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 2011

FINANCIAL HIGHLIGHTS

	2011	2010	Change
	RMB'000	*RMB'000*	*%*
Turnover	**2,861,532**	2,437,319	17.4
Gross Profit	**1,768,053**	1,693,297	4.4
Profit Before Tax	**931,276**	822,230	13.3
Profit Attributable to the Owners of the Company	**713,608**	669,505	6.6
Earning before interest, taxes, depreciation and amortisation ("EBITDA")	**1,409,032**	1,164,422	21.0
Basic Earning per share *(RMB cents)*	**34.6**	32.5	6.5

The Board proposed the payment of a final cash dividend of RMB6.9 cents per share to all shareholders of the Company.

The board (the "Board") of directors (the "Directors") of Hidili Industry International Development Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "Year") together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Turnover	5	**2,861,532**	2,437,319
Cost of sales		**(1,093,479)**	(744,022)
Gross profit		**1,768,053**	1,693,297
Other income	6	**134,544**	23,286
Distribution expenses		**(264,607)**	(341,654)
Administration expenses		**(407,443)**	(329,513)
Net gain on derivatives and held-for-trading investments		**9,430**	17,151
Impairment loss recognised in respect of property, plant and equipment		**—**	(26,350)
Finance costs	7	**(308,701)**	(213,987)
Profit before tax	8	**931,276**	822,230
Income tax expenses	9	**(200,243)**	(146,188)
Profit and total comprehensive income for the year		**731,033**	676,042
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**713,608**	669,505
Non-controlling interests		**17,425**	6,537
		731,033	676,042
Earnings per share			
Basic *(RMB cents)*	11	**34.6**	32.5
Diluted *(RMB cents)*	11	**34.3**	32.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2011**	2010
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,196,348**	10,072,361
Prepaid lease payments		**29,707**	30,385
Deposits		**35,960**	318,516
Deposits paid for acquisition of land use rights		**86,084**	25,538
Deposits paid for acquisition of additional interests in subsidiaries		**60,000**	52,500
Convertible bond receivable		**—**	63,536
Derivative component in convertible bond receivable		**—**	3,269
Intangible assets		**101,017**	104,817
Goodwill		**11,065**	11,065
Interest in associates		**146,850**	—
Available-for-sale investments		**228,330**	—
Loan receivables		**—**	25,173
		12,895,361	10,707,160
CURRENT ASSETS			
Inventories		**147,409**	242,974
Bills and trade receivables	12	**1,221,325**	938,975
Bills receivables discounted with recourse	12	**23,000**	241,733
Other receivables and prepayments		**661,318**	488,357
Amount due from an associate		**1,535**	—
Amounts due from related parties		**22,875**	106,942
Held-for-trading investments		**64,541**	97,369
Pledge and restricted bank deposits		**184,857**	165,791
Bank balances and cash		**596,966**	1,649,037
		2,923,826	3,931,178

	Note	**2011** **RMB'000**	2010 RMB'000
CURRENT LIABILITIES			
Bills and trade payables	13	**398,418**	271,407
Advances drawn on bills receivables discounted with recourse		**23,000**	241,733
Other payables and accrued expenses		**769,668**	462,997
Amounts due to related parties		**27,577**	1,200
Amount due to non-controlling interest of a subsidiary		**15,142**	15,455
Tax payables		**195,129**	91,698
Bank borrowings — due within one year		**1,617,000**	676,000
		3,045,934	1,760,490
NET CURRENT (LIABILITIES) ASSETS		**(122,108)**	2,170,688
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,773,253**	12,877,848
CAPITAL AND RESERVES			
Share capital		**199,078**	198,605
Reserves		**7,424,754**	6,774,207
Equity attributable to owners of the Company		**7,623,832**	6,972,812
Non-controlling interests		**182,834**	163,602
TOTAL EQUITY		**7,806,666**	7,136,414

	2011	2010
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Provision for restoration and environmental costs	**14,807**	11,646
Deferred tax liabilities	**315,386**	306,989
Other long-term payables	**164,098**	222,790
Bank borrowings — due after one year	**380,000**	1,094,000
Senior notes	**2,496,399**	2,596,614
Convertible loan notes	**1,595,897**	1,509,395
	4,966,587	5,741,434
	12,773,253	12,877,848

