can be fully consumed for further processing.

The following table sets forth the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2009:

	2010			2009		
	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	**1,471,308**	**1,300.1**	**1,131.7**	530,487	609.9	869.8
Coke	**666,419**	**469.5**	**1,419.4**	849,404	688.2	1,234.3
Principal products total	**2,137,727**			1,379,891		
By-products						
High-ash thermal coal	**142,871**	**639.4**	**223.4**	76,465	416.9	183.4
Coal tar	**30,137**	**13.7**	**2,199.8**	22,298	16.1	1,384.2
By-products total	**173,008**			98,763		
Other products						
Raw coal	**115,962**	**240.6**	**482.0**	7,570	18.2	416.7
Benzene	**8,709**	**2.6**	**3,349.6**	5,677	3.2	1,787.5
Others	**1,913**			3,495		
Other products total	**126,584**			16,742		
Total turnover	**2,437,319**			1,495,396		

Cost of sales

Cost of sales for the Year was approximately RMB744.0 million, representing an increase of approximately RMB119.9 million, or approximately 19.2%, as compared with approximately RMB624.1 million in 2009. In line with the development of the mines in the Guizhou and Yunnan provinces, production volume steadily increased and comparatively the costs relating to materials, fuel and power and staff attributable to the unit production costs recorded a decrease. Accordingly, the improvement in efficiency resulted in an increase of gross profit margin.

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

	2010	2009
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**124**	136
Depreciation and amortisation	**19**	23
Total production cost	**143**	159
Average cost of clean coal	**319**	356
Average cost of coke	**456**	499

In 2010, the raw coal production volume recorded an increase of approximately 1.4 million tonnes, or 50%, as compared with approximately 2.8 million tonnes in 2009. In the Sichuan province, the raw coal production volume maintained at a similar level as that recorded in 2009. The volume growth come from the Guizhou and Yunnan provinces. During the Year, production volume of coke decreased since the coking plant in the Guizhou province ceased operation from September 2010 and the increased clean coal production volume shifted to direct sales. The following table illustrates the production volume of the principal products in Panzhihua, Sichuan province and the Guizhou and Yunnan provinces.

Principal products	**2010 Sichuan Production volume** *('000 tonnes)*	**2010 Guizhou and Yunnan Production volume** *('000 tonnes)*	**2010 Total Production volume** *('000 tonnes)*	2009 Sichuan Production volume *('000 tonnes)*	2009 Guizhou and Yunnan Production volume *('000 tonnes)*	2009 Total Production volume *('000 tonnes)*
Raw coal production	**1,527**	**2,698**	**4,225**	1,505	1,303	2,808
Clean coal	**714**	**1,279**	**1,993**	787	696	1,483
Coke	**355**	**85**	**440**	534	174	708

Material, fuel and power costs for the Year were approximately RMB320.3 million, representing an increase of approximately RMB18.0 million, or approximately 6.0%, as compared with approximately RMB302.3 million in 2009. In the year 2009, materials usage amounting to approximately RMB70 million incurred from the development of mining structure was charged to profit and loss. Accordingly, the materials, fuel and power costs incurred for the year 2009 was amounted to approximately RMB232.3 million. Comparing to the 50% growth in the raw coal production volume, the Group experienced an effective consumption of material, fuel and power with only increased by 37.9% in the Year.

Staff costs for the Year were approximately RMB247.4 million, representing an increase of approximately RMB76.5 million, or approximately 44.8%, as compared with approximately RMB170.9 million in 2009. The increase was primarily attributable to the increase in the number of mine workers in the Guizhou and Yunnan provinces and the rising wages in line with the enlarged production volumes.

Depreciation and amortization for the Year were approximately RMB95.9 million, representing an increase of approximately RMB23.5 million, or approximately 32.5%, as compared with approximately RMB72.4 million in 2009. The increase was primarily attributable to the additional capital expenditure incurred in connection with the coal mines and the acquisition of coal washing and coking plants in the Guizhou and Yunnan provinces during the Year.

Gross profit

As a result of the foregoing, the gross profit for the Year was approximately RMB1,693.3 million, representing an increase of approximately RMB822.0 million or approximately 94.3%, as compared with approximately RMB871.3 million in 2009. The gross profit margin was approximately 69.5% as compared with approximately 58.3% in 2009.

Other income

Other income for the Year amounted to approximately RMB15.1 million, representing an increase of approximately RMB3.7 million or approximately 32.5%, as compared with approximately RMB11.4 million in 2009. The increase was partly attributable to the increase in interest income.

