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 2013

FINANCIAL HIGHLIGHTS

	2013	2012	Change
	RMB'000	*RMB'000*	*%*
Revenue from continuing operations	**729,129**	1,630,839	(55.3%)
Gross Profit from continuing operations	**279,895**	1,050,398	(73.4%)
Loss Before Tax from continuing operations	**(166,316)**	(14,162)	1,074.4%
Loss Attributable to the Owners of the Company	**(424,697)**	(147,396)	188.1%
EBITDA	**(52,822)**	592,859	(108.9%)
Basic Loss per Share (RMB cents)	**(20.61)**	(7.14)	188.7%

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 2013 (the "Year") together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2013** ***RMB'000***	2012 *RMB'000*
Continuing operations			
Revenue	*4*	**729,129**	1,630,839
Cost of sales		**(449,234)**	(580,441)
Gross profit		**279,895**	1,050,398
Other income	*5*	**32,972**	22,128
Other gains and losses	*6*	**509,650**	(23,844)
Distribution expenses		**(113,121)**	(227,155)
Administration expenses		**(417,631)**	(390,562)
Share of losses of associates		**(1,848)**	(2,827)
Finance costs	*7*	**(456,233)**	(442,300)
Loss before tax		**(166,316)**	(14,162)
Income tax expenses	*8*	**(21)**	(89,435)
Loss for the year from continuing operations	*9*	**(166,337)**	(103,597)
Discontinued operation			
Loss for the year from discontinued operation	*10*	**(257,471)**	(40,695)
Loss and total comprehensive expense for the year		**(423,808)**	(144,292)
Loss and total comprehensive expense for the year attributable to owners of the Company			
— from continuing operations		**(167,226)**	(106,701)
— from discontinued operation		**(257,471)**	(40,695)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(424,697)**	(147,396)
Profit and total comprehensive income attributable to non-controlling interests from continuing operations		**889**	3,104
		(423,808)	(144,292)

	Note	2013 RMB'000	2012 RMB'000
Loss and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(424,697)**	(147,396)
Non-controlling interests		**889**	3,104
		(423,808)	(144,292)
Loss per share	*12*		
From continuing and discontinued operations			
Basic *(RMB cents)*		**(20.61)**	(7.14)
Diluted *(RMB cents)*		**(20.61)**	(7.14)
From continuing operations			
Basic *(RMB cents)*		**(8.11)**	(5.17)
Diluted *(RMB cents)*		**(8.11)**	(5.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,483,068**	13,594,766
Prepaid lease payments		**87,450**	29,031
Intangible assets		**140,123**	108,282
Interests in joint ventures		**2,400,000**	–
Interests in associates		**39,287**	144,023
Available-for-sale investments		**188,630**	228,330
Long term deposits and other receivables		**318,703**	206,015
Restricted bank deposits		**94,450**	72,017
Deferred tax assets		**69,307**	–
		11,821,018	14,382,464
CURRENT ASSETS			
Inventories		**133,037**	170,053
Bills and trade receivables	*13(a)*	**456,013**	887,662
Bills receivables discounted with recourse	*13(b)*	**90,000**	9,800
Other receivables and prepayments		**943,994**	461,597
Amounts due from associates		**–**	9,935
Amount due from a joint venture		**111,115**	–
Amounts due from related parties		**38**	22,042
Held-for-trading investments		**–**	52,836
Pledge bank deposits		**919,348**	179,261
Bank balances and cash		**322,207**	1,554,368
		2,975,752	3,347,554
Assets held for sales		**308,005**	–
		3,283,757	3,347,554