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 is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is Room 3702, 37th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. In the opinion of the Directors, the Company's parent company and ultimate holding company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands which is in turn held by trust formed by Mr. Xian Yang. The Company act as investment holding company and its subsidiaries are engaged in mining and sale of coke, raw coal and clean coal.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing these consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as of 31 December 2011, the Group's current liabilities exceeded its current assets by RMB122,108,000. The Directors are of the opinion that, taking into consideration of the internally generated funds of the Group and the current banking facilities available to the Group, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FIANACIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following New and Revised standards, amendment and interpretations (the "New and Revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee (formerly known as International Financial Reporting Interpretations Committee ("IFRIC")) which are or have been effective.

New and revised IFRSs applied in the current year

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendment)	Classification of Right Issues
IFRIC - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the New and Revised IFRSs in the Year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not yet applied the following New and Revised IFRSs that have been issued but which are not yet effective:

Amendments to IFRS 1	Government Loans[2]
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2015.

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

5 Effective for annual periods beginning on or after 1 July 2012.

6 Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipate that the application of the New and Revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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 Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

5. TURNOVER AND SEGMENT INFORMATION

The Group's operating and reportable segments under IFRS 8 are comprised of: (i) coal mining; (ii) coking; and (iii) others. The management identify the Group's segment by the nature of the Group's operation.

Principal activities are as follows:

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

Segments revenues and results

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

	For the year ended 31 December 2011				
	Coal mining	Coking	Others	Inter-segment eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE					
External	**2,545,993**	**296,580**	**18,959**	**—**	**2,861,532**
Inter-segment	**238,282**	**—**	**—**	**(238,282)**	**—**
Total	**2,784,275**	**296,580**	**18,959**	**(238,282)**	**2,861,532**
RESULTS					
Segment profit	**1,351,362**	**144,611**	**7,473**	**—**	**1,503,446**
Other income					**134,544**
Administrative expenses					**(407,443)**
Net gain on derivatives and held-for-trading investments					**9,430**
Finance costs					**(308,701)**
Profit before tax					**931,276**

	For the year ended 31 December 2010				
	Coal mining	Coking	Others	Inter-segment eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE					
External	1,730,141	696,556	10,622	—	2,437,319
Inter-segment	463,917	—	—	(463,917)	—
Total	2,194,058	696,556	10,622	(463,917)	2,437,319
RESULTS					
Segment profit	983,662	364,772	3,209	—	1,351,643
Other income					23,286
Administrative expenses					(329,513)
Net gain on derivatives and held-for-trading investments					17,151
Impairment loss recognised in respect of property, plant and equipment					(26,350)
Finance costs					(213,987)
Profit before tax					822,230

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

6. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Bank interest income	4,690	9,214
Interest income from convertible bond receivable	4,893	—
Government grant	5,039	62
Dividend income from held-for-trading investments	1,259	700
Exchange gain, net	112,244	8,181
Others	6,419	5,129
	134,544	23,286

7. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years:		
— bank borrowings	**74,776**	99,266
— advances drawn on bills receivable discounted	**47,911**	34,974
— convertible loan notes	**112,107**	100,673
— senior notes	**220,734**	36,863
	455,528	271,776
Less: Interest capitalised in construction in progress	**(146,827)**	(57,789)
	308,701	213,987

8. PROFIT BEFORE TAX

	2011	2010
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Impairment loss (reversal of impairment loss) recognised on		
— trade receivables	**(1,658)**	(4,155)
— other receivables	**1,098**	9,502
(Reversal of) impairment loss recognised on financial assets	**(560)**	5,347
Amortisation of prepaid lease payments	**678**	677
Amortisation of intangible assets (of which RMB3,800,000 (2010:RMB3,799,000) included in distribution expenses and Nil (2010:RMB3,075,000) included in cost of sales)	**3,800**	6,874
Provision for restoration and environmental costs	**3,161**	2,317
Depreciation and amortisation of property, plant and equipment	**164,577**	120,654
Loss on disposal of property, plant and equipment	**1,240**	46
Fair value loss (gain) on held-for-trading investments	**5,225**	(16,421)

9. INCOME TAX EXPENSES

	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**189,864**	135,546
Underprovision in prior years	**1,982**	1,906
	191,846	137,452
Deferred tax	**8,397**	8,736
	200,243	146,188

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% for 2011 and 2010.