Distribution expenses

Distribution expenses for the Year were approximately RMB341.7 million, representing an increase of approximately RMB187.9 million or approximately 122.2%, as compared to approximately RMB153.8 million in 2009. The increase mainly resulted from (i) increase in government levies of approximately RMB40.3 million relating to the increase in sales volume in the Guizhou and Yunnan provinces; (ii) increase in transportation expenses of approximately RMB135.9 million in relation to the increase in railway logistic charges in the Guizhou and Yunnan provinces and the shipment charges incurred in Fangchenggang for coal products delivered to customers along the coastal region.

Administrative expenses

Administrative expenses for the Year were approximately RMB321.3 million, representing an increase of approximately RMB88.2 million, or approximately 37.8%, as compared with approximately RMB233.1 million in 2009. The increase was mainly attributable to (i) increase in staff costs of approximately RMB22.2 million and travelling expenses of RMB19.0 million in relation to administration staff supporting the enlarged production and development of coal mines in the Guizhou and Yunnan provinces; and (ii) increase in professional fees of approximately RMB20.5 million regarding the issue of convertible loan notes and senior notes during the Year.

Net gain on derivative financial instruments classified as held-for-trading

The amount represented (i) the fair value gain on the Group's investments in certain A-shares, Australian listed shares and investment in convertible bond of approximately RMB5.5 million; and (ii) investment income of RMB11.7 million in relation to the disposal of certain A-shares and exchangeable bonds of a private company during the Year.

Impairment loss recognized in respect of property, plant and equipment

The amount represented a provision for impairment loss recognized upon the cessation of operation of the Group's coking plant located in Guizhou province and a coal mine in Sichuan province.

Finance costs

Finance costs for the Year amounted to approximately RMB214.0 million, representing an increase of approximately RMB157.7 million or approximately 280.1%, as compared with approximately RMB56.3 million in 2009. The sharp increase was mainly attributable to (i) increase in interests payable to bank and other borrowings of approximately RMB74.7 million; (ii) imputed interest incurred from the convertible loans notes of approximately RMB100.7 million; and (iii) interest expenses in relation to the senior notes issued in November 2010 of approximately RMB36.9 million. The increase in bank borrowings together with the issuance of convertible loan notes and senior notes during the year were mainly used to finance the Company's acquisitions and development of coal mines in the Guizhou and Yunnan provinces. During the Year, interest capitalised in mining structure and mining rights amounted to approximately RMB57.8 million, representing an increase of approximately RMB48.8 million as compared with the amount capitalised of approximately RMB9.0 million 2009.

Income tax expenses

Income tax expenses during the Year were approximately RMB146.2 million, representing an increase of approximately RMB89.8 million or approximately 159.2%, as compared with approximately RMB56.4 million in 2009. The amount of income tax expense represented EIT of approximately RMB137.5 million and deferred tax of approximately RMB8.7 million arising from the withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. For the current year, the effective tax rate for EIT increased to approximately 17.8% as compared with approximately 12.3% in 2009.

Profit for the year

As a result of the foregoing, the profit attributable to the owners of the Company for the Year was approximately RMB669.5 million, representing an increase of approximately RMB266.0 million or approximately 65.9%, as compared with approximately RMB403.5 million in 2009. The net profit margin was 27.7% for the Year as compared with approximately 26.9% in 2009.

EBITDA

The following table illustrates the Group's EBITDA for the Year. The Group's EBITDA margin was 47.8% for the Year as compared with 41.1% in 2009, showing a 16.3% growth.

	2010	2009
	RMB'000	*RMB'000*
Profit and total comprehensive income for the year	**676,042**	401,979
Finance costs	**213,987**	56,349
Income tax expenses	**146,188**	56,382
Depreciation and amortisation	**128,205**	99,539
	1,164,422	614,249

Liquidity, financial resources and capital structure

The Group adopted stringent financial management policies and maintained a healthy financial condition. The Group continued to fund operations principally with internally generated cash flow and short-term bank borrowings. The expansion of operations in the Guizhou and Yunnan provinces was mainly funded by bank borrowings and the issue of convertible loan notes and senior notes.

As at 31 December 2010, the Company had net current assets of approximately RMB2,170.7 million as compared with having net current liabilities of approximately RMB1,089.2 million as at 31 December 2009. Following the issuance of convertible loan notes and senior notes during the Year, the Company shifted part of its current indebtedness to longer terms in order to finance the capital expenditures in the development in coal mines. As at 31 December 2010, the bank balances and cash of the Group amounted to approximately RMB1,649.0 million (2009: RMB674.5 million).