	Note	2013 RMB'000	2012 RMB'000
CURRENT LIABILITIES			
Bills and trade payables	*14*	**368,732**	461,080
Advances drawn on bills receivables discounted with recourse		**90,000**	9,800
Other payables and accrued expenses		**437,696**	535,583
Amount due to an associate		**–**	444
Amounts due to related parties		**2,472**	823
Amount due to a non-controlling interests shareholder		**14,765**	14,765
Tax payables		**40,804**	142,204
Senior notes		**2,322,661**	2,518,094
Convertible loan notes		**–**	1,820,007
Bank and other borrowings — due within one year		**3,007,898**	2,571,000
		6,285,028	8,073,800
Liabilities held for sales		**64**	–
		6,285,092	8,073,800
NET CURRENT LIABILITIES		**(3,001,335)**	(4,726,246)
		8,819,683	9,656,218
CAPITAL AND RESERVES			
Share capital		**197,506**	199,078
Reserves		**6,784,034**	7,085,719
Equity attributable to owners of the Company		**6,981,540**	7,284,797
Non-controlling interests		**36,397**	99,800
TOTAL EQUITY		**7,017,937**	7,384,597
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**16,095**	17,434
Other long term payables		**71,880**	123,704
Deferred tax liabilities		**127,155**	317,548
Bank and other borrowings — due after one year		**1,579,542**	1,812,935
Convertible loan notes		**7,074**	–
		1,801,746	2,271,621
		8,819,683	9,656,218

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 of the Company (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, which is controlled by Mr. Xian Yang, the executive director of the Company. The Company acts as investment holding company and its subsidiaries are engaged in mining and sale of raw coal, clean coal and sale of coke which was discontinued in current year (see note 10).

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 IFRSs issued by the International Accounting Standards Board:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19 (as revised in 2011)	Employee benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to IAS 1	Presentation of items of other comprehensive income
IFRIC-INT 20	Stripping costs in the production phase of a surface mine

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and SIC — 12 "Consolidation — Special propose entities". IFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the Group's investees in accordance with the requirements of IFRS 10. The directors of the Company concluded that there was no material impact to the Group's consolidated financial statements for the adoption of IFRS 10.

Impact of application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair value measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to few exceptions.

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensively disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosure required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to IAS 1 Presentation of items of other comprehensive income. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period.

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

Going concern assumption

In the preparation of consolidated financial statements, the Directors have given due and careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of approximately RMB3,001,335,000 as at 31 December 2013 and incurred loss of approximately RMB423,808,000 for the year ended. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB455,250,000 as disclosed in note 15.

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 RMB5,185 million which are repayable after 12 months from drawn down. Subsequently to the end of the reporting date, the Group has drawn down RMB1,000 million from the aforesaid available banking facilities.

In addition, 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.

On the basis that the Group can improve its operating results and cash flows and taken into account the available unutilised banking facilities, the Directors of the Company believe that the Group has sufficient funds to finance its current working capital requirements in the next 12 months from the end of the reporting date. 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 from its continuing operations are comprised of: (i) coal mining and (ii) 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
Others — Manufacture and sale of alloy pig iron and others

An operating segment regarding manufacture and sales of coke and its by-product was discontinued in the current year. The segment information reported below does not include any amounts relating to the discontinued operation.

Segments revenues and results from continuing operations

For the year ended 31 December 2013

	Coal Mining *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE			
External	**727,224**	**1,905**	**729,129**
RESULTS			
Segment profit (loss)	**569,824**	**(4,710)**	**565,114**
Other income			**144,282**
Administrative expenses			**(417,631)**
Share of losses of associates			**(1,848)**
Finance costs			**(456,233)**
Loss before tax			**(166,316)**

For the year ended 31 December 2012

	Coal mining *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE			
External	1,622,524	8,315	1,630,839
RESULTS			
Segment profit	804,863	1,690	806,553
Other income			23,542
Administrative expenses			(390,562)
Net loss on held-for-trading investments			(8,568)
Share of losses of associates			(2,827)
Finance costs			(442,300)
Loss before tax			(14,162)

Segment (loss) profit represents (loss) profit (incurred) earned by each segment and comprise mainly gross profit and other gains and losses except for net loss on held-for-trading investments, net exchange gain and gain on repurchase of senior notes less distribution expenses. Other income, administrative expenses, finance costs, net exchange gain, gain on repurchase of senior notes, share of losses of associates and net loss on 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.

Revenue information

Revenue from the coal mining segment during the year ended 31 December 2013 included RMB123,846,000 (2012: nil) which arose from sale of clean coal to customer which were purchased from independent third parties. The cost of these coal products sold was RMB111,801,000 (2012: nil). This arrangement was made in view of the impact of the suspension of the Group's mines which affected the Group's ability to produce sufficient amounts to fulfil its customers' orders.

5. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Bank interest income	**17,894**	5,957
Government grant	**1,057**	4,549
Dividend income from held-for-trading investments	**–**	4,019
Others	**14,021**	7,603
	32,972	22,128

6. OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Net impairment loss recognised on		
— trade receivables	**(28,915)**	(6,897)
— other receivables	**(1,608)**	(9,739)
Net impairment loss recognised on financial assets	**(30,523)**	(16,636)
Net loss on held-for-trading investments	**–**	(8,568)
Gain on disposal of subsidiaries	**861,321**	1,360
Impairment loss recognised in respect of property, plant and equipment	**(432,458)**	–
Exchange gain, net (senior note)	**78,099**	–
Gain on repurchase of senior notes	**33,211**	–
	509,650	(23,844)

7. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**298,806**	174,971
— advances drawn on bills receivable discounted	**38,007**	53,604
— convertible loan notes	**6,873**	186,811
— senior notes	**207,390**	217,556
	551,076	632,942
Less: Interest capitalised in construction in progress	**(94,843)**	(190,642)
	456,233	442,300

8. INCOME TAX EXPENSES

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**78,898**	87,196
(Over) Underprovision in prior years	**(9,570)**	77
	69,328	87,273
Deferred taxation	**(69,307)**	2,162
	21	89,435

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 2013 and 2012.

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 rate of 25% (2012: 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 a PRC subsidiary of the Company which was exempted from or entitled to concessionary tax rate EIT in accordance with the approval from the respective tax bureau.

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013	2012
	RMB'000	*RMB'000*
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	**304**	730
Amortisation of intangible assets	**5,029**	3,800
Provision for restoration and environmental costs	**701**	2,627
Depreciation and amortisation of property, plant and equipment	**80,491**	160,191
Loss on disposal of property, plant and equipment	**5,950**	6,822
Net exchange loss (included in administrative expenses)	**–**	10,441

10. DISCONTINUED OPERATION

During the Year, the coking plant of 攀枝花市恒鼎煤焦化有限公司(Panzhihua City Hidili Coke Company Limited*) ("Hidili Coke"), a wholly-owned subsidiary of the Company has been listed by the Ministry of Industry and Information Technology of the PRC as one of the first batches of enterprises with obsolete industrial production capability. Since the capital investments for improving of the technology for coking machineries is high, management considered it is not worthwhile to further invest in the coking business. Accordingly, management decided to abandon the coking operation and wrote off all of the coking machineries of Hidili Coke. Accordingly, the Group's coking business ceased operation during the Year and are presented as discontinued operation. The comparative figures in the statement of profit or loss and other comprehensive income have been restated to represent the coking operation as a discontinued operation.

	2013	2012
	RMB'000	*RMB'000*
Loss after taxation from discontinued operation includes the following:		
Amortisation of prepaid lease payment	**575**	575
Depreciation and amortisation of property, plant and equipment	**16,748**	15,761
Reversal of impairment loss recognised on trade receivables	**258**	–
Impairment loss recognised on other receivables	**1,688**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	22,000

11. DIVIDENDS

The Board does not recommend payment of any final dividend (2012: nil) for the year ended 31 December 2013.

12. LOSS PER SHARE

From continuing and discontinued operations

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

	2013	2012
Loss	***RMB'000***	*RMB'000*
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(424,697)**	(147,396)

Number of shares	**2013**	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,060,525**	2,065,653

From continuing operations

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

	2013	2012
	RMB'000	*RMB'000*
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company	**(424,697)**	(147,396)
Less: Loss for the year from discontinued operation	**(257,471)**	(40,695)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(167,226)**	(106,701)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is RMB12.50 cents per share (2012: RMB1.97 cents per share), which is based on the loss for the year from the discontinued operation of RMB257,471,000 (2012: RMB40,695,000) and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the year ended 31 December 2013 and 2012 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.

