Hidili Industry International Development Limited
恒鼎實業國際發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1393)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	2015	2014	Change
	RMB'000	*RMB'000*	%
Revenue	**422,796**	719,872	(41.3%)
Gross Profit	**1,472**	77,498	(98.1%)
Loss Before Tax	**(2,349,199)**	(1,354,396)	73.4%
Loss Attributable to the Owners of the Company	**(2,285,173)**	(1,422,951)	60.6%
EBITDA	**(775,282)**	(245,894)	215.3%
Basic Loss per Share *(RMB cents)*	**(111.71)**	(69.56)	60.6%

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

The board (the "Board") of directors (the "Directors") of Hidili Industry International Development Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 (the "Year"), which have been agreed by the auditors of the Company, together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2015** *RMB'000*	2014 *RMB'000*
Revenue	4	**422,796**	719,872
Cost of sales		**(421,324)**	(642,374)
Gross profit		**1,472**	77,498
Other income	5	**45,552**	76,388
Other gains and losses	6	**(1,536,513)**	(511,793)
Distribution expenses		**(50,825)**	(48,211)
Administrative expenses		**(271,931)**	(380,172)
Share of losses of associates		**(6,591)**	(3,391)
Share of losses of joint venture		**(59,393)**	(31,013)
Finance costs	7	**(470,970)**	(533,702)
Loss before tax		**(2,349,199)**	(1,354,396)
Taxation	8	**61,898**	(69,471)
Loss and total comprehensive expense for the year		**(2,287,301)**	(1,423,867)
Loss and total comprehensive expenses for the year attributable to:			
Owners of the Company		**(2,285,173)**	(1,422,951)
Non-controlling interests		**(2,128)**	(916)
		(2,287,301)	(1,423,867)
Loss per share	11		
Basic *(RMB cents)*		**(111.71)**	(69.56)
Diluted *(RMB cents)*		**(111.71)**	(69.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2015** *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,248,722**	8,399,929
Prepaid lease payments		**83,617**	85,881
Intangible assets		**–**	135,094
Interests in a joint venture		**2,309,594**	2,368,987
Interests in associates		**43,330**	49,921
Available-for-sale investments		**30,778**	73,778
Long term deposits		**169,009**	384,052
Pledged and restricted bank deposits		**10,320**	511,688
		10,895,370	12,009,330
CURRENT ASSETS			
Inventories		**115,671**	187,736
Bills and trade receivables	*12(a)*	**109,697**	286,742
Bills receivables discounted with recourse	*12(b)*	**9,000**	12,000
Other receivables and prepayments		**588,491**	727,223
Amount due from a joint venture		**34,417**	64,525
Pledged bank deposits		**778,762**	777,223
Bank and cash balances		**17,680**	32,767
		1,653,718	2,088,216

	Notes	**2015** *RMB'000*	2014 *RMB'000*
CURRENT LIABILITIES			
Bills and trade payables	*13*	**578,985**	586,757
Advances drawn on bills receivables discounted with recourse		**9,000**	12,000
Accruals and other payables		**935,314**	568,788
Amount due to an associate		**23,777**	21,307
Tax payables		**39,687**	35,352
Senior notes		**1,258,844**	1,131,844
Convertible loan notes		**–**	7,504
Bank and other borrowings		**6,350,897**	3,181,508
		9,196,504	5,545,060
NET CURRENT LIABILITIES		**(7,542,786)**	(3,456,844)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,352,584**	8,552,486
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**6,850**	7,735
Other long term payables		**25,200**	34,620
Deferred tax liabilities		**8,025**	76,879
Bank and other borrowings		**–**	2,833,442
		40,075	2,952,676
NET ASSETS		**3,312,509**	5,599,810
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**3,081,900**	5,367,073
Equity attributable to owners of the Company		**3,279,406**	5,564,579
Non-controlling interests		**33,103**	35,231
TOTAL EQUITY		**3,312,509**	5,599,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 1306, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. In the opinion of the Directors, the Company's parent company is Sanlian Investment Holding Limited ("Sanlian Investment"), a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited, which is controlled by Mr. Xian Yang, the executive Director of the Company. The Company acts as an investment holding company and its subsidiaries are engaged in mining and sale of raw coal and clean coal.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. IFRSs comprise International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior year.