As at 31 December 2010, the total bank and other borrowings of the Group were RMB1,770.0 million (2009: RMB2,962.1 million), in which approximately RMB676.0 million are repayable within one year, with effective interest rates on fixed rate borrowings and variable rate borrowings ranging from 4.68% to 8.10% per annum and from 5.76% to 7.02% per annum respectively. In January 2010, the Company issued RMB1,707 million convertible loan notes. The convertible loan notes bore an effective interest rate of 7.51% per annum. The notes entitle the holders to convert the notes held into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 19 January 2015 at a conversion price of HK$12.58 per convertible loan note. The holders may, at their option, request the Company to redeem all or some of the convertible loan notes on 19 January 2013 at 106.2687% of their principal amount. In November 2010, the Company further issued US$400 million worth of senior notes. The senior notes carried fixed interest of 8.625% per annum. The senior notes will be fully repayable by 4 November 2015.

The gearing ratio (calculated as total bank and other borrowings convertible loan notes and senior notes divided by total assets) of the Group as at 31 December 2010 was 40.1% (2009: 27.7%)

Pledge of assets of the Group

As at 31 December 2010, the Group has pledged assets in an aggregate amount of approximately RMB1,759.3 million (2009: RMB1,918.2 million) to banks for credit facilities in the amount of RMB1,770.0 million (2009: RMB2,962.1 million) granted to the Group.

Employees

As at 31 December 2010, the number of employees of the Group was 14,470, showing a steady increase arising from the Group's development in its Guizhou operations. During the Year, staff costs (including Directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB367.2 million (2009: RMB250.2 million).

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

Final dividend

The Board recommends payment of a final cash dividend of RMB6.5 cents per share for the Year to all shareholders of the Company whose names appear on the register of members of the Company on 27 May 2011. Such dividend payment is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

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. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balance of approximately USD52.3 million, AUD14.1 million and HKD0.5 million.

Significant investment held

The Group had invested in (i) certain A-shares in the PRC which amounted to approximately RMB50.6 million as at 31 December 2010; (ii) shares of RMB46.8 million in a mining company listed on the Australian Stock Exchange; and (iii) convertible bonds of a private company amounting to approximately RMB 66.8 million which is in the process of applying for listing on the main board of Hong Kong Stock Exchange. All the investments were stated in fair value.

Material acquisition and disposal

During the year, the Group entered into various sales and purchase agreements for the mines acquired and exploration rights at an aggregate consideration of RMB375 million. Saved as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Contingent liabilities

As at 31 December 2010, the Group did not have any material contingent liabilities.

Connected transactions

(i) During the Year, rental expenses amounting to RMB1.2 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, controlling shareholder of the Company and Director, for the leasing of the Company's head office located at 16th Floor and 17th, Dingli Mansion, No. 81 Renmin Road, Panzhihua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

(ii) During the Year, transportation costs in an aggregate amount of approximately RMB27.7 million were paid to 盤縣盤實物流配送有限公司(Panxian Panshi Logistic Distribution Company Limited*)("Panxian Panshi"), 盤縣盤鷹物流配送有限公司 (Panxian Panying Logistic Distribution Company Limited*) ("Panxian Panying") and 雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*) ("Yunnan Kaijie") for the provision of railway logistic services. Yunnan Kaijie, the holder of 57% and 51% equity interests 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 Companhy Limited*)("Panxin Coking") and 盤縣盤翼選煤有限公司(Panxian Panyi Coal Washing Companhy Limited*)("Panyi Coal Washing"). As Panxian Panshi and Panxian Panying has 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 between the parties has been 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. It is an agreed price consisting of the reasonable cost incurred and a reasonable profit margin.

(iii) In September 2009, the Group entered into a capital contribution agreement with Citic Trust Company Limited ("Citic Trust") for the formation of a joint venture company in which Citic Trust agreed to inject RMB500 million as capital contribution for 49% equity interest. It was further agreed that the 49% equity interest will be repurchased by the Group with a premium of 9% per annum after twelve months from the date of the contribution injected. Accordingly, for the purpose securing the payment of the repurchase consideration, the Group pledged the mining right of Xinda Coal Mine and the 51% equity interest of the joint venture company to Citic Trust. The amount of capital contribution injected by Citic Trust in December 2009 amounted to RMB250 million and the amount has been fully repaid as at 31 December 2010.

