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Hidili Industry International Development Limited
恒 鼎 實 業 國 際 發 展 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01393)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	2012	2011	Change
	RMB'000	*RMB'000*	*%*
Turnover	**1,923,599**	2,861,532	(32.8)
Gross Profit	**1,074,814**	1,768,053	(39.2)
(Loss) Profit Before Tax	**(54,857)**	931,276	(105.9)
(Loss) Profit Attributable to the Owners of the Company	**(147,396)**	713,608	(120.7)
EBITDA	**579,102**	1,409,032	(58.9)
Basic (Loss) Earning per Share (RMB cents)	**(7.14)**	34.6	(120.6)

The Board does not propose the payment of any final cash dividend.

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 2012 (the "Year") together with the comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2012** **RMB'000**	2011 *RMB'000*
Revenue	*4*	**1,923,599**	2,861,532
Cost of sales		**(848,785)**	(1,093,479)
Gross profit		**1,074,814**	1,768,053
Other income	*5*	**23,698**	133,984
Other gains and losses	*6*	**(47,204)**	9,990
Distribution expenses		**(235,291)**	(264,607)
Administration expenses		**(415,145)**	(407,443)
Share of losses of associates		**(2,827)**	–
Finance costs	*7*	**(452,902)**	(308,701)
(Loss) profit before tax		**(54,857)**	931,276
Income tax expenses	*8*	**(89,435)**	(200,243)
(Loss) profit and total comprehensive (expense) income for the year	*9*	**(144,292)**	731,033
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(147,396)**	713,608
Non-controlling interests		**3,104**	17,425
		(144,292)	731,033
(Loss) earnings per share			
Basic *(RMB cents)*	*11*	**(7.14)**	34.6
Diluted *(RMB cents)*	*11*	**(7.14)**	34.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,594,766**	12,196,348
Prepaid lease payments		**29,031**	29,707
Intangible assets		**108,282**	112,082
Interest in associates		**144,023**	146,850
Available-for-sale investments		**228,330**	228,330
Long term deposits and other receivables		**206,015**	250,684
Restricted bank deposits		**72,017**	58,603
		14,382,464	13,022,604
CURRENT ASSETS			
Inventories		**170,053**	147,409
Bills and trade receivables	*12(a)*	**887,662**	1,221,325
Bills receivables discounted with recourse	*12(b)*	**9,800**	23,000
Other receivables and prepayments		**461,597**	592,678
Amounts due from associates		**9,935**	1,535
Amounts due from related parties		**22,042**	22,875
Held-for-trading investments		**52,836**	64,541
Pledged bank deposits		**179,261**	126,254
Bank balances and cash		**1,554,368**	596,966
		3,347,554	2,796,583
CURRENT LIABILITIES			
Bills and trade payables	*13*	**461,080**	398,418
Advances drawn on bills receivables discounted with recourse		**9,800**	23,000
Other payables and accrued expenses		**535,583**	769,668
Amount due to related parties		**823**	27,577
Amount due to an associate		**444**	–
Amount due to a non-controlling shareholder		**14,765**	15,142
Tax payables		**142,204**	195,129
Senior notes		**2,518,094**	–
Convertible loan notes		**1,820,007**	–
Bank and other borrowings — due within one year		**2,571,000**	1,617,000
		8,073,800	3,045,934
NET CURRENT LIABILITIES		**(4,726,246)**	(249,351)
		9,656,218	12,773,253

	2012	2011
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**199,078**	199,078
Reserves	**7,085,719**	7,361,780
Equity attributable to owners of the Company	**7,284,797**	7,560,858
Non-controlling interests	**99,800**	182,834
TOTAL EQUITY	**7,384,597**	7,743,692
NON-CURRENT LIABILITIES		
Provision for restoration and environmental costs	**17,434**	14,807
Other long term payables	**123,704**	164,098
Deferred tax liabilities	**317,548**	315,386
Bank and other borrowings		
— due after one year	**1,812,935**	380,000
Senior notes	**–**	2,496,399
Convertible loan notes	**–**	1,658,871
	2,271,621	5,029,561
	9,656,218	12,773,253

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, a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited. The Company acts as investment holding company and its subsidiaries are engaged in mining and sale of coke, raw coal and clean coal.

The Group's principal operations are conducted in the People's Republic of China (the "PRC"). The 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 amendments to IFRSs issued by the International Accounting Standards Board.

Amendments to IAS 12	Deferred tax: Recovery of underlying assets
Amendments to IFRS 7	Financial instruments: Disclosures — Transfers of financial assets

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 7 Disclosures — Transfers of financial assets

The Group has applied for the first time the amendments to IFRS 7 "Disclosures — Transfers of financial assets" in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting those bills receivables to banks on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as advances drawn on bills receivables discounted with recourse. The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to IFRS 7. In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosure required by the amendments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group as at 31 December 2012, the Group's current liabilities exceeded its current assets by approximately RMB4,726,246,000 and the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB540,684,000 as stated in note 14.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

(1) The Group is approaching banks and independent third parties in the PRC to obtain new medium to long term facilities of not less than RMB2.5 billion.

(2) The Group is negotiating with a bank to renew and roll over banking facilities repayable within 12 months from draw down to repayable after 12 months from draw down of not less than RMB400 million.

In addition, 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 (i) additional funds to be raised as mentioned above; (ii) presently available unutilised banking facilities of approximately RMB2,150 million, including approximately RMB1,120 million and RMB1,030 million, which are repayable after 12 months from draw down and within 12 months from draw down, respectively; (iii) additional banking facilities of approximately RMB3,175 million obtained from 1 January 2013 up to the date of this announcement, including approximately RMB841 million and RMB2,334 million, which are repayable after 12 months from draw down and within 12 months from draw down, respectively; and (iv) cash flows from the Group's operations. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 maker 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 operating and reportable segments under IFRS 8 are comprised of: (i) coal mining; (ii) coking; and (iii) others. Management identifies the Group's segment by the nature of the Group's operations.

The Group's principal activities are as follows:

Coal mining — Production and sales 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 2012				
	Coal mining *RMB'000*	**Coking** *RMB'000*	**Others** *RMB'000*	**Inter-segment eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE					
External	**1,627,562**	**287,722**	**8,315**	**–**	**1,923,599**
Inter-segment	**190,992**	**–**	**–**	**(190,992)**	**–**
Total	**1,818,554**	**287,722**	**8,315**	**(190,992)**	**1,923,599**
RESULTS					
Segment profit	**705,398**	**93,799**	**1,690**	**–**	**800,887**
Other income					**23,698**
Administrative expenses					**(415,145)**
Net loss on held-for-trading investments					**(8,568)**
Share of results of associates					**(2,827)**
Finance costs					**(452,902)**
Loss before tax					**(54,857)**

	For the year ended 31 December 2011				
	Coal mining *RMB'000*	Coking *RMB'000*	Others *RMB'000*	Inter-segment eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External	2,545,993	296,580	18,959	–	2,861,532
Inter-segment	238,282	–	–	(238,282)	–
Total	2,784,275	296,580	18,959	(238,282)	2,861,532
RESULTS					
Segment profit	1,351,922	144,611	7,473	–	1,504,006
Other income					133,984
Administrative expenses					(407,443)
Net gain on derivatives and held-for-trading investments					9,430
Finance costs					(308,701)
Profit before tax					931,276

Segment profit represents profit earned by each segment and comprises mainly gross profit less distribution expenses. Other income, administrative expenses, finance costs and net gain (loss) on derivatives and held-for-trading investments are not allocated in arriving at segment profit. This is the measure reported to the chief operating decision makers (i.e. the executive directors) for the purpose of resource allocation and assessment of segment performance.

5. OTHER INCOME

	2012	2011
	RMB'000	*RMB'000*
Bank interest income	**6,167**	4,690
Interest income from convertible bond receivable	**–**	4,893
Government grant	**4,549**	5,039
Dividend income from held-for-trading investments	**4,019**	1,259
Gain on disposal of a subsidiary	**1,360**	–
Exchange gain, net	**–**	112,244
Others	**7,603**	5,859
	23,698	133,984

6. OTHER GAINS AND LOSSES

	2012	2011
	RMB'000	*RMB'000*
(Impairment loss) reversal of impairment loss recognised on		
— trade receivables	**(6,897)**	1,658
— other receivables	**(9,739)**	(1,098)
(Impairment loss) reversal of impairment loss recognised on financial assets	**(16,636)**	560
Net (loss) gain on derivatives and held-for-trading investments	**(8,568)**	9,430
Impairment loss recognised in respect of property, plant and equipment	**(22,000)**	–
	(47,204)	9,990

7. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**178,857**	74,776
— advances drawn on bills receivable discounted	**60,320**	47,911
— convertible loan notes	**186,811**	112,107
— senior notes	**217,556**	220,734
	643,544	455,528
Less: Interest capitalised in construction in progress	**(190,642)**	(146,827)
	452,902	308,701

8. INCOME TAX EXPENSES

	2012 *RMB'000*	2011 *RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**87,196**	189,864
Underprovision in prior years	**77**	1,982
	87,273	191,846
Deferred tax	**2,162**	8,397
	89,435	200,243

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2012 and 2011.

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

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

The provision for EIT is based on a statutory rate of 25% (2011: 25%) of the assessable profit of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain PRC subsidiaries of the Company which are exempted from or entitled to concessionary tax rate EIT in accordance with the approval from the respective tax bureau.

9. (LOSS) PROFIT FOR THE YEAR

	2012 *RMB'000*	2011 *RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,305**	678
Amortisation of intangible assets (included in distribution expenses)	**3,800**	3,800
Provision for restoration and environmental costs	**2,627**	3,161
Depreciation and amortisation of property, plant and equipment	**175,952**	164,577
Loss on disposal of property, plant and equipment	**6,822**	1,240
Fair value loss on held-for-trading investments	**8,568**	5,225

10. DIVIDENDS

The Board does not recommend payment of any final dividend (2011: RMB6.9 cents per share) for the Year.

11. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings	**2012**	2011
	RMB'000	*RMB'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	**(147,396)**	713,608

Number of shares	**2012**	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,065,653**	2,064,424
Effect of dilutive potential ordinary shares:		
Share options	**–**	14,896
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,065,653**	2,079,320

The computation of diluted loss per share for the year 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.

The computation of diluted earnings per share for 2011 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.

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

(a) Bills and trade receivables

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**530,239**	532,391
Less: allowance for doubtful debts	**(9,922)**	(3,025)
	520,317	529,366
Bills receivables	**367,345**	691,959
	887,662	1,221,325

The Group generally allows an average credit period ranging from 90–120 days to its trade customers and the average credit period for bills receivables is ranging from 90–180 days. The aged analysis of trade receivables and bills receivables, net of allowances presented based on the invoice date at the end of the reporting period, which approximately respective revenue recognition dates is as follows:

	2012	2011
	RMB'000	*RMB'000*
Aged:		
0–90 days	**652,849**	1,059,725
91–120 days	**80,797**	33,175
121–180 days	**72,830**	119,403
181–365 days	**79,114**	5,048
Over 365 days	**2,072**	3,974
	887,662	1,221,325

(b) Bills receivables discounted with recourse

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

	2012	2011
	RMB'000	*RMB'000*
Aged:		
91–120 days	**–**	23,000
121–180 days	**9,800**	–
	9,800	23,000

13. BILLS AND TRADE PAYABLES

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

	2012	2011
	RMB'000	*RMB'000*
Aged:		
0–90 days	**255,961**	238,340
91–180 days	**95,519**	125,785
181–365 days	**56,088**	15,441
Over 365 days	**53,512**	18,852
	461,080	398,418

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.

14. CAPITAL COMMITMENTS

	2012	2011
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**540,684**	611,311

15. COMPARATIVE FINANCIAL INFORMATION

Certain comparative financial information presented in the consolidated statement of financial position and consolidated statement of changes in equity are reclassified for consistent presentation with the financial information for the current period.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2012.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 3 to the consolidated financial statements which indicates that, as at 31 December 2012, the Group's current liabilities exceeded its current assets by approximately RMB4,726,246,000. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB540,684,000 as disclosed in note 14 to the consolidated financial statements. The Company is implementing several measures as disclosed in note 3 to the consolidated financial statements to improve the financial position of the Group and after taking into account these steps, 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. The consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 3 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Year, turnover of the Group amounted to approximately RMB1,923.6 million, representing a decrease of approximately 32.8%, as compared with approximately RMB2,861.5 million in 2011. The decrease was primarily attributable to the decrease in sales volumes of clean coal and by-products and average selling prices (net of value added tax) of the principal products and coal tar and after setting off against the increase in sales volume of coke and average selling price of thermal coal. The sales volume recorded for clean coal and coke for the Year amounted to approximately 1,258,000 tonnes and 189,000 tonnes, respectively as compared to approximately 1,762,000 tonnes and 175,000 tonnes, respectively in 2011, representing a decrease in volume of clean coal of approximately 28.6% and an increase of 8.5%, respectively. The average selling price for the Year for both clean coal and coke decreased from RMB1,302.2 per tonne and RMB1,622.3 per tonne, respectively in 2011 to RMB1,132.5 per tonne and RMB1,469.4 per tonne for the Year, representing a decrease of approximately 13.0% and 9.4%, respectively.

The table below sets out the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2011:

	2012			2011		
	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	**1,424,816**	**1,258.1**	**1,132.5**	2,294,427	1,762.0	1,302.2
Coke	**278,253**	**189.4**	**1,469.4**	283,159	174.5	1,622.3
Principal products total	**1,703,069**			2,577,586		
By-products						
High-ash thermal coal	**179,101**	**543.5**	**329.5**	185,803	684.4	271.5
Coal tar	**9,469**	**5.2**	**1,815.8**	13,421	5.9	2,265.8
By-products total	**188,570**			199,224		
Other products						
Raw coal	**23,645**	**63.6**	**371.6**	65,763	202.0	325.5
Benzene	**4,534**	**1.1**	**4,275.9**	6,020	1.5	4,115.0
Others	**3,781**			12,939		
Other products total	**31,960**			84,722		
Total turnover	**1,923,599**			2,861,532		

Cost of sales

Cost of sales for the Year was approximately RMB848.8 million, representing a decrease of approximately RMB244.7 million, or approximately 22.4%, as compared with approximately RMB1,093.5 million in 2011. During the Year, the Group recorded a reduction in production volume of raw coal and clean coal resulting from the suspension of production for comprehensive safety check on all coal mines imposed by the Panzhihua and Yunnan provincial governments since August and December 2012, respectively. Accordingly, the raw coal and clean coal production volume decreased from approximately 4,106,000 tonnes, and 1,846,000 tonnes, respectively in 2011 to approximately 3,522,000 tonnes and 1,578,000 tonnes, respectively in the Year. In order to meet the production needs and customers' demand, the Group further purchased approximately 3,000 tonnes of raw coal and approximately 109,000 tonnes of clean coal from external suppliers for the Year.

The table below sets out the production volume of the principal products in Sichuan, Guizhou and Yunnan provinces and the purchase volume of principal products for the year, together with the comparative amounts for 2011:

	Year ended 31 December					
Principal products	**2012 Raw coal production volume** *('000 tonnes)*	**2012 Clean coal production volume** *('000 tonnes)*	**2012 Coke production volume** *('000 tonnes)*	2011 Raw coal production volume *('000 tonnes)*	2011 Clean coal production volume *('000 tonnes)*	2011 Coke production volume *('000 tonnes)*
Sichuan	**1,117**	**550**	**200**	1,671	840	175
Guizhou	**1,565**	**524**	**–**	1,234	440	–
Yunnan	**840**	**504**	**–**	1,201	566	–
	3,522	**1,578**	**200**	4,106	1,846	175
Purchase volume	**3**	**109**	**–**	83	124	–

Material, fuel and power costs for the Year were approximately RMB340.8 million, representing a decrease of approximately RMB204.1 million, or approximately 37.5%, as compared with approximately RMB544.9 million in 2011. In general, the decrease of raw material usage was in line with the decrease in production volume in the coal mines. During the Year, the purchase costs of raw coal and clean coal from external suppliers amounted to approximately RMB127.1 million, representing a slight decrease in relation to the decrease in total purchase volume as compared to purchase costs of approximately RMB200.2 million in 2011. The sharing of fuel and power costs for the Year remained at relatively high level due to the suspension of production at coal mines in Sichuan and Yunnan provinces.

Staff costs for the Year were approximately RMB267.4 million, representing an increase of approximately RMB29.7 million or 12.5% as compared with approximately RMB237.7 million in 2011.

Depreciation and amortisation for the Year were approximately RMB142.7 million, representing an increase of approximately RMB9.1 million, or approximately 6.8% as compared with approximately RMB133.6 million in 2011. The increase was primarily attributable to the additional capital expenditure incurred in connection with the coal mines and coal washing in Guizhou and Yunnan provinces during the Year.

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

	2012	2011
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**153**	156
Depreciation and amortisation	**33**	25
Total raw coal production cost	**186**	181
Purchase cost of raw coal	**599**	646
Average cost of clean coal	**444**	428
Purchase cost of clean coal	**1,146**	1,178
Average cost of coke	**652**	629

Gross profit

As a result of the foregoing, the gross profit for the Year was approximately RMB1,074.8 million, representing a decrease of approximately RMB693.3 million or approximately 39.2% as compared with approximately RMB1,768.1 million in 2011. The gross profit margin was approximately 55.9% as compared with approximately 61.8% in 2011.

Other income

Other income for the Year amounted to approximately RMB23.7 million, representing a decrease of approximately RMB110.3 million or approximately 82.3% as compared with approximately RMB134.0 million in 2011. The decrease was mainly attributable to the decrease in exchange gain of approximately RMB112.2 million recorded in 2011.

Other gains and losses

Other losses for the Year amounted to approximately RMB47.2 million, representing a decrease of approximately RMB57.2 million or 572.5% as compared with other gains of approximately RMB10.0 million in 2011. The decrease arose substantially from (i) the impairment loss recognised on receivables of approximately RMB16.6 million under careful consideration of certain outstanding receivables with long aging, (ii) the impairment loss recognised in respect of property, plant and equipment of approximately RMB22.0 million in relation to the coking plant in Panzhihua due to technology obsolescence, and (iii) the net loss on derivative and held-for-trading investments of approximately RMB8.6 million incurred for the Year as compared to a gain of approximately RMB9.4 million recorded in 2011, mainly in respect of decrease in fair value of the shares in a mining company listed on Australian Stock Exchange.

Distribution expenses

Distribution expenses for the Year were approximately RMB235.3 million, representing a decrease of approximately RMB29.3 million or approximately 11.1% as compared to approximately RMB264.6 million in 2011. The decrease was mainly attributable to (i) the decrease of transportation expenses from approximately RMB159.0 million in 2011 to RMB142.6 million for the Year in line with the decrease in the sales volume but was partly set-off by the decrease in saving of transportation costs as fewer customers arranged for their own delivery of goods during the Year, and (ii) the decrease in government levies from approximately RMB82.8 million in 2011 to RMB63.0 million for the Year as the sales volume of our coking coal products decreased.

Administrative expenses

Administrative expenses for the Year were approximately RMB415.1 million, representing an increase of approximately RMB7.7 million, or approximately 1.9% as compared with approximately RMB407.4 million in 2011. The increase was mainly attributable to the decrease of the share-based payment expenses from approximately RMB81.2 million in 2011 to approximately RMB42.2 million for the Year but was set-off by (i) the increase in loss on disposal of property, plant and equipment from approximately RMB1.2 million in 2011 to RMB6.8 million for the year, (ii) an increase of approximately RMB8.1 million in legal and professional expense, and (iii) an increase of approximately RMB10.4 million in exchange loss.

Finance costs

Finance costs for the Year amounted to approximately RMB452.9 million, representing an increase of approximately RMB144.2 million or approximately 46.7% as compared with approximately RMB308.7 million in 2011. The sharp increase was mainly attributable to (i) the increase in interests payable to bank and other borrowings of approximately RMB104.1 million since the borrowings increased from approximately RMB1,997.0 million in 2011 to approximately RMB4,383.9 million for the Year, (ii) an increase in interests expenses relating to discounted bills of RMB12.4 million, and (iii) an increase in the interest incurred from the convertible loan notes of approximately RMB74.7 million arising from the adjustment of interest calculated at market rate in relation to redemption of the convertible loan notes. The increase in bank borrowings together with the issuance of convertible loan notes and senior notes were mainly used to finance the Company's acquisitions and development of coal mines in Guizhou and Yunnan provinces. During the Year, interest capitalised in mining structure and mining rights amounted to approximately RMB190.6 million, representing an increase of approximately RMB43.8 million as compared with the amount capitalised of approximately RMB146.8 million in 2011.

Income tax expenses

Income tax expenses during the Year were approximately RMB89.4 million, representing a decrease of approximately RMB110.8 million or approximately 55.3% as compared with approximately RMB200.2 million in 2011. The amount of income tax expenses represented EIT of approximately RMB87.3 million and deferred tax of approximately RMB2.2 million arising from the withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. For the current year EIT, the effective tax rate is considered to be not comparable as there was significant tax effect of deferred tax assets not recognised resulting from loss incurred in certain subsidiaries of the Company.

(Loss) profit for the year

As a result of the foregoing, the loss attributable to the owners of the Company for the Year was approximately RMB147.4 million, representing a decrease of approximately RMB861.0 million or approximately 120.7%, as compared with profit of approximately RMB713.6 million in 2011.

EBITDA

The table below sets out the Group's EBITDA for the Year. The Group's EBITDA margin was 30.1% for the year as compared with 49.2% in 2011.

	2012	2011
	RMB'000	*RMB'000*
(Loss) profit and total comprehensive (expense) income for the year	**(144,292)**	731,033
Finance costs	**452,902**	308,701
Income tax expenses	**89,435**	200,243
Depreciation and amortisation	**181,057**	169,055
	579,102	1,409,032

Liquidity, financial resources and capital structure

As at 31 December 2012, the Group incurred a net current liabilities of approximately RMB4,726.2 million.

During the Year, the Group has entered into eight capital injection agreements ("Capital Injection Agreements") with Huaneng Guicheng Trust Co., Ltd ("Huaneng Trust") in respect of the increase in the registered capital ("Capital Injection") of eight subsidiaries of the Group ("Target Subsidiaries") for RMB1,500 million. Pursuant to the terms of the Capital Injection Agreements, the Group has agreed to buy back the Capital Injection within two years after the paid up of the Capital Injection. The proceeds from the Capital Injection were used to redeem the convertible loan notes due in January 2013. In order to improve the Group's financial position to provide liquidity and cash flows, the Group has been implementing a number of measures, including but not limited to: (i) raising further medium to long term banking facilities and (ii) rolling over short term banking facilities to medium term when they fall due.

As at 31 December 2012, the bank balances and cash of the Group amounted to approximately RMB1,554.4 million (2011: RMB597 million).

As at 31 December 2012, the total bank and other borrowings of the Group were approximately RMB4,383.9 million (2011: RMB1,997 million), of which RMB2,571 million is repayable within one year with effective interest rate on fixed rate borrowings and variable rate borrowings ranging from 6.04% to 12.11% per annum and 7.02% to 7.59% per annum, respectively.

The gearing ratio (calculate as the aggregate of total bank and other borrowings, convertible loan notes and senior notes divided by total assets) of the Group as at 31 December 2012 was 49.2% (2011: 38.9%).

Pledge of assets of the Group

As at 31 December 2012, the Group pledged assets in an aggregate amount of approximately RMB2,003.3 million (2011: RMB1,449.8 million) to banks for credit facilities.

In connection with the Capital Injection, certain immediate holding companies ("**Immediate Shareholders**") of the Target Subsidiaries had pledged certain of their equity interests in the Target Subsidiaries to Huaneng Trust to secure the payment of the buy back consideration.

As at 31 December 2012, the director, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB2,380 million.

Employees

As at 31 December 2012, the number of employees of the Group reached 13,230, representing a slight decrease as compared with 2011. During the Year, the staff costs (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB432.6 million (2011: RMB429.5 million).

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

Final dividend

The Board does not recommend the payment of any final cash dividend for the Year.

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 USD5.6 million, HKD4.6 million and AUD0.1 million respectively.

Significant investment held

The Group had invested in (i) shares of RMB52.8 million in a mining company listed on the Australian Stock Exchange, and; (ii) unlisted equity investments of RMB228.3 million, representing 18%, 15%, 5% and 4.41% equity interest in four entities, respectively. The principal activities of the investees are the provision of transportation services, the manufacturing of mining machinery, manufacturing of potassic fertiliser and manufacturing of herbicides and mining of potassium chloride, respectively.

Material acquisition and disposal

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

Subsequent event

In January 2013, substantial portion of convertible loan notes issued in January 2010 had been redeemed. Bondholders holding an aggregate of RMB1,596.2 million convertible loan notes tendered their redemption notices to the Company. Redemption money of approximately RMB1,696.3 million had been fully paid on 21 January 2013 to the respective bondholders.

Contingent liabilities

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

The First Plaintiff is the investment manager of two high yield bond funds ("Funds"). lt delegated the investment management of the Funds to the Second Plaintiff. The Funds are the holders of certain bonds issued by the Company in January 2010 ("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 ("Notices") electing to convert the Bonds into shares in the Company. The Plaintiffs assert 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 is preparing the defence.

Save as disclosed above, as at 31 December 2012, the Group did not have any material contingent liabilities.

Connected transaction

(i) During the Year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, being the controlling shareholder of the Company and Director, for the lease of the Company's head office located at 16th Floor, 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, an aggregate amount of transportation costs of approximately RMB15.7 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"), 富源金通煤焦有限公司 (Fuyuan Jintong Coking Company Limited*) ("Fuyuan Jintong") and 貴州威箐煤焦物流有限公司 (Guizhou Weiqing Coking Logistic Company Limited) ("Guizhou Weiqing") respectively, for the provision of railway logistic services. In addition, coal washing sub-contracting charges of approximately RMB1.5 million was paid to 盤縣富源昆鐵選煤有限公司 (Panxian Fuyuan Kuntie Coal Washing Company Limited*) ("Fuyuan Kuntie"). Yunnan Kaijie, the holder of 57%, 51%, 51%, 33.18% and 80% equity interest in Panxian

Panshi, Panxian Panying, Guizhou Weiqing Fuyuan Jintong and Fuyuan Kuntie, respectively, is a substantial shareholder of each of Panxin Coking and Panyi Coal Washing. As Panxian Panshi, Panxian Panying, Guizhou Weiqing and Fuyuan Jintong occupy a monopolistic position of the local railway logistic service in Boguozhen, no relevant market price could be obtained. The railway logistic charges and the sub-contracting charges for the coal washing service were determined with reference to (i) the price offered to other customers by Panxian Panshi, Panxian Panying, Guizhou Weiqing and Fuyuan Jintong, (ii) the price offered to Luipanshui Hidili, Panxin Coking and Panyi Coal Washing from 14 July 2008 to 31 December 2010, (iii) the volume of clean coal available for delivery with reference to the estimated production volumes of clean coal, (iv) the anticipated growth in demand of clean coal, and (v) the business plan of the Group.

OUTLOOK

2011 to 2013 were the toughest years for the Group. On the one hand, the investment in construction by the Group has been climbing peak during the period; on the other hand, given affected by frequent occurrence of coal mine incidents of other companies in the same area, effective production and construction schedule of the Group's coal mines could not be secured over the last two years and effective production schedule has been affected, to a larger extent, in 2013. The year will be the last year of such toughest period. With the commencement of merger, acquisition and restructuring of coal mines in Guizhou province, a large number of coal mines in the province that below safety standards will be shut down, and safety level of coal mines in the area will be enhanced significantly. The management anticipates that the operations will improve considerably and get back on track in 2014.

While the Company has been facing unprecedented difficulties in operations of raw coal production, the Group has always made production safety a priority. Death toll from safety incidents in coal mines with responsibility was zero in 2012, representing the best performance of safety management ever. The Company's safety target in 2013 set in terms of death toll from safety incidents in coal mines with responsibility is below the average level of China.

Looking back in 2011 and 2012, the average price of clean coal was RMB1,302.2 per tonne and RMB1,132.5 per tonne respectively. The management expects improvement in prices of coal market in 2013 as compared to last year with target production volume of raw coal by the Company of approximately 3.30 million to 3.50 million tonnes.

In the three toughest years, the Company's cash flow has been tightened with relatively high gearing ratio as affected by production volume and prices. The Company plans to shrink its debt size in 2013 and improves our cash flow position. Looking forward to 2013, construction of 18 out of 20 coal mines in Guizhou owned by the Company are expected to complete, and Yuni Dahe coal mine (淤泥大河煤礦) and Yuni Jinhe coal mine (淤泥金河煤礦) are planned to commence production in 2014, providing the Company strong cash flow and profit security by production volume increase in raw coal in Guizhou province.

OTHER INFORMATION

Audit committee

The audit committee was established on 25 August 2007 in compliance with the Code on Corporate Governance Practices (the "Former 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 ended 31 December 2012.

Corporate governance

The Stock Exchange has made various amendments to the Former Code, and the revised code, namely the "Corporate Governance Code and Corporate Governance Report" (the "Code"), became effective on 1 April 2012. In the opinion of the Directors, the Company has been in compliance with relevant provisions of the Former Code from 1 January 2012 to 31 March 2012 and the Code from 1 April 2012 to 31 December 2012, save for the deviations as mentioned below.

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 A.2.1 of the Code, the effective operation of the Group will not be impaired since Mr. Xian has exercised sufficient delegation in the daily operation of the Group's business as Chief Executive Officer while being responsible for the effective operation of the Board as 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.

During the Year, the Company had been in deviation from A.6.7 and E.1.2 of the Code as the Chairman and some of the Directors were unable to attend the annual general meeting of the Company held on 29 June 2012 due to business engagements. They will use their best endeavours to attend all future shareholders' meetings of the Company.

Saved as disclosed above, the Board is of the view that the Company has complied with the provisions of the Code during the Year. No Director is aware of any information that reasonably reveals that there is any non-compliance with the Code by the Company during any time of 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
26 March 2013

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.