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% (2010:25%) of the assessable profit of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain PRC subsidiaries of the Company which are exempted from EIT or entitled to concessionary tax rate in accordance with the approval from the respective tax bureau.

10. DIVIDENDS

The Directors recommended payment of a final dividend of RMB6.9 cents per share (2010: RMB6.5 cents) for the Year. This proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

Earnings	**2011**	2010
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share (Profit for the Year attributable to owners of the Company)	**713,608**	669,505

Number of shares	**2011**	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,064,424**	2,060,000
Effect of dilutive potential ordinary shares:		
Share options	**14,896**	22,778
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,079,320**	2,082,778

The computation of diluted earnings per share for the Year and 2010 does not assume the conversion of the Company's convertible loan notes since its assumed conversion would result in an increase in earnings per share.

The computation of diluted earnings per share for the Year assumed that there was no exercise of the outstanding share options granted by the Company on 26 February 2011 as the exercise price of those options is higher than the average market price of the shares of the Company.

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

(a) Bills and trade receivables

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**532,391**	600,747
Less: allowance for doubtful debts	**(3,025)**	(4,683)
	529,366	596,064
Bills receivables	**691,959**	342,911
	1,221,325	938,975

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, is as follows:

	2011	2010
	RMB'000	*RMB'000*
Aged:		
0 -90 days	**1,059,725**	823,981
91 - 120 days	**33,175**	96,016
121 - 180 days	**119,403**	4,169
181 - 365 days	**5,048**	4,903
Over 365 days	**3,974**	9,906
	1,221,325	938,975

(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:

	2011	2010
	RMB'000	*RMB'000*
Aged:		
0 -90 days	—	148,390
91 - 120 days	**23,000**	93,343
	23,000	241,733

13. BILLS AND TRADE PAYABLES

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

	2011	2010
	RMB'000	*RMB'000*
Aged:		
0 -90 days	**238,340**	228,850
91 - 180 days	**125,785**	19,730
181 - 365 days	**15,441**	8,763
Over 365 days	**18,852**	14,064
	398,418	271,407

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Year, turnover of the Group reached approximately RMB2,861.5 million, representing an increase of approximately 17.4%, as compared with approximately RMB2,437.3 million in 2010. The increase was primarily attributable to the increase in sales volumes of clean coal and average selling prices (net of value added tax) of the principal products and by-products and after setting off against the decrease in sales volume of coke. The sales volume recorded for clean coal and coke during the Year amounted to approximately 1,762,000 tonnes and 175,000 tonnes, respectively, as compared to approximately 1,300,000 tonnes and 470,000 tonnes, respectively, in 2010, representing an increase in volume of clean coal of approximately 35.5% and a decrease of 62.8%, respectively. The average selling price for in 2011 for both clean coal and coke increased from RMB1,131.7 per tonne and RMB1,419.4 per tonne, respectively, to RMB1,302.2 per tonne and RMB1,622.3 per tonne, representing an increase of approximately 15.1% and 14.3% respectively.

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 2010:

	2011			2010		
	Turnover	**Sales Volume**	**Average selling price**	Turnover	Sales volume	Average selling price
	RMB'000	***(thousand Tones)***	***(RMB/ Tonne)***	*RMB'000*	*(thousand Tones)*	*(RMB/ Tonne)*
Principal products						
Clean coal	**2,294,427**	**1,762.0**	**1,302.2**	1,471,308	1,300.1	1,131.7
Coke	**283,159**	**174.5**	**1,622.3**	666,419	469.5	1,419.4
Principal products total	**2,577,586**			2,137,727		
By-products						
High-ash thermal coal	**185,803**	**684.4**	**271.5**	142,871	639.4	223.4
Coal tar	**13,421**	**5.9**	**2,265.8**	30,137	13.7	2,199.8
By-products total	**199,224**			173,008		
Other products						
Raw coal	**65,763**	**202.0**	**325.5**	115,962	240.6	482.0
Benzene	**6,020**	**1.5**	**4,115.0**	8,709	2.6	3,349.6
Others	**12,939**			1,913		
Other products total	**84,722**			126,584		
Total turnover	**2,861,532**			2,437,319		