BUSINESS REVIEW

During the Year, benefit from the recovery of the coal market, the average selling price of major products of the Group recorded a substantial increase as compared with the year 2009. The average selling price of clean coal and coke for the Year increased from RMB869.8 per tonne and RMB1,234.3 per tonne respectively to RMB1,131.7 per tonne and RMB1,419.4 per tonne, representing an growth of approximately 30.1% and 15.0% respectively. Considering the higher gross margin from sales of clean coal and the cessation of operation of coking plant in Guizhou province, the Group increased the sales volume of clean coal from 610,000 tonnes of 2009 to 1,300,000 tonnes in the Year. As regards sales customers, the Group successfully developed Fangchenggang as the logistic base for its major products. Through extending its customer coverage to iron and steel enterprise located in northern areas and southern riverside areas by the water transportation network, sales volume to Ningbo Iron & Steel Co., Ltd. And Chongqing Iron & Steel Company Limited increased substantially during the Year. Volume of clean coal delivered through Fangchenggang amounted to approximately 40% of the total sales volume.

As regards capacity, production volume of raw coal of the Company amounted to approximately 4.2 million tonnes during the Year, representing an increase of approximately 50% as compared with approximately 2.8 million tonnes in year 2009. The increase in capacity was attributable to the additional contribution from coal mine in the Guizhou and Yunnan provinces. Meanwhile, improvements were made in production cost since the Group has clarified and strengthened the segregation of functions and enhanced management of coal mines in different areas, enhanced efficiency and also effectively controlled consumption of materials. Production cost per tonne of raw coal amounted to approximately RMB143 during the Year. As a result of the foregoing, the Group's gross margin for the Year increased to approximately 69.5% as compared with approximately 58.3% in the year 2009. The Group believes that with the completion of the development of washing plants and auxiliary facilities in the Guizhou and Yunnan provinces, the Group can further benefit from a cost saving in transportation costs.

OUTLOOK

With the construction of mines and auxiliary facilities in the Guizhou and Yunnan provinces proceeding as scheduled and with pent-up capacity of certain mines being gradually released, coupled with an effective approach to production and management operation across all mines, the Group achieved cost control and greater production efficiency. Although 6 coal mines in Guizhou province suspended production since 31 December 2010 pursuant to the "Notification of Invalidation of Preserving and Independent Production System under Construction and Technology Innovation of Coal Mines" (「關於取消整合、技改煤礦保留一套獨立生產系統的通知」) published by Guzhou Provincial Government in November 2010 and affected around 0.6 million tonnes of raw coal production of 2011. The Group believes that with the completion of the other coal mines as scheduled in the Guizhou and Yunnan provinces, raw coal production will be further increased to around 4.9 million tonnes in the year 2011.

Benefit from the consolidation of large-sized state-owned iron and steel enterprises, the Group has managed to become the recognized supplier of certain iron and steel giants. Besides, the Group successfully developed Fangchenggang as an important logistic base for the growing production volume of clean coal. In the year 2011, with the completion of the washing plants in the Guizhou and Yunnan provinces. the Group believes the growing raw coal volume from the capacity expansion can well be absorbed and realized.

Following the issue of 5-year term convertible loan notes of RMB1,707 million and senior notes of USD400 million, the Group has repaid certain bank and other borrowings. The Group has net current assets of approximately RMB2,170.7 million at 31 December 2010 as compared with having net current liabilities of approximately RMB1,089.2 million as at 31 December 2009. The Group has strengthened its working capital and reduced the pressure on its working capital. Accordingly, the Group can concentrate its effort on the development of coal mines and auxiliary facilities and release capacity in the Guizhou and Yunnan provinces as scheduled.

OTHER INFORMATION

Closure of the Register of Members

The register of members of the Company will be closed from 30 May to 3 June 2011, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by shareholders of the Company for registration no later than 4:30 p.m. on 27 May 2011.

Audit committee

The audit committee was established on 25 August 2007 in compliance with the Code on Corporate Governance Practices (the "Corporate Governance 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.

As of the date of this announcement, 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 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 Year, and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

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 Rule A.2.1 of the Corporate Governance Code, the effective operation of the Group will not be impaired since Mr. Xian has exercised sufficient delegation in the daily operation of the Group's business as chief executive officer while being responsible for the effective operation of the Board as 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.

Saved as disclosed above, the Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the Year.

Model code for securities transactions by the 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 for securities transactions by the Directors (the "Code"). All Directors have confirmed their compliance throughout the Year with the required standards set out in the Model Code and the Code.

Purchase, sale 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 Year.

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

Hong Kong
29 March 2011

As at the date hereof, the executive Directors are Mr. Xian Yang (Chairman), Mr. Sun Jiankun, Mr. Wang Rong and the independent non-executive Directors are Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng.