Hidili 恒鼎

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 2014

FINANCIAL HIGHLIGHTS

	2014	2013	Change
	RMB'000	*RMB'000*	*%*
Revenue from Continuing Operations	**719,872**	729,129	(1.3%)
Gross Profit from Continuing Operations	**77,498**	279,895	(72.3%)
Loss Before Tax from Continuing Operations	**(1,354,396)**	(166,316)	714.4%
Loss Attributable to the Owners of the Company	**(1,422,951)**	(424,697)	235.1%
EBITDA	**(176,423)**	(52,822)	234.0%
Basic Loss per Share (RMB cents)	**(69.56)**	(20.61)	237.5%

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 2014 (the "Year") together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Continuing operations			
Revenue	*4*	**719,872**	729,129
Cost of sales		**(642,374)**	(449,234)
Gross profit		**77,498**	279,895
Other income	*5*	**76,388**	32,972
Other gains and losses	*6*	**(511,793)**	509,650
Distribution expenses		**(48,211)**	(113,121)
Administrative expenses		**(380,172)**	(417,631)
Share of losses of associates		**(3,391)**	(1,848)
Share of losses of joint ventures		**(31,013)**	–
Finance costs	*7*	**(533,702)**	(456,233)
Loss before tax		**(1,354,396)**	(166,316)
Taxation	*8*	**(69,471)**	(21)
Loss for the year from continuing operations	*9*	**(1,423,867)**	(166,337)
Discontinued operation			
Loss for the year from discontinued operation	*10*	**–**	(257,471)
Loss and total comprehensive expense for the year		**(1,423,867)**	(423,808)
Loss and total comprehensive expense for the year attributable to owners of the Company			
— from continuing operations		**(1,422,951)**	(167,226)
— from discontinued operation		**–**	(257,471)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(1,422,951)**	(424,697)
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests from continuing operations		**(916)**	889
		(1,423,867)	(423,808)

	Note	2014 RMB'000	2013 RMB'000
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(1,422,951)**	(424,697)
Non-controlling interests		**(916)**	889
		(1,423,867)	(423,808)
Loss per share	*12*		
From continuing and discontinued operations			
Basic *(RMB cents)*		**(69.56)**	(20.61)
Diluted *(RMB cents)*		**(69.56)**	(20.61)
From continuing operations			
Basic *(RMB cents)*		**(69.56)**	(8.11)
Diluted *(RMB cents)*		**(69.56)**	(8.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**8,399,929**	8,483,068
Prepaid lease payments		**85,881**	87,450
Intangible assets		**135,094**	140,123
Interests in joint ventures		**2,368,987**	2,400,000
Interests in associates		**40,896**	39,287
Available-for-sale investments		**73,778**	188,630
Long term deposits		**384,052**	318,703
Pledged and restricted bank deposits		**511,688**	94,450
Deferred tax assets		**–**	69,307
		12,000,305	11,821,018
CURRENT ASSETS			
Inventories		**187,736**	133,037
Bills and trade receivables	*13(a)*	**286,742**	456,013
Bills receivables discounted with full recourse	*13(b)*	**12,000**	90,000
Other receivables and prepayments		**727,223**	943,994
Amount due from a joint venture		**64,525**	111,115
Amount due from a related party		**–**	38
Pledged bank deposits		**777,223**	919,348
Bank balances and cash		**32,767**	322,207
		2,088,216	2,975,752
Assets held for sales		**–**	308,005
		2,088,216	3,283,757

	Note	**2014**	2013
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Bills and trade payables	*14*	**586,757**	368,732
Advances drawn on bills receivables discounted with recourse		**12,000**	90,000
Other payables and accrued expenses		**550,634**	437,696
Amount due to associate		**12,282**	–
Amounts due to related parties		**3,389**	2,472
Amount due to non-controlling interests shareholder		**14,765**	14,765
Tax payables		**35,352**	40,804
Senior notes		**1,131,844**	2,322,661
Convertible loan notes		**7,504**	–
Bank and other borrowings — due within one year		**3,181,508**	3,007,898
		5,536,035	6,285,028
Liabilities held for sales		**–**	64
		5,536,035	6,285,092
NET CURRENT LIABILITIES		**(3,447,819)**	(3,001,335)
		8,552,486	8,819,683
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**5,367,073**	6,784,034
Equity attributable to owners of the Company		**5,564,579**	6,981,540
Non-controlling interests		**35,231**	36,397
TOTAL EQUITY		**5,599,810**	7,017,937
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**7,735**	16,095
Other long term payables		**34,620**	71,880
Deferred tax liabilities		**76,879**	127,155
Bank and other borrowings — due after one year		**2,833,442**	1,579,542
Convertible loan notes		**–**	7,074
		2,952,676	1,801,746
		8,552,486	8,819,683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Room 3702, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. In the opinion of the Directors, the Company's parent company is Sanlian Investment Holding Limited ("Sanlian Investment"), a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited, 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 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 and an interpretation issued by the International Accounting Standards Board:

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

The application of the amendments to IFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and position for the current and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not yet early applied the following new and revised IFRSs that have been issued but not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory deferral accounts[2]
IFRS 15	Revenue from contracts with customers[3]
Amendments to IFRS 11	Accounting for acquisition of interest in joint operation[5]
Amendments to IAS 1	Disclosure initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of acceptance methods of depreciation and amortisation[5]
Amendments to IAS 19	Defined benefit plans: Employee contributions[4]
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle[6]
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle[5]
Amendments to IAS16 and IAS 41	Agriculture: Bearer plants[5]
Amendments to IAS 27	Equity method in separate financial statements[5]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 July 2014
[5] Effective for annual periods beginning on or after 1 January 2016
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Going concern assumption

In preparing the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the fact that the Group's net current liabilities position of approximately RMB3,447,819,000 as at 31 December 2014 and incurred loss of approximately RMB1,423,867,000 for the year then ended. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB365,592,000 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 (i) presently available unutilised banking facilities of approximately RMB3,050 million which are repayable after 12 months from drawn down and RMB1,500 million which are repayable after 12 months from drawn down but contain a repayment on demand clause; and (ii) additional banking facilities of approximately RMB250 million obtained from 1 January 2015 up to the date of this announcement, which are repayable after 12 months from drawn down. Subsequently to the end of the reporting date, the Group has drawn down RMB430 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 is also implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position. During the year, the Group tendered to purchase its outstanding 8.625% senior notes due 2015 with an aggregate principal amount of US$400,000,000 which the Company issued on 4 November 2010. The tender was accepted by certain senior noteholders and various written consents were obtained from certain senior noteholders on amendments to, and waivers of, covenants of the senior notes, details of which are set out in the Company's announcements dated 17 September 2014, 30 September 2014, 15 October 2014 and 22 October 2014.

On the basis that the Group can improve its operating results and cash flows and taken into account the available unutilised banking facilities and disposal of certain assets which the Company may consider, 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 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-products was discontinued in 2013. 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 2014		
	Coal Mining *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
REVENUE			
External	**719,311**	**561**	**719,872**
RESULTS			
Segment (loss) profit	**(806,753)**	**5**	**(806,748)**
Other income, gain and losses			**400,630**
Administrative expenses			**(380,172)**
Share of losses of associates			**(3,391)**
Share of losses of joint venture			**(31,013)**
Finance costs			**(533,702)**
Loss before tax			**(1,354,396)**

	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)

Segment (loss) profit represents (loss) profit (incurred) earned by each segment and comprise mainly gross profit and other gains and losses except for gain on disposal of an available-for-sale investment, impairment loss recognised on an available-for-sale investment, net exchange (loss) gain and gain on repurchase of senior notes, less distribution expenses. Other income, administrative expenses, finance costs, net exchange (loss) gain, gain on repurchase of senior notes, gain on disposal of an available-for-sale investment, impairment loss recognised on an available-for-sale investment, share of losses of associates and share of losses of joint ventures, are not allocated in arriving at segment (loss) profit. This is the measure reported to the chief operating decision makers (i.e. the executive directors) for the purposes of resource allocation and assessment of segment performance.

5. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Bank interest income	**51,221**	17,894
Interest income from loan receivable	**9,930**	–
Government grant	**605**	1,057
Others	**14,632**	14,021
	76,388	32,972

6. OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Net impairment loss recognised on		
— trade receivables	**(51,497)**	(28,915)
— other receivables	**(2,443)**	(1,608)
Net impairment loss recognised on financial assets	**(53,940)**	(30,523)
Gain on disposal of subsidiaries	**18,346**	861,321
Impairment loss recognised in respect of property, plant and equipment	**(800,441)**	(432,458)
Impairment loss recognised on an available-for-sale investment	**(44,925)**	–
Exchange (loss) gain, net (senior note)	**(15,837)**	78,099
Gain on disposal of an available-for-sale investment	**36,358**	–
Gain on repurchase of senior notes	**348,646**	33,211
	(511,793)	509,650

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**357,860**	298,806
— advances drawn on bills receivable discounted	**59,100**	38,007
— convertible loan notes	**523**	6,873
— senior notes	**184,107**	207,390
	601,590	551,076
Less: Interest capitalised in construction in progress	**(67,888)**	(94,843)
	533,702	456,233

8. TAXATION

	2014	2013
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**164**	78,898
Overprovision in prior years	**–**	(9,570)
	164	69,328
Deferred taxation	**69,307**	(69,307)
	69,471	21

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2014 and 2013.

The Company is not subject to any income tax expenses in the Cayman Island 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.

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2014	2013
	RMB'000	*RMB'000*
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,978**	304
Amortisation of intangible assets	**5,029**	5,029
Provision for restoration and environmental costs	**590**	701
Depreciation and amortisation of property, plant and equipment	**89,419**	80,491
Loss on disposal of property, plant and equipment	**13,626**	5,950

10. DISCONTINUED OPERATION

During the year ended 31 December 2013, the coking plant of 攀枝花市恒鼎煤焦化有限公司 (Panzhihua City Hidili Coke Company Limited*), a wholly-owned subsidiary of the Company, had been listed by the Ministry of Industry and Information Technology of the PRC as one of the first 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 worth to further invest in the coking business. Accordingly, management decided to abandon the coking operation and write off all of the coking machineries of Panzhihua City Hidili Coke Company Limited. Accordingly, the Group's coking business ceased operations during the year ended 31 December 2013 and was presented as discontinued operation.

11. DIVIDENDS

The Board does not recommend payment of any final dividend (2013: nil) for the year ended 31 December 2014.

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:

Loss	**2014** *RMB'000*	2013 *RMB'000*
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(1,422,951)**	(424,697)

Number of shares	**2014** *'000*	2013 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,045,598**	2,060,525

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:

Loss	**2014** *RMB'000*	2013 *RMB'000*
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company	**(1,422,951)**	(424,697)
Less: Loss for the year from discontinued operation	**–**	(257,471)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(1,422,951)**	(167,226)

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

The computation of diluted loss per share for the year ended 31 December 2014 and 2013 does not assume the conversion of the Company's convertible loan notes and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share.

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

(a) Bills and trade receivables

	2014 *RMB'000*	2013 *RMB'000*
Trade receivables	**344,153**	338,990
Less: allowance for doubtful debts	**(87,312)**	(38,578)
	256,841	300,412
Bills receivables	**29,901**	155,601
	286,742	456,013

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:

	2014	2013
	RMB'000	*RMB'000*
Aged:		
0–90 days	**251,838**	302,968
91–120 days	**5,375**	25,036
121–180 days	**10,756**	14,627
181–365 days	**18,773**	74,913
Over 365 days	**–**	38,469
	286,742	456,013

(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:

	2014	2013
	RMB'000	*RMB'000*
Aged:		
0–90 days	**7,000**	90,000
121–180 days	**5,000**	–
	12,000	90,000

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:

	2014	2013
	RMB'000	*RMB'000*
Aged:		
0–90 days	**224,928**	202,485
91–180 days	**213,424**	44,530
181–365 days	**61,688**	40,136
Over 365 days	**86,717**	81,581
	586,757	368,732

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

	2014	2013
	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	**264,624**	346,446

The Group's share of the capital commitments made jointly with other ventures 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:

	2014	2013
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**100,968**	108,804

16. PROPERTY, PLANT AND EQUIPMENT

Pursuant to Notices issued by Sichuan Province Panzhihua Government and Guizhou Province Liupanshui Government in October 2013 and September 2013, respectively (collectively "Mines Restructuring Plans") who had formulated mines restructuring plans to improve productivity and safety of coal mining operations. The Group's mines located in Panzhihua and Liupanshui with carrying amounts as at 31 December 2014 of RMB4,060,103,000 (2013: RMB4,520,083,000) are subject to the mines restructuring scheme and hence have to comply with the Mines Restructuring Plans. Operations at the mines subjected to the Mines Restructuring Plans were still suspended as at 31 December 2014 as they were undergoing the physical mine merger and consolidation process.

During the year ended 31 December 2013, the directors of the Company had determined that the future cash flows expected to be generated from certain mines subject to the Mines Restructuring Plans were less than their carrying amounts and an impairment loss of RMB432,458,000 was recognised during the year ended 31 December 2013. In particular, the Group fully impaired certain mines with a carrying amount of RMB326,021,000 which were either instructed to be closed down due to low productivity or management considered it was not worth to further invest capital expenditure to proceed the mines restructuring pursuant to Mines Restructuring Plans.

As at 31 December 2014, a mine with carrying amount of RMB100,000,000 (after deducting impairment losses of RMB106,437,000 recognised during the year ended 31 December 2013) under Mines Restructuring Plans will be disposed of to an independent third party for mines consolidation reasons. Its carrying amount is approximate to the fair value determined by the directors based on preliminary price negotiation with the independent third party. During the year ended 31 December 2014, the Group received a deposit of RMB5,000,000 for the disposal of this mine.

During the year ended 31 December 2014, the process of negotiating with the relevant government authorities of the PRC in relation to the mines merger and consolidation plans in respect of certain Group's coal mines in Sichuan and Guizhou provinces was completed, the Group identified buildings, mining structures, machinery, office and electronic equipment and construction in progress of carrying amount of RMB40,586,000, RMB289,597,000, RMB15,134,000, RMB5,116,000 and RMB311,981,000, respectively, which will no longer be used in the mining operations because of safety and environmental factors. Accordingly, an impairment loss of RMB662,414,000 has been recognised in the consolidated financial statements. However, the Group is still negotiating with relevant government authorities on other mines of the Group with carrying amount of RMB2,595,671,000 after impairment noted below in relation to mines merger and consolidation plans which have not been concluded and approved by the relevant government authorities. The directors believe that an impairment loss of RMB138,027,000 based on the currently available information obtained from the negotiations with the relevant government authorities is appropriate. However, once these negotiations have been finalised, the ultimate recoverable amount of other relevant property, plant and equipment may be significantly lower than their carrying amount and this may have a consequential effect on the final amount of the impairment to be recognised in respect of the property, plant and equipment.

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 2014.

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 2014, 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 2014, the Group's current liabilities exceeded its current assets by approximately RMB3,447,819,000 and the Group incurred a loss of approximately RMB1,423,867,000 for the year then ended. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately RMB366 million 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 upon implementation of those measures as disclosed in note 3 to the consolidated financial statements. However, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In addition, as disclosed in note 16 to the condensed consolidated financial statements, the Group is negotiating with the relevant government authorities of the People's Republic of China (the "PRC") for certain mines with carrying amounts of RMB2,595,671,000 in relation to the mines merger and consolidation plans which have not been concluded and approved by the relevant government authorities. An impairment loss of RMB138,027,000 in respect of these mines was recognised during the year ended 31 December 2014 based on the currently available information obtained from the negotiations with the relevant government authorities. However, once theses negotiation have been finalised, the ultimate recoverable amount of other relevant property, plant and equipment may be significantly lower than their carrying amount and this may have a consequential effect on the final amount of the impairment to be recognised in respect of the property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover from continuing operations

During the year, turnover from continuing operations of the Group amounted to approximately RMB719.9 million, representing a slight decrease of approximately 1.3%, as compared with approximately RMB729.1 million in 2013. The decrease was primarily attributable to the decrease in sales volumes and average selling prices (net of value added tax) of clean coal. The sales volume recorded for clean coal for the Year amounted to approximately 611,000 tonnes as compared to approximately 648,000 tonnes in 2013, representing a decrease of approximately 5.7%. The average selling price for the Year for clean coal decreased from RMB927.0 per tonne in 2013 to RMB848.6 per tonne for the Year, representing a decrease of 8.5%.

The following table sets out the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2013:

	2014			2013		
	Turnover *RMB'000*	**Sales Volume** *(thousand tonnes)*	**Average Selling Price** *(RMB/Tonne)*	Turnover *RMB'000*	Sales Volume *(thousand tonnes)*	Average Selling Price *(RMB/Tonne)*
Principal products						
Clean coal	**518,732**	**611.3**	**848.6**	601,042	648.4	927.0
By-products						
High-ash thermal coal	**39,284**	**161.1**	**243.9**	70,980	338.0	210.0
Other products						
Raw coal	**145,069**	**374.3**	**387.6**	52,126	154.7	336.9
Others	**16,787**			4,981		
Other products total	**161,856**			57,107		
Total turnover	**719,872**			729,129		

Cost of sales from continuing operations

Cost of sales from continuing operations for the Year was approximately RMB642.4 million, representing an increase of approximately RMB193.2 million, or approximately 43.0%, as compared with approximately RMB449.2 million in 2013. During the Year, the Group kept a low level of production under the suspension arising from the coal mine consolidation in Sichuan and Guizhou provinces and had a slight increase in production volume of raw coal from approximately 1,211,000 tonnes in 2013 to 1,404,000 tonnes in the Year. However, the clean coal production volume decreased from approximately 378,000 tonnes in 2013 to approximately 265,000 tonnes in the Year. More raw coal was arranged for sale instead of being further processed to clean coal as the margin for sale of raw coal was relatively higher than clean coal in the second half of 2014. In order to meet the production needs and customers' demand, the Group further purchased approximately 446,000 tonnes of clean coal from external suppliers for the Year.

The following table illustrates the production volume of the principal products in Sichuan, and Guizhou provinces and the purchase volume of principal products for the Year together with the comparative amounts in 2013.

	Year ended 31 December			
	2014	**2014**	2013	2013
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**114**	**32**	1	1
Guizhou	**1,290**	**233**	1,210	377
	1,404	**265**	1,211	378
Purchase volume	**4**	**446**	–	120

Material, fuel and power costs for the Year were approximately RMB415.8 million, representing an increase of approximately RMB227.8 million, or approximately 121.2%, as compared with approximately RMB188.0 million in 2013. During the Year, certain raw coal and clean coal amounting to approximately RMB388.9 million, representing approximately 93.5% of total material, fuel and power costs, were purchased from independent third parties in order to fulfil customers' orders.

Staff costs for the Year were approximately RMB112.9 million, representing a decrease of approximately RMB24.1 million or 17.6%, as compared to approximately RMB137.0 million in 2013. The decrease was mainly in line with the reduction of production of clean coal.

Depreciation and amortization for the Year were approximately RMB49.5 million, representing a decrease of approximately RMB9.4 million, or approximately 16.0%, as compared with approximately RMB58.9 million in 2013. The decrease was resulted from the impairment loss recognised in respect of property, plant and equipment.

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

	2014	2013
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**204**	195
Depreciation and amortisation	**36**	34
Total raw coal production cost	**240**	229
Purchase cost of raw coal	**307**	–
Average cost of clean coal	**692**	560
Purchase cost of clean coal	**861**	1,035

Gross profit from continuing operations

As a result of the foregoing, the gross profit from continuing operations for the Year was approximately RMB77.5 million, representing a decrease of approximately RMB202.4 million or approximately 72.3%, as compared with approximately RMB279.9 million in 2013. The gross profit margin from continuing operations was approximately 10.8% as compared with approximately 38.4% in 2013.

Other income from continuing operations

Other income from continuing operations for the Year amounted to approximately RMB76.4 million, representing an increase of approximately RMB43.4 million or approximately 131.5%, as compared with approximately RMB33.0 million in 2013. The increase was mainly attributable to (i) the increase in bank interest income from approximately RMB17.8 million in 2013 to RMB51.2 million for the Year and (ii) the interest income from loans receivable of approximately RMB9.9 million in the Year.

Other gains and losses from continuing operations

Other losses from continuing operations for the Year amounted to approximately RMB511.8 million, representing a decrease of approximately RMB1,021.8 million or 2,003.5%, as compared to other gains of approximately RMB510.0 million in 2013. The decrease was substantially arisen from (i) the decrease of gain on disposal of subsidiaries from approximately RMB861.3 million in 2013 to RMB18.3 million in the Year; (ii) the turnaround of exchange gain of approximately RMB78.1 million in 2013 to exchange loss of approximately RMB15.8 million in the Year; (iii) increase of impairment loss recognised in respect of property, plant and equipment from approximately RMB432.5 million in 2013 to RMB800.4 million in the Year and (iv) an impairment loss recognised on an available-for-sale investment of approximately RMB44.9 million for the Year, but set off by the increase of gain from the repurchase of senior notes of approximately RMB315.4 million during the Year.

Distribution expenses from continuing operations

Distribution expenses from continuing operations for the Year were approximately RMB48.2 million, representing a decrease of approximately RMB64.9 million or approximately 57.4%, as compared to approximately RMB113.1 million in 2013. The decrease was mainly attributable to the decreases in both transportation expenses and government levies since the Company sold the raw coal from production inside Sichuan and Guizhou provinces and arranged clean coal purchased from independent third parties to be shipped out to meet customers' orders.

Administrative expenses from continuing operations

Administrative expenses from continuing operations for the Year were approximately RMB380.2 million, representing a decrease of approximately RMB37.4 million, or approximately 9.0%, as compared with approximately RMB417.6 million in 2013. The decrease in administrative expenses was mainly attributable to the decrease in staff costs and share-based payment expenses of approximately RMB18.8 million and RMB47.2 million respectively but set off by an increase in legal and professional expenses of approximately RMB18.0 million.

Finance costs from continuing operations

Finance costs from continuing operations for the Year amounted to approximately RMB533.7 million, representing an increase of approximately RMB77.5 million or approximately 17.0%, as compared with approximately RMB456.2 million in 2013. The increase was mainly attributable to (i) the decrease in interests capitalised in construction in progress of approximately RMB26.9 million and (ii) the increase in interests payable to bank and other borrowings and advances drawn on bills receivable discounted of approximately RMB80.1 million but off set by the decrease in interests payable to convertible loan notes and senior notes of approximately RMB29.6 million.

Taxation from continuing operations

Taxation from continuing operations during the year were approximately RMB69.5 million, representing an increase of approximately RMB69.5 million as compared with approximately RMB21,000 in 2013. The amount of taxation represented EIT of approximately RMB164,000 and deferred tax of approximately RMB69.3 million arising from the written back of the tax impact on the impairment loss of property, plant and equipment made in 2013. 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.

Loss for the year from continuing operations

As a result of the foregoing, the loss for the Year from continuing operations was approximately RMB1,423.9 million, representing an increase of approximately RMB1,257.6 million or approximately 756.2%, as compared with approximately RMB166.3 million in 2013.

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 -24.5% for the Year as compared with -7.2% in 2013.

	2014	2013
	RMB'000	*RMB'000*
Loss for the year from continuing operations	**(1,354,396)**	(166,337)
Adjusted for:		
— Gain on disposal of subsidiaries	**(18,346)**	(861,321)
— Gain on repurchase of senior notes	**(348,646)**	–
— Impairment on property, plant and equipment	**800,441**	432,758
— Impairment on an available-for-sale investment	**44,925**	–
	(876,022)	(594,900)
Finance costs	**533,702**	456,233
Taxation	**69,471**	21
Depreciation and amortisation	**96,426**	85,824
Adjusted EBITDA	**(176,423)**	(52,822)

Liquidity, financial resources and capital structure

As at 31 December 2014, the Group incurred net current liabilities of approximately RMB3,447.8 million as compared to approximately RMB3,001.3 million at 31 December 2013.

During the Year, cash flows from operating activities were maintained at low levels due to limited production volume from the Company's coal mines in Sichuan and Guizhou provinces in the PRC. The Group continued focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal. Besides, the management of the Group has implemented active cost-saving and value-adding measures to cut down operating costs and improve cash flows and financial position.

In October 2014, the Company completed a tender offer to purchase for cash of US$197,249,000 senior notes, representing approximately 51.91% of the total aggregate principal amount of the outstanding notes and resulting in a gain on repurchase of approximately RMB348.6 million. The tender offer was settled by internal funding and bank borrowings. Upon the completion of the tender offer, the Company's outstanding senior notes remained at approximately US$182.8 million.

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 2014, the bank balances and cash of the Group amounted to approximately RMB32.8 million (2013: approximately RMB322.2 million).

As at 31 December 2014, the total bank and other borrowings of the Group were approximately RMB6,015.0 million, of which approximately RMB3,181.5 million was repayable within one year. As at 31 December 2014, loans amounting to RMB1,244.2 million carry interest at a fixed rate of ranging from 8.39% to 11.75% per annum. The remaining loans carry interest at variable market rates ranging from 3.33% to 8.88% 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 2014 was 50.8% (2013: 45.8%).

Pledge of assets of the Group

As at 31 December 2014, the Group pledged assets in an aggregate amount of approximately RMB4,745 million (2013: RMB2,499 million) to banks for credit facilities.

As at 31 December 2014, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB1,430 million (2013: RMB1,233 million).

Employees

As at 31 December 2014, the number of employees from continuing operation of the Group was 5,153 as compared to 5,839 employees at 31 December 2013, showing a decrease arising from staff layoff with the aims to streamline operation units and management structure during the Year. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) from continuing operation amounted to approximately RMB212.1 million (2013: RMB303.4 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 of the Company 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 USD2.6 million, HKD2.7 million and AUD0.1 million.

Significant investment held

The Group had invested in unlisted investments of RMB118.7 million representing 15%, 5% and 1.24% equity interest in three entities established in PRC and 5% interest in company incorporated in Laos respectively. The principal activities of the investees are manufacture of mining machinery, provision of trading coal products services, manufacture of lithium salt products and mining of potassium chloride respectively.

Material acquisition and disposal

On 6 January 2014, 攀枝花恒鼎礦業有限公司 (Panzhihau Hidili Mining Company Limited*) ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong Dexing 孔德興 ("Mr. Kong") and Ms. Wang Chaohui 王朝會 ("Ms. Wang"), independent third parties of the Company, pursuant to which Panzhihua Hidili 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*), a company which is engaged in coal mining in Zhangjiawan Coal Mine located in Renhe District, Panzhihua City, Sichuan province, from Mr. Kong and Ms. Wang at an aggregate consideration of RMB110 million.

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

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

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 (the "Legal Proceeding") 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 convertible loan notes funds ("Funds"). It delegated the investment management of the Funds to the Second Plaintiff. The Funds are the holders of certain bonds issued by the Company ("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. 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 an amended statement of claim were served on us on 9 December 2013. We filed an amended defence on 7 January 2014.

On 12 August 2014, the Plaintiffs and the Company entered into a settlement agreement on mutually acceptable terms in settlement of the Legal Proceedings. Pursuant to the settlement agreement, upon the satisfaction of the settlement conditions set out in the settlement agreement, the Company and the Plaintiffs should take steps to discontinue the Legal Proceedings.

Save as disclosed above, as at 31 December 2014, the Group did not have any material contingent liabilities.

Connected transaction

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.

Save as disclosed above, as at 31 December 2014, the Group did not have any material connected transaction.

OUTLOOK

During the Year, downward pressure on domestic economy, arduous situation in coal industry and coal prices lingering at low level continued to put the Company in a difficult business environment. However, the Company has committed to overcome difficulties by focusing on the production and construction of coal mines. As at 31 December 2014, the Company had nine consolidated core mines in Guizhou province, (i) one mine had entered into production under the requirement of the consolidation plan; (ii) four mines were allowed to undergo consolidation and production at the same time and (iii) the remaining four mines were under construction. The current aggregate raw coal production capacity of the five mines under production is approximately 1.95 million tonnes per annum. Three mines under construction will enter into the trial run production in 2015. The remaining mine under construction will enter into the trial run production in 2016. The aggregate raw coal production capacity of the nine consolidated core mines after consolidation is expected to be approximately 6.15 million tonnes per annum. In Sichuan province, the Company has five consolidated core mines, (i) two mines entered into production under the requirement of the consolidation plan; (ii) on mine entered into the trial run production and (iii) two mines were under construction. The current aggregate raw coal production capacity of the three mines under production is approximately 0.66 million tonnes per annum. Two mines under construction will enter into the trial run production in 2015. The aggregate raw coal production capacity of the five consolidated core mines after consolidation is expected to be approximately 1.47 million tonnes per annum.

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

In the event that the environment for our coal production is becoming more favourable, production volumes are expected to increase and costs are expected to decrease. Barring any unforeseen circumstances, the Company expects that our operations in 2015 will turn positive.

OTHER INFORMATION

Audit committee

The audit committee was established on 25 August 2007 in compliance with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the 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 2014.

Corporate governance

The Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the year. 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 2014.

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

Hong Kong
31 March 2015

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.

* *for identification purpose only*