Cost of sales

Cost of sales for the Year was approximately RMB1,093.5 million, representing an increase of approximately RMB349.5 million, or approximately 47.0%, as compared with approximately RMB744.0 million in 2010. During the Year, the Group recorded a reduction in production volume of raw coal and clean coal resulting from the suspension of production for comprehensive safety check on all coal mines imposed by the Guizhou provincial government and the municipal government of Qujing city, Yunnan province from March to May 2011. Accordingly, the raw coal and clean coal production volume decreased from 4,225,000 tonnes and 1,993,000 tonnes, respectively, in 2010 to 4,106,000 tonnes and 1,846,000 tonnes, respectively, in the Year. In order to meet the production needs and customers' demand, the Group purchased additional 83,000 tonnes of raw coal and 124,000 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 as well.

	Year ended 31 December					
Principal products	**2011 Raw coal production volume** *('000 tonnes)*	**2011 Clean coal production volume** *('000 tonnes)*	**2011 Coke production volume** *('000 tonnes)*	2010 Raw coal production volume *('000 tonnes)*	2010 Clean coal production volume *('000 tonnes)*	2010 Coke production volume *('000 tonnes)*
Sichuan	**1,671**	**840**	**175**	1,527	714	355
Guizhou	**1,234**	**440**	**—**	1,765	742	85
Yunnan	**1,201**	**566**	**—**	933	537	—
	4,106	**1,846**	**175**	4,225	1,993	440
Purchase volume	**83**	**124**	**—**	—	—	—

Material, fuel and power costs for the Year were approximately RMB544.9 million, representing an increase of approximately RMB224.6 million, or approximately 70.1%, as compared with approximately RMB320.3 million in 2010. Despite the raw coal production volume experienced a slight decrease of 119,000 tonnes during the Year, the raw material costs increased by RMB200.2 million due to the purchases of raw coal and clean coal from external suppliers. In addition, the consumption of fuel and power continued during the suspension period, which has increased the unit production cost of raw coal.

Staff costs for the Year were approximately RMB237.7 million, maintained as similar level as approximately RMB247.4 million in 2010.

Depreciation and amortisation for the Year were approximately RMB124.6 million, representing an increase of approximately RMB28.7 million, or approximately 29.9%, as compared with approximately RMB95.9 million in 2010. The increase was primarily attributable to the additional capital expenditure incurred in connection with the coal mines and coal washing in Guizhou and Yunnan provinces during the Year.

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

	2011	2010
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**156**	124
Depreciation and amortisation	**25**	19
Total raw coal production cost	**181**	143
Purchase cost of raw coal	**646**	—
Average cost of clean coal	**428**	319
Purchase cost of clean coal	**1,178**	—
Average cost of coke	**629**	456

Gross profit

As a result of the foregoing, the gross profit for the Year was approximately RMB1,768.1 million, representing an increase of approximately RMB74.8 million or approximately 4.4%, as compared with approximately RMB1,693.3 million in 2010. The gross profit margin was approximately 61.8% as compared with approximately 69.5% in 2010.

Other income

Other income for the Year amounted to approximately RMB134.5 million, representing an increase of approximately RMB111.3 million or approximately 477.8%, as compared with approximately RMB23.3 million in 2010. The increase was partly attributable to: (i) an increase in the interest income from convertible bond receivable of RMB4.9 million, (ii) an increase in the government grant of approximately RMB5.0 million, (iii) an increase of approximately RMB0.6 million of dividend income from held-for-trading investments and (iv) an increase of approximately RMB104.1 million of exchange gain which significantly arose from the appreciation of RMB on the senior notes denominated in US dollar as at 31 December 2011. Such increase was set-off by a decrease in bank interest income of RMB4.5 million resulting from the decrease in average bank deposits.