The Group has not applied the new and revised IFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Going concern basis

In preparing the consolidated financial statements, the Directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of approximately RMB7,542,786,000 as at 31 December 2015 and incurred loss of approximately RMB2,287,301,000 for the year then ended.

During the year ended 31 December 2015, the Group has breached of several loans covenants, including: (i) repayment of a short-term unsecured loan from a PRC bank which fell due in June 2015 of approximately RMB311 million; and (ii) repayment of the outstanding principal and accrued interest of the US$400 million 8.625% senior notes due 2015 (the "Notes") of approximately USD191 million (equivalent to RMB1,259 million) which fell due on 4 November 2015. The aforesaid breaches constitute events of default under certain of the Group's loan facilities that contain cross-default provisions. In addition, certain other loan agreements of the Group provide that the lenders have the right to demand immediate repayment of any outstanding amount if the Group experiences material financial crises or other material adverse changes, the business of the Group deteriorates, or there occurs any event that could adversely affect lenders' interest or suggests the Group inability to repay any outstanding amount. Therefore, it is possible that the lenders to the Group could accelerate their loans as a result of breach of the other loans to the Group. Subsequent to the period end, the Group has not repaid a long term secured loan to a Hong Kong bank of approximately USD135 million (equivalent to RMB873 million) which fell due on 4 January 2016 ("Offshore Loan").

On 19 January 2016, the Company received a winding up petition (the "Winding up Petition") filed by a bondholder of the Notes with the High Court of Hong Kong against the Company for the outstanding principal and interest due to the bondholder under the Notes.

The Group intended to pursue a consensual restructuring with the holders of the Notes (the "Holders") ("Debt Restructuring") and a steering committee of the Holders has been formed in December 2015. On 11 March 2016, the Company provided Holders with the key indicative terms of a proposed restructuring of the Notes. Up to the date of these financial statements, the negotiations with the Holders are still ongoing.

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

(i) The Group is negotiating with banks to roll over the loan repayments and extend repayment of interests;

(ii) The Group is negotiating with its lenders to restructure of their debt to equity;

(iii) The Group is looking for potential investors to invest to the Company;

(iv) The Group is looking for opportunity for disposal of certain assets of the Group

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 measures to improve its operating cash flows and financial position.

On the basis that the Group can successfully complete the Debt Restructuring and certain measures as the mentioned above to improve its operating results and cash flows, the directors of the Company believe that the Group will have 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.

4. REVENUE AND SEGMENT INFORMATION

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

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

Principal activities are as follows:

Coal mining – Production and sales of clean coal and its by-products

Others – Manufacture and sales of magnetic iron powder, alloy pig iron and others

Segments revenues and results

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

For the year ended 31 December 2015

	Coal mining *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
REVENUE			
External	**421,435**	**1,361**	**422,796**
RESULTS			
Segment (loss) profit	**(1,404,297)**	**32**	**(1,404,265)**
Other income, gains and losses			**(136,049)**
Administrative expenses			**(271,931)**
Share of losses of associates			**(6,591)**
Share of losses of joint venture			**(59,393)**
Finance costs			**(470,970)**
Loss before tax			**(2,349,199)**

For the year ended 31 December 2014

	Coal mining *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE			
External	719,311	561	719,872
RESULTS			
Segment (loss) profit	(806,753)	5	(806,748)
Other income, gains and losses			400,630
Administrative expenses			(380,172)
Share of losses of associates			(3,391)
Share of losses of joint venture			(31,013)
Finance costs			(533,702)
Loss before tax			(1,354,396)

Segment (loss) profit represents (loss) profit (incurred) earned by each segment and comprise mainly gross (loss) profit and other gains and losses except for impairment loss recognised on an available-for-sale investment, (loss) gain on disposal of an available-for-sale investment, gain on repurchase of the Notes and net exchange loss. This is the measure reported to the chief operating decision makers (i.e. the executive directors) for the purpose of resource allocation and assessment of segment performance.

5. OTHER INCOME

	2015 ***RMB'000***	2014 *RMB'000*
Bank interest income	**15,964**	51,221
Interest income from loan receivable	**–**	9,930
Government grant *(note)*	**26,410**	605
Others	**3,178**	14,632
	45,552	76,388

Note: The amounts represent subsidies received from government for closure of certain coal mines. There are no conditions attached to the subsidies granted to the Group and the assets of these closed mines were fully impaired in previous years.

6. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Net impairment loss recognised on		
– trade receivables	**(61,047)**	(51,497)
– other receivables	**(98,032)**	(2,443)
– long term deposits	**(103,893)**	–
Net impairment loss recognised on financial assets	**(262,972)**	(53,940)
Write off of prepayments *(note)*	**(37,676)**	–
(Loss) gain on disposal of a subsidiary	**(3,358)**	18,346
Impairment loss recognised on property, plant and equipment	**(886,636)**	(800,441)
Impairment loss recognised on intangible assets	**(130,065)**	–
Impairment loss recognised on inventories	**(32,140)**	–
Loss on disposal of property, plant and equipment	**(2,065)**	–
Impairment loss recognised on an available-for-sale investment	**(3,000)**	(44,925)
Net exchange loss	**(153,601)**	(15,837)
(Loss) gain on disposal of an available-for-sale investment	**(25,000)**	36,358
Gain on repurchase of senior note	**–**	348,646
	(1,536,513)	(511,793)

Note: The amount represents impairment loss recognised in respect of prepayments made for transportation services. The amount was fully impaired in the current year, as in the opinion of the Directors, the deterioration of the coal mine industry resulted from low commodities prices and having taken into account the demands in the market and sales made by the Group, the Directors consider utilisation of the transportation services may not be able to generate future economic benefits to the Group.

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**403,470**	357,860
– advances drawn on bills receivable discounted	**6,152**	59,100
– convertible loan notes	**24**	523
– the Notes	**97,390**	184,107
	507,036	601,590
Less: over-provision of interest expenses of convertible loan notes in prior years	**(657)**	–
Less: Interest capitalised in construction in progress	**(35,409)**	(67,888)
	470,970	533,702

8. TAXATION

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**64**	164
Underprovision in prior years	**6,892**	–
	6,956	164
Deferred taxation	**(68,854)**	69,307
Income tax (credit)/expenses for the year	**(61,898)**	69,471

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2015 and 2014.

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

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

9. LOSS FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,871**	1,978
Amortisation of intangible assets	**5,029**	5,029
Provision for restoration and environmental costs	**445**	590
Depreciation and amortisation of property, plant and equipment	**92,988**	89,419

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2015 and 2014 or since the end of the reporting period.

11. LOSS PER SHARE

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

Loss

	2015	2014
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**2,285,173**	1,422,951

Number of shares

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,045,598**	2,045,598

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2015 and 2014.

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

(a) Bills and trade receivables

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**257,556**	344,153
Less: allowance for doubtful debts	**(148,359)**	(87,312)
	109,197	256,841
Bills receivables	**500**	29,901
	109,697	286,742

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:

	2015	2014
	RMB'000	*RMB'000*
Aged:		
0-90 days	**44,119**	251,838
91-120 days	**1,380**	5,375
121-180 days	**14,950**	10,756
181-365 days	**49,248**	18,773
	109,697	286,742

(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:

	2015	2014
	RMB'000	*RMB'000*
Aged:		
0-90 days	**9,000**	7,000
121-180 days	**–**	5,000
	9,000	12,000

13. BILLS AND TRADE PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
Aged:		
0-90 days	**341,067**	224,928
91-180 days	**63,596**	213,424
181-365 days	**40,715**	61,688
Over 365 days	**133,607**	86,717
	578,985	586,757

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

14. CAPITAL COMMITMENTS

	2015	2014
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**269,415**	264,624

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

	2015	2014
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**135,184**	100,968

15. PROPERTY, PLANT AND EQUIPMENT

Pursuant to Notices issued by Panzhihua Government and Liupanshui Government in October 2013 and September 2013, respectively (collectively "Mine Restructuring Plans"), Panzhihua Government and Liupanshui Government had formulated mines restructuring plans to improve productivity and safety of coal mining operations. The Group's mines located in Guizhou province and Sichuan province with carrying amounts as at 31 December 2015 of approximately RMB7,373 million (2014: approximately RMB7,448 million), which including mining structures and mining rights and construction in progress, are subject to the mines restructuring scheme and hence have to comply with the Mines Restructuring Plans.

At 31 December 2015, the legal titles of the mining rights with aggregate carrying value of approximately RMB30 million (2014: RMB30 million), had not been granted by the relevant government authorities and the relevant title transfer are still under application. In the opinion of the directors, taking into account of the PRC lawyer's legal opinions, all the risks and rewards of ownership of the mining rights has been transferred to the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2015.

Basis for disclaimer of opinion

1. ***Property, plant and equipment and impairment loss on property, plant and equipment***

   No sufficient evidence has been provided to satisfy ourselves as to the valuation and disclosure requirements of property, plant and equipment of approximately RMB8,248,722,000 and RMB8,399,929,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2014 respectively and no sufficient evidence has been received by us up to the date of this report in respect of whether the impairment loss on property, plant and equipment of approximately RMB886,636,000 and RMB800,441,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2015 and 31 December 2014 respectively, or for the year ended before.

2. ***Interest in a joint venture and shares of loss of a joint venture***

   No sufficient evidence has been provided to satisfy ourselves as to the valuation of interest in a joint venture of approximately RMB2,309,594,000 and RMB2,368,987,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2014 respectively and no sufficient evidence has been received by us up to the date of this report in respect of whether the share of loss of a joint venture of approximately RMB59,393,000 and RMB31,013,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2015 and 31 December 2014 respectively, or for the year ended before.

Any adjustments to the figures as described from points 1 to 2 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2015 and 2014 and the financial positions of the Group as at 31 December 2015 and 2014, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements that:

(a) the Directors believe the Group will be able to pursue a consensual restructuring with the Senior Note holders and a steering committee of senior note holders has been formed. The Company is negotiating with the Senior Note holders with the key indicative terms of a proposed restructuring of the Senior Note.

(b) the Directors believe the Group will be able to improve the Group's financial position, to provide liquidity and cash flows. The Group has been implementing a number of measures, including but not limited to:

   (i) The Group is negotiating with banks to roll over the loan repayments and extend repayment of interests;

   (ii) The Group is negotiating with its lenders to restructure their debts to equity;

   (iii) The Group is looking for potential investor to invest to the Company;

   (iv) The Group is looking for opportunities for disposal of certain assets of the Group.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on (i) the successful completion of various debt restructuring measures and (ii) the successful outcome that the certain measures as mentioned above to improve its financial position, to provide liquidity and cash flows.

The consolidated financial statements do not include any adjustments that would be necessary if the Group fails to complete various debt restructuring measures; the Group fails to improve its financial position, to provide liquidity and cash flows. We consider that adequate disclosures have been made. However, the uncertainties surrounding (i) the successful completion of various debt restructuring measures, (ii) the successful outcome that the certain measures as mentioned above to improve its financial position, to provide liquidity and cash flows raise significant doubt about the Group's ability to continue as a going concern. We therefore disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Year, turnover of the Group amounted to approximately RMB422.8 million, representing a decrease of approximately 41.3%, as compared with approximately RMB719.9 million in 2014. The decrease was primarily attributable to the decrease in the sales volumes and the average selling prices (net of value added tax) of clean coal. The sales volume recorded for clean coal for the Year amounted to approximately 429,000 tonnes as compared to approximately 611,000 tonnes in 2014, representing a decrease of approximately 29.8%. The average selling price for the Year for clean coal decreased from RMB848.6 per tonne in 2014 to RMB674.2 per tonne for the Year, representing a decrease of 20.6%.

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 2014:

	2015			2014		
	Turnover ***RMB'000***	**Sales Volume** ***(thousand tonnes)***	**Average Selling Price** ***(RMB/ Tonne)***	Turnover *RMB'000*	Sales Volume *(thousand tonnes)*	Average selling price *(RMB/ Tonne)*
Principal products						
Clean coal	**289,042**	**428.7**	**674.2**	518,732	611.3	848.6
By-products						
High-ash thermal coal	**21,296**	**78.2**	**272.3**	39,284	161.1	243.9
Other products						
Raw coal	**104,725**	**353.6**	**296.2**	145,069	374.3	387.6
Others	**7,733**			16,787		
Other products total	**112,458**			161,856		
Total turnover	**422,796**			719,872		

Cost of sales

Cost of sales for the Year was approximately RMB421.3 million, representing a decrease of approximately RMB221.1 million, or approximately 34.4%, as compared with approximately RMB642.4 million in 2014. During the Year, the Group kept a low level of production under the suspension arising from the coal mine consolidation in Sichuan and Guizhou provinces and had further decrease in production volume of raw coal from approximately 1,404,000 tonnes in 2014 to 1,032,000 tonnes in the Year. Also, the clean coal production volume slightly decreased from approximately 265,000 tonnes in 2014 to approximately 223,000 tonnes in the Year. During the Year, more raw coal was arranged for sale instead of further processing to clean coal as the margin for sale of raw coal was relatively higher than clean coal. In order to meet the production needs and customers' demand, the Group further purchased approximately 256,000 tonnes of clean coal from external suppliers for the Year.

The following table illustrates the production volume of the principal products in Sichuan, and Guizhou provinces and the purchase volume of principal products as well.

	Year ended 31 December			
	2015	**2015**	2014	2014
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**306**	**120**	114	32
Guizhou	**726**	**103**	1,290	233
	1,032	**223**	1,404	265
Purchase volume	**5**	**256**	4	446

Material, fuel and power costs for the Year were approximately RMB249.0 million, representing a decrease of approximately RMB166.8 million, or approximately 40.1%, as compared with approximately RMB415.8 million in 2014. During the year, certain raw coal and clean coal amounting to approximately RMB187.9 million, representing approximately 75.5% of total material, fuel and power costs, were purchased from independent third parties in order to fulfil customer's order.

Staff costs for the Year were approximately RMB117.8 million, representing an increase of approximately RMB4.9 million or 4.3%, as compared to approximately RMB112.9 million in 2014. During the Year, despite the reduction in production volume, staff costs followed the increase in labour market.

Depreciation and amortization for the Year were approximately RMB41.6 million, representing a decrease of approximately RMB7.9 million, or approximately 16.0%, as compared with approximately RMB49.5 million in 2014. The decrease was mainly in line with the reduction in production volume.

The following table set forth the unit production costs of the respective segment.

	2015	2014
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**186**	204
Depreciation and amortisation	**41**	36
Total raw coal production cost	**227**	240
Purchase cost of raw coal	**293**	307
Average cost of clean coal	**736**	692
Purchase cost of clean coal	**723**	861

Gross profit

As a result of the foregoing, the gross profit for the Year was approximately RMB1.5 million, representing a decrease of approximately RMB76.0 million or approximately 98.1%, as compared with approximately RMB77.5 million in 2014. The gross profit margin was approximately 0.3% as compared with approximately 10.8% in 2014.

Other income

Other income for the Year amounted to approximately RMB45.6 million, representing a decrease of approximately RMB30.8 million or approximately 40.3%, as compared with approximately RMB76.4 million in 2014. The decrease was mainly attributable to (i) the decrease in bank interest income from approximately RMB51.2 million in 2014 to RMB16.0 million for the Year and (ii) no interest income earned from loan receivable in the Year but offset by the receipt of government grant of approximately RMB26.4 million during the Year.

Other gains and losses

Other losses for the Year amounted to approximately RMB1,536.5 million, representing an increase of approximately RMB1,024.7 million or 200.2%, as compared to approximately RMB511.8 million in 2014. The increase was substantially arisen from (i) the increase in impairment loss recognised on financial assets from approximately RMB53.9 million in 2014 to RMB263.0 million in the Year, (ii) the written off of the prepayments of approximately RMB37.7 million, (iii) the increase in the impairment loss recognised on property, plant and equipment, intangible assets and inventories of approximately RMB86.2 million, RMB130.0 million and RMB32.1 million respectively, (iv) the increase in the net exchange loss of approximately RMB137.8 million, (v) the turnaround of gain on disposal of an available-for-sale investment of approximately RMB36.4 million in 2014 to loss on disposal of RMB25 million in the Year and (vi) no gain on repurchase of the Notes recorded in the Year.

Distribution expenses

Distribution expenses for the Year were approximately RMB50.8 million, representing an increase of approximately RMB2.6 million or approximately 5.4%, as compared to approximately RMB48.2 million in 2014. The increase was mainly attributable to the increase in transportation expenses in relation to the shipment of clean coal outside Sichuan and Guizhou province.

Administrative expenses

Administrative expenses for the Year were approximately RMB271.9 million, representing a decrease of approximately RMB108.3 million, or approximately 28.5%, as compared with approximately RMB380.2 million in 2014. The decrease in administrative expenses mainly contributed to the decrease in spending in legal and professional expenses of approximately RMB32.9 million and further cost saving of approximately RMB62.8 million in relation to administrative costs and office expense in Sichuan head office and Guizhou office resulting from streamline of operation units and management structure.

Finance costs

Finance costs for the Year amounted to approximately RMB471.0 million, representing a decrease of approximately RMB62.7 million or approximately 11.7%, as compared with approximately RMB533.7 million in 2014. The decrease was mainly attributable to the decrease in interests payable to advances drawn on bills receivable discounted and the Notes of approximately RMB52.9 million and RMB86.7 million but off set by the increase in interest payable to bank and other borrowings of approximately RMB45.6 million and the decrease in capitalised in construction in progress of approximately RMB32.5 million.

Taxation

Income tax credit of approximately RMB61.9 million was recorded during the Year as compared to income tax expenses of approximately RMB69.5 million in 2014. The amount of income tax credit represented EIT of approximately RMB64,000 and deferred taxation adjustment of approximately RMB68.9 million arising written back of the tax impact on the withholding tax on undistributed profits of PRC subsidiaries made in prior years. For the current year EIT, the effective tax rate is considered to be not comparable as there was significant tax effect of tax losses not recognised resulting from loss incurred in certain subsidiaries of the Company.

Loss for the year

As a result of the foregoing, the loss for the Year was approximately RMB2,287.3 million, representing an increase of approximately RMB863.4 million or approximately 60.6%, as compared with approximately RMB1,423.9 million in 2014.

EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was -183.4% for the Year as compared with -34.2% in 2014.

	2015	2014
	RMB'000	*RMB'000*
Loss before tax	**(2,349,199)**	(1,354,396)
Adjusted for:		
– Loss/(Gain) on disposal of subsidiaries	**3,358**	(18,346)
– Gain on repurchase of senior notes	**–**	(348,646)
– Impairment loss recognised property, plant and equipment	**866,636**	800,441
– Impairment loss recognised an available-for-sale investment	**3,000**	44,925
– Impairment loss recognised on intangible assets	**130,065**	–
	(1,346,140)	(876,022)
Finance costs	**470,970**	533,702
Depreciation and amortisation	**99,888**	96,426
Adjusted EBITDA	**(775,282)**	(245,894)

Liquidity, financial resources and capital structure

As at 31 December 2015, the Group incurred net current liabilities of approximately RMB7,542.8 million as compared to approximately RMB3,456.8 million at 31 December 2014.

