恒鼎

Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1393

Annual Report

2015

CONTENTS

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xian Yang (Chairman)
Mr. Sun Jiankun
Ms. Cheng Yuanyun
(appointed on 13 December 2015)
Mr. Zhuang Xianwei
(appointed on 13 December 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing
(resigned on 7 November 2015)
Mr. Sin Yuen Ko Terence
(appointed on 7 November 2015 and resigned on 14 March 2016)
Mr. Sung Wing Sum
(appointed on 14 March 2016)
Mr. Chen Limin
(resigned on 10 September 2015)
Mr. Huang Rongsheng
Ms. Xu Manzhen
(appointed on 13 December 2015)

AUDIT COMMITTEE

Mr. Chan Chi Hing (Chairman)
(resigned on 7 November 2015)
Mr. Sin Yuen Ko Terence (Chairman)
(appointed on 7 November 2015 and resigned on 14 March 2016)
Mr. Sun Wing Sum (Chairman)
(appointed on 14 March 2016)
Mr. Chen Limin
(resigned on 10 September 2015)
Mr. Huang Rongsheng
Ms. Xu Manzhen
(appointed on 13 December 2015)

REMUNERATION COMMITTEE

Mr. Chan Chi Hing (Chairman)
(resigned on 7 November 2015)
Mr. Sin Yuen Ko Terence (Chairman)
(appointed on 7 November 2015 and resigned on 14 March 2016)
Mr. Sun Wing Sum (Chairman)
(appointed on 14 March 2016)
Mr. Chen Limin
(resigned on 10 September 2015)
Mr. Huang Rongsheng
Ms. Xu Manzhen
(appointed on 13 December 2015)
Mr. Xian Yang

AUDITORS

Zhonghui Anda CPA Limited
Unit 701, 7th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

COMPANY SECRETARY

Ms. Chu Lai Kuen

AUTHORIZED REPRESENTATIVES

Mr. Xian Yang
Ms. Chu Lai Kuen

LEGAL ADVISER

Kwok Yih & Chan
Suites 2103-05
9 Queen's Road Central
Central
Hong Kong

STOCK CODE

1393

WEBSITE

http://www.hidili.com.cn

CORPORATE INFORMATION

REGISTERED OFFICE

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Grand Cayman
KY1-1111
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HEAD OFFICE

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Sichuan 617000
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

PRINCIPAL BANKERS

Chian Merchants Bank
Shenzhen Che Gong Miao Sub-Branch
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Tianan Numeral City,
Futian, Shenzhen
PRC

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Chengdu Branch
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Chengdu, Sichuan Province
PRC

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

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No. 204-1, Shuncheng Avenue
Chengdu, Sichuan Province
PRC

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

Shanghai Pudong Development Bank Co., Ltd
Chengdu Shu Han Sub-Branch
No. 520 Shuhan Road
Chengdu, Sichuan Province
PRC

Wing Lung Bank
16/F, Wing Lung Bank Building
45 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 2015 Annual Report and the operating results of the Company and the subsidiaries (collectively the "Group") for the year ended 31 December 2015 to the shareholders as follows.

PERFORMANCE OF THE COMPANY'S SHARES

Regarding to the delay in publication of the annual results of the Company and its subsidiaries for the year ended 31 December 2015, trading in the Company's shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange") was suspended from 1 April 2016 to 1 March 2017. The closing price of the Company's shares on 31 March 2016 was HK$0.195.

THE COMPANY'S OPERATION

The Company recorded a revenue and EBITDA of approximately RMB423 million and a loss of approximately RMB775 million respectively for the year ended 31 December 2015, representing a decrease of approximately 41.3% and an increase of 215.3% respectively as compared to approximately RMB719 million and loss of approximately RMB246 million respectively for the year ended 31 December 2014.

During the year, the Company has produced approximately 1.0 million tonnes of raw coal and approximately 0.2 tonnes of clean coal respectively. During the year, the Group continued to keep a low level of production under the suspension arising from the coal mine consolidation in Sichuan and Guizhou provinces.

In 2015, the Company's coal mining cash cost amounted to approximately RMB186 per tonne of raw coal production, representing a decrease of 8.8% as compared to 2014. The sharing of material, fuel and power costs for the year still remained at relatively high level due to low production volume of raw coal and clean coal in Sichuan and Guizhou provinces. Accordingly, the average production costs of clean coal of the Company for the year amounted to approximately RMB736 per tonne, representing an increase of 6.4% as compared with 2014.

EXTRACT OF THE SIGNIFICANT EVENTS OF THE YEAR

Significant events of the Group are as follows:

RESTRUCTURING

The significant events in relation to restructuring is set out in pages 12 and 13 in "Liquidity, financial resources and capital structure" under Management Discussion and Analysis.

OTHER EVENTS

On 10 September 2015, Mr. Chen Limin resigned as an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company.

On 7 November 2015, Mr. Chan Chi Hing resigned as an independent non-executive Director and chairman of the audit committee, the remuneration committee and the nomination committee of the Company. On the same date, Mr. Sin Yuen Ko Terence was appointed as an independent non-executive Director and chairman of the audit committee, the remuneration committee and the nomination committee of the Company.

On 13 December 2015, Ms. Cheng Yuanyun and Mr. Zhuang Xianwei were appointed as executive Directors of the Company. On the same date, Ms. Xu Manzhen was appointed as an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company.

On 14 March 2016, Mr. Sin Yuen Ko Terence resigned as an independent non-executive Director and chairman of the audit committee, the remuneration committee and the nomination committee of the Company. On the same date, Mr. Sung Wing Sum was appointed as an independent non-executive Director and chairman of the audit committee, the remuneration committee and the nomination committee of the Company.

On 1 April 2016, the trading of the Company's shares on the Stock Exchange was suspended in relation to the delay in publication of annual results of the Company for the year ended 31 December 2015.

On 19 August 2016, Deloitte Touche Tohmatsu resigned as the auditor of the Company.

On 25 August 2016, Zhonghui Anda CPA Limited was appointed as the auditor of the Company.

On 24 November 2016, a fairly major incident was incurred in Xileqing Mine, one of the integrated mines in Guizhou province. The production of Xileqing Mine was suspended.

On 1 March 2017, the trading of the Company's shares on the Stock Exchange has been resumed after the release of the annual results of the Company for the year ended 31 December 2015 and the interim results of the Company for the six months ended 30 June 2016.

MINING RESOURCE CONSOLIDATION

SICHUAN PROVINCE

The Sichuan provincial government commenced a mining resource consolidation program in June 2006. This program was intended to consolidate small mines into larger mines to achieve economies of scale and to close inefficient, environmentally unfriendly or unsafe mines. The consolidation is being implemented primarily through two means: (i) consolidating two or more coal mines with separate mining right permits into a larger mine with one mining right permit and (ii) integrating two or more production portals into one production system comprising one primary production portal, certain secondary production portals and one ventilation system, canceling the production permits for each of the old production portals and issuing one production permit for the new production system. Currently, five consolidated core mines are designated in Sichuan province.

Under the five consolidated core mines in Sichuan province, all mines have entered into production stage under the requirement of the consolidation plan. The current aggregate production capacity of the five consolidated core mines is approximately 0.8 million tonnes per annum.

GUIZHOU PROVINCE

Guizhou provincial government commenced a mining resource consolidation program in September 2005. This program was intended to encourage consolidation of small mines into larger mining enterprises in order to achieve economies of scale and to close down mines which were not economically efficient or environmentally friendly or were exposed to safety hazards. In April 2009, the Guizhou provincial government published a notice re-affirming its commitment to support the consolidation of large-scale mines (defined as those with production volumes exceeding 300,000 tonnes per annum) and the further consolidation of existing smaller mines. The notice stated that the government would continue to support mine consolidation based on principles of market efficiency with the goal of improving the overall structure and quality of the coal mining industry. In accordance with this government policy of resource consolidation, nine consolidated core mines were designated in Guizhou Province.

Under the nine consolidated core mines in Guizhou province: (i) two mine have entered into production stage under the requirement of the consolidation plan; (ii) three mines are allowed to undergo consolidation and production at the same time; and (iii) one mine is under trial run production; and (iv) three mines are under construction. The current aggregate production capacity of the six mines under production or trial run is approximately 3.2 million tonnes per annum. The production capacity of the three mines under construction will be released by phases commencing from 2017 to 2019. The aggregate production capacity of the nine consolidated core mines after consolidation is expected to be approximately 5.9 million tonnes per annum.

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 (in million tonnes)
As of 31 December 2015	98.4	200.9

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. Since the coal mine consolidation in Sichuan and Guizhou provinces is still in progress and is expected to complete in following two to three years, the Group appointed Behre Dolbear Asia, Inc. ("BDB"), an independent minerals industry consultant, to update the reserves and resources of part of the coal mines of the Company as at 31 December 2014 ("2014 Report"). Accordingly, the 2014 Report has updated certain aspects of the estimated JORC Eq raw coal reserves and resources of 5 consolidated core mines in Guizhou province. As at 31 December 2015, coal reserves and resources figures as disclosed above had been adjusted for the production volume made by the Company during the year.

3. Given that the Company's coal mines are undergoing consolidation, the Company is not in a position to provide sufficient information to the BDB to facilitate its assessment and estimation of the Company's coal resources and coal reserves in accordance with the JORC standards. The restrictions faced by the Company include but not limited to: (a) adjustments in the mining areas; (b) limited original coal quality and bore hole documentation; and (c) limited update geological reports with corresponding coal seam correlation interpretation and, bore hole loggings.

4. As there is no complete and accurate estimation of the coal reserves and resources available to facilitate the impairment assessment by both the valuer and auditors, the Company's financial statements for the year ended 31 December 2015 have been qualified by the auditors.

5. Under the government consolidation policy, the Board believes that the Company can, upon completion of the consolidation, retain at least the same level of coal reserves that it used to have in the coal mines under consolidation.

OUTLOOK

During the year, the Group had 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 US$400 million 8.625% senior notes due 2015 (the "Notes") in November 2015 led to a cross-default in the Group's onshore and offshore indebtedness. The debt restructuring with the holders of the Notes (the "Holders") and the creditors committee of the onshore lending banks (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.

By order of the Board
Chairman
Xian Yang

Hong Kong
28 February 2017

FINANCIAL REVIEW

TURNOVER

During the year ended 31 December 2015 (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 Raw coal ('000 tonnes)	**2015 Clean coal ('000 tonnes)**	2014 Raw coal ('000 tonnes)	2014 Clean coal ('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 RMB per tonne	2014 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 US$400,000,000 8.625% senior notes due 2015 (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 **RMB'000**	2014 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 of the Notes (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 of the Holders (the "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 PRC banks (the "Onshore Lending Banks"). Following initial discussion with the Onshore 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 restructure of 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 the Winding Up Petition. 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 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 claimed 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, a 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 was 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. XIAN YANG (鮮揚)

Mr. Xian, aged 43, is an Executive Director of the Company, Chairman of the Board and 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 53.28% of the issued share capital of the Company.

MR. SUN JIANKUN (孫建坤)

Mr. Sun, aged 53, is an Executive Director and our Chief Executive Officer, he is a 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.

MS. CHENG YUANYUN (程遠芸)

Ms. Cheng, aged 42, is our Executive Director (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. Ms. Cheng has options to subscribe for 2,750,000 shares of the Company.

MR. ZHUANG XIANWEI (莊顯偉)

Mr. Zhuang, aged 46, is our Executive Director and the General Manager of Coal Mines of the Company and is responsible for the operation of the Company's coal mines. He is also president of the Company's subsidiary, 恒鼎實業(中國)集團有限公司 (Hidili Industry (China) Group Limited*) and chairman of two of the Company's subsidiaries, namely 雲南東源恒鼎煤業有限公司 (Yunnan Dongyuan Hidili Coal Industry Company Limited*) and 六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited*). Mr. Zhuang is a mining engineer. Prior to joining the Company in March 2002, Mr. Zhuang worked for the production technology division at Panzhihua Coal Group for over 10 years with extensive experience in management of coal mines. Mr. Zhuang has 500,000 shares of the Company and options to subscribe for 4,209,000 shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. SUNG WING SUM (宋泳森)

Mr. Sung, aged 58, is a Certified Public Accountants of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Sung is also an associate of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Accountants in England and Wales. Mr. Sung holds an executive master of business administration from the West Coast Institute of Management and Technology of Australia. Mr. Sung has over 30 years – 1 – of experience in accounting, auditing and financial management in Hong Kong and the PRC. Mr. Sung is currently an independent non-executive Director of FU JI Food and Catering Services Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From August 2002 to October 2003, Mr. Sung worked as the qualified accountant and company secretary for Tungda Innovative Lighting Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and was subsequently delisted in 2013.