Distribution expenses

Distribution expenses for the Year were approximately RMB264.6 million, representing a decrease of approximately RMB77.1 million or approximately 22.6%, as compared to approximately RMB341.7 million in 2010. The decrease was mainly attributable to (i) the decrease of transportation expenses from approximately RMB213.6 million in 2010 to RMB159.0 million for the Year as customers arranged their own delivery of goods directly from the Group's washing plant and the Group enjoyed cost saving but offered discounted selling prices in return; and (ii) the decrease in government levies from approximately RMB94.7 million in 2010 to RMB82.8 million for the Year as the Guizhou and Yunnan provincial government applied lower levies on clean coal in the Year as compared with 2010.

Administrative expenses

Administrative expenses for the Year were approximately RMB407.4 million, representing an increase of approximately RMB77.9 million, or approximately 23.6%, as compared with approximately RMB329.5 million in 2010. The increase was mainly attributable to (i) an increase in expenses relating to the staff option scheme granted from approximately RMB32.3 million in 2010 to approximately RMB81.2 million for the Year and (ii) an increase in professional expenses from approximately RMB43.4 million in 2010 to approximately RMB58.7 million for the Year.

Net gain on derivatives and held-for-trading investments

The amount represented the fair value gain on the Group's investment in derivative component in convertible bond receivable of approximately RMB14.6 million but offset by fair value loss on certain A shares and Australian listed shares of approximately RMB5.2 million during the Year.

Finance costs

Finance costs for the Year amounted to approximately RMB308.7 million, representing an increase of approximately RMB94.7 million or approximately 44.3%, as compared with approximately RMB214.0 million in 2010. The sharp increase was mainly attributable to (i) an increase in interest expenses relating to discounted bills of RMB12.9 million; (ii) an increase in the imputed interest incurred from the convertible loans notes of approximately RMB11.4 million; and (iii) an interest expenses in relation to the senior notes issued in November 2010 of approximately RMB183.8 million. The increase in bank borrowings together with the issuance of convertible loan notes and senior notes was mainly used to finance the Company's acquisitions and development of coal mines in Guizhou and Yunnan provinces. During the Year, interest capitalised in mining structure and mining rights amounted to approximately RMB146.8 million, representing an increase of approximately RMB89.0 million as compared with the amount capitalised of approximately RMB57.8 million in 2010.

Income tax expenses

Income tax expenses during the Year were approximately RMB200.2 million, representing an increase of approximately RMB54.0 million or approximately 36.9%, as compared with approximately RMB146.2 million in 2010. The amount of income tax expense represented EIT of approximately RMB191.8 million and deferred tax of approximately RMB8.4 million arising from the withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. For the current year EIT, the effective tax rate increased to approximately 21.5% as compared with approximately 17.8% in 2010.

Profit for the Year

As a result of the foregoing, the profit attributable to the owners of the Company for the Year was approximately RMB713.6 million, representing an increase of approximately RMB44.1 million or approximately 6.6%, as compared with approximately RMB669.5 million in 2010. The net profit margin was 25.5% for the Year as compared with approximately 27.7% in 2010.

EBITDA

The following table illustrates the Group's EBITDA for the Year. The Group's EBITDA margin was 49.2% for the Year as compared with 47.8% in 2010.

	2011	2010
	RMB'000	*RMB'000*
Profit and total comprehensive income for the Year	**731,033**	676,042
Finance costs	**308,701**	213,987
Income tax expenses	**200,243**	146,188
Depreciation and amortisation	**169,055**	128,205
	1,409,032	1,164,422

Liquidity, financial resources and capital structure

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

As at 31 December 2011, the Company incurred a net current liabilities of approximately RMB122.1 million. Following the issuance of the senior notes by the end of 2010, the Group repaid the long-term bank borrowings with higher finance costs and high security coverage in order to enhance the flexibility of the Group's overall debt profile and to strengthen the Group's working capital.

As at 31 December 2011, the bank balances and cash of the Group amounted to approximately RMB597.0 million (2010: RMB1,649.0 million).

As at 31 December 2011, the total bank borrowings of the Group were RMB1,997 million (2010: RMB1,770 million), in which approximately RMB1,617 million are repayable within one year, with effective interest rate on fixed rate borrowings and variable rate borrowings ranging from 5.04% to 8.50% per annum and 6.34% to 7.87% per annum respectively.

The gearing ratio (calculate as total bank and other borrowings divided by total assets) of the Group as at 31 December 2011 was 38.5% (2010: 40.1%)

Pledge of assets of the Group

As at 31 December 2011, the Group pledged assets in an aggregate amount of approximately RMB1,449.8 million (2010: RMB1,759.3 million) to banks for credit facilities in the amount of RMB1,397 million (2009: RMB1,770 million) granted to the Group.

Employees

As at 31 December 2011, the number of employees of the Group reached 14,400, maintained as the similar level in 2010. During the Year, the staff costs (including Directors' remuneration in the form of salaries and other allowances) was amounted to approximately RMB429.5 million (2010: RMB399.3 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 now recommends the payment of a final cash dividend of RMB6.9 cents per share for the Year to all shareholders of the Company whose names appear on the register of members of the Company on 31 May 2012. Such dividend payment is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

Risk in foreign exchange

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balance of approximately USD3.5 million, AUD0.3 million and HKD13.3 million.

Significant investment held

The Group had invested in (i) certain A shares in the PRC which amounted to approximately RMB2.5 million as at 31 December 2011; and (ii) investment in shares of RMB62.0 million in a mining company listed in Australian Stock Exchange.

Material acquisition and disposal

During the year, the Group entered into various equity purchase agreements for the acquisition of certain equity interests in a coal washing plant and two logistic companies located in Guizhou and Yunnan provinces at an aggregate consideration of RMB150 million. Saved as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Contingent liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities.

Connected transactions

(i) During the Year, rental expenses amounting to RMB0.9 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, controlling shareholder of the Company and Director, for the leasing of the Company's head office located at 16th Floor and 17th, Dingli Mansion, No. 81 Renmin Road, Panzhihua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

(ii) On 13 December 2011, 雲南恒鼎煤業有限公司 (Yunnan Hidili Coal Company Limited*) ("Yunnan Hidili") entered into equity purchase agreements with 曲靖明珠集團投資開發有限公司 (Qujing Mingzhu Group Investment Development Company Limited*) where Yunnan Hidili acquired the equity interests of the following companies at an aggregate cash consideration of RMB150 million:

- 20% equity interest in 盤縣富源昆鐵選煤有限責任公司 (Panxian Fuyuan Kuntie Coal Washing Company Limited*) ("Fuyuan Kuntie"), a company engaged in coal washing business;

- 18% equity interest in 貴州威箐煤焦物流有限公司 (Guizhou Weiqing Coking Logistic Company Limited*) ("Guizhou Weiqing"), a company providing railway logistic service; and

- 41.78% equity interest in 富源金通煤焦有限公司 (Fuyuan Jintong Coking Company Limited*) ("Fuyuan Jintong"), a company providing railway logistic service.

Prior to 13 December 2011, 雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*) ("Yunnan Kaijie") was a substantial shareholder of two subsidiaries of the Company, namely 盤縣盤鑫焦化有限公司 (Panxian Panxin Coking Company Limited*) ("Panxin Coking") and 盤縣盤翼選煤有限公司 (Panxian Panyi Coal Washing Company Limited*) ("Panyi Coal Washing"). Hence, Yunnan Kaijie was a connected person of the Company. Yunan Kaije owned 64% equity interest in Fuyuan Kuntie, 51% equity interest in Guizhou Weiqing and 33.18% equity interest in Fuyuan Jintong. Accordingly, Fuyuan Kuntie, Guizhou Weiqing and Fuyuan Jintong are associates of Yunnan Kaijie and hence, connected persons of the Company. The above acquisitions were completed on 13 December 2011.

(iii) On 13 December 2011, 六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited*) ("Liupanshui Hidili") and Yunnan Hidili entered into framework agreements with:

- Fuyuan Jintong, Guizhou Weiqing, 盤縣盤實物流配送有限公司 (Panxian Panshi Logistic Distribution Company Limited*) ("Panxian Panshi") and 盤縣盤鷹物流配送有限公司 (Panxian Panying Logistic Distribution Company Limited*) ("Panxian Panying") for the provision of railway logistic services; and

- Fuyuan Kuntie for sub-contracting of coal washing service.

During the Year:

- transportation costs of approximately RMB18.9 million in aggregate were paid to Fuyuan Jintong, Guizhou Weiqing, Panxian Panshi and Panxian Panying for the provision of railway logistic services; and

- sub-contracting charge of coal washing service of approximately RMB1.3 million was paid to Fuyuan Kuntie.

Prior to 13 December 2011, Yunnan Kaijie was a substantial shareholder of two subsidiaries of the Company, namely Panxian Coking and Panyi Coal Washing. Hence, Yunnan Kaijie was a connected person of the Company. Yunnan Kaijie owned 64% equity interest in Fuyuan Kuntie, 51% equity interest in Guizhou Weiqing and 33.18% equity interest in Fuyuan Jintong. Accordingly, Fuyuan Kuntie, Guizhou Weiqing and Fuyuan Jintong were associates of Yunnan Kaijie and hence, connected persons of the Company. Since Yunnan Kaijie held 57% equity interest in Panxian Panshi and 51% equity interest in Panxian Panying, each of Panxian Panshi and Panxian Panying was an associate of Yunnan Kaijie.

As Panxian Panshi and Panxian Panying 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, Fuyuan Jintong, Fuyuan Kuntie and Guizhou Weiqing; (ii) the price offered to Luipanshui Hidili, Panxin Coking and Panyi Coal Washing from 14 July 2008 to 31 December 2010; (iii) volume of clean coal available for delivery with reference to the estimated production volumes of clean coal; (iv) anticipated growth in demand of clean coal; and (v) the business plan of the Group.

* *for identification purpose only*

OUTLOOK

As at 31 December 2011, the Company have (i) a total of 20 coal mines in Guizhou provinces, comprising 10 integrated coal mines, 8 newly constructed coal mines and 2 expanded coal mines, of which 2 integrated coal mines, 3 newly constructed coal mines, 3 newly constructed coal mines are currently under trial run and 1 integrated coal mine has completed the trial run stage and has commenced production and (ii) a total of 10 coal mines in Yunnan province comprising 5 integrated coal mines, 2 newly constructed coal mines, 2 expanded coal mines and 1 coal mine with exploration right, of which 1 integrated coal mine is currently under trial run and 1 newly constructed coal mine has completed the trial run stage and has commenced production.

The Company expects the coal mines in Yunnan and Guizhou province will gradually complete development during 2012 to 2015 and commence production stage. Raw coal production volume will significantly increase. The Company also realise and adopt cost control measures to upgrade the production efficiency. Besides, the Company's coal washing plants and railway logistic stations under construction in Guizhou and Yunnan provinces respectively are located nearly those newly developed coal mines. After the commencement of production of the coal washing plants and in use of the auxiliary railway logistic station, the Company expects to further decrease the transportation costs.

OTHER INFORMATION

Closure of the Register of Members

The register of members of the Company will be closed from 28 May 2012 to 31 May 2012, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by shareholders of the Company for registration no later than 4:30 p.m. on 25 May 2012.

Audit committee

The audit committee was established on 25 August 2007 in compliance with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures.

As of the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Mr. Chan Chi Hing (Chairman), Mr. Chen Limin and Mr. Huang Rongsheng.

The audit committee has reviewed together with the management the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for Year.

Corporate governance

Mr. Xian Yang is both the Chairman of the Board and Chief Executive Officer of the Company. The Board considers that although such structure deviates from Rule A.2.1 of the Corporate Governance Code, the effective operation of the Group will not be impaired since Mr. Xian has exercised sufficient delegation in the daily operation of the Group's business as Chief Executive Officer while being responsible for the effective operation of the Board as Chairman of the Board. The Board is of the view that such structure has been operating well over the years and the Board and senior management have benefited from the leadership and experience of Mr. Xian.

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

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

Hong Kong
20 March 2012

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