As at 31 December 2015, the bank balances and cash of the Group amounted to approximately RMB17.7 million (2014: approximately RMB32.8 million).

As at 31 December 2015, the total bank and other borrowings repayable within one year of the Group were approximately RMB6,350.9 million. As at 31 December 2015, loans amounting to RMB1,681.1 million carry interest at a fixed rate of ranging from 6.80% to 12.00% per annum. The remaining loans carry interest at variable market rates ranging from 3.61% to 8.74% per annum.

The gearing ratio (calculate as the aggregate of total bank and other borrowings, convertible loan notes and senior notes divided by total assets) of the Group as at 31 December 2015 was 60.6% (2014: 50.8%).

Restructuring

(a) On 30 October 2015, the Company announced that it would not be in a position to pay the principal amount of, or the accrued but unpaid interest on, the Notes on the maturity date, i.e. 4 November 2015. The aggregate amount due and payable to the Holders amounted to approximately US$190.6 million.

    On the same day, the Company announced that it had appointed UBS AG Hong Kong Branch as financial advisor to the Company for the purposes of providing advice with respect to the potential restructuring of the Notes.

(b) On 14 December 2015, following initial discussions with certain Holders, a Steering Committee was formed.

(c) On 8 January 2016, the Company announced that it had not repaid a long term secured loan from an onshore bank which fell due on 4 January 2016 and has not paid the accrued interest thereon.

(d) On 19 January 2016, the Company received a winding up petition (the "Winding Up Petition") filed by a bondholder of the Notes with the High Court of Hong Kong (the "Court") against the Company for the outstanding principal and interest due to the bondholder under the Notes.

(e) On 11 March 2016, the Company made an announcement and the purpose of such announcement was to provide the Holders with the key indicative terms of a proposed restructuring of the Notes and to facilitate discussion with the Holders.

(f) On 15 April 2016, Hidili Industry (China) Group Limited ("Hidili China"), a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons ("Writ") issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院).

(g) On 26 April 2016, the Company held a meeting with all the Onshore Lending Banks. Following initial discussion with Lending Banks, a creditors committee of the onshore Lending Banks (the "Onshore Creditors Committee") has been set up.

(h) The Board agreed to form a monitoring team, comprising four individuals proposed by the Onshore Creditors Committee, for a term commencing on 1 December 2016 and ending on 30 November 2017 to monitor the mine production, mining operations, mine development, sales of coal products and finance of the Company's mining region in Sichuan and Guizhou provinces.

(i) On 18 January 2017, the Company, the Steering Committee and the Onshore Creditors Committee entered into a term sheet in relation to the proposed restructuring of the onshore and offshore indebtedness of the Company.

(j) On 18 January 2017, the hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed (not earlier than 31 March 2017) in consultation with counsel's diaries.

(k) On 18 January 2017, the Company entered into a term sheet in relation to the proposed restructury or the onshore and offshore indebtedness (including those under the Notes) with, among others, the Steering Committee and a Creditors Committee of the Onshore Lending Banks.

Pledge of assets of the Group

As at 31 December 2015, the Group pledged assets in an aggregate amount of approximately RMB4,199 million (2014: RMB4,745 million) to banks for credit facilities.

As at 31 December 2015, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB2,141 million (2014: RMB1,430 million).

Employees

As at 31 December 2015, the number of employees from continuing operation of the Group reached 5,058 as compared to 5,153 employees at 31 December 2014, showing a slight decrease arising from further staff layoff during the Year. Accordingly, the staff costs (including Directors' remuneration in the form of salaries and other allowances) was amounted to approximately RMB204.7 million (2014: RMB212.1 million).

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

Final dividend

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

Risk in foreign exchange

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balances of approximately USD2.3 million and HKD0.2 million.

Significant investment held

The Group had invested in unlisted investments of RMB30.8 million representing 15%, 5% and 1.24% equity interest in three entities established in PRC respectively. The principal activities of the investees are manufacture of mining machinery, provision of trading coal products services and manufacture of lithium salt products respectively.

Material acquisition and disposal

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

Contingent liabilities

(a) On 19 January 2016, the Company received a Winding Up Petition filed by a bondholder of the Notes with the Court against the Company for the outstanding principal and interest due to the bondholder under the Notes. The hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed (not earlier than 31 March 2017) in consultation with counsel's diaries.

(b) Hidili China, a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the Writ issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院) on 15 April 2016.

Pursuant to the Writ, China Merchants Bank, Shenzhen Chegongmiao Branch (the "Plaintiff") filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. ("Liupanshui Hidili"), a wholly owned subsidiary of the Company. (iii) Panxian Xileqing Coal Industry Co., Ltd. ("Panxian Xileqing"), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili Industry Co., Ltd. ("Sichuan Hidili"), a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The Plaintiff claims against Hidili China for relief, among others, the outstanding principal amount and the default interest payment of approximately RMB576 million as of 20 January 2016 under the security agreement entered into between Plaintiff and Hidili China on 13 January 2013 where Liupanshui Hidili and Panxian Xileqing acted as guarantors and Liupanshui Hidili, Panxian Xileqing and Sichuan Hidili pledged certain assets and mining rights.

As advised by the Company's legal advisors, it is not practical to assess the outcome of the cases at this stage. Accordingly, no provision was made in the consolidated financial statements.

Save as disclosed above, as at 31 December 2015, the Group did not have any material contingent liabilities.

Connected transaction

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

Save as disclosed above, as at 31 December 2015, the Group did not have any material connected transaction.

OUTLOOK

During the Year, the Group has been experiencing challenging operating conditions because of slowing growth in the PRC economy, conditions in the coal industry and persistently low commodities prices globally. The Company believes that low commodities prices, in particular coal prices, have adversely affected, and have presented liquidity challenges, to many companies across the industry. The Company has been seeking to address these challenges by, among other things, strengthening its capital management, tightening mining technologies management, increasing its production and construction efficiency and stepping up efforts in the management of production costs and selling expenses. The Company's results of operations have been, and continue to be, adversely affected by the challenging operating environment. The Group's liquidity position continues to be challenged, and cashflow from operating activities remains low due to the limited contributions of our coal mines in Sichuan and Guizhou provinces.

Accordingly, the default in payment of the Notes in November 2015 led to a cross-default and other provisions in the Group's onshore and offshore indebtedness. The debt restructuring with the Holders and the Onshore Creditors Committee is regarded as the only solution to save the Group from the dilemma and enable the Group to operate with less cashflow pressure and to continue coal mine development under consolidation.

OTHER INFORMATION

Audit committee

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

As of the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Mr. Sung Wing Sum (Chairman), Mr. Huang Rongshen and Ms. Xu Manzhen.

The audit committee has reviewed together with the management the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2015.

Corporate governance

The Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the Year. No Director is aware of any information that reasonably reveals that there is any non-compliance with the Corporate Governance Code by the Company during any time of the Year.

Model code for securities transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own Code for Securities Transactions by the Directors (the "Code"). All Directors have confirmed their compliance throughout the Year with the required standards set out in the Model Code and the Code.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

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

Hong Kong
28 February 2017

As at the date hereof, the executive Directors are Mr. Xian Yang (Chairman), Mr. Sun Jiankun, Ms. Cheng Yuanyun and Mr. Zhaung Xianwei and the independent non-executive Directors are Mr. Huang Rongsheng, Mr. Sung Wing Sum and Ms. Xu Manzhen.