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

(a) Bills and trade receivables

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**338,990**	530,239
Less: allowance for doubtful debts	**(38,578)**	(9,922)
	300,412	520,317
Bills receivables	**155,601**	367,345
	456,013	887,662

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:

	2013	2012
	RMB'000	*RMB'000*
Aged:		
0–90 days	**302,968**	652,849
91–120 days	**25,036**	80,797
121–180 days	**14,627**	72,830
181–365 days	**74,913**	79,114
Over 365 days	**38,469**	2,072
	456,013	887,662

(b) Bills receivables discounted with full 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 full recourse is as follows:

	2013	2012
	RMB'000	*RMB'000*
Aged:		
0–90 days	**90,000**	–
121–180 days	**–**	9,800
	90,000	9,800

14. 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:

	2013	2012
	RMB'000	*RMB'000*
Aged:		
0–90 days	**202,485**	255,961
91–180 days	**44,530**	95,519
181–365 days	**40,136**	56,088
Over 365 days	**81,581**	53,512
	368,732	461,080

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.

15. CAPITAL COMMITMENTS

	2013	2012
	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	**346,446**	540,684

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, 雲南東源恒鼎煤業有限公司(Yunnan Dongyuan Hidili Coal Industry Company Limited*), is as follows:

	2013	2012
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment	**108,804**	–

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 2013.

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 2013, 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 2013, the Group's current liabilities exceeded its current assets by approximately RMB3,001,335,000 and it incurred loss of approximately RMB423,808,000 for the year then ended. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB455,250,000 as disclosed in note 15 to the 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. 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 from continuing operations

During the Year, turnover from continuing operations of the Group amounted to approximately RMB729.1 million, representing a decrease of approximately 55.3%, as compared with approximately RMB1,630.8 million in 2012. The decrease was primarily attributable to the decrease in sales volumes and average selling prices (net of value added tax) of clean coal and by-products. The sales volume recorded for clean coal for the Year amounted to approximately 648,000 tonnes as compared to approximately 1,258,000 tonnes in 2012, representing a decrease of approximately 48.5%. The average selling price for the Year for clean coal decreased from RMB1,132.5 per tonne in 2012 to RMB927.0 per tonne for the Year, representing a decrease of 18.1%.

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 2012:

	2013			2012		
	Turnover *RMB'000*	**Sales Volume** ***(thousand Tones)***	**Average Selling Price** ***(RMB/Tones)***	Turnover *RMB'000*	Sales Volume *(thousand Tonne)*	Average Selling Price *(RMB/Tonne)*
Principal products						
Clean coal	**601,042**	**648.4**	**927.0**	1,424,816	1,258.1	1,132.5
By-products						
High-ash thermal coal	**70,980**	**338.0**	**210.0**	179,101	543.5	329.5
Other products						
Raw coal	**52,126**	**154.7**	**336.9**	23,645	63.6	371.6
Others	**4,981**			3,277		
Other products total	**57,107**			26,922		
Total turnover	**729,129**			1,630,839		

Cost of sales from continuing operations

Cost of sales from continuing operations for the Year was approximately RMB449.2 million, representing a decrease of approximately RMB131.2 million, or approximately 22.6%, as compared with approximately RMB580.4 million in 2012. During the Year, the Group recorded a reduction in production volume of raw coal and clean coal resulting from the suspension of production for coal mines consolidation in both Sichuan, Guizhou and Yunnan provinces. Accordingly, the raw coal and clean coal production volume decreased from approximately 3,522,000 tonnes and 1,578,000 tonnes respectively in 2012 to approximately 1,535,000 tonnes and 529,000 tonnes respectively in the Year. In order to meet the production needs and customers' demand, the Group further purchased approximately 120,000 tonnes of clean coal from external suppliers for the Year.

The following table illustrates 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 in 2012.

	Year ended 31 December			
	2013	**2013**	2012	2012
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production Volume				
Sichuan	**1**	**1**	1,117	550
Guizhou	**1,210**	**377**	1,565	524
Yunnan	**324**	**151**	840	504
	1,535	**529**	3,522	1,578
Purchase volume	**–**	**120**	3	109

Material, fuel and power costs for the Year were approximately RMB188.0 million, representing an increase of approximately RMB28.7 million, or approximately 18.0%, as compared with approximately RMB159.3 million in 2012. The raw material usage decreased in line with the production volume in the coal mines. However, in order to support coal mines consolidation, the consumption of fuel, electricity and power increased.

Staff costs for the Year were approximately RMB137.0 million, representing a decrease of approximately RMB84.0 million or 38.0%, as compared to approximately RMB221.0 million in 2012. The decrease was in line with the drop in production volume.

Depreciation and amortisation for the Year were approximately RMB58.9 million, representing a decrease of approximately RMB57.3 million, or approximately 49.3%, as compared with approximately RMB116.2 million in 2012. The decrease was in line with the decrease in production volume of raw coal since the mining structures and mining rights were amortized using the units of production method over the total proven reserves.

The following table sets forth the unit production costs of the respective segment for the Year, together with the comparative amounts for 2012:

	2013	2012
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**195**	153
Depreciation and amortisation	**34**	33
Total raw coal production cost	**229**	186
Purchase cost of raw coal	**–**	599
Average cost of clean coal	**560**	444
Purchase cost of clean coal	**1,035**	1,146

Gross profit from continuing operations

As a result of the foregoing, the gross profit from continuing operations for the Year was approximately RMB279.9 million, representing a decrease of approximately RMB770.5 million or approximately 73.4%, as compared with approximately RMB1,050.4 million in 2012. The gross profit margin from continuing operations was approximately 38.4% as compared with approximately 64.4% in 2012.

Other income from continuing operations

Other income from continuing operations for the Year amounted to approximately RMB33.0 million, representing an increase of approximately RMB10.9 million or approximately 49.3%, as compared with approximately RMB22.1 million in 2012. The increase was mainly attributable to the increase in bank interest income.

Other gains and losses from continuing operations

Other gains from continuing operations for the Year amounted to approximately RMB509.7 million, representing an increase of approximately RMB533.5 million or 2,241.6%, as compared to other losses of approximately RMB23.8 million in 2012. The increase was substantially arisen from (i) the gain on disposal of subsidiaries of approximately RMB861.3 million, (ii) exchange gain of approximately RMB78.1 million, and (iii) the gain on repurchase of senior notes but partly set off by the impairment loss recognised in respect of mining structure during the coal mine consolidation.

Distribution expenses from continuing operations

Distribution expenses from continuing operations for the Year were approximately RMB113.1 million, representing a decrease of approximately RMB114.1 million or approximately 50.2%, as compared to approximately RMB227.2 million in 2012. The decrease was mainly attributable to decrease of both transportation expenses and government levies in line with the decrease in the sales volume.

Administrative expenses from continuing operations

Administrative expenses from continuing operations for the Year were approximately RMB417.6 million, representing a slight increase of approximately RMB27.0 million, or approximately 6.9%, as compared with approximately RMB390.6 million in 2012. The administrative expenses maintained at the similar level as 2012. The administrative expenses mainly consisted of (i) staff costs of approximately RMB108.6 million, (ii) staff option expenses of approximately RMB53.2 million, (iii) legal and professional expenses of approximately RMB51.7 million, and (iv) office expenses of approximately RMB40.6 million.

Finance costs from continuing operations

Finance costs from continuing operations for the Year amounted to approximately RMB456.2 million, representing an increase of approximately RMB13.9 million or approximately 3.1%, as compared with approximately RMB442.3 million in 2012. The increase was mainly attributable to (i) the decrease in interests capitalised in construction in progress of approximately RMB95.8 million and (ii) the increase in interests payable to bank and other borrowings of approximately RMB123.8 million but significantly off set by the decrease in interests payable to convertible loan notes of approximately RMB179.9 million. In January 2013, the Company redeemed substantial portion of the convertible loan notes of which the repayments was mainly financed by bank and other borrowings.

Income tax expenses from continuing operations

Income tax expenses from continuing operations during the Year were approximately RMB21,000, representing a substantial decrease of approximately RMB89.4 million or approximately 100%, as compared with approximately RMB89.4 million in 2012. The amount of income tax expense represented EIT of approximately RMB69.3 million and deferred tax of approximately RMB69.3 million arising from the tax impact on the impairment of property, plant and equipment during the Year. For the current year 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.

Discontinued operation

During the Year, the coking plant of Panzhihua City Hidili Coke Company Limited, a wholly-owned subsidiary of the Company has been listed by the Ministry of Industry and Information Technology of the PRC as one of the first batches of enterprises with obsolete industrial production capability. Since the capital investments for improving of the technology for coking machineries is high, management considered it is not worthwhile to further invest in the coking business. Accordingly, management 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 and are presented as discontinued operations.

The loss for the Year from the discontinued coking operation is set out below:

	2013	2012
	RMB'000	*RMB'000*
Revenue	**61,167**	292,760
Cost of sales	**(73,648)**	(268,344)
Other income	**2,162**	210
Other gains and losses	**–**	(22,000)
Distribution costs	**(2,934)**	(8,136)
Administrative expenses	**(43,100)**	(24,583)
Finance costs	**(4,123)**	(10,602)
Loss after taxation	**(60,476)**	(40,695)
Loss on write off of PPE classified as loss on cessation of coking operation	**(196,995)**	–
	(257,471)	(40,695)

Loss for the year

As a result of the foregoing, the loss attributable to the owners of the Company for the Year was approximately RMB424.7 million, representing an increase of approximately RMB277.3 million or approximately 188.1%, as compared with approximately RMB147.4 million in 2012.

EBITDA from continuing operations

The following table illustrates the Group's adjusted EBITDA from continuing operations for the Year. The Group's adjusted EBITDA margin was –7.2% for the Year as compared with 36.4% in 2012.

	2013	2012
	RMB'000	*RMB'000*
Loss for the year from continuing operations	**(166,337)**	(103,597)
Adjusted for:		
— Gain on disposal of subsidiaries	**(861,321)**	–
— Impairment on property, plant and equipment	**432,758**	–
	(594,900)	(103,597)
Finance costs	**456,233**	442,300
Income tax expenses	**21**	89,435
Depreciation and amortisation	**85,824**	164,721
Adjusted EBITDA	**(52,822)**	592,859

Liquidity, financial resources and capital structure

As at 31 December 2013, the Group incurred net current liabilities of approximately RMB3,001.3 million as compared to approximately RMB4,726.2 million at 31 December 2012.

In January 2013, a substantial portion of the convertible loan notes was redeemed and mainly financed by bank and other borrowings. In May 2013, the Group has disposed of 50% equity interest in 雲南恒鼎實業有限公司(Yunnan Hidili Industry Company Limited*) and its subsidiaries ("Yunnan Hidili Group") to 雲南東源煤業集團有限公司(Yunnan Dongyuan Coal Group Company Limited*) ("Yunnan Dongyuan") for an aggregate consideration of RMB2.4 billion. The Group has further utilized the proceed from the disposal for repayment of the trust loan and some local bank borrowings. Accordingly, the Group's working capital has been improved.

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 31 December 2013, the bank balances and cash of the Group amounted to approximately RMB322.2 million (2012: approximately RMB1,554.4 million).

As at 31 December 2013, the total bank and other borrowings of the Group were approximately RMB4,587.4 million, of which approximately RMB3,007.9 million was repayable within one year. As at 31 December 2013, loans amounting to RMB1,833.4 million carry interest at a fixed rate of ranging from 5.9% to 9.1% per annum. The remaining loans carry interest at variable market rates ranging from 3.12% to 8.46% per annum.

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 2013 was 45.8% (2012: 49.2%).

Pledge of assets of the Group

As at 31 December 2013, the Group pledged assets in an aggregate amount of approximately RMB2,499 million (2012: RMB2,003 million) to banks for credit facilities.

As at 31 December 2013, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB1,233 million (2012: RMB2,470 million).

Employees

As at 31 December 2013, the number of employees from continuing operation of the Group was 5,839 as compared to 13,230 employees at 31 December 2012, showing a significant decrease arising from the disposal of subsidiaries and discontinued operation. During the Year, the staff costs (including directors' remuneration in the form of salaries and other allowances) from continuing operation was amounted to approximately RMB303.4 million (2012: RMB413.6 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 balances of approximately USD6.5 million, HKD5.4 million and AUD0.2 million.

Significant investment held

The Group had invested in unlisted equity investments of RMB188.6 million representing 15%, 4.41%, 5%, 5% and 1.24% equity interest in five entities respectively. The principal activities of the investees are manufacturing of mining machinery, manufacturing and sales of herbicides, 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

(i) On 17 May 2013, the Group and Yunnan Dongyuan entered into an agreement pursuant to which the Group conditionally agreed to dispose of 50% equity interests of Yunnan Hidili Group at a consideration of RMB2.4 billion. The Yunnan Hidili Group is mainly engaged in mining, washing plants and railway logistic station in Yunnan province.

(ii) On 2 September 2013, the Group disposed Jinhe Coal Mine and Dongguaao Coal Mine located in Guizhou province to 貴州豐鑫源礦業有限公司(Guizhou Fengjinyuan Mining Company Limited*) and 盤縣慶源煤業有限公司(Panxian Qingyuan Coal Mine Company Limited*), independent third parties of the Company, at an aggregate consideration of approximately RMB914 million.

(iii) On 29 November 2013, 四川恒鼎實業有限公司(Sichuan Hidili Industry Company Limited*) ("Sichuan Hidili") and 四川國理資源有限公司(Sichuan Guoli Lithium Materials Company Limited*) ("Sichuan Guoli") entered into an agreement pursuant to which Sichuan Hidili conditionally agreed to dispose of 100% equity interest of 四川恒鼎鋰業科技有限公司(Sichuan Hidili Lithium Technology Company Limited*) and its subsidiaries ("Sichuan Lithium Group") at a consideration of RMB414 million. Sichuan Lithium Group is mainly engaged in a lithium mine location in Aba, Sichuan province. On 28 March 2014, Sichuan Hidili and Sichuan Guoli have entered into a supplement agreement to adjust the consideration to RMB307.5 million.

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

Subsequent event

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 and 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"), the company established by Mr. Kong and Ms. Wang, pursuant to which the parties conditionally agreed to acquire mining right and mining structure of Luhuan Coal Mine by Panzhihua Hidili from Panzhihua Luhuan at a consideration of RMB48 million.

Contingent liabilities

On 28 January 2013, Blackrock Japan Co., Limited and Blackrock (Singapore) Limited, as first and second plaintiffs respectively (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 convertible loan notes funds (the "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 (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 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. We filed a defence on 29 April 2013. On 24 June 2013, the Plaintiff 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 us on 9 December 2013. We file an amended defence on 7 January 2014.

Save as disclosed above, as at 31 December 2013, 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, controlling shareholder of the Company and Director, for the leasing 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 RMB8.0 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 富源金通煤焦有限公司 (Fuyuan Jintong Coking Company Limited*) ("Fuyuan Jintong"), respectively, for the provision of railway logistic services. 雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*) ("Yunnan Kaijie"), the holder of 57%, 51% and 33.18% equity interest in Panxian Panshi, Panxian Panying and Fuyuan Jintong respectively, is a substantial shareholder of each of Panxin Coking and Panyi Coal Washing. As Panxian Panshi, Panxian Panying 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 and Fuyuan Jintong; (ii) volume of clean coal available for delivery with reference to the estimated production volumes of clean coal; (iii) anticipated growth in demand of clean coal; and (iv) the business plan of the Group.

OUTLOOK

Since the listing of Hidili, its proceeds from the share offer, funds raised from financing and operating cash flow have been applied to the acquisition and construction of coal mines in the Yunnan and Guizhou regions. We have been conducting such acquisitions in accordance with the consolidation policies of the local governments and, as such, the prospecting, design and construction processes have to be carried out all over again. In actual implementation, this process will take 5 to 8 years to complete, which is 2 to 3 years longer than originally expected by the Company. The coal-mine integration currently in progress in the Yunnan and Guizhou is not favourable to us in the short-term, as construction and production volume of coal mines in the near term will be affected. From a longer-term perspective, however, the benefits will outweigh the shortcomings. Through the government-mandated consolidation initiatives, the number of local coal mines will drop drastically and coal production will be dominated by specialised companies in future with substantially lessened management difficulties and risks, and the business environment for the Company will be significantly improved as a result. This will in turn reduce suspensions in production or construction necessitated by the occurrence of safety and production incidents at other coal, and the stability of our production operations will be ensured. Meanwhile, through consolidation, small mines will be merged into large ones and unit operating costs will be reduced while efficiency will increase in line with the expansion in size, resulting in enhanced profitability for the Company.

In the meantime, coal reserves remains rich in the Pan Country district, where the Company's major coal mines are located and where the coal industry is designated by the local government as a pillar industry representing the lifeline of the local economy that provides economic security and supports the livelihood of local citizens, to the benefit of the production and operation of coal enterprises.

In 2013, the Company made prompt decisions to dispose of certain assets given that its major coal mines were still under construction and future economic conditions will in its judgment be less than optimistic. Proceeds generated from the disposals were applied in the repayment of certain loans to optimise the Company's debt structure and enhance its cash flow. Meanwhile, the Company streamlined its management structure to improve operating efficiency and reduce expenses in anticipation of future developments in the business environment.

In connection with future demand, surplus capacity has emerged in the coking coal industry under the direct impact of developments in the downstream iron and steel industry, and such trend is not likely to change significantly in the near future. As the government plans to enhance its efforts in resolving the smog problem, regional restructuring of the iron and steel industry seems inevitable. In this regard, the Yunnan and Guizhou region of coking coal production claims a unique regional advantage. Elsewhere, the roll-out of construction work relating to new urbanisation is set to drive the growth of the iron and steel industry, which will have a tremendous impact on the global demand and supply of iron and steel as our neighbouring countries, notably India, step with construction under their modernisation plans. As such, the gradual buildup of the Company's production capacity will generally be in tandem with rising demand in the international as well as domestic markets.

In summary, the coking coal industry is currently facing pressure and difficulties. However, as the Company starts to increase utilisation of its production capacity after its major coal mines becomes operational, its cash flow will improve and profit will be generated. The latter half of the current year will fare better than the first, while next year will fare better than the current year.

OTHER INFORMATION

Audit committee

The audit committee was established on 25 August 2007 in compliance with the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2013.

Corporate governance

The Board is of the view that the Company has complied with the code provisions of the Corporate Governance Code during the Year, save for the deviation as mentioned below. Prior to 27 August 2013, the Company did not separate the roles of the Chairman and the Chief Executive Officer. Mr. Xian Yang is the Chairman of the Company and, prior to 27 August 2013, also acted as the Chief Executive Officer of the Company. He is responsible for the overall management and business development of the Group. Although the Board believes that vesting the roles of both chairman and chief executive officer in Mr. Xian Yang will not impair the balance of power and authority between the Board and the management of the Company, the Company nevertheless appointed Mr. Sun Jiankun to replace Mr. Xian Yang as the Chief Executive Officer with effect from 27 August 2013 in accordance with code provision A.2.1 of Corporate Governance Code. Please refer to the announcement of the Company dated 27 August 2013 for further details.

No Director is aware of any information that reasonably reveals that there is any non-compliance with the Corporate Governance 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 ended 31 December 2013.

* *for identification purpose only*

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

Hong Kong
31 March 2014

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