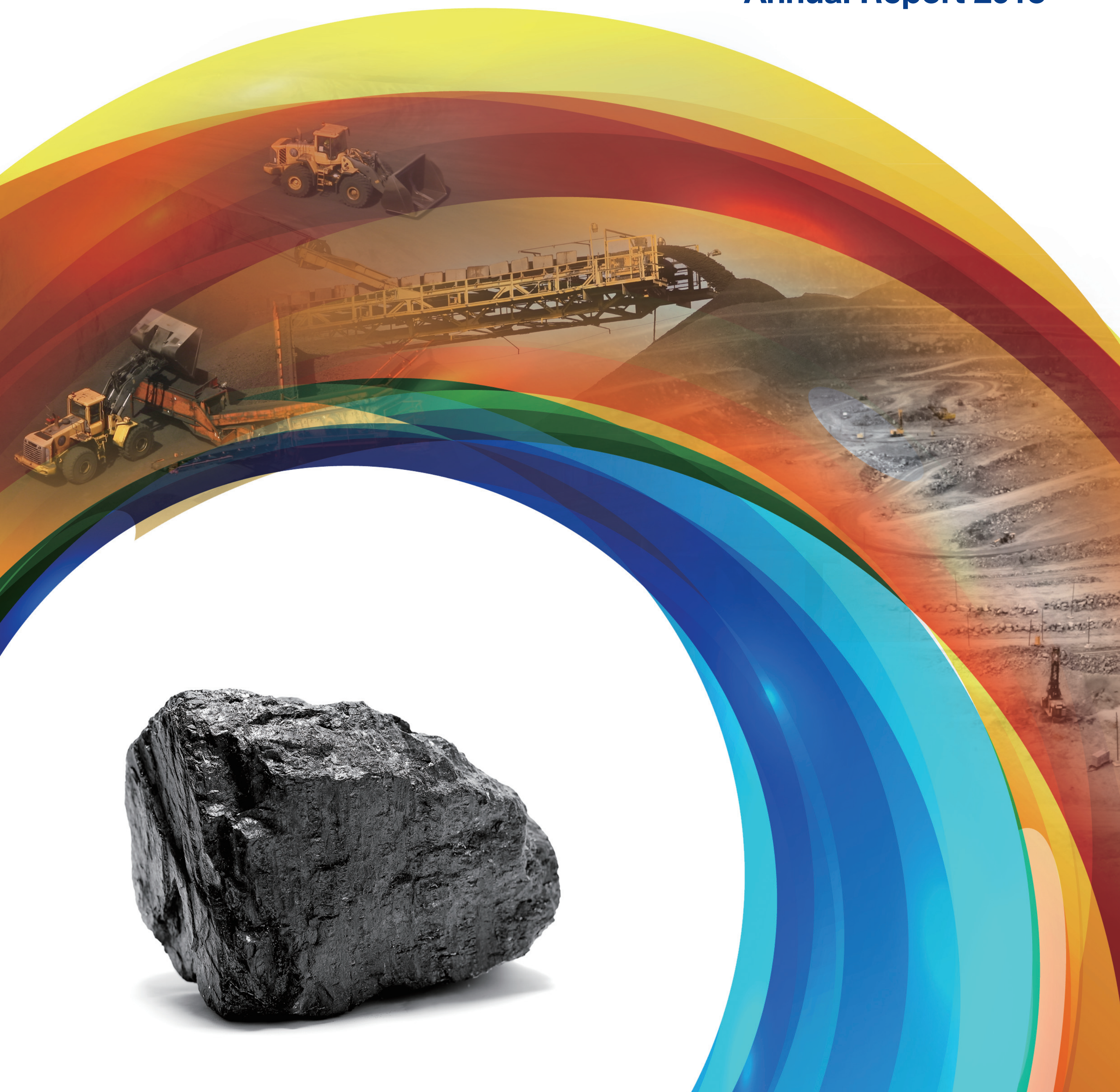
Hidili 恒鼎

Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1393

Annual Report 2013



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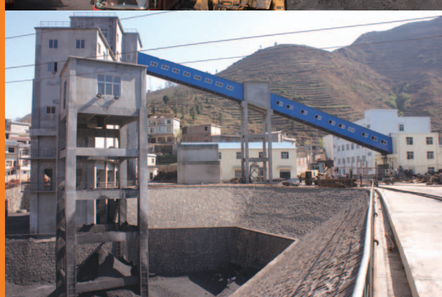


CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xian Yang (Chairman)
Mr. Sun Jiankun
Mr. Wang Rong (resigned on 27 August 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing
Mr. Chen Limin
Mr. Huang Rongsheng

AUDIT COMMITTEE

Mr. Chan Chi Hing (Chairman)
Mr. Chen Limin
Mr. Huang Rongsheng

REMUNERATION COMMITTEE

Mr. Chan Chi Hing (Chairman)
Mr. Chen Limin
Mr. Huang Rongsheng
Mr. Xian Yang

AUDITORS

Deloitte Touche Tohmatsu
Certified public accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Chu Lai Kuen

AUTHORIZED REPRESENTATIVES

Mr. Xian Yang
Ms. Chu Lai Kuen

REGISTERED OFFICE

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PRC

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISER

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STOCK CODE

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WEBSITE

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PRINCIPAL BANKERS

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Zhuhuyuan Branch
Floor 1, Ping Street, Laodong Building
East District, Panzhihua City
Sichuan Province
PRC

Ping An Bank Co., Ltd.
Chengdu Branch
No. 204-1, Shuncheng Avenue
Chengdu, Sichuan Province
PRC

Ping An Bank Co., Ltd.
Kunming Branch
No. 450, Qingnian Road
Kunming, Sichuan Province
PRC

China Everbright Bank Co., Ltd.
Chengdu Niushikou Sub-Branch
New Angle Plaza
No. 668, Jindong Road
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Wing Lung Bank
16/F, Wing Lung Bank Buildling
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Central, Hong Kong

Nanyang Commercial Bank
12/F
151 Des Voeux Road Central
Central, Hong Kong

CHAIRMAN'S STATEMENT

To the respectful shareholders of Hidili Industry International Development Limited,

On behalf of the board (the "Board") of the directors (the "Directors") of Hidili Industry International Development Limited (the "Company"), I am pleased to present the 2013 Annual Report and the operating results of the Company and the subsidiaries (collectively the "Group") for the year ended 31 December 2013 to the shareholders as follows.

PERFORMANCE OF THE COMPANY'S SHARES

As at 31 December 2013, the closing price of the Company's shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange") was HK$1.18, a decrease of approximately 42.2% from the closing price of HK$2.04 as at 31 December 2012 while the Hang Seng Index has increased by approximately 2.9%.

THE COMPANY'S OPERATION

The Company recorded a revenue and EBITDA from continuing operation of approximately RMB729 million and a loss of approximately RMB53 million respectively for the year ended 31 December 2013, representing a decrease of approximately 55.3% and 108.9% respectively as compared to approximately RMB1,631 million and profit of approximately RMB593 million respectively for the year ended 31 December 2012.

During the year, the Company has produced approximately 1.5 million tonnes of raw coal and approximately 0.5 million tonnes of clean coal respectively. The production volume experienced a reduction resulting from the suspension of production for coal mine consolidation in both Sichuan, Guizhou and Yunnan provinces.

In 2013, the Company's coal mining cash cost amounted to approximately RMB195 per tonne of raw coal production, representing an increase of 27.5% as compared to 2012. The sharing of material, fuel and power costs for the year still remained at relatively high level due to the suspension of production at coal mines in Sichuan, Guizhou and Yunnan provinces. Accordingly, the average production costs of clean coal of the Company for the year amounted to approximately RMB560 per tonne, representing an increase of 26.1% as compared with 2012.

In 2013, our major customers for the year composed of various state-owned steel manufacturers including 攀鋼集團 (Panzhihua Steel Group *), 柳州鋼鐵股份有限公司 (Liuzhou Iron & Steel Company Limited*), 雲南東源集團有限公司 (Yunnan Dongyuan Group Co., Ltd*), 盤縣煤炭開發總公司 (Panxian Coking Development Limited*) and 雲南昆鋼燃氣工程有限公司 (Yunnan Kunming Iron and Steel Gas Engineering Co., Ltd*) and accounting for approximately 31.7%, 26.5%, 16.4%, 8.3% and 5.7% of our total revenue, respectively.

EXTRACT OF THE SIGNIFICANT EVENTS OF THE YEAR

Significant events of the Group are as follows:

In January 2013, the Company's RMB1,707 million convertible loan notes have been substantially redeemed at 106.2687%.

In February 2013, 44,700,000 share options with the exercise price of HK$2.266 per share were granted to the management of the Company.

At the end of March 2013, eight out of ten coal producing coal mines in Guizhou province and 9 coal producing coal mines in Yunnan province have passed acceptance inspection on production resumption and resumed normal production. Two out of five mining area, Tianbao and Dahegou, have passed acceptance inspection and received the notice on production resumption.

In March 2013, the Company announced the annual results of 2012.

In May 2013, the Group disposed of 50% equity interest in 雲南恒鼎實業有限公司 (Yunnan Hidili Industry Company Limited*) and its subsidiaries ("Yunnan Hidili Group") to 雲南東源煤業集團有限公司 (Yunnan Dongyuan Coal Group Company Limited*) ("Yunnan Dongyuan") for an aggregate consideration of RMB2.4 billion. The Yunnan Hidili Group is mainly engaged in mining, washing plants and railway logistic station in Yunnan province.

In June 2013, the Company repurchased 29,500,000 shares of its own shares at the open market at the range of HK$1.61 to HK$1.75 per share.

On 27 August 2013, the Board has the following changes: (i) Mr. Sun Jiankun has been appointed as chief executive officer of the Company; (ii) Mr. Wang Rong resigned as executive director of the Company; and (iii) Mr. Xian Yang resigned as chief executive officer of the Company.

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

In September 2013, the Company repurchased some of its senior notes at an aggregate principal amount of USD20 million by way of market acquisition at a price below par.

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

On 6 January 2014, 攀枝花恒鼎礦業有限公司 (Panzhihau Hidili Mining Company Limited*) ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong and Ms. Wang, independent third parties of the Company, pursuant to which the parties conditionally agreed to acquire 100% equity interest in 攀枝花市會興工貿有限責任公司 (Panzhihau Huixing Industry and Commercial Company Limited*), the company engaging in coal mining in Zhangjiawan Coal Mine located in Renhe District, Panzhihua City, Sichuan province, by Panzhihua Hidili from Mr. Kong and Ms. Wang at an aggregate consideration of RMB110 million.

On 6 January 2014, Panzhihua Hidili entered into the conditional agreement with 攀枝花市綠環工貿有限責任公司 (Panzhihua City Luhuan Industry and Commercial Company Limited*) ("Panzhihua Luhuan"), the company established by Mr. Kong and Ms. Wang, pursuant to which the parties conditionally agreed to acquire mining right and mining structure of Luhuan Coal Mine by Panzhihua Hidili from Panzhihua Luhuan at a consideration of RMB48 million.

ESTIMATED COAL RESERVES AND RESOURCES

The table below presents the estimated coal reserves and resources of our coal mines.

	Total coal reserves (in million tonnes)	Total coal resources
As of 31 December 2013	547.0	563.5

Remarks:

1. The estimated reserves and resources have taken into account the estimated raw coal reserves consisting of proved and probable reserves and the estimated raw coal resources by aggregating measured and indicated resources, respectively, under JORC equivalent ("JORC Eq"). The JORC Eq estimate cannot be regarded as compliant with the recommended guidelines of the JORC Code, but rather, the Chinese resources and reserves have been validated and reported under the confidence categories as outlined by the JORC Code.

2. As at 31 December 2013, total estimated JORC Eq raw coal reserves for the coal mines in Sichuan and Guizhou provinces amounted to approximately 547.0 million tonnes (representing the estimated JORC Eq raw coal reserves reported by Behre Dolbear Asia, Inc. ("BDB"), an independent minerals industry consultant, as of 1 October 2010 and after deduction of the raw coal production volume for the period from 1 October 2010 to 31 December 2013).

   As at 31 December 2013, total estimated JORC Eq raw coal resources for the coal mines in Sichuan and Guizhou provinces amounted to approximately 563.5 million tonnes (representing the estimated JORC Eq raw coal resources reported by BDB, as of 1 October 2010 and after deduction of the raw coal production volume for the period from 1 October 2010 to 31 December 2013).

3. Coal mine consolidation in Sichuan and Guizhou provinces is still in progress and is expected to complete in two to three years. The Group has appointed Runge Asia Limited (trading as RungePincockMinarco) to update the reserves and resources of the respective coal mines of the Company upon completion of the consolidation.

COAL MINES CONSOLIDATION

All the Group's existing coal mines located in Guizhou province and Sichuan province are in consolidation in accordance with relevant policies issued by the government authorities. Currently, nine consolidated core mines are designated in Guizhou province and five consolidated core mines are designated in Sichuan province. As at 31 March 2014, under the nine consolidated core mines in Guizhou province: (i) one mine has entered into trial run under the requirement of the consolidation plan; (ii) four mines are allowed to undergo consolidation and production at the same time; and (iii) four mines are under construction. Under the five consolidated core mines in Sichuan province: (i) two mines have applied for resumption of production under the requirement of the consolidation plan; and (ii) three mines are under construction.

The above consolidation plans in Guizhou province and Sichuan province have been approved in principle by the Consolidation Offices of the two provinces and are subject to the final approval from the two provincial governments.

OUTLOOK

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

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

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

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

CHAIRMAN'S STATEMENT

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

By order of the Board
Chairman
Xian Yang

Hong Kong
31 March 2014

* for identification purpose only

FINANCIAL REVIEW

TURNOVER FROM CONTINUING OPERATIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2012:

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

COST OF SALES FROM CONTINUING OPERATIONS

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

The following table illustrates the production volume of the principal products in Sichuan, Guizhou and Yunnan provinces and the purchase volume of principal products for the Year, together with the comparative amounts in 2012.

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

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

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

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

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

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

GROSS PROFIT FROM CONTINUING OPERATIONS

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

OTHER INCOME FROM CONTINUING OPERATIONS

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

OTHER GAINS AND LOSSES FROM CONTINUING OPERATIONS

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

DISTRIBUTION EXPENSES FROM CONTINUING OPERATIONS

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

ADMINISTRATIVE EXPENSES FROM CONTINUING OPERATIONS

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

FINANCE COSTS FROM CONTINUING OPERATIONS

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

INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

Income tax expenses from continuing operations during the Year were approximately RMB21,000, representing a substantial decrease of approximately RMB89.4 million or approximately 100%, as compared with approximately RMB89.4 million in 2012. The amount of income tax expense represented EIT of approximately RMB69.3 million and deferred tax of approximately RMB69.3 million arising from the tax impact on the impairment of property, plant and equipment during the Year. For the current year EIT, the effective tax rate is considered to be not comparable as there was significant tax effect of tax losses not recognised resulting from loss incurred in certain subsidiaries of the Company.

DISCONTINUED OPERATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

LOSS FOR THE YEAR

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

EBITDA FROM CONTINUING OPERATIONS

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

The Group will further improve its financial position in providing liquidity and cash flows by implementing a number of measures, including but not limited to raising further medium to long term banking facilities and rolling over short term banking facilities to medium term when they fall due.

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

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

The gearing ratio (calculated as the aggregate of total bank and other borrowings, convertible loan notes and senior notes divided by total assets) of the Group as at 31 December 2013 was 45.8% (2012: 49.2%).

PLEDGE OF ASSETS OF THE GROUP

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

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

EMPLOYEES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

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

RISK IN FOREIGN EXCHANGE

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balances of approximately USD6.5 million, HKD5.4 million and AUD0.2 million.

SIGNIFICANT INVESTMENT HELD

The Group had invested in unlisted equity investments of RMB188.6 million representing 15%, 4.41%, 5%, 5% and 1.24% equity interests in five entities respectively. The principal activities of the investees are manufacturing of mining machinery, manufacturing and sales of herbicides, mining of potassium chloride and manufacturing of potassic fertilizer, coking coal trading information centre and manufacture of lithium salt products respectively.

MATERIAL ACQUISITION AND DISPOSAL

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

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

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

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

SUBSEQUENT EVENT

On 6 January 2014, 攀枝花恒鼎礦業有限公司 (Panzhihau Hidili Mining Company Limited*) ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong and Ms. Wang, independent third parties of the Company, pursuant to which the parties conditionally agreed to acquire 100% equity interest in 攀枝花市會興工貿有限責任公司 (Panzhihau Huixing Industry and Commercial Company Limited*), the company engaging in coal mining in Zhangjiawan Coal Mine located in Renhe District, Panzhihua City, Sichuan province, by Panzhihua Hidili from Mr. Kong and Ms. Wang at an aggregate consideration of RMB110 million.

On 6 January 2014, Panzhihua Hidili entered into the conditional agreement with 攀枝花市綠環工貿有限責任公司 (Panzhihua City Luhuan Industry and Commercial Company Limited*) ("Panzhihua Luhuan"), the company established by Mr. Kong and Ms. Wang, pursuant to which the parties conditionally agreed to acquire mining right and mining structure of Luhuan Coal Mine by Panzhihua Hidili from Panzhihua Luhuan at a consideration of RMB48 million.

CONTINGENT LIABILITIES

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

The First Plaintiff is the investment manager of two convertible loan notes funds (the "Funds"). It delegated the investment management of the Funds to the Second Plaintiff. The Funds are the holders of certain bonds issued by the Company (the "Bonds"). Under the terms of the Bonds, the Funds were entitled to require the Company to redeem some or all of the Bonds on 19 January 2013. Instead of issuing redemption notices on 18 and 19 December 2012, it is alleged that the Plaintiffs had issued by mistake notices (the "Notices") electing to convert the Bonds into shares in the Company. The Plaintiffs assert that the Company knew or ought to have known that the Notices were issued by mistake and therefore are void, or alternatively are voidable in equity, and are of no legal effect.

A statement of claim was served on the Company on 25 February 2013. The Company filed a defence on 29 April 2013. On 24 June 2013, the Plaintiff indicated they would seek to amend their statement of claim, and also seek to resolve the dispute by way of mediation. The Action resumed on 12 November 2013.

An amended writ of summons and amended statement of claim was served on the Company on 9 December 2013. The Company filed an amended defence on 7 January 2014.

Save as disclosed above, as at 31 December 2013, the Group did not have any material contingent liabilities.

CONNECTED TRANSACTION

(i) During the Year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, controlling shareholder of the Company and Director, for the leasing of the Company's head office located at 16th Floor, Dingli Mansion, No. 81 Renmin Road, Panzhihua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

(ii) During the Year, an aggregate amount of transportation costs of approximately RMB8.0 million were paid to 盤縣盤實物流配送有限公司 (Panxian Panshi Logistic Distribution Company Limited*) ("Panxian Panshi"), 盤縣盤鷹物流配送有限公司 (Panxian Panying Logistic Distribution Company Limited*) ("Panxian Panying") and 富源金通煤焦有限公司 (Fuyuan Jintong Coking Company Limited*) ("Fuyuan Jintong"), respectively, for the provision of railway logistic services. 雲南凱捷實業有限公司 (Yunnan Kaijie Industry Company Limited*) ("Yunnan Kaijie"), the holder of 57%, 51% and 33.18% equity interest in Panxian Panshi, Panxian Panying and Fuyuan Jintong respectively, is a substantial shareholder of each of Panxin Coking and Panyi Coal Washing. As Panxian Panshi, Panxian Panying and Fuyuan Jintong occupy a monopolistic position of the local railway logistic service in Boguozhen, no relevant market price could be obtained. The railway logistic charges and the sub-contracting charges for the coal washing service were determined with reference to (i) the price offered to other customers by Panxian Panshi, Panxian Panying and Fuyuan Jintong; (ii) volume of clean coal available for delivery with reference to the estimated production volumes of clean coal; (iii) anticipated growth in demand of clean coal; and (iv) the business plan of the Group.

EXECUTIVE DIRECTORS

MR. XIAN YANG (鮮揚)

Mr. Xian, aged 40, is an Executive Director of the Company, Chairman of the Board and our founder of the Company. Mr. Xian graduated from The People's Police School of Sichuan (四川省人民警察學校) in 1994, studied law at Southwest University of Political Science and Law (西南政法大學) from 1994 to 1997 and did MBA courses at Sichuan University (四川大學) in 2005 to 2008 and was graduated with Master Degree. He worked in the police force and Customs Bureau of Panzhihua City prior to establishing our Group in May 2000. He was awarded a Grade Three Achievement (三等功) by the Ministry of Public Security for his distinguished service. He chairs our Group's investment management committee and production safety committee. Mr. Xian is also director of Sanlian Investment Holding Limited, a company which holds approximately 53.81% of the issued share capital of the Company.

MR. SUN JIANKUN (孫建坤)

Mr. Sun, aged 50, is an Executive Director and our Chief Executive Officer, he is responsible for the overall management and business development of the Company and its subsidiaries. He is a senior engineer and graduated from East China University of Metallurgy (華東冶金學院) (now known as Anhui University of Technology (安徽工業大學)) in 1986 with a bachelor's degree in steel metallurgy. Prior to joining the Group in December 2006, Mr. Sun has worked at Panzhihua Steel Group since 1986 and accumulated broad experience in steel production, quality control and raw material procurement. He served as the vice general manager of Chengdu Steel Company, a subsidiary of Panzhihua Steel Group, from 2003 to 2006 and the vice general manager of Panzhihua New Steel & Vanadium Co., Ltd. (攀枝花新鋼釩股份有限公司), a Shenzhen Stock Exchange listed company, from 2002 to 2003. Mr. Sun is also a director of Able Accord Enterprises Limited, a company which holds approximately 0.95% of the issued share capital of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHAN CHI HING (陳志興)

Mr. Chan, aged 49, is an Independent Non-Executive Director. He joined our Board since June 2007. He is currently the chief operating officer of Far East Consortium International Limited ("FECIL"), a company listed on the main board of the Hong Kong Stock Exchange and a director of various subsidiaries of FECIL. Mr. Chan is responsible for the Hong Kong and the Mainland China based activities with emphasis on the commercial management, property and hotel development and investment, and project development. He also leads the sales and marketing team to oversee the strategy planning on the real estate business in Hong Kong and Mainland China. Mr. Chan joined FECIL in 1990 as the chief accountant and promoted as the financial controller since 2002. From 1990 to 2003, he was in charge of FECIL's financial, treasury and accounting matters. Mr. Chan has extensive experience in accounting and auditing of Hong Kong listed companies. Prior to joining the Group, Mr. Chan was an audit manager of a big four international accounting firm with over ten years of audit experience. Mr. Chan became a member of the Hong Kong Institute of Project Management since February 2011 and a fellow member of the Hong Kong Institute of Directors since February 2013. Mr. Chan is also a non-executive director of Dorsett Hospitality International Limited, a listed subsidiary of FECIL. Mr. Chan holds approximately 0.004% of the issued share capital of the Company.

MR. CHEN LIMIN (陳利民)

Mr. Chen, aged 51, is an Independent Non-Executive Director. He joined our Board on 1 October 2009. He graduated from South West University of Political Science and Law in 1985. Mr. Chen is currently the senior partner of Beijing Zhong Lun Law Firm and is responsible for the listing of companies, merger and acquisition and corporate restructuring. Mr. Chen holds no directorship in any public listed companies in the past three years.

MR. HUANG RONGSHENG (黃容生)

Mr. Huang, aged 67, is an Independent Non-Executive Director. He joined our Board since June 2007. He graduated from Tsinghua University in 1970. He has over 30 years' experience in the steel industry. Prior to his retirement in December 2006, he served as the vice general manager and the vice president of Panzhihua Steel (Group) Company from 1993 to 2003. Then, he worked at Central Iron & Steel Research Institute (鋼鐵研究總院) as secretary of the Party committee and vice president from 2003 to 2006.

SENIOR MANAGEMENT

MS. CHU LAI KUEN (朱麗娟)

Ms. Chu, aged 45, is our Chief Financial Officer and Company Secretary. She is responsible for financial and accounting management of our Company. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chu graduated from Hong Kong Polytechnic University with a bachelor's degree (Hons) in accountancy. Prior to joining the Group in October 2008, Ms. Chu has over 16 years of working experience in auditing and financial management.

MS. CHENG YUANYUN (程遠芸)

Ms. Cheng, aged 39, is our Executive President (in charge of financial matters) and responsible for overseeing the internal financial affairs of the Company. She is a certified tax agent who graduated from Southwestern University of Finance and Economics with a major in accounting. Prior to joining the Group in 2008, she worked as the head of the National Tax Administration of Yanbian County, Panzhihua City and the chief of the international division at the National Tax Administration of Panzhihua City.

MR. CHEN SEN (陳森)

Mr. Chen Sen, aged 41, is our Executive President (in charge of production) and responsible for the production and construction management of the Company. He is a senior engineer. He graduated from Guizhou Technology Institute (now known as Guizhou University) with a bachelor's degree in industrial technical automation in 1992 and obtained a master degree in mine engineering in 2006. Prior to joining the Group in 2010, Mr. Chen had over 15 years of experience working in the mining technology area for Panjiang Coal and Electricity, which is one of the three major coking coal suppliers in Southwestern China.

MR. XU WENFA (徐文發)

Mr. Xu, aged 48, is our General Manager of Safe Production and Environmental Protection. He is responsible for production safety, environmental protection issues and quality control of our mining operation. He obtained the title of assistant engineer in smelting in 1991. Prior to joining the Group in 2007, Mr. Xu worked for Pan Steel Group over 20 years as scheduling manager in the production department. As his excellence in work, he was awarded the title of Excellent Member of the Communist Party of China and parade guard by the Panzihua Steel Group from 1998 to 2006.

MR. ZHAN JUNJUN (詹軍軍)

Mr. Zhan, aged 48, is our Chief Executive of Administration and Human Resources and is responsible for all the administrative and human resources affairs of the Company. He graduated from Sichuan University with a postgraduate degree in business management and obtained the title of Senior Economist. Prior to joining the Group in 2007, Mr. Zhan has accumulated extensive experience in management of human resources.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

MR. LINGHU RONGJIN (令狐榮金)

Mr. Linghu, aged 51, is the Executive General Manager of Liupanshui Hidili Industry Co., Ltd, our subsidiary, and the General Manager of Liupanshui Hidili Industry Co., Ltd, Panyi Branch. He is an economist. He graduated from Guizhou Machinery Management Cadre College (貴州省機械幹部管理學校) with a major in corporate management in June 1982. Presently, Mr. Linghu is responsible for the management of raw coal mining, coal processing as well as quality management in Liupanshui region in Guizhou under Panyi Branch. Mr. Linghu worked for Guizhou Lindong Mining Bureau in the period from December 1982 to July 2007, and was honored with a title of "Advanced Worker" for four consecutive years for his outstanding performance. Mr. Linghu joined the Company in July 2007.

MR. CHEN HUA (陳華)

Mr. Chen, aged 44, is the Executive General Manager of Liupanshui Hidili Industry Co., Ltd, our subsidiary, and the General Manager of Liupanshui Hidili Industry Co., Ltd, Lemin Branch. He is a mining engineer. He graduated from Beijing Coal Industry School (北京煤炭工業學校) with a major in mining in July 1994, and completed a professional education in mining engineering at Guizhou University in July 2010. Presently, Mr. Chen is responsible for the management of raw coal mining, coal processing as well as quality management in Liupanshui region in Guizhou under Lemin Branch. Mr. Chen worked for Panjiang Coal Group in the period from July 1994 to September 2010 with extensive experience in mining and coal mines production management. Mr. Chen joined the Company in September 2010.

MR. LIN GEFEI (林戈非)

Mr. Lin, aged 51, is the General Manager of Hidili (China) Coal Sales Co., Ltd (恒鼎(中國)煤炭銷售有限公司), our subsidiary. He is a senior engineer. Mr. Lin graduated from Wuhan Yejin University of Science and Technology (武漢冶金科技大學) with a major in metallurgy pressure processing in July 1985 and completed a course at German Duisburg Society in December 2000. Presently, Mr. Lin is responsible for the marketing and sales of Hidili (China) Coal Sales Co., Ltd (恒鼎(中國)煤炭銷售有限公司). For the period from 1985 to 2013, he worked for Panzhihua Steel Company, Panzhihua New Steel & Vanadium Co., Ltd. (攀枝花新鋼釩股份有限公司) and Pangang Group Xichang New Steel Enterprise Co., Ltd, with extensive experience in marketing and management. He joined the Company in January 2014.

MR. XU HUI (徐輝)

Mr. Xu, aged 34, is our Secretary to the Board. He graduated from Peking University with a bachelor's degree in mathematics and he joined the Group in 2005.

The Directors present their annual report and the audited consolidated financial statement for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are engaged in coal mining, manufacture and sale of clean coal.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 40 and 41 of this report.

The Directors did not propose any payment of final dividend for the year ended 31 December 2013 to the shareholders (2012: nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2013 amounted to approximately RMB1,042 million. Details of the movements during the year in the Group’s property, plant and equipment are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 44 of this report.

As at 31 December 2013, the Company’s reserves available for distribution to shareholders amounted to approximately RMB1,925 million (2012: approximately RMB2,204 million).

PRINCIPAL SUBSIDIARIES

Details of the Company’s principal subsidiaries as at 31 December 2013 are set out in note 52 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 128.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, sales to the Group's five largest customers amounted to approximately RMB645.7 million, representing 88.6% of the total turnover of the Group. Sales to the single largest customer amounted to approximately RMB230.8 million, representing 31.7% of the total turnover of the Group.

For the year ended 31 December 2013, the amount of purchases made from the Group's five largest suppliers amounted to approximately RMB224.0 million, representing 54.9% of the total purchases of the Group. Purchase from the single largest supplier amounted to approximately RMB130.4 million, representing 32.0% of the total purchases of the Group.

For the year ended 31 December 2013, none of the Directors or any of their associates and any shareholders (which, to be best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

EXECUTIVE DIRECTORS

Mr. Xian Yang
Mr. Sun Jiankun
Mr. Wang Rong (resigned on 27 August 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing
Mr. Chen Limin
Mr. Huang Rongsheng

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 19 to 22 of this report.

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), one third of the Directors will retire from directorship by rotation at each annual general meeting and, being eligible, shall offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a fixed term of three years. The service agreements of the executive Directors have been renewed on 1 September 2013.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a fixed term of two years. The service agreements of the independent non-executive Directors have been renewed on 1 September 2013.

None of the Directors has entered into any service agreement with the Company which is not determinable within one year without payment of compensation (other than the statutory compensation).

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements.

The remuneration of the Directors is principally determined by the balance of skill and experience appropriate to the Company's business.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES

As at 31 December 2013, the Directors and chief executive of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")) which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name	Name of the entity	Number of issued ordinary shares held	Nature of interest	Approximate percentage of the issued share capital of the Company/ percentage of shareholding
Mr. Xian Yang ("Mr. Xian") *(Note 1)*	The Company	1,100,674,000	Founder and beneficiary of trust	53.81%
Mr. Xian	Sanlian Investment Holding Limited ("Sanlian Investment")	1,000	Beneficial owner	100%
Mr. Sun Jiankun ("Mr. Sun") *(Note 2)*	The Company	19,380,000	Interest of controlled corporation	0.95%
Mr. Sun	Able Accord Enterprises Limited ("Able Accord")	1,000	Beneficial owner	100%
Mr. Chan Chi Hing	The Company	80,000	Beneficial owner	0.004%

Notes:

1. The 1,100,674,000 shares of the Company are held by Sanlian Investment, the issued share capital of which is jointly held by Xian Yang No.1A Ltd. ("Xian Yang No.1A") and Sanlian No.1 Ltd. ("Sanlian No.1"). Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian formed a discretionary trust, the Xian Yang Foundation 1, of which Sarasin Trust Company Guernsey Limited ("Sarasin Trust") was the trustee. Accordingly, Mr. Xian is deemed to be interested in the 1,100,674,000 shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is also the sole director of Sanlian Investment.

2. The 19,380,000 shares of the Company are held by Able Accord, the entire issued share capital of which is held by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in 19,380,000 shares held by Able Accord by virtue of the SFO. Mr. Sun is also a director of Able Accord.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2013, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Saved as disclosed, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of issued ordinary shares held*	Nature of interest	Approximate percentage of the issued share capital of the Company*
Sarasin Trust *(Note 1)*	561,343,740 (L)	Trustee	27.44% (L)
Sanlian Investment *(Note 1)*	1,100,674,000 (L)	Beneficial owner	53.81% (L)
Mr. Xian *(Note 1)*	1,100,674,000 (L)	Interest of controlled corporation	53.81% (L)
Ms. Qiao Qian *(Note 2)*	1,100,674,000 (L)	Interest of spouse	53.81% (L)
Baring Private Equity Asia GP V, L.P. *(Note 3)*	400,000,000	Interest of controlled corporation	19.55% (L)
Jean Eric Salata *(Note 3)*	400,000,000	Interest of controlled corporation	19.55% (L)

* (L)-Long position, (S)-Short position

Notes:

1. The entire issued share capital of Sanlian Investment is jointly owned by Xian Yang No.1A and Sanlian No.1. Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian formed a discretionary trust, The Xian Yang Foundation 1, of which Sarasin Trust was the trustee. Accordingly, Mr. Xian is deemed to be interested in 1,100,674,000 shares of the Company held by Sanlian Investment by virtue of the SFO. Mr. Xian is the sole director of Sanlian Investment.

2. Ms. Qiao Qian is the spouse of Mr. Xian. By virtue of the SFO, Ms. Qiao Qian is also deemed, as the spouse of Mr. Xian, to be interested in all the shares of the Company in which Mr. Xian is deemed to be interested.

3. Baring Private Equity Asia GP V, L.P. was wholly controlled by Baring Private Equity Asia GP V Limited (as general partner), a company which wholly controlled The Baring Asia Private Equity Fund V, L.P. Baring Private Equity Asia GP V. Limited was wholly controlled by Mr. Jean Eric Salata. Baring Private Equity Asia V Holding (8) Limited was 99.35% controlled by The Baring Asia Private Equity Fund V, L.P. Accordingly, Baring Private Equity Asia GP V, L.P. and Jean Eric Salata by virtue of the SFO are deemed to be interested in 400,000,000 shares of the Company.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had/would have interests or short positions in the shares or underlying shares of the Company or its associated corporations of 5% or more which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

CONTRACTS OF SIGNIFICANCE

No contracts of significant, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

No contracts of significance between the Company or any of its subsidiary companies and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

SHARE OPTIONS

The Company has adopted a share option scheme on 25 August 2007 (the "Share Option Scheme").

On 30 April 2009, 26 February 2011 and 4 February 2013, 43,200,000 share options, 55,000,000 share options and 44,700,000 share options have been granted by the Company respectively under the Share Option Scheme. The detailed disclosures relating to the Scheme and valuation of options are set out in Note 47 to the consolidated financial statements.

Movements of Company's share options under the Share Option Scheme during the period were as follows:

	Number of share options								
Name or category of participant	At 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2013	Date of grant	Exercise period	Exercise price HK$	Weighted average closing price per share immediate before the date of grant HK$
Directors									
Mr. Chan Chi Hing	–	–	–	–	–	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	–	–	–	–	–	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	20,000	–	–	–	20,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	20,000	–	–	–	20,000				
Mr. Huang Rongsheng	40,000	–	–	–	40,000	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	40,000	–	–	–	40,000	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	20,000	–	–	–	20,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	100,000	–	–	–	100,000				
	120,000	–	–	–	120,000				
Other employees in aggregate	11,587,000	–	–	–	11,587,000	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	17,128,000	–	–	–	17,128,000	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	8,564,000	–	–	–	8,564,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	21,960,000	–	–	–	21,960,000	26 February 2011	27 February 2012 to 24 August 2017	6.604	6.604
	21,960,000	–	–	–	21,960,000	26 February 2011	27 February 2013 to 24 August 2017	6.604	6.604
	10,980,000	–	–	–	10,980,000	26 February 2011	27 February 2014 to 24 August 2017	6.604	6.604
	–	44,700,000	–	–	44,700,000	4 February 2013	5 February 2014 to 24 August 2017	2.266	2.266
	92,179,000	44,700,000	–	–	136,879,000				
Other participants in aggregate	–	–	–	–	–	30 April 2009	1 May 2010 to 24 August 2017	3.15	3.15
	32,000	–	–	–	32,000	30 April 2009	1 May 2011 to 24 August 2017	3.15	3.15
	16,000	–	–	–	16,000	30 April 2009	1 May 2012 to 24 August 2017	3.15	3.15
	40,000	–	–	–	40,000	26 February 2011	27 February 2012 to 24 August 2017	6.604	6.604
	40,000	–	–	–	40,000	26 February 2011	27 February 2013 to 24 August 2017	6.604	6.604
	20,000	–	–	–	20,000	26 February 2011	27 February 2014 to 24 August 2017	6.604	6.604
	148,000	–	–	–	148,000				
	92,447,000	44,700,000	–	–	137,147,000				

CONTINUING CONNECTED TRANSACTION

During the year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, a controlling shareholder and a Director of the Company, for the leasing of the Company's head office located at 16th Floor, Dingli Mansion, No. 185 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.

Such connected transaction falls under the de minimis provision set forth in Rule 14A.33(3)(a) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

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

The audit committee consisted 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 of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. All Directors have confirmed their compliance with the required standards set out in the Model Code throughout the period from the date of the listing of shares of the Company on the Main Board of the Stock Exchange to 31 December 2013.

CORPORATE GOVERNANCE

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

On the basis of publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float throughout the year ended 31 December 2013.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board of
Hidili Industry International Development Limited
Xian Yang
Chairman

Hong Kong
31 March 2014

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high level of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the success of the Group and for safeguarding and maximizing of the interests of shareholders of the Company (the "Shareholders"). The Company has complied with the provision of the Code during the year, except for the deviation from code provision A2.1 under the Code.

In addition to the Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in the Code whenever suitable and appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the required standards as set out in the Model Code throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

The Board currently consists of five Directors, three of whom are independent non-executive Directors who are expressly identified in all corporate communications that disclose the names of the Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board is as follows:

EXECUTIVE DIRECTORS

Mr. Xian Yang *(Chairman)*
Mr. Sun Jiankun
Mr. Wang Rong (resigned on 27 August 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing
Mr. Chen Limin
Mr. Huang Rongsheng

The brief biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 19 to 22 of this report.

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years but is subject to retirement by rotation and is eligible for re-election.

All of the independent non-executive Directors were appointed for a specific term of two years but are subject to retirement by rotation and are eligible for re-election.

None of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

The Board is responsible for the overall development and guidance of the Group. The Board determines the overall strategies, monitors and control operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. The Board has delegated the day-to-day operation to the Executive Directors and senior management under the supervision of the Board to ensure effectiveness and appropriateness.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xian Yang is the Chairman of the Company and, prior to 27 August 2013, also acted as the Chief Executive Officer of the Company. He is responsible for the overall management and business development of the Group. Although the Board believes that vesting the roles of both chairman and chief executive officer in Mr. Xian Yang will not impair the balance of power and authority between the Board and the management of the Company, the Company nevertheless appointed Mr. Sun Jiankun to replace Mr. Xian Yang as the Chief Executive Officer with effect from 27 August 2013 in accordance with code provision A.2.1 of the Code.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

The Company's Articles of Association set out a formal, considered and transparent procedure for the appointment of new directors to the Board. The appointment of Directors are fixed for a specific term, but at every annual general meeting one-third of the Directors, including the Chairman, will be subject to retirement by rotation and re-election by shareholders. All Directors eligible for re-election will have their biographical details made available to the shareholders to enable them to make an informed decision on their re-election. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

The Board selects and recommends candidates for directorship having regard to the composition of the board, balance of skill and experience appropriate to the Company's business.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

All Directors have provided record of training attendance and the Company will continue to arrange the training in accordance with paragraph A.6.5 of the Code.

BOARD MEETINGS

Eight board meetings were held during the year. Details of the attendance of Directors are set out below:

	Attendance of meetings
Executive Directors	
Mr. Xian Yang	8
Mr. Sun Jiankun	8
Mr. Wang Rong (resigned on 27 August 2013)	7
Independent non-executive Directors	
Mr. Chan Chi Hing	8
Mr. Chen Limin	8
Mr. Huang Rongsheng	8

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records.

Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

ANNUAL GENERAL MEETING

The Company held the annual general meeting on 26 June 2013, all the directors and the external auditors attended the annual general meeting.

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") was established on 25 August 2007 with written terms of reference in compliance with the Code. The Remuneration Committee consists of an executive Director, Mr. Xian Yang and all the Independent Non-Executive Directors, namely, Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng. Mr. Chan Chi Hing is the Chairman of the Remuneration Committee. The role of the Remuneration Committee is to review and give recommendations to the Board regarding the remuneration package of the Directors and the senior management of the Company and other remuneration related matters.

The Company's emolument policy of the employees is set up by the Remuneration Committee on the basis of the expertise, capability, performance and responsibility of the employees. In addition to the basic salaries, the Company also provides staff with retirement benefit scheme contributions. The Company may grant bonus to individuals for their contribution on a discretionary basis.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme is set out in note 47 to the consolidated financial statements.

During the year, one remuneration committee meeting was held to discuss and approve the annual salary review for 2013 for the Directors and the employees and the remuneration policy. All the members attended the meeting.

NOMINATION COMMITTEE

The Nomination Committee consists of an executive Director, Mr. Xian Yang and all the Independent Non-Executive Directors, namely, Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng. The nomination committee will consider the appointment of new Directors by reviewing the profiles of the candidates and taking into consideration the board diversity for the improvement of quality of the Company's performance and the measureable objectives including gender, age, cultural and educational background, skill, knowledge and experience and making recommendations to the Board. New Directors appointed by the Board during the year to fill a casual vacancy shall retire and submit themselves for re-election at the first general meeting immediately followed their appointment.

During the Year, the Nomination Committee had convened one meeting during which it considered, among other things, the Directors who should retire by rotation pursuant to the Company's Articles of Association and the Code. During the meetings of the Nomination Committee, it had also reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company and assessed the independence of all the independent non-executive directors of the Company.

During the Year, the Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The following measurable objectives were adopted: Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established on 25 August 2007 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee include reviewing and supervising the financial reporting process and internal control procedures of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The Audit Committee consists of three Independent non-executive Directors, namely, Mr. Chan Chi Hing (Chairman), Mr. Chen Limin and Mr. Huang Rongsheng.

During the year, two meetings were held. Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng of the Audit Committee attended the meetings. 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 review the combined financial statement of the Group for the year ended 31 December 2013.

AUDITORS' REMUNERATION

The external auditor of the Company is Deloitte Touche Tohmatsu. During the year ended 31 December 2013, the remuneration paid and payable to the auditors of the Company in respect of the audit services and non-audit services provided amounted to RMB3.1 million and RMB3.4 million respectively.

The Audit Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited account. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 38 and 39 of this report.

INTERNAL CONTROLS

The Board is responsible for maintaining an effective internal control system of the Group and is committed to the ongoing development of an effective internal control system to safeguard assets, and to enhance risk management and compliance with applicable legislation and regulations. The Group has adopted a set of internal control procedures and policies to safeguard the Group's assets and to ensure the reliability of financial reporting.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Company's system of internal control during the year, and the Board confirms that the provision C.2.1 of the Code has been complied with.

COMPANY SECRETARY

Ms. Chu Lai Kuen, the chief financial officer of the Company, is also appointed by the Board as the Company Secretary. She is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. Ms. Chu confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board directly to its head office in Sichuan, PRC or principal place of business in Hong Kong by post or email to ir@hidili.com.cn. The Company will respond to all enquiries on a timely and proper basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up-to-date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Company's Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hidili.com.cn) immediately after the relevant general meetings.

INVESTOR RELATIONS AND COMMUNICATION

The Company has established and maintained difference communication channels with its shareholders. The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Briefing and meetings with institutional investors and analysts are conducted regularly. The Company also maintains its website (http://www.hidili.com.cn) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year, there has been no significant change in the Company's constitutional documents.

Deloitte.
德勤

TO THE MEMBERS OF
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)

We have audited the consolidated financial statements of Hidili Industry International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 127, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that, as at 31 December 2013, the Group's current liabilities exceeded its current assets by approximately RMB3,001,335,000 and it incurred a loss of approximately RMB423,808,000 for the year then ended. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB455,250,000 as disclosed in note 45 to the consolidated financial statements. The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 2 to the consolidated financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (restated)
Continuing operations			
Revenue	7	**729,129**	1,630,839
Cost of sales		**(449,234)**	(580,441)
Gross profit		**279,895**	1,050,398
Other income	8	**32,972**	22,128
Other gains and losses	9	**509,650**	(23,844)
Distribution expenses		**(113,121)**	(227,155)
Administrative expenses		**(417,631)**	(390,562)
Share of losses of associates		**(1,848)**	(2,827)
Finance costs	10	**(456,233)**	(442,300)
Loss before tax		**(166,316)**	(14,162)
Income tax expenses	11	**(21)**	(89,435)
Loss for the year from continuing operations		**(166,337)**	(103,597)
Discontinued operation			
Loss for the year from discontinued operation	14	**(257,471)**	(40,695)
Loss and total comprehensive expense for the year	12	**(423,808)**	(144,292)
Loss and total comprehensive expense for the year attributable to owners of the Company			
— from continuing operations		**(167,226)**	(106,701)
— from discontinued operation		**(257,471)**	(40,695)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(424,697)**	(147,396)
Profit and total comprehensive income attributable to non-controlling interests from continuing operations		**889**	3,104
		(423,808)	(144,292)
Loss and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(424,697)**	(147,396)
Non-controlling interests		**889**	3,104
		(423,808)	(144,292)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	**2013 RMB'000**	2012 RMB'000 (restated)
Loss per share	16		
From continuing and discontinued operation			
Basic (RMB cents)		**(20.61)**	(7.14)
Diluted (RMB cents)		**(20.61)**	(7.14)
From continuing operations			
Basic (RMB cents)		**(8.11)**	(5.17)
Diluted (RMB cents)		**(8.11)**	(5.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**8,483,068**	13,594,766
Prepaid lease payments	18	**87,450**	29,031
Intangible assets	19	**140,123**	108,282
Interests in joint ventures	20	**2,400,000**	–
Interests in associates	21	**39,287**	144,023
Available-for-sale investments	22	**188,630**	228,330
Long term deposits and other receivables	23	**318,703**	206,015
Restricted bank deposits	29	**94,450**	72,017
Deferred tax assets	38	**69,307**	–
		11,821,018	14,382,464
CURRENT ASSETS			
Inventories	24	**133,037**	170,053
Bills and trade receivables	25(a)	**456,013**	887,662
Bills receivables discounted with recourse	25(b)	**90,000**	9,800
Other receivables and prepayments	26	**943,994**	461,597
Amounts due from associates	27(a)	**–**	9,935
Amount due from a joint venture	27(e)	**111,115**	–
Amounts due from related parties	27(c)	**38**	22,042
Held-for-trading investments	28	**–**	52,836
Pledged bank deposits	29	**919,348**	179,261
Bank balances and cash	29	**322,207**	1,554,368
		2,975,752	3,347,554
Assets held for sales	30	**308,005**	–
		3,283,757	3,347,554
CURRENT LIABILITIES			
Bills and trade payables	31(a)	**368,732**	461,080
Advances drawn on bills receivables discounted with recourse	31(b)	**90,000**	9,800
Other payables and accrued expenses	32	**437,696**	535,583
Amount due to an associate	27(b)	**–**	444
Amounts due to related parties	27(d)	**2,472**	823
Amount due to a non-controlling shareholder	27(f)	**14,765**	14,765
Tax payables		**40,804**	142,204
Senior notes	40	**2,322,661**	2,518,094
Convertible loan notes	41	**–**	1,820,007
Bank and other borrowings — due within one year	33	**3,007,898**	2,571,000
		6,285,028	8,073,800
Liabilities held for sales	30	**64**	–
		6,285,092	8,073,800
NET CURRENT LIABILITIES		**(3,001,335)**	(4,726,246)
		8,819,683	9,656,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	34	**197,506**	199,078
Reserves	35	**6,784,034**	7,085,719
Equity attributable to owners of the Company		**6,981,540**	7,284,797
Non-controlling interests		**36,397**	99,800
TOTAL EQUITY		**7,017,937**	7,384,597
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs	36	**16,095**	17,434
Other long term payables	37	**71,880**	123,704
Deferred tax liabilities	38	**127,155**	317,548
Bank and other borrowings — due after one year	33	**1,579,542**	1,812,935
Convertible loan notes	41	**7,074**	–
		1,801,746	2,271,621
		8,819,683	9,656,218

The consolidated financial statements on pages 40 to 127 were approved and authorised for issue by the board of directors on 31 March 2014 and are signed on its behalf by:

XIAN YANG
DIRECTOR

SUN JIANKUN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 35)	Statutory surplus reserve RMB'000 (Note 35)	Convertible loan notes reserve RMB'000	Future development fund RMB'000 (Note 35)	Share options reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	199,078	2,994,570	695,492	443,981	179,434	231,690	139,204	(67,840)	2,745,249	7,560,858	182,834	7,743,692
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	(147,396)	(147,396)	3,104	(144,292)
Transfer	–	–	–	59,021	–	46,447	–	–	(105,468)	–	–	–
Recognition of equity-settled share based payment expenses (Note 47)	–	–	–	–	–	–	42,177	–	–	42,177	–	42,177
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	980	980
Acquisition of additional interest in non-wholly owned subsidiaries (note i)	–	–	–	–	–	–	–	(28,312)	–	(28,312)	(84,188)	(112,500)
Disposal of a subsidiary (Note 39(b))	–	–	–	–	–	–	–	–	–	–	(2,930)	(2,930)
Dividends (Note 15)	–	(142,530)	–	–	–	–	–	–	–	(142,530)	–	(142,530)
	–	(142,530)	–	59,021	–	46,447	42,177	(28,312)	(105,468)	(128,665)	(86,138)	(214,803)
At 31 December 2012	199,078	2,852,040	695,492	503,002	179,434	278,137	181,381	(96,152)	2,492,385	7,284,797	99,800	7,384,597

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 35)	Statutory surplus reserve RMB'000 (Note 35)	Convertible loan notes reserve RMB'000	Future development fund RMB'000 (Note 35)	Share options reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	199,078	2,852,040	695,492	503,002	179,434	278,137	181,381	(96,152)	2,492,385	7,284,797	99,800	7,384,597
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	(424,697)	(424,697)	889	(423,808)
Transfer	–	–	–	86,721	–	(70,151)	–	–	(16,570)	–	–	–
Disposal of subsidiaries	–	–	–	(55,933)	–	(39,481)	–	–	95,414	–	–	–
Conversion of convertible loan notes	764	121,408	–	–	(10,995)	–	–	–	–	111,177	–	111,177
Recognition of equity-settled share based payment expenses (Note 47)	–	–	–	–	–	–	53,171	–	–	53,171	–	53,171
Acquisition of additional interest in non-wholly owned subsidiaries (note ii)	–	–	–	–	–	–	–	(2,918)	–	(2,918)	(64,292)	(67,210)
Repurchase of shares	(2,336)	(37,654)	–	–	–	–	–	–	–	(39,990)	–	(39,990)
Redemption of convertible loan notes	–	–	–	–	(167,787)	–	–	–	167,787	–	–	–
	(1,572)	83,754	–	30,788	(178,782)	(109,632)	53,171	(2,918)	246,631	121,440	(64,292)	57,148
At 31 December 2013	197,506	2,935,794	695,492	533,790	652	168,505	234,552	(99,070)	2,314,319	6,981,540	36,397	7,017,937

Note i: During the year ended 31 December 2012, the Group acquired the remaining equity interests of four of its subsidiaries from the non-controlling shareholders at an aggregate consideration of RMB112,500,000, of which RMB88,500,000 was satisfied by deposits paid in previous years (which recorded as deposit paid for acquisition of additional interests in a subsidiary and deposits for acquisition of mines of RMB60,000,000 and RMB28,500,000, respectively) and RMB24,000,000 paid in the form of cash. The excess of the fair value of the considerations paid over the carrying amount of the net assets acquired has been debited directly to equity.

Note ii: During the year ended 31 December 2013, the Group acquired the remaining equity interests of five subsidiaries from the non-controlling shareholder. The excess of the fair value of the consideration paid over the carrying amount of the net assets acquired has been debited directly to equity. The total consideration of RMB67,210,000 was satisfied by offset with other receivables of RMB25,480,000 and RMB41,730,000 paid in form of cash.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Loss before tax		
Continuing operations	**(166,316)**	(14,162)
Discontinued operation	**(257,471)**	(40,695)
	(423,787)	(54,857)
Adjustments for:		
Amortisation of prepaid lease payments	**879**	1,305
Amortisation of intangible assets	**5,029**	3,800
Interest income	**(19,273)**	(6,167)
Gain on disposal of a subsidiary	**(861,321)**	(1,360)
Dividend income	**–**	(4,019)
Depreciation and amortisation of property, plant and equipment	**97,239**	175,952
Share-based payment expenses	**53,171**	42,177
Finance costs	**460,356**	452,902
Loss on disposal of property, plant and equipment	**202,945**	6,822
Net impairment loss recognised on financial assets	**31,953**	16,636
Net impairment loss recognised in respect of property, plant and equipment	**432,458**	22,000
Share of losses of associates	**1,848**	2,827
Gain on repurchase of senior notes	**(33,211)**	–
Operating cash flows before movements in working capital	**(51,714)**	658,018
Decrease (increase) in inventories	**3,967**	(25,205)
Decrease in bills and trade receivables	**241,150**	314,637
(Increase) decrease in other receivables and prepayments	**(110,096)**	120,711
Decrease in amount due from an associate	**–**	1,535
Decrease in amounts due from related parties	**22,004**	833
Decrease in held-for-trading investments	**52,836**	11,705
Increase in bills and trade payables	**2,421**	62,692
Increase (decrease) in other payables and accrued expenses	**124,558**	(322,873)
Increase (decrease) in amounts due to a related parties	**1,649**	(26,754)
Provision for restoration and environmental costs	**701**	2,627
Net cash generated from operations	**287,476**	797,926
Income taxes paid	**(136,706)**	(140,198)
NET CASH FROM OPERATING ACTIVITIES	**150,770**	657,728

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries	39(a)	**2,394,278**	4,155
Proceeds from disposal of property, plant and equipment		**460,528**	18,539
Withdrawal of pledged and restricted bank deposits		**185,567**	144,417
Deposit received for disposal of subsidiaries		**50,000**	–
Interest received		**19,273**	6,167
Repayment of loan advanced to a third party		**15,000**	–
Repayment from non-controlling shareholder of subsidiary		**11,033**	–
Repayment from associate		**9,935**	–
Dividend received		**–**	4,019
Refund of deposit paid for acquisition of mines		**–**	1,500
Purchase of property, plant and equipment		**(1,054,075)**	(1,342,016)
Placement of pledged and restricted bank deposits		**(948,087)**	(210,838)
Deposits paid for acquisition of investments		**(103,638)**	–
Acquisition of prepaid lease payment		**(43,975)**	–
Deposits paid for environmental rehabilitation paid to local government		**(39,766)**	–
Purchase of transportation rights		**(36,870)**	–
Deposit paid for acquisition of mines		**(30,000)**	(900)
Purchase of available for sale investment		**(15,000)**	–
Deposits paid for acquisition of land use right		**–**	(18,396)
Advance of loan receivables to a third party		**–**	(15,000)
Advance of loan to minority shareholder of subsidiary		**–**	(11,033)
Advance to associates		**–**	(9,935)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**874,203**	(1,429,321)
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		**(6,204,205)**	(2,017,000)
Redemption of convertible notes		**(1,696,553)**	–
Interest paid		**(632,417)**	(460,713)
Repurchase of senior notes		**(90,207)**	–
Repayment of other long term payables		**(44,944)**	(41,544)
Acquisition of additional interest in non-wholly owned subsidiaries		**(41,730)**	(24,000)
Repurchase of shares		**(39,990)**	–
Repayment to associate		**(444)**	–
Dividend paid		**–**	(142,530)
Decrease in amount due to non-controlling interest of a subsidiary		**–**	(377)
New bank and other borrowings raised		**6,407,710**	4,403,935
Advances drawn on bills receivables discounted with recourse		**90,000**	9,800
Capital contribution from non-controlling interest		**–**	980
Advance from an associate		**–**	444
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(2,252,780)**	1,728,995

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,227,807)**	957,402
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,554,368**	596,966
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**326,561**	1,554,368
Represented by:			
Bank balances and cash		**322,207**	1,554,368
Cash and cash equivalents included in assets held for sales		**4,354**	–
		326,561	1,554,368

1. GENERAL

Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (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 address of the registered office and principal place of business of the Company is Room 3702, 37th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. In the opinion of the directors, the Company's parent company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited, which is controlled by Mr. Xian Yang, the Executive Director of the Company. The Company acts as investment holding company and its subsidiaries are engaged in mining and sale of raw coal, clean coal and sale of coke which was discontinued in current year (see note 14).

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 the preparation of 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 Group's net current liabilities position of approximately RMB3,001,335,000 as at 31 December 2013 and incurred a loss of approximately RMB423,808,000 for the year then ended. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB455,250,000 as disclosed in note 45.

The directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future, taking into consideration of presently available unutilised banking facilities of approximately RMB5,185 million which are repayable after 12 months from drawn down. Subsequently to the end of the reporting date, the Group has drawn down RMB1,000 million from the aforesaid available banking facilities.

In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, and the management of the Group is also implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position.

On the basis that the Group can improve its operating results and cash flows and taking into account the available unutilised banking facilities, the directors of the Company believe that the Group has sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

APPLICATION OF NEW AND REVISED IFRSs

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board:

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

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

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

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

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

Impact of the application of IFRS 10

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

APPLICATION OF NEW AND REVISED IFRSs *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 20, 21 and 52 for details).

IFRS 13 Fair value measurement

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

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

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

Amendments to IAS 1 Presentation of items of other comprehensive income

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle[2]
IFRS 9	Financial instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[1]
Amendments to IAS 19	Defined benefit plans: Employee contributions[2]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting[1]
IFRIC-INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

IFRS 9 Financial instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of IFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IAS 36 Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Group's consolidated financial statements.

The directors of the Company do not anticipate that the application of the other new and revised IFRSs will have a 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discount and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including land and buildings, held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation on these assets, other than mining structures and mining rights, is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The mining structures and mining rights are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses. Depreciation and amortisation is provided to write off the cost of the mining structures and mining rights using the units of production method over the total proven reserves of the coal mines.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFITS COSTS

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately, including transportation rights, are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

The Group is required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined. Provisions for restoration and environmental costs are required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimation of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial asset at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL comprise financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 42.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified as financial assets at FVTPL, loans and receivables, or held-to-maturity investments.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bills and trade receivables, bills receivables discounted with recourse, other receivables, amounts due from related parties, amounts due from associates, amount due from joint venture, pledged and restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial assets, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as bills and trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For loans and receivables, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carries at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all the financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities of the Group, including bills and trade payables, advances drawn on bills receivables discounted with recourse, other payables, amounts due to a related parties, amount due to an associate, amount due to a joint venture, amount due to a non-controlling shareholder, convertible loan notes, senior notes and bank and other borrowings, are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Convertible loan notes contains liability and equity components

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately as financial liabilities and equity on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component (including the early redemption option which is closely related to the liability component) is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Convertible loan notes contains liability and equity components *(Continued)*

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity (convertible loan notes reserve), net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in convertible loan notes reserve until the embedded option is exercised, in which case, the balance recognised in convertible loan notes reserve will be transferred to share premium. When the conversion option remains unexercised at the expiry date, the balance recognised in convertible loan notes reserve will be transferred to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting condition, the fair value of services received determined by reference to the fair value of share option granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

For share option that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or services or when the counterparties render services, unless the goods or services qualify for recognition as assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than mining rights and mining structures are depreciated on a straight-line basis over their useful lives, after taking into account their estimated residual value. Mining rights and mining structures are amortised using the units of production method based on the total proven reserves of the coal mines.

The Group assesses annually the residual value and the useful life of the property, plant and equipment, other than mining structures and mining rights, and assesses annually the reserves of the coal mines. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charged in the year in which such estimate is changed. As at 31 December 2013, the carrying amount of property, plant and equipment was RMB8,483 million (2012: RMB13,595 million). Details of property, plant and equipment are disclosed in note 17.

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise. The directors estimate the Group will resume the production of full capacity in two to three years. The directors performed impairment assessment of the Group's property, plant and equipment and impairment loss of RMB432 million (2012: RMB22 million) was recognised in profit or loss during the year.

RESERVE ESTIMATES

As explained in note 4, mining rights and mining structures are amortised using the units of production method based on the total proven reserves of the coal mines.

Engineering estimates of the Group's mineral reserves involved subjective judgements by mineral engineers in developing such information. There is a Chinese system, which is the national standard set by the PRC Government, regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven". Proven reserve estimates are updated on a regular basis and are taken into account as a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation and amortisation rates. If the expectation differs from the original reserve estimate, such difference will impact the depreciation and amortisation charge in the year in which such estimate is changed. As at 31 December 2013, the carrying amount of mining rights and mining structure was RMB5,023 million (2012: RMB8,834 million).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER LOAN RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amounts of trade receivables, loan receivables and other receivables are RMB300 million (2012: RMB520 million), RMB33 million (2012: RMB55 million) and RMB831.9 million (2012: RMB345.7 million), respectively.

ESTIMATED IMPAIRMENT OF MINING STRUCTURES AND MINING RIGHTS AND CONSTRUCTION IN PROGRESS

Determining whether there is an impairment loss on mining structure and mining rights and construction in progress requires an estimate of the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Management consider that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use calculation which is higher than its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. In addition, the Group estimates the mergers and restructuring of mines in the PRC will be completed in one to two years and operations of the various mines will reach full capacity in one to three years after the end of the current reporting period. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. As at 31 December 2013, the carrying amount of mining structures and mining rights and construction in progress, was RMB5,023 million (2012: RMB8,834 million) and RMB2,633 million (2012: RMB3,445 million) respectively.

CLASSIFICATION OF YUNNAN DONGYUAN HIDILI COAL INDUSTRY COMPANY LIMITED ("YUNNAN HIDILI") AS A JOINT VENTURE

Yunnan Hidili is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Yunnan Hidili is classified as a joint venture of the Group. See note 20 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings, senior notes and convertible loan notes disclosed in notes 33, 40 and 41, respectively net of cash and cash equivalents and equity attributable to owners of the company, comprised share capital and reserves, as disclosed in notes 34 and 35, respectively.

Management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

7. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Information reported to the chief operating decision makers (i.e. the executive directors) for the purposes of resource allocation and performance assessment focuses on the Group's business operations, which is the basis upon which the Group is organised.

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

Principal activities are as follows:

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

An operating segment regarding manufacture and sales of coke and its by-product was discontinued in the current year. The segment information reported below does not include any amounts relating to the discontinued operation, which are described in more details in note 14.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

SEGMENTS REVENUES AND RESULTS

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

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 result of associates			(1,848)
Finance costs			(456,233)
Loss before tax			(166,316)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

SEGMENTS REVENUES AND RESULTS *(Continued)*

For the year ended 31 December 2012

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

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

SEGMENT ASSETS AND LIABILITIES

No segment assets and liabilities are presented as they are not regularly reviewed by the chief operating decision makers (i.e. the executive directors).

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2013

	Coal mining RMB'000	Others RMB'000	Segment total RMB'000	Unallocated RMB'000 (Note)	Total RMB'000
Amounts included in the measure of segment profit or loss					
Net impairment loss on financial assets	**30,523**	**–**	**30,523**	**–**	**30,523**
Impairment loss recognised in respect of property, plant and equipment	**432,458**	**–**	**432,458**	**–**	**432,458**
Depreciation and amortisation	**47,960**	**–**	**47,960**	**37,864**	**85,824**
Provision for restoration and environmental costs	**701**	**–**	**701**	**–**	**701**
Gain on disposal of subsidiaries	**861,321**	**–**	**861,321**	**–**	**861,321**

For the year ended 31 December 2012

	Coal mining RMB'000	Others RMB'000	Segment total RMB'000	Unallocated RMB'000 (Note)	Total RMB'000
Amounts included in the measure of segment profit or loss					
Net impairment loss on financial assets	16,636	–	16,636	–	16,636
Depreciation and amortisation	128,091	–	128,091	36,630	164,721
Provision for restoration and environmental costs	2,627	–	2,627	–	2,627

Note: The reconciling item to adjust expenditures incurred for the corporate headquarters, which is not included in segment information.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

REVENUE INFORMATION

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

GEOGRAPHICAL INFORMATION

All of the Group's turnover are derived from the operation in the PRC and all the customers of the Group are located in the PRC. In addition, all of the Group's non-current assets excluding deferred tax assets are located in the PRC. Therefore, no geographical information is presented.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Customer A[1]	**230,780**	396,472
Customer B[1]	**193,511**	291,215
Customer C[2]	**119,459**	–

1 Revenue from sales of clean coal.

2 Revenue from sales of clean coal amounted to RMB113,327,000 (2012: nil) and high ash thermal amounted to RMB6,132,000 (2012: nil).

8. OTHER INCOME

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

9. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Continuing operations		
Net impairment loss recognised on		
— trade receivables	**(28,915)**	(6,897)
— other receivables	**(1,608)**	(9,739)
Net impairment loss recognised on financial assets	**(30,523)**	(16,636)
Net loss on held-for-trading investments	**–**	(8,568)
Gain on disposal of subsidiaries (note 39)	**861,321**	1,360
Impairment loss recognised in respect of property, plant and equipment (Note 17)	**(432,458)**	–
Exchange gain, net (senior note)	**78,099**	–
Gain on repurchase of senior notes	**33,211**	–
	509,650	(23,844)

10. FINANCE COSTS

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

11. INCOME TAX EXPENSES

	2013 RMB'000	2012 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	78,898	87,196
(Over)underprovision in prior years	(9,570)	77
	69,328	87,273
Deferred taxation (Note 38)	(69,307)	2,162
	21	89,435

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2013 and 2012.

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

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

The charge for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Loss before tax	(166,316)	(14,162)
Tax at applicable tax rate of 25% (2012: 25%)	(41,579)	(3,541)
Tax effect of concessionary tax rate granted	–	(42,440)
Tax effect of income not taxable for tax purpose	(857)	(205)
Tax effect of expenses not deductible for tax purpose	43,257	12,693
Tax effect of undistributed profit of subsidiaries in the PRC	–	3,454
Tax effect of deferred tax assets not recognised	9,579	120,709
(Over)underprovision in prior years	(9,570)	77
Others	(809)	(1,312)
Income tax expense for the year	21	89,435

The provision for EIT is based on a statutory rate of 25% (2012: 25%) of the assessable profit of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC, except for a PRC subsidiary of the Company which is exempted from or entitled to concessionary tax rate EIT in accordance with the approval from the respective tax bureau.

11. INCOME TAX EXPENSES *(Continued)*

According to the Taxpayer Exemption Application Form (納稅人減免稅申請審批表, "EIT Exemption Form") issued by the local tax bureau on 4 July 2007, Liupanshui Hidili Industry Company Limited ("Liupanshui Hidili") was entitled to a 2 years exemption from EIT from 2008 to 2009 and a 50% deduction of EIT for three years from 2010 to 2012. As this tax incentive has been expired, the applicable tax rate of Liupanshui Hidili for 2013 is 25% (2012: 12.5%).

The Tax Law of the PRC requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. Deferred tax of RMB68,854,000 (2012: RMB68,854,000) has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

12. LOSS FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Loss for the year from continuing operations has been arrived at after charging:		
Directors' remuneration	**3,294**	2,635
Salaries and other benefits	**225,143**	346,290
Retirement benefits scheme contribution	**21,748**	22,534
Share-based payment expense	**53,171**	42,092
Total staff costs (included in cost of sales, distribution expenses and administrative expenses)	**303,356**	413,551
Auditors' remuneration	**2,712**	3,115
Amortisation of prepaid lease payments	**304**	730
Amortisation of intangible assets (included in distribution expenses)	**5,029**	3,800
Provision for restoration and environmental costs (Note 36)	**701**	2,627
Depreciation and amortisation of property, plant and equipment	**80,491**	160,191
Loss on disposal of property, plant and equipment	**5,950**	6,822
Cost of inventories recognised as an expense	**449,234**	580,441
Net exchange loss (included in administrative expenses)	**–**	10,441

13. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS

The emoluments paid or payable to each of the 6 (2012: 6) directors were as follows:

(A) DETAILS OF DIRECTORS' REMUNERATION PAID OR PAYABLE BY THE GROUP TO THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS:

	2013 RMB'000	2012 RMB'000
Directors:		
Fees	**904**	600
Basic salaries and allowances	**2,465**	2,583
Retirement benefit scheme contributions	**97**	23
Share-based payment expenses	**–**	8
	3,466	3,214

For the year ended 31 December 2013

	Executive directors			Non-executive independent directors			
	Xian Yang (CEO) RMB'000	Wang Rong RMB'000	Sun Jiankun RMB'000	Chan Chi Hing RMB'000	Chen Limin RMB'000	Huang Rongsheng RMB'000	Total RMB'000
Directors' fee	136	–	114	254	200	200	904
Basic salaries and allowances	1,152	563	750	–	–	–	2,465
Retirement benefit scheme contributions	84	13	–	–	–	–	97
	1,372	576	864	254	200	200	3,466

13. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS *(Continued)*

(A) DETAILS OF DIRECTORS' REMUNERATION PAID OR PAYABLE BY THE GROUP TO THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS: *(Continued)*

For the year ended 31 December 2012

	Executive directors			Non-executive independent directors			
	Xian Yang (CEO) RMB'000	Wang Rong RMB'000	Sun Jiankun RMB'000	Chan Chi Hing RMB'000	Chen Limin RMB'000	Huang Rongsheng RMB'000	Total RMB'000
Directors' fee	–	–	–	200	200	200	600
Basic salaries and allowances	1,138	567	878	–	–	–	2,583
Retirement benefit scheme contributions	11	12	–	–	–	–	23
Share-based payment expenses	–	–	–	4	–	4	8
	1,149	579	878	204	200	204	3,214

(B) FIVE HIGHEST EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year ended 31 December 2013, none (2012: one) was a director of the Company whose emoluments are included in the disclosures above. The emoluments of the five (2012: four) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	**4,365**	1,910
Retirement benefit scheme contributions	**31**	39
Share-based payment expenses	**34,342**	24,794
	38,738	26,743

13. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS *(Continued)*

(B) FIVE HIGHEST EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$11,000,000 to HK$12,000,000	**–**	1
HK$16,500,001 to HK$17,000,000	**1**	–
HK$18,000,001 to HK$18,500,000	**–**	1
HK$22,000,001 to HK$22,500,000	**1**	–

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

No director waived any emolument during the year 2013 and 2012.

14. DISCONTINUED OPERATION

During the current year, the coking plant of Panzhihua City Hidili Coke Company Limited, a wholly-owned subsidiary of the Company, has been listed by the Ministry of Industry and Information Technology of the PRC as one of the first batches of enterprises with obsolete industrial production capability. Since the capital investments for improving of the technology for coking machineries is high, management considered it is not worth to further invest in the coking business. Accordingly, management decided to abandon the coking operation and wrote off all of the coking machineries of Panzhihua City Hidili Coke Company Limited. Accordingly, the Group's coking business ceased operations during the year and are presented as discontinued operation.

14. DISCONTINUED OPERATION *(Continued)*

The loss for the year from the discontinued coking operation is set out below. The comparative figures in the statement of profit or loss and other comprehensive income have been restated to re-present the coking operation as a discontinued operation.

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

Loss after taxation from discontinued operation includes the following:

	2013 RMB'000	2012 RMB'000
Directors' remuneration	**172**	579
Salaries and other benefits	**13,651**	17,191
Retirement benefits scheme contribution	**2,375**	1,248
Amortisation of prepaid lease payments	**575**	575
Depreciation and amortisation of property, plant and equipment	**16,748**	15,761
Reversal of impairment loss recognised on trade receivables	**258**	–
Impairment loss recognised on other receivables	**1,688**	–
Cost of inventories recognised as an expense	**73,648**	268,344
Bank interest income	**1,379**	210
Impairment loss recognised in respect of property, plant and equipment	**–**	22,000

During the year, the coking operations paid RMB61 million (2012: RMB63 million generated from operating activities) in respect of operating activities, paid RMB3 million (2012: RMB2 million) in respect of investing activities and paid RMB64 million (2012: RMB4 million generated from financing activities) in respect of financing activities.

15. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year ended 31 December 2012 — 2011 final dividend RMB6.9 cents per share	–	142,530

During the year ended 31 December 2012, the final dividend of RMB142,530,000 representing RMB6.9 cents for ordinary shares in respect of the year ended 31 December 2011 were declared by the Board and had been recognised and distributed during the year 2012.

No dividend was proposed for the years ended 31 December 2013 and 2012 or since the end of the reporting period.

16. LOSS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

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

Loss

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

Number of shares

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

16. LOSS PER SHARE *(Continued)*

FROM CONTINUING OPERATIONS

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

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

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

FROM DISCONTINUED OPERATION

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

The computation of diluted loss per share for the year ended 31 December 2013 and 2012 does not assume the conversion of the Company's convertible loan notes and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures and Mining rights RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office and electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	473,720	7,787,690	922,917	90,436	41,323	3,452,267	12,768,353
Additions	955	173,310	86,983	7,414	8,782	1,345,152	1,622,596
Transfer	48,659	1,244,234	58,106	–	1,567	(1,352,566)	–
Disposals	(15,718)	–	(37,734)	(7,373)	(115)	–	(60,940)
Disposal upon disposal of a subsidiary	–	–	–	(1,050)	(92)	–	(1,142)
At 31 December 2012	507,616	9,205,234	1,030,272	89,427	51,465	3,444,853	14,328,867
Additions	1,652	47,298	140,922	4,292	1,819	846,312	1,042,295
Transfer	36,706	315,629	7,702	–	–	(360,037)	–
Reclassified as held for sales (note 30)	–	(178,646)	(711)	(3,320)	(492)	(120,720)	(303,889)
Write-off on cessation of coking operation (Note 14)	(140,178)	–	(122,780)	(2,673)	(374)	(34,773)	(300,778)
Disposals	(15,049)	(530,130)	(107,839)	(9,973)	(1,114)	(320,728)	(984,833)
Disposal of subsidiaries (Note 39)	(41,713)	(3,239,321)	(243,462)	(12,624)	(18,801)	(700,392)	(4,256,313)
At 31 December 2013	349,034	5,620,064	704,104	65,129	32,503	2,754,515	9,525,349
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 January 2012	52,602	292,786	167,442	49,490	9,685	–	572,005
Provided for the year	13,599	78,175	66,828	12,298	5,052	–	175,952
Impairment loss recognised in profit or loss	8,927	–	13,073	–	–	–	22,000
Eliminated on disposals	(5,112)	–	(26,598)	(3,824)	(45)	–	(35,579)
Eliminated upon disposal of a subsidiary	–	–	–	(243)	(34)	–	(277)
At 31 December 2012	70,016	370,961	220,745	57,721	14,658	–	734,101
Provided for the year	13,328	18,745	53,277	8,493	3,396	–	97,239
Impairment loss recognised in profit or loss	40,420	248,272	22,197	9	302	121,258	432,458
Reclassified as held for sales (Note 30)	–	(91)	(131)	(2,459)	(343)	–	(3,024)
Eliminated on write-off on cessation of coking operation (Note 14)	(34,861)	–	(66,482)	(2,157)	(283)	–	(103,783)
Eliminated on disposals	(1,427)	(10,821)	(15,565)	(8,116)	(1,090)	–	(37,019)
Eliminated upon disposal of subsidiaries (Note 39)	(3,770)	(30,493)	(33,560)	(6,356)	(3,512)	–	(77,691)
At 31 December 2013	83,706	596,573	180,481	47,135	13,128	121,258	1,042,281
CARRYING AMOUNTS							
At 31 December 2013	265,328	5,023,491	523,623	17,994	19,375	2,633,257	8,483,068
At 31 December 2012	437,600	8,834,273	809,527	31,706	36,807	3,444,853	13,594,766

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than mining structures and mining rights as well as construction in progress:

Buildings	Over the shorter of the terms of the relevant lease or 15 to 35 years
Machinery	5 to 15 years
Motor vehicles, office and electronic equipment	5 to 10 years

The buildings are situated on the land use rights as disclosed in note 18 under medium-term lease in the PRC and amortised over the shorter of the terms of the relevant lease or 15 to 35 years.

The mining structures and mining rights include the main and auxiliary mine shafts and underground tunnels. The mining rights have average legal lives of 10 to 15 years but in the opinion of the directors of the Company, the Group will be able to renew the mining rights without incurring significant costs.

The construction in progress comprise mainly the main and auxiliary mine shafts and underground tunnels in the course of construction.

Depreciation and amortisation are provided to write off the cost of the mining structures and mining rights using the units of production method over the total proven reserves of the coal mine.

At 31 December 2013, the legal titles of the mining rights with aggregate carrying value of approximately RMB241,871,000 (2012: RMB1,392,783,000), included in mining structures and mining rights, have not been granted by the relevant government authorities and the relevant title transfers are still under application. In the opinion of the director, taking into account of the PRC lawyer's legal opinion, all the risks and rewards of ownership of mining rights have been transferred to the Group.

During the year ended 31 December 2012, the operations in certain mines of the Group have been suspended for safety inspection and government deliberations since the occurrence of accidents in mining operations in the vicinity of these Group's mines. Pursuant to Notices issued by Panzhihua Government and Liupanshui Government in October 2013 and September 2013, respectively (collectively "Mines Restructuring Plans"), Panzhihua Government and Liupanshui Government have formulated mines restructuring plans to improve productivity and safety of coal mining operations. The Group's mines located in Panzhihua and Liupanshui were deliberated by the government and certain mines with carrying amounts as at 31 December 2013 (after deducting impairment losses recognised for the financial year ended 31 December 2013, as appropriate) included in construction in progress and property, plant and equipment other than construction in progress of RMB1,134,414,000 and RMB3,291,257,000, respectively 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 2013 as they were undergoing the physical mine merger and consolidation process.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The directors of the Company have determined that the future cash flows expected to be generated from certain mines subject to the Mines Restructuring Plans are 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 is not worth to further invest capital expenditure to proceed the mines restructuring pursuant to Mines Restructuring Plans. In addition, a mine with carrying value of RMB206,437,000 (before deducting impairment losses recognised for the financial year ended 31 December 2013) under Mines Restructuring Plans will be disposed of to an independent third party, accordingly an impairment loss of RMB 106,437,000 was recognised in respect of this mine with reference to its fair value the directors determined based on preliminary prices negotiation with the independent third party.

For the purpose of the impairment testing of mining structure and mining rights of the mines, as well as the related construction in progress, of mines under the Mines Restructuring Plans which will be retained by the Group, management considers that it would still be commercially valuable for the Group to continue to use the relevant assets in the existing mining operation in the foreseeable future after implementing the necessary actions required by the Mines Restructuring Plans and accordingly the recoverable amount of the relevant CGUs are determined on the basis of value in use calculation which is higher than its fair value less costs of disposal. Value in use calculation is based on the discount rates of 14.9% (2012: 14.9%) and cash flow projections prepared from financial forecasts approved by the directors for the next five years. The CGUs cashflows beyond the 5-year period are extrapolated using a zero growth rate until the coal reserves have been mined based on existing production capacities. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which include future coal price and gross margin, such estimation is based on the estimation provided by management. Other key assumptions for the value in use calculation in respect of CGUs under mines restructuring scheme is management's expectation that the mines merger and consolidation will be completed in late 2014 and latest by 2015. A reasonably possible drop in the coal price would not cause significant impairment to the carrying value. Based on the assumptions applied, the value in use is above the carrying amount of the relevant CGUs, accordingly, management of the Group has determined that there is no additional impairment of the mining structure and mining rights and construction in progress.

During the year ended 31 December 2012, an impairment loss of RMB22,000,000 was recognised in respect of two coke production plants, which were technological obsolesce and did not meet the government environmental protection requirement.

18. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments of the Group analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Non-current asset	**87,450**	29,031
Current assets included in other receivables and prepayments	**1,887**	677
	89,337	29,708

The payments for land use rights are under medium-term lease in the PRC and is amortised over 50 years on a straight-line basis.

19. INTANGIBLE ASSETS

	Transportation rights RMB'000 (Note a)	Goodwill RMB'000 (Note b)	Total RMB'000
COST			
At 1 January 2012 and 31 December 2012	114,000	11,065	125,065
Additions (Note a)	36,870	–	36,870
At 31 December 2013	150,870	11,065	161,935
AMORTISATION			
At 1 January 2012	12,983	–	12,983
Charge for the year	3,800	–	3,800
At 31 December 2012	16,783	–	16,783
Charge for the year	5,029	–	5,029
At 31 December 2013	21,812	–	21,812
CARRYING VALUES			
At 31 December 2013	129,058	11,065	140,123
At 31 December 2012	97,217	11,065	108,282

19. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) In July 2008, the Group acquired 37% interest in Panxian Panshi Logistic Distribution Co., Ltd. ("Panxian Panshi") and Panxian Panying Logistic Distribution Company ("Panxian Panying") at an aggregate consideration of RMB114,000,000. Both Panxian Panshi and Panxian Panying are mainly engaged in the provision of railway logistic services. According to the shareholders' agreement, the Group does not have any voting right in the shareholders' meetings nor the power to participate in the financial and operating policy decisions of each of Panxin Panshi and Panxian Panying. Also, the Group is not entitled to the dividend and share any assets, liabilities, income and expenses of Panxian Panshi and Panxian Panying. In return, the Group obtained the consecutive right for the provision of railway logistic service by Panxian Panshi and Panxian Panying in Guizhou with a guaranteed delivery volume of not less than 900,000 tonnes per annum for a term of 30 years from July 2008 onwards. Accordingly, the consideration of RMB114,000,000 paid for acquisition of 37% interest in Panxian Panshi and Panxian Panying is accounted for as consideration for acquisitions of both an available-for-sale investment and an intangible asset which has a finite useful life of 30 years and is amortised on a straight-line basis over 30 years.

In addition, the Group acquired 34% interest in Panxian Shangxipu Coke Logistic Co., Ltd. ("Panxian Shangxipu") at an aggregate consideration of RMB36,870,000. Panxian Shangxipu is mainly engaged in the provision of railway logistic services. According to the shareholders' agreement, the Group does not have any voting right in the shareholders' meetings nor the power to participate in the financial and operating policy decisions of Panxian Shangxipu. Also, the Group is not entitled to the dividend and share any assets, liabilities, income and expenses of Panxian Shangxipu. In return, the Group obtained the consecutive right for the provision of railway logistic service by Panxian Shangxipu in Guizhou for a term of 30 years from January 2013 onwards. Accordingly, the consideration of RMB36,870,000 paid for acquisition of 34% interest in Panxian Shangxipu is accounted for as consideration for acquisitions of both an available-for-sale investment and an intangible asset which has a finite useful life of 30 years and is amortised on a straight-line basis over 30 years.

As the fair value of the available-for-sale investment in Panxian Panshi, Panxian Panying and Panxian Shangxipu are determined to be negligible, the whole amount of the consideration is attributed to the cost of the intangible asset.

(b) In July 2008, the Group acquired 70% interests in Panxian Panyi Coal Washing Company Limited ("Panyi Coal Washing") and Panxian Panxin Coking Company Limited ("Panxin Coking") at an aggregate consideration of RMB127,500,000. Panyi Coal Washing is engaged in the clean coal washing and Panxin Coking is engaged in manufacturing of coke. The goodwill arising on the acquisition is mainly attributable to the anticipated future operating synergies from the combination arising from clean coal washing activities.

During the year ended 31 December 2013, management of the Group determined that there is no impairment to the goodwill attributed to the clean coal washing cash generating units as the recoverable amount is higher than its carrying amount.

20. INTERESTS IN JOINT VENTURES

	2013 **RMB'000**	2012 RMB'000
Cost of investment in joint ventures — unlisted (Note 39a)	**2,400,000**	–

20. INTERESTS IN JOINT VENTURES *(Continued)*

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2013	2012	Total Principal activity
雲南東源恒鼎煤業有限公司 Yunnan Hidili	The PRC	**50%**	–	Coal mining
富源縣大河青坪煤業有限公司 Translated as Fuyuan County Dahe Qingping Coal Industry Co., Ltd.*	The PRC	**50%**	–	Coal mining
富源縣錦泰煤業有限公司 Translated as Fuyuan County Jintai Coal Industry Co., Ltd.*	The PRC	**50%**	–	Coal mining
富源縣坤源煤業有限公司 Translated as Fuyuan County Kunyuan Coal Industry Co., Ltd.*	The PRC	**50%**	–	Coal mining
富源縣通和煤業有限公司 Translated as Fuyuan County Tonghe Coal Industry Co., Ltd.*	The PRC	**50%**	–	Coal mining
富源縣祥達煤礦有限公司 Translated as Fuyuan County Xiangda Coal Mine Co., Ltd.*	The PRC	**50%**	–	Coal mining
雲南恒隆煤業有限公司 Translated as Yunnan Henglong Coal Industry Co., Ltd.*	The PRC	**50%**	–	Coal mining
雲南恒鼎實業有限公司 Translated as Yunnan Hidili Industry Co., Ltd.*	The PRC	**50%**	–	Coal washing
富源縣茂盛選煤有限責任公司 Translated as Fuyuan County Maosheng Coal Preparing Co., Ltd.*	The PRC	**50%**	–	Coal washing
富源縣富德選煤有限公司 Translated as Fuyuan County Fude Coal Washing Co., Ltd.*	The PRC	**50%**	–	Coal washing
富源縣鈺源煤業有限責任公司 Translated as Fuyuan County Yuyuan Coal Washing Co., Ltd.*	The PRC	**50%**	–	Coal mining

* Subsidiaries of Yunnan Hidili

20. INTERESTS IN JOINT VENTURES *(Continued)*

Yunnan Hidili and its subsidiaries are engaged in coal washing and sales of raw and clean coal in Yunnan. The Group held these joint ventures to maintain strategic mining exposure in Yunnan Province.

Consolidated financial information in respect of Yunnan Hidili and its subsidiaries is set out below. The summarised financial information below represents amounts shown in Yunnan Hidili's consolidated financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements with effect from 31 December 2013, which is the date Yunnan Hidili became a joint venture of the Group (see Note 39(a)).

	2013 **RMB'000**	2012 RMB'000
Current assets	**188,086**	773,442
Non-current assets	**4,355,570**	4,583,833
Current liabilities	**405,544**	2,415,097
Non-current liabilities	**199,433**	202,731
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**5,722**	82,501
Current financial liabilities (excluding trade and other payables and provisions)	**145,137**	2,144,357
Non-current financial liabilities (excluding trade and other payables and provisions)	**190,393**	190,393

20. INTERESTS IN JOINT VENTURES *(Continued)*

	Year ended 31.12.2013 RMB'000	Year ended 31.12.2012 RMB'000
Revenue	**133,598**	557,722
(Loss) profit and other comprehensive (expense) income for the year	**(47,533)**	48,286

The above loss and other comprehensive expense for the year include the following:

	Year ended 31.12.2013 RMB'000	Year ended 31.12.2012 RMB'000
Depreciation and amortisation	**22,810**	30,773
Interest income	**499**	17,674
Interest expense	**35,844**	63,118
Income tax expense	**6,344**	26,790

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Yunnan Hidili recognised in the consolidated financial statements:

	2013 RMB'000
Net assets of Yunnan Hidili	**3,938,679**
Proportion of the Group's ownership interest in Yunnan Hidili	**50%**
Effect of fair value adjustments at acquisition on mining right and structure	**574,215**
Effect of deferred tax liabilities on fair value adjustment	**(143,554)**
Carrying amount of the Groups' interest in Yunnan Hidili	**2,400,000**

There is no significant restriction on transferring the funds to the Group.

21. INTERESTS IN ASSOCIATES

	2013 RMB'000	2012 RMB'000
Cost of investment in associates — unlisted	**43,250**	146,850
Share of post-acquisition losses	**(3,963)**	(2,827)
	39,287	144,023

Details of the Group's associates at the end of the reporting period are as follows:

Name of associates	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company 2013	2012	Total Principal activity Principal activity
富源金通煤焦有限公司 Translated as Fuyuan Jintong Coking Company Limited ("Fuyuan Jintong")	The PRC	**–** **(Note)**	47.38%	Warehouse management and provision of railway logistics service
富源昆鐵選煤有限責任公司 Translated as Fuyuan Kuntie Coal Washing Company Limited ("Fuyuan Kuntie")	The PRC	**–** **(Note)**	20%	Clean coal processing
雲南淮海礦業機械製造有限責任公司 Translated as Yunnan Huaihai Mining Machinery Manufacturing Company Limited ("Yunnan Huaihai")	The PRC	**49%**	49%	Manufacturing of mining machinery
六盤水鐵發物流有限公司 Translated as Liupanshui Tiefa Logistics Company Limited ("Liupanshui Tiefa")	The PRC	**25%**	25%	Warehouse management and provision of railway logistics service

Note: Interests in the associates was disposed of during the year ended 31 December 2013.

21. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2013, included in the cost of investments in associates is goodwill of RMB675,000 arising from acquisition of Yunnan Huaihai. As at 31 December 2012, included in the cost of investments in associates was goodwill of RMB55,395,000, RMB14,870,000 and RMB675,000 arising from acquisition of Fuyuan Jintong, Fuyuan Kuntie and Yunnan Huaihai, respectively.

Summarised financial information in respect of the Group's associates, none of which is individually material to the Group, is set out below.

	2013 **RMB'000**	2012 RMB'000
Total assets	**399,665**	338,936
Total liabilities	**(284,131)**	(134,046)
Net assets	**115,534**	204,890
Group's share of net assets of associates	**38,612**	73,083
Total revenue	**30,032**	245,754
Total loss and total comprehensive expense for the year	**(3,756)**	(5,465)
Group's share of losses and total comprehensive expense of associates for the year	**(1,848)**	(2,827)

22. AVAILABLE-FOR-SALE INVESTMENTS

	2013 **RMB'000**	2012 RMB'000
Available-for-sale investments comprise:		
Unlisted equity securities	**188,630**	228,330

As at 31 December 2013, the unlisted equity investments represent 15%, 4.41%, 5% and 1.24% equity interest in 4 entities established in the PRC, and 5% interest in company incorporated in Laos respectively (2012: 18%, 15% and 4.41% equity interest in 3 entities established in the PRC, and 5% interest in company incorporated in Loas respectively). The principal activities of the investees are manufacture of mining machinery, manufacture of herbicides, provision of trading coal products services, manufacture of lithium salt products and mining of potassium chloride and manufacture of potassic fertilizer, respectively. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. LONG TERM DEPOSITS AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Deposits paid for acquisition of mines	**30,000**	6,860
Deposits paid for acquisition of land use rights	**89,157**	104,480
Deposits for environmental rehabilitation paid to the local government	**95,908**	68,642
Deposits paid for acquisition of investments	**103,638**	–
Loan receivable	**–**	15,000
Amount due from a non-controlling shareholder of a subsidiary	**–**	11,033
	318,703	206,015

As at 31 December 2013, a deposit of RMB30,000,000 (2012: RMB6,868,800) was paid for acquisition of mines in the PRC, details of the acquisition is set out in Note 51.

Deposits for environmental rehabilitation paid to the local government in the PRC carried interest at market rate determined by local government. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. They are not expected to be refunded within the next twelve months.

Loan receivable and amount due from a non-controlling shareholder of a subsidiary represent advances to a non-controlling shareholder of a subsidiary and one of its shareholder ("Debtors"). Pursuant to the loan agreements with respective Debtors, the loans advance would be settled by the dividend of the a non-wholly owned subsidiary. Loan receivable and amount due from a non-controlling interest of a subsidiary borne interest at 10% per annum and would be recovered after one year and were therefore classified as non-current assets at 31 December 2012. During the year ended 31 December 2013, the amounts were fully repaid by the Debtors.

24. INVENTORIES

	2013 RMB'000	2012 RMB'000
Coal products	**82,132**	107,737
Coke	**–**	1,540
Alloy pig iron	**3,841**	17,204
Auxiliary materials and spare parts	**47,064**	43,572
	133,037	170,053

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

(A) BILLS AND TRADE RECEIVABLES

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

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

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

Before accepting any new customer, the Group will assess credit worthiness by customer. As the customers are mainly the renowned steel manufacturer, therefore based on the past history, the eventual collectability of the receivables neither past due nor impaired is expected.

25. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE *(Continued)*

(A) BILLS AND TRADE RECEIVABLES *(Continued)*

Included in the Group's bills and trade receivables balance as at 31 December 2013 are debtors aged over 120 days with a carrying amount of RMB113,789,000 (2012: RMB101,496,000) which are past due at the reporting date for which the Group has not recognised impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable as there are continuing settlement. The Group does not hold any collateral over these balances.

Aging of trade and bills receivable which are past due but not impaired:

	2013 RMB'000	2012 RMB'000
Aged:		
121–180 days	**407**	20,310
181–365 days	**74,913**	79,114
Over 365 days	**38,469**	2,072
	113,789	101,496

Movement in allowance for doubtful debts

	2013 RMB'000	2012 RMB'000
Trade receivables		
Balance at beginning of the year	**9,922**	3,025
Impairment loss recognised on receivables	**29,545**	6,901
Amounts recovered during the year	**(888)**	(4)
Disposal of subsidiaries	**(1)**	–
Balance at end of the year	**38,578**	9,922

Included in the allowance for doubtful debts are individually impaired trade receivable with an aggregate balance of RMB38,578,000 (31 December 2012: RMB9,922,000) which have severe financial difficulties. The Group does not hold any collateral over these balances.

25. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE *(Continued)*

(B) BILLS RECEIVABLES DISCOUNTED WITH FULL RECOURSE

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

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

26. OTHER RECEIVABLES AND PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Advance to suppliers	**189,865**	77,440
Prepayments of mining expenses	**78,571**	80,171
Prepayments	**829**	6,785
Transportation charges paid on behalf of customers	**5,470**	5,312
Staff advances	**39,208**	47,149
Deposits paid	**5,559**	17,689
Loan receivables (Note i)	**32,675**	40,000
Receivables from disposal of coal mines (Note ii)	**481,336**	–
Others	**110,481**	187,051
	943,994	461,597

Notes:

(i) Included in loan receivables as at 31 December 2013 and 2012 is loan of RMB30,000,000 to an independent party, which is interest free and secured by equity interests of two PRC enterprises and repayable on demand.

At 31 December 2012, included in loan receivables of RMB10,000,000 were loans advanced to two mine holders and these advances were interest free, unsecured and repayable on demand. These amounts were fully repaid in 2013.

(ii) During the current year, the Group completed the sale of two coal mines in Guizhou for a total cash consideration of RMB914,170,000. The amount reflected above represented the remaining consideration receivables from the disposal of coal mines. The amount is passed due but is expected to be recovered within 12 months after the end of the current reporting period.

26. OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

MOVEMENT IN ALLOWANCE FOR DOUBTFUL DEBTS

	2013 **RMB'000**	2012 RMB'000
Other receivables		
Balance at beginning of the year	**35,806**	26,067
Impairment loss recognised on receivables	**8,898**	12,595
Reversal during the year	**(5,602)**	(2,856)
Disposal of subsidiaries	**(4,004)**	–
Balance at end of the year	**35,098**	35,806

Included in the Group's other receivables as at 31 December 2013 are receivables with a carrying amount of RMB525,157,000 (2012: RMB101,688,000) which are past due at the reporting date for which the Group has not recognised impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over the balances.

27. AMOUNTS DUE FROM (TO) RELATED PARTIES

(A) AMOUNTS DUE FROM ASSOCIATES

Name of associate	**2013** **RMB'000**	2012 RMB'000
Liupanshui Tiefa	–	7,000
Fuyuan Kuntie	–	2,935
Balance at end of the year	–	9,935

(B) AMOUNT DUE TO AN ASSOCIATE

Name of associate	**2013** **RMB'000**	2012 RMB'000
Fuyuan Jintong	–	444

27. AMOUNTS DUE FROM (TO) RELATED PARTIES *(Continued)*

(C) AMOUNTS DUE FROM RELATED PARTIES

Name of related parties	2013 RMB'000	2012 RMB'000
Panxian Panshi (note i)	–	15,157
Panxian Panying (note ii)	38	6,885
	38	22,042

(D) AMOUNTS DUE TO RELATED PARTIES

Name of related parties	2013 RMB'000	2012 RMB'000
Mr. Xian Jilun (鮮繼倫) (note iii)	250	250
雲南凱捷實業有限公司 Translated as Yunnan Kaijie Company Limited ("Kaijie") (note iv)	2,222	573
	2,472	823

(E) AMOUNT DUE FROM A JOINT VENTURE

Name of joint venture	2013 RMB'000	2012 RMB'000
Yunnan Hidili (note v)	111,115	–

(F) Amount is unsecured, interest-free and repayable on demand.

Notes:

(i) Panxian Panshi is an investee company in which the Group owned its 37% equity interest as explained in Note 19(a) but does not have any significant influence. The balance was advance payment at end of the reporting period.

(ii) Panxian Panying is an investee company in which the Group owned its 37% equity interest as explained in Note 19(a) but does not have any significant influence. The balance was advance payment at end of the reporting period.

(iii) Mr. Xian Jilun is the father of Mr. Xian Yang, executive director of the Company. Balance represents rental expenses paid by Mr. Xian Jilun on behalf of the Group.

(iv) Kaijie is the non-controlling shareholder of the Group's subsidiaries, Panxian Panxin Coke Co. Ltd. and Panxian Panyi Coal Preparation Co. Ltd. The Group allows credit period of one year. The balance was of trade in nature and aged within one year at 31 December 2013 and 2012.

(v) The amount is repayable on demand and expected to receive within one year.

27. AMOUNTS DUE FROM (TO) RELATED PARTIES *(Continued)*

All above balances are unsecured and interest free. The directors of the Group consider that there has not been a significant change in credit quality of these related parties and there is no recent history of default. The Group does not hold any collateral over the balances.

28. HELD-FOR-TRADING INVESTMENTS

	2013 **RMB'000**	2012 RMB'000
Held-for-trading investments include:		
Listed securities		
— Equity securities listed in the Australia, at market value	–	52,836

29. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The restricted bank deposits of RMB94,450,000 (2012: RMB72,017,000) are amounts held in a bank under the requirement of the relevant government authority of the PRC in respect of environmental rehabilitation. The amounts will be released at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. Such deposits are classified as non-current assets.

The pledged bank deposits of RMB919,348,000 (2012: RMB179,261,000) are used to secure the bills payable and bank borrowings which are repayable within one year. Accordingly, the pledged bank deposits are classified as current assets.

Bank balances and cash comprise cash held by the Group with the original maturity of three months or less.

The average effective interest rate of the pledged and restricted bank deposits and bank balances as at 31 December 2013 is 0.58% (2012: 0.76%) per annum.

30. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year, the Group and Sichuan Guoli Lithium Materials Co., Ltd., an independent third party, entered into an agreement pursuant to which the Group conditionally agreed to dispose of its entire equity interests in 四川恒鼎鋰業科技有限公司 ("Sichuan Hilidi Lithium Technology Co., Ltd.") and its subsidiaries ("Disposal Group") at a consideration of RMB414 million (the "Disposal"). Subsequent to the end of the reporting period a supplemental agreement was entered between parties and the consideration has been revised to RMB307.5 million. Details of which is set out in Note 51. Deposits amounted to RMB50 million has been received from the purchaser. The Disposal is expected to be completed within twelve months from 28 November 2013. All the assets and liabilities of the Disposal Group have been reclassified as assets and liabilities held for sale and presented separately in the consolidated statement of financial position as at 31 December 2013. The Disposal Group is not a separate major line of business or geographical area of operation, therefore the Disposal is not classified as discontinued operation. Details of the Disposal are set out in the Company's announcement dated 29 November 2013.

The sales proceeds are approximates to be the same as the net carrying amount of the assets and liabilities and, accordingly, no impairment loss has been recognised.

30. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	RMB'000
Property, plant and equipment	300,865
Inventories	2,786
Bank balances and cash	4,354
Total assets classified as held for sale	308,005
Other payables and total liabilities classified as held for sale	64

31. BILLS AND TRADE PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(A) BILLS AND TRADE PAYABLES

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

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

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

(B) ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2013	2012
Effective interest rate	**6.60%**	5.81%

The advances drawn on bills receivables discounted with recourse of HK$9,800,000 as at 31 December 2012 were settled during the current financial year by settlement of the respective discounted bills receivables on maturity of the bills.

32. OTHER PAYABLES AND ACCRUED EXPENSES

	2013 RMB'000	2012 RMB'000
Advance from customers	**21,327**	40,830
Accrued wages	**41,693**	55,151
Other tax payables	**38,510**	31,920
Accrued expenses	**6,367**	19,978
Welfare payables	**3,335**	2,000
Payables for acquisition of property, plant and equipment	**122,394**	229,017
Other long term payables — due within one year (Note 37)	**53,124**	53,244
Deposit received for disposal of subsidiaries (Note 30)	**50,000**	–
Others	**100,946**	103,443
	437,696	535,583

33. BANK AND OTHER BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank loans		
— Secured	**3,937,440**	1,781,000
— Unsecured	**–**	130,000
Other loans		
— Secured (Note)	**–**	1,472,935
— Unsecured	**650,000**	1,000,000
Bank loans	**4,587,440**	4,383,935

Note: Pursuant to capital injection agreements ("Capital Injection Agreements") dated 28 August 2012 entered between Huaneng Guicheng Trust Co., Ltd. ("Huaneng") and certain subsidiaries of the Group, Huaneng injected an aggregate of RMB1,500 million to certain subsidiaries of the Company for equity interest of these subsidiaries ranging from 34% to 41%. On the same date, Huaneng and certain subsidiaries entered into share transfer agreements, pursuant to which the Group agreed to buy back all aforesaid equity interest held by Huaneng under the Capital Injection Agreements in two years from capital injection date ("Capital Injection Period") at a premium, of which premium is paid in advance quarterly from capital injection date. Huaneng was not entitled to any dividend from these subsidiaries and would not involve in its management decision or its daily operation over the Capital Injection Period. In addition, on 28 August 2012, Huaneng and the Group entered into agreements for a term of two years at an aggregate consulting fee of RMB36 million. Details of the transaction are set out in the Company's announcement dated 28 August 2012.

At initial recognition, the capital injection of RMB1,500 million was accounted for as borrowings of the Group and carried at amortised cost using the effective interest method. Transaction costs, including consulting fee, and premium on buying back the equity interest, were included in determination of the effective interest rate and the carrying amount of the loan and amortised over the Capital Injection Period. The effective interest of secured other loan was 12.11% per annum. Amount is fully repaid during the year ended 31 December 2013.

The amount was secured by equity interest of certain subsidiaries of the Company.

33. BANK AND OTHER BORROWINGS *(Continued)*

The bank and other borrowings are repayable as follows*:

	2013 RMB'000	2012 RMB'000
Bank and other borrowings		
Within one year	**3,007,898**	2,571,000
More than one year, but not exceeding two years	**780,000**	1,732,935
More than two years, but not exceeding five years	**799,542**	80,000
	4,587,440	4,383,935
Less: Amount due within one year shown under current liabilities	**(3,007,898)**	(2,571,000)
Amount due after one year	**1,579,542**	1,812,935

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**1,083,899**	1,400,000
More than one year, but not exceeding two years	**–**	1,472,935

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2013	2012
Effective interest rates:		
Fixed-rate bank borrowings	**7.15%–7.8%**	6.04%–8.63%
Fixed-rate other borrowings	**5.9%–9.1%**	5.4%–12.11%
Variable-rate bank borrowings	**3.12%–8.46%**	7.02%–7.59%

During the year, the Group obtained new loans in an aggregate amount of RMB6,408 million (2012: RMB4,404 million). These loans carry interest at prevailing market rates and are repayable over a period of one to five years. The proceeds were used to finance the acquisition of property, plant and equipment, repayment of existing debts and for general working capital purpose of the Group.

Details of the assets pledged for the secured bank and other borrowings are further set out in note 46.

34. SHARE CAPITAL

	Number of shares (in thousand)		Amount HK$'000		Equivalent to RMB'000	
	2013	2012	**2013**	2012	**2013**	2012
Ordinary shares of HK$0.1 each						
Authorised:						
At 1 January 2012, 31 December 2012 and 31 December 2013	**10,000,000**	10,000,000	**1,000,000**	1,000,000		
Issued and fully paid:						
At beginning of year	**2,065,653**	2,065,653	**206,565**	206,565	**199,078**	199,078
Conversion of convertible loan notes (Note i)	**9,445**	–	**945**	–	**764**	–
Repurchase and cancellation of shares (Note ii)	**(29,500)**	–	**(2,950)**	–	**(2,336)**	–
At end of year	**2,045,598**	2,065,653	**204,560**	206,565	**197,506**	199,078

Notes:

(i) On 19 January 2013, convertible loan notes holders which held aggregate principal amount of RMB104,600,000 of the convertible loan notes (the "Plaintiffs") have issued notices (the "Notices") to convert the convertible loan notes into shares of the Company. However, on 28 January 2013, the aforesaid convertible loan notes holders also issued a writ of summons (the "Writ") against the Company with the High Court of the Hong Kong Special Administrative Region. The Plaintiffs alleged in the Writ that instead of issuing redemption notices as intended, Notices were issued by mistake; and 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. The Company filed a defence in April 2013. On 9 December 2013, the Plaintiffs amended their statement of claim and writ of summons. The Company filed an amended defence in January 2014. It is not practical to assess the outcome of the case at this stage, accordingly, no provision was made in the consolidated financial statements.

(ii) In June 2013, the Company repurchased 29,500,000 ordinary shares at a total consideration of RMB39,990,000, of which the highest and lowest repurchase price per share was HK$1.75 and HK$1.59, respectively.

35. RESERVES

(A) STATUTORY SURPLUS RESERVE

According to the Articles of Association of the Company's subsidiaries incorporated/registered in the PRC, these companies are required to make an appropriation of 10% of their profit after taxation each year, as shown in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital of the relevant subsidiaries. According to the provision of the Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation of the relevant subsidiaries.

(B) FUTURE DEVELOPMENT FUND

Pursuant to the relevant regulations in the PRC, the Company's subsidiaries registered in the PRC are required to make a transfer to future development fund based on a fixed amount per tonne of raw coal mined (net of usage). The fund can only be used for the future development of the coal mining business of the relevant PRC subsidiaries and is not available for distribution to shareholders.

(C) SPECIAL RESERVE

The special reserve represents the aggregate amount of the capital of the subsidiaries which were acquired by the Company upon the group reorganisation in 2007 less the consideration payable to the then shareholders and the amount contributed by a shareholder for waive of the balance due to him.

36. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	RMB'000
At 1 January 2012	14,807
Provision for the year	2,627
At 31 December 2012	17,434
Provision for the year	701
Disposal of subsidiaries (Note 39)	(2,040)
At 31 December 2013	16,095

Mining activities may result in land subsidence and damage to the environment of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to restore the mining areas back to certain acceptable conditions.

36. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS *(Continued)*

The provision for the restoration and environmental clean up costs has been determined by management based on their past experience with reference to the coal produced each year to the coal reserve and the unit restoration costs governed by respective regulation and best estimate of future expenditure by discounting the expected expenditures to their net present value at market rate. The amounts provided in relation to restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

37. OTHER LONG TERM PAYABLES

	2013 **RMB'000**	2012 RMB'000
Other long term payables comprise of:		
Consideration payable for mining right (Note)	**125,004**	176,948
Less: Amount due within one year shown under current liabilities (included in other payables and accrued expenses)	**(53,124)**	(53,244)
	71,880	123,704

Note: Pursuant to the mining right agreements entered into between the Group and the relevant government authorities of the PRC from 2008 to 2011, the consideration payables for the mining right in respect of the mining sites located at Guizhou Province carried interest at prevailing market rates and are repayable in instalments over two to ten years. The effective interest rate is 5.31% per annum.

38. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities provided by the Group and movements thereon during the current and prior reporting periods:

	2013 **RMB'000**	2012 RMB'000
Deferred tax assets	**69,307**	–
Deferred tax liabilities	**(127,155)**	(317,548)
	(57,848)	(317,548)

38. DEFERRED TAXATION *(Continued)*

	Deferred tax liabilities			Deferred tax asset
	Withholding tax on undistributed profits of PRC subsidiaries	Fair value adjustment on property, plant and equipment at acquisition	Total	Impairment of property, plant and equipment
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	65,400	249,986	315,386	–
Charge (credit) to profit or loss	3,454	(1,292)	2,162	–
At 31 December 2012	68,854	248,694	317,548	–
Credit to profit or loss	–	–	–	(69,307)
Disposal of subsidiaries (Note 39)	–	(190,393)	(190,393)	–
At 31 December 2013	68,854	58,301	127,155	(69,307)

Under the New Law of PRC, withholding tax is imposed on dividend declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At 31 December 2013, RMB68,854,000 (2012: RMB68,854,000) deferred tax has been provided in respect of temporary differences attributable to such retained profits.

At the end of the reporting period, the Group has unused tax losses of approximately RMB608,099,000 (2012: RMB640,338,000), available for offset against future profits. No deferred tax assets has been recognised in respect of such losses due to the unpredictability of future profit streams. All these tax losses will expire during 2014 to 2018 (2012: 2013 to 2017).

39. DISPOSAL OF SUBSIDIARIES

(A) On 17 May 2013, the Group and Yunnan Dongyuan Coal Group Company Limited ("Dongyuan"), an independent third party, entered into an agreement pursuant to which the Group conditionally agreed to dispose of 50% equity interests of Yunnan Hidili and its subsidiaries ("Yunnan Hidili Group") at a consideration of RMB2.4 billion (the "Disposal"). Pursuant to the extra ordinary general meeting passed on 31 December 2013, the Group completed the Disposal and a gain on disposal of subsidiaries of RMB861,321,000 was recognised in profit or loss. Yunnan Hidili Group is not a separate major line of business or geographical area of operation, therefore the Disposal is not classified as discontinued operation. Details of the Disposal are set out in the Company's announcement dated 24 May 2013.

The Disposal can help stabilise the raw coal production volume and shorten or avoid time spent on suspension of production for safety checks arising from accidents which occurred in other coal mines within the region.

39. DISPOSAL OF A SUBSIDIARIES *(Continued)*

(A) *(Continued)*

The remaining 50% equity interest of Yunnan Hidili has been classified as a joint venture since the relevant activities of Yunnan Hidili Group require unanimous consent of both the Group and Dongyuan. The net assets of Yunnan Hidili Group at 31 December 2013, being the date of disposal were as follows:

	RMB'000
CONSIDERATION RECEIVED	
Cash received	2,400,000
ANALYSIS OF ASSETS AND LIABILITIES OVER WHICH CONTROL WAS LOST	
Property, plant and equipment	4,178,622
Interests in associates	102,888
Available-for-sale investments	54,700
Long term deposits and other receivables	19,360
Inventories	30,263
Bills and trade receivables	71,842
Other receivables and prepayments	80,259
Bank balances and cash	5,722
Trade payables	(94,769)
Other payables and accrued expenses	(165,638)
Tax payable	(34,022)
Amounts due to shareholders	(111,115)
Provision for restoration and environmental costs	(2,040)
Other long term payables	(7,000)
Deferred tax liabilities	(190,393)
Net assets disposed of	3,938,679
GAIN ON DISPOSAL OF A SUBSIDIARY	
Consideration received	2,400,000
Interest in joint ventures (Note 20)	2,400,000
Net assets disposal of	(3,938,679)
Gain on disposal of subsidiaries	861,321
NET CASH INFLOW ARISING ON DISPOSAL OF SUBSIDIARIES	
Net cash inflow arising from disposal:	
Consideration received in cash	2,400,000
Less: bank balances and cash disposed of	5,722
	2,394,278

Note: The fair value of the interest in joint ventures was determined by reference to the cash consideration received by the Group on disposal of 50% of its equity interest in Yunnan Hidili.

39. DISPOSAL OF A SUBSIDIARIES *(Continued)*

(B) During the year ended 31 December 2012, the Group entered into a sale agreement to dispose of its 51% equity interest in 四川恒鼎金自天正信息工程有限公司, which engaged in provision of technology consultancy services and development of automated system. The purpose of this disposal was to generate cash for the expansion of the Group's main businesses. The net assets of 四川恒鼎金自天正信息工程有限公司 at 9 March 2012, being the date of disposals were as follows:

	RMB'000
CONSIDERATION RECEIVED	
Cash received	4,409
ANALYSIS OF ASSETS AND LIABILITIES OVER WHICH CONTROL WAS LOST	
Property, plant and equipment	865
Inventories	2,561
Trade receivables	2,329
Bank balances and cash	254
Trade payables	(30)
Net assets disposed of	5,979
GAIN ON DISPOSAL OF A SUBSIDIARY	
Consideration received	4,409
Net assets disposed of	(5,979)
Non-controlling interests	2,930
Gain on disposal of a subsidiary	1,360
NET CASH INFLOW ON DISPOSAL OF A SUBSIDIARY	
Net cash inflow arising from disposal:	
Consideration received in cash	4,409
Less: bank balances and cash disposed of	(254)
	4,155

40. SENIOR NOTES

On 28 October 2010, the Company issued guaranteed senior fixed rate notes at par with aggregate nominal value of US$400,000,000 (equivalent to RMB2,596,614,000) (the "Notes") which carry fixed interest of 8.625% per annum (interest payable semi-annually in arrear) and will be fully repayable by 4 November 2015.

The Notes are listed on the Singapore Exchange Securities Trading Limited. They are secured on the capital stock of, and guaranteed by, certain of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC. The fair value of the senior notes at the end of the reporting period was RMB1,575 million (2012: RMB2,042 million).

The guarantees are effectively subordinated to secured obligations of each guarantor, to the extent of the value of assets serving as security.

At any time on or after 4 November 2013, the Company may redeem the Notes in whole or in part at the pre-determined redemption prices. At any time prior to 4 November 2013, the Notes may be redeemed at the option of the Company, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, plus accrued and unpaid interest, if any, to, the redemption date. Before 4 November 2013, the Company may redeem up to 35% in aggregate principal amount of the Notes, at a redemption price equal to 108.625% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds from sales of certain kinds of the Company's capital stock.

The fair value of the redemption right was insignificant as at 31 December 2013 and 2012.

The Group breached certain of the terms of the Notes during both years, which are primarily related to the fixed charge coverage ratio of the Group. Since the lenders have not agreed to waive the right to demand immediate payment as at the end of the reporting period, the loan has been classified as current liability as at 31 December 2013 and 2012. In any event, should the lender calls for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

During the year, the Company repurchased Notes with nominal value of US$20,000,000 (equivalent to RMB123,418,000) from the market for a consideration of US$14,618,000 (equivalent to RMB90,207,000), resulting in a gain on repurchase of RMB33,211,000 being recognised in other gains and losses.

41. CONVERTIBLE LOAN NOTES

The Company issued RMB1,707 million aggregate principal amount of US dollars settled 1.5% convertible loan notes on 19 January 2010. The convertible loan notes are denominated in RMB and settled in US dollars which equivalent of its RMB principal amount of RMB1,707 million at the prevailing exchange rate of the date of settlement. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 19 January 2015 at a conversion price of HK$12.58 per convertible loan notes at a fixed exchange rate of HK$1 to RMB0.8803. Interest of 1.5% will be paid semi-annually up until the settlement date.

The bondholders may, at their option, require the Company to redeem all or some of the convertible loan notes on 19 January 2013 at 106.2687% of their principal amount. Accordingly, the liability component of the convertible loan notes was classified as current liability as at 31 December 2012.

Unless previously redeemed, converted or purchased, the convertible loan notes will be redeemed by the Company at 110.8254% of their principal amount on 19 January 2015.

The convertible loan notes contain two components: liability and equity elements. The equity element is presented in equity heading convertible loan notes reserve. The effective interest rate of the liability component is 7.51% per annum.

During the year ended 31 December 2013, convertible loan notes with principal amount of RMB1,596,200,000 was redeemed by the Company. Convertible loan notes holders which held aggregate principal amount of RMB104,600,000 of the convertible loan notes issued the Notices to convert the convertible loan notes into shares of the Company. Details is set out in Note 34.

The movements of the liability component of the convertible loan notes is set out below:

	RMB'000
At 1 January 2012	1,658,871
Effective interest expenses	186,811
Interest paid	(25,675)
At 31 December 2012	1,820,007
Converted into new ordinary shares	(111,177)
Redemption during the year	(1,696,553)
Effective interest expenses	6,873
Interest paid	(12,076)
At 31 December 2013	7,074

42. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,490,499**	2,912,421
FVTPL		
Held-for-trading investments	**–**	52,836
Available-for-sale financial assets	**178,630**	228,330
Financial liabilities		
Amortised cost	**7,843,883**	9,667,556

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investment, bills and trade receivables, bills receivables discounted with recourse, other receivables, amounts due from associates, amounts due from related parties, amount due from a joint venture, held-for-trading investments, pledged and restricted bank deposits, bank balances and cash, bills and trade payables, advances drawn on bills receivables discounted with recourse, other payables, amount due to an associate, amounts due to related parties, amount due to a joint venture, amount due to a non-controlling shareholder, convertible loan notes, other long term payables, senior notes and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and the exposure in exchange rate risk mainly arises from the foreign currency bank balances, senior notes and bank borrowings.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
United States Dollars ("US$")	**3,216,101**	2,518,094	**14,069**	33,217
Hong Kong Dollars ("HK$")	**–**	–	**3,273**	4,284

42. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

In current year, the Group has not entered any derivative financial instruments to minimise the currency risk due to the fluctuated economic market. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of HK$ and US$ against RMB.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes bank balances and senior notes denominated in US$ and HK$. A positive/negative number below indicates an decrease/increase in post-tax loss where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the results.

	2013 RMB'000	2012 RMB'000
Loss for the year		
— US$	**120,076**	93,183
— HK$	**(123)**	(161)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk related to fixed-rate bank and other borrowings, convertible loan notes and senior notes. The Group is also exposed to cash flow interest rate risk related to variable-rate bank borrowings and bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

42. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of variable-rate bank balances had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss would decrease/increase by RMB431,000 (2012: RMB5,825,000).

If interest rates of variable-rate bank borrowings had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss would increase/decrease by RMB10,328,000 (2012: RMB5,666,000).

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and deposit at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk on trade receivables. At 31 December 2013, the five largest debtors accounted for approximately 36% (2012: 58%) of the Group's total trade receivables. The five largest debtors are well established steel manufacturers in Sichuan province which have good internal credit rating by the Group. In addition, management of the Company reviewed the credit worthiness of respective borrowers of loan receivables and non-controlling shareholder to mitigate the credit risk. The Group has no significant credit risk with any of these customers since the Group maintains long-term and stable business relationship. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on these customers, the Group had also explored new customers in order to minimise the concentration of credit risk.

42. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The credit risk on deposits paid for acquisition of investments is limited because the counterparties have good credit rating. The credit risk on deposits paid for acquisition of land use rights is limited because the counterparties are government bodies. The credit risk on the receivables from disposal of coal mines is limited as the counterparty is state-owned enterprises with good credit rating. The credit risk on the amount due from a joint venture is limited as there is no history of default.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings.

The Group relies on bank borrowings, senior notes and convertible loan notes as a significant source of liquidity. As at 31 December 2013, the Group has bank and other borrowings of approximately RMB4,587 million (2012: RMB4,384 million), senior notes of approximately RMB2,323 million (2012: RMB2,518 million) and convertible loan notes of RMB7 million (2012: RMB1,820 million).

In order to mitigate the liquidity risk, management regularly monitors the operating cash flow of the Group to meet its liquidity requirements in short and long term. The directors are of the opinion that, taking into consideration of the Group are in the process of raising additional funds from banks and independent third parties through banks in the PRC, cash inflow from transaction under negotiation in respect of disposal of certain assets and the presently available banking facilities, the Group has sufficient working capital for its present requirements.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the earliest date the creditors can demand repayment. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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For the year ended 31 December 2013

42. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

2013

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	4 months to 1 year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2013 RMB'000
Non-derivative financial liabilities							
Bills and trade payables	–	245,613	1,262	121,857	–	368,732	368,732
Advances drawn on bills receivables discounted with recourse	6.6	–	–	93,713	–	93,713	90,000
Other payables	–	145,211	180,525	–	–	325,736	325,736
Amount due to a non-controlling shareholder	–	14,765	–	–	–	14,765	14,765
Amounts due to related companies	–	2,472	–	–	–	2,472	2,472
Other payable — consideration payable for mining right	6.1	14,457	16,648	22,821	71,880	125,806	125,004
Bank and other borrowings							
— floating rate	6.98	184,065	370,258	1,487,171	834,449	2,875,943	2,754,000
— fixed rate	7.51	–	–	1,082,449	859,615	1,942,064	1,833,440
Senior notes	8.625	2,322,661	–	–	–	2,322,661	2,322,661
Convertible loan notes	7.51	47	–	46	7,580	7,673	7,073
		2,929,291	568,693	2,808,057	1,773,524	8,079,565	7,843,883

42. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

2012

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	4 months to 1 year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2012 RMB'000
Non-derivative financial liabilities							
Bills and trade payables	–	280,794	28,679	151,607	–	461,080	461,080
Advances drawn on bills receivables discounted with recourse	5.81	–	–	10,156	–	10,156	9,800
Other payables	–	226,932	4,104	50,624	–	281,660	281,660
Amount due to non-controlling shareholder	–	14,765	–	–	–	14,765	14,765
Amounts due to related companies	–	673	50	100	–	823	823
Amount due to an associate	–	444	–	–	–	444	444
Other payable — consideration payable for mining right	6.1	14,457	16,648	26,579	120,204	177,888	176,948
Bank and other borrowings							
— floating rate	7.31	–	–	1,210,214	358,217	1,568,431	1,511,000
— fixed rate	9.13	–	–	1,645,174	1,643,790	3,288,964	2,872,935
Senior notes	8.625	2,518,094	–	–	–	2,518,094	2,518,094
Convertible loan notes	7.51	1,827,121	–	–	–	1,827,121	1,820,007
		4,883,280	49,481	3,094,454	2,122,211	10,149,426	9,667,556

(C) FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

42. FINANCIAL INSTRUMENTS *(Continued)*

(C) FAIR VALUE *(Continued)*

As at 31 December 2013, the fair value of the senior notes and convertible loan notes with carrying value of RMB2,323 million (2012: RMB2,518 million) and RMB7 million (2012: RMB1,820 million) respectively amounted to RMB1,575 million (2012: RMB2,042 million) and RMB6.3 million (2012: RMB1,750 million) respectively. The senior notes are listed notes categorised in level 2 of the fair value hierarchy, the fair value is determined by reference to the quoted prices for identical liabilities in an inactive market. The directors of the Company consider that the carrying amounts of financial assets and the other financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2012, held for trading investments of RMB52,836,000 was measured at fair value at the end of the reporting period. It was grouped into level 1 of fair value hierarchy and valued at quoted bid prices in an active market.

43. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as advances drawn on bills receivables discounted with recourse (see note 25 (b)). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivable discounted to banks with full recourse	
	2013	2012
	RMB'000	RMB'000
Carrying amount of transferred assets	**90,000**	9,800
Carrying amount of associated liabilities	**(90,000)**	(9,800)
Net position	**–**	–

44. OPERATING LEASE

THE GROUP AS LESSEE

Minimum lease payments paid under operating leases during the year:

	2013 RMB'000	2012 RMB'000
Premises	**23,609**	24,399

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**4,486**	2,809
Between two and five years	**4,903**	1,957
Over five years	**–**	132
	9,389	4,898

Operating lease payment represents rentals payable by the Group for its warehouses and office premises. Lease terms are ranged from one to ten years with fixed rental.

45. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**346,446**	540,684

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Yunnan Hidili, is as follows:

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

46. PLEDGE OF ASSETS

Other than as disclosed in notes 29, 33 and 40, at the end of respective reporting period, the Group pledged the following assets to banks for credit facilities granted to the Group:

	2013 **RMB'000**	2012 RMB'000
Property, plant and equipment	**1,061,337**	1,718,855
Bank deposits	**919,348**	179,261
Bills receivable	**37,000**	99,762
Other receivables	**481,336**	–
Prepaid lease payments	**–**	5,448
	2,499,021	2,003,326

47. SHARE OPTION SCHEME

The Company's share option scheme (''the Scheme"), was adopted pursuant to a written resolution passed by all the shareholders of the Company on 25 August 2007 for the primary purpose of providing incentives to eligible participants or rewards for their contribution to the Group, and will expire on 24 August 2017. Under the Scheme, the Directors may grant options to following persons or entities to subscribe for shares in the Company:

(i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of its subsidiaries or any entity (''Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods and services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support provided to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group and any Invested Entity.

47. SHARE OPTION SCHEME *(Continued)*

The total number of shares in respect of which option may be granted under the Scheme is not permitted to exceed 200,000,000, being 10% of the shares of the Company in issue on the date dealings in the shares first commence on the Stock Exchange and 9.7% of the shares of the Company in issue at the end of the reporting period. The Company may seek approval of its shareholders in general meeting to refresh the said 10% limit, however, such limit as refreshed must not exceed 10% of the Company's shares in issue as of the date of approval of the refreshed limit. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1 % of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or independent non-executive directors of the Company or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the Company's shares in issue and having an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

An option may be accepted within 28 days from the date of grant. A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option. The exercise price is determined by the directors, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held before it can be exercised, and the performance targets that must be achieved before the options can be exercised upon the grant of an option to a participant.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 137,147,000 (2012: 92,447,000), representing 6.70% (2012: 4.48%) of the shares of the Company in issue at that date. The directors and employees should be remained in office or employed by the Group for the options to be vested.

47. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements in such holdings during the year:

DIRECTORS

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1.1.2012 and 31.12.2012	Granted during the year	Outstanding at 31.12.2013
30.4.2009	1.5.2009–30.4.2010	30.4.2010–24.8.2017	3.15	40,000	–	40,000
30.4.2009	1.5.2009–30.4.2010	30.4.2011–24.8.2017	3.15	40,000	–	40,000
30.4.2009	1.5.2009–30.4.2010	30.4.2012–24.8.2017	3.15	40,000	–	40,000
				120,000	–	120,000
Exercisable as at 31 December 2013						120,000
Exercisable as at 31 December 2012						120,000

EMPLOYEES

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1.1.2012 and 31.12.2012	Granted during the year	Outstanding at 31.12.2013
30.4.2009	1.5.2009–30.4.2010	30.4.2010–24.8.2017	3.15	11,587,000	–	11,587,000
30.4.2009	1.5.2009–30.4.2010	30.4.2011–24.8.2017	3.15	17,128,000	–	17,128,000
30.4.2009	1.5.2009–30.4.2010	30.4.2012–24.8.2017	3.15	8,564,000	–	8,564,000
26.2.2011	27.2.2011–27.2.2012	27.2.2012–24.8.2017	6.604	21,960,000	–	21,960,000
26.2.2011	27.2.2011–27.2.2012	27.2.2013–24.8.2017	6.604	21,960,000	–	21,960,000
26.2.2011	27.2.2011–27.2.2012	27.2.2014–24.8.2017	6.604	10,980,000	–	10,980,000
4.2.2013	4.2.2013–3.2.2014	4.2.2014–24.8.2017	2.266	–	44,700,000	44,700,000
				92,179,000	44,700,000	136,879,000
Exercisable as at 31 December 2013						81,199,000
Exercisable as at 31 December 2012						59,239,000

47. SHARE OPTION SCHEME *(Continued)*

CONSULTANT

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1.1.2012 and 31.12.2012	Granted during the year	Outstanding at 31.12.2013
30.4.2009	1.5.2009–30.4.2010	30.4.2011–24.8.2017	3.15	32,000	–	32,000
30.4.2009	1.5.2009–30.4.2010	30.4.2012–24.8.2017	3.15	16,000	–	16,000
26.2.2011	27.2.2011–27.2.2012	27.2.2012–24.8.2017	6.604	40,000	–	40,000
26.2.2011	27.2.2011–27.2.2012	27.2.2013–24.8.2017	6.604	20,000	–	20,000
26.2.2011	27.2.2011–27.2.2012	27.2.2014–24.8.2017	6.604	40,000	–	40,000
				148,000	–	148,000
Exercisable as at 31 December 2013						108,000
Exercisable as at 31 December 2012						88,000
Total				92,447,000	44,700,000	137,147,000

During the year ended 31 December 2013, 44,700,000 options were granted on 4 February 2013. The estimated fair values of the options granted on 4 February 2013 with vesting date on 4 February 2014 is HK$46,175,000 (equivalent to approximately RMB36,955,000).

The fair value was calculated using Binominal Option Pricing Model (the "Model"). The inputs into the Model were as follows:

Vesting date	4 February 2014
Grant date share price	HK$2.23
Exercise price	HK$2.266
Expected volatility	75.06%
Risk-free interest rate	0.56%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Company has used the Model to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

47. SHARE OPTION SCHEME *(Continued)*

The Group recognised the total expense of RMB53,171,000 (2012: RMB42,177,000) for the year ended 31 December 2013 in relation to the share options granted by the Company of which RMB53,135,000 (2012: RMB42,092,000) was related to options granted to the Group's employees, nil (2012: RMB8,000) was related to options granted to directors and RMB36,000 (2012: RMB77,000) was related to options granted by the Company to the consultant.

During both years, no share options have been exercised, forfeited, cancelled or lapsed under the Scheme.

48. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

Name of Company	Relationship	Nature of transactions	2013 RMB'000	2012 RMB'000
Fuyuan Jintong	An associate	Transportation costs	**356**	1,586
Panxian Panshi	An investee company	Transportation costs payable by the Group	**6,808**	9,143
Panxian Panying	An investee company	Transportation costs payable by the Group	**877**	785
Guizhou Weiqing Coking Logistic Company Limited	An investee company	Transportation costs payable by the Group	**–**	4,154
Fuyan Kuntie	An associate	Transportation costs	**–**	1,469
Huaneng	A non-controlling shareholder of certain subsidiaries	Consultancy fee#	**–**	6,000
Mr. Xian Jilun	Father of Mr. Xian Yang	Rental payable by the Group	**600**	600

\# Consultancy fee is accounted for as part of the effective interest on other borrowing. Please refer to note 33 for details.

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

48. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The remuneration of directors and other members of key management during the year was as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**7,734**	5,390
Post-employment benefits	**128**	81
Share-based payments	**34,350**	25,588
	42,212	31,059

49. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Eligible employees of the Group to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

As at 31 December 2013 and 2012, the Group had no significant obligation apart from the contribution as stated above.

50. CONTINGENT LIABILITIES

Details of contingent liabilities of the Company are set out in Note 34(i).

51. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2014, Panzhihua Hidili Mining Company Limited ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong and Ms. Wang, independent third parties of the Company, pursuant to which Panzhihua Hidili conditionally agreed to acquire 100% equity interest in Panzhihua Huixing Industry and Commercial Company Limited, the company engaging 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. Deposit of RMB30million is paid by the Group as at 31 December 2013.

On 6 January 2014, Panzhihua Hidili entered into the conditional agreement with Panzhihua City Luhuan Industry and Commercial Company Limited ("Panzhihua Luhuan"), a company established by Mr. Kong and Ms. Wang, pursuant to which Panzhihua Hidili conditionally agreed to acquire mining right and mining structure of Luhuan Coal Mine from Panzhihua Luhuan at a consideration of RMB48 million.

51. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

The above acquisition is not yet completed at authorisation date of these consolidated financial statements.

Regarding to the disposal of Sichuan Hidili Lithium Technology Co., Ltd. and its subsidiaries as set out in Note 30, the Group and Sichuan Guoli entered into a supplemental agreement on 28 March 2014, pursuant to which both parties have agreed to adjust the purchase consideration from RMB414 million to RMB307.5 million. Besides, Sichuan Guoli has agreed to pay the outstanding purchase consideration of RMB257.5 million within seven business days after the signing of the supplemental agreement. Details are set out to the announcement dated 28 March 2014.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Hidili Investment Holding Limited	BVI	HKD1,250,000	100%	–	Investment holding
Sichuan Hidili Industry Co. Ltd.(1)	The PRC	RMB1,800,000,000	–	100%	Manufacture and sale of clean coal
Panzhihua City Tiandaoqin Industry & Trading Co. Ltd.(1)	The PRC	RMB10,000,000	–	100%	Sale of coal and coal products
Panzhihua Yanjiang Industry Co. Ltd.(1)	The PRC	RMB7,812,500	–	100%	Coal mining and development
Panzhihua City Yangfan Industry & Trading Co., Ltd.(1)	The PRC	RMB10,000,000	–	100%	Sale of coal and coal products
Panzhihua City Sanlian Transportation Co., Ltd.(1)	The PRC	RMB6,800,000	–	100%	Provision of transportation services
Liupanshui Hidili Industry Co., Ltd.(1)	The PRC	RMB2,000,000,000	–	100%	Mine holding and development
Panxian Ciaozi Industry & Trading Company Limited(2)	The PRC	RMB5,000,000	–	100%	Mine holding and development

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Panxian Panyi Coal Preparation Co., Ltd.	The PRC	RMB15,000,000	–	70%	Clean coal washing
Panxian Xinyuan Industry and Trade Company Limited[(2)]	The PRC	RMB6,250,000	–	100%	Coal mining and sale of coal

Notes:

(1) Sino-foreign owned enterprise established in the PRC.

(2) Domestic enterprise established in the PRC.

The above companies are limited liabilities companies.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

FINANCIAL SUMMARY

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	**790,296**	1,923,599	2,861,532	2,437,319	1,495,396
(Loss) Profit attributable to owners of the Company	**(424,697)**	(147,396)	718,608	669,505	403,509

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Non-current assets	**11,821,018**	14,382,464	13,022,604	10,707,160	8,403,847
Current assets	**3,283,757**	3,347,554	2,796,583	3,931,178	2,497,090
Current liabilities	**(6,285,092)**	(8,073,800)	(3,045,934)	(1,760,490)	(3,586,319)
Non-current liabilities	**(1,801,746)**	(2,271,621)	(5,029,561)	(5,741,434)	(891,535)
Total equity	**7,017,937**	7,384,597	7,743,692	7,136,414	6,423,083
Minority interests	**(36,397)**	(99,800)	(182,834)	(163,602)	(145,087)
Equity attributable to owners of the Company	**6,981,540**	7,284,797	7,560,858	6,972,812	6,277,996

SEGMENT ANALYSIS

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover					
Coal mining	**727,224**	1,627,562	2,545,993	1,730,141	614,522
Coking (discontinued during the year)	**61,167**	287,722	296,580	696,556	871,702
Others	**1,905**	8,315	18,959	10,622	9,172
Segment results					
Coal mining	**569,824**	705,398	1,361,362	983,662	256,483
Coking (discontinued during the year)	**(257,471)**	93,799	144,611	364,772	458,683
Others	**(4,710)**	1,690	7,473	3,209	2,255

Hidili 恒鼎
Hidili Industry International Development Limited