MR. HUANG RONGSHENG (黃容生)

Mr. Huang, aged 70, 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.

MS. XU MANZHEN (徐曼珍)

Ms. Xu, aged 51, is graduated from Auhui University of Law. Ms. Xu is the Director of 四川道合律師事務所 (Sichuan Daohe Law Firm*) since 2001. Before joining Sichuan Daohe Law Firm, Ms. Xu worked as deputy Director of Audit division of 四川攀枝花鋼鐵集團公司 (Sichuan Panzhihua Steel Group Limited*). Ms. Xu was a deputy of Panzhihua City to the National People's Congress of PRC.

SENIOR MANAGEMENT

MS. CHU LAI KUEN (朱麗娟)

Ms. Chu, aged 48, 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.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statement for the year ended 31 December 2015.

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 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35 of this report.

The Directors did not propose any payment of final dividend for the year ended 31 December 2015 to the shareholders (2014: nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2015 amounted to approximately RMB834 million. Details of the movements during the Year in the Group's property, plant and equipment are set out in note 16 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 31 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 38 of this report.

As at 31 December 2015, the Company's reserves available for distribution to shareholders amounted to approximately RMB1,595 million (2014: approximately RMB1,843 million).

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2015 are set out in note 47 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 104.

BORROWINGS

Details of the borrowings of the Group are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, sales to the Group's five largest customers amounted to approximately RMB242 million, representing 57.2% of the total turnover of the Group. Sales to the single largest customers amounted to approximately RMB86 million, representing 20.4% of the total turnover of the Group.

For the year ended 31 December 2015, the amount of purchases made from the Group's five largest suppliers amounted to approximately RMB218 million, representing 74.5% of the total purchases of the Group. Purchase from the single largest suppliers amounted to approximately RMB86 million, representing 29.3% of the total purchases of the Group.

For the year ended 31 December 2015, 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
Ms. Cheng Yuanyun (appointed on 13 December 2015)
Mr. Zhuang Xianwei (appointed on 13 December 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing (resigned on 7 November 2015)
Mr. Sin Yuen Ko Terence (appointed on 7 November 2015 and resigned on 14 March 2016)
Mr. Sung Wing Sum (appointed on 14 March 2016)
Mr. Chen Limin (resigned on 10 September 2015)
Mr. Huang Rongsheng
Ms. Xu Menzhen (appointed on 13 December 2015)

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 15 and 16 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 2016.

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 2015.

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 2015, 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. Zhuang Xianwei	The Company	500,000	Beneficial owner	0.02%

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 2015, 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 were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were 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 2015, 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 interests, 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, one 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 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 were 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 43 to the consolidated financial statements.

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

	Number of share options								
Name or category of participant	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015	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	–	–	–	100,000				
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
	10,980,000	–	–	–	10,980,000	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
	125,899,000	–	–	–	125,899,000				
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
	20,000	–	–	–	20,000	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
	128,000	–	–	–	128,000				
	126,147,000	–	–	(20,000)	126,127,000				

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 and 17th 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. Sung Wing Sum (Chairman), Mr. Huang Rongsheng and Ms. Xu Menzhen.

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 2015.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the bye-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 TRANSATIONS BY DIRECTORS OF THE COMPANY

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 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 2015.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Code during the Year. The Directors are aware of any information that reasonably reveals that there is any non-compliance with or derivation from 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 2015.

AUDITORS

Deloitte Touche Tohmatsu has resigned as the auditors of the Company with effect from 19 August 2016. The Company has on 25 August 2016 appointed Zhonghui Anda CPA Limited ("Zhonghui Anda") as the auditors of the Company with effect on the same date to fill the causal vacancy. Zhonghui Anda should hold office until the conclusion of the next annual general meeting of the Company.

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

Hong Kong
28 February 2017

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.

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 2015.

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
Ms. Cheng Yuanyun (appointed on 13 December 2015)
Mr. Zhuang Xianwei (appointed on 13 December 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hing (resigned on 7 November 2015)
Mr. Sin Yuen Ko Terence (appointed on 7 November 2015 and resigned on 14 March 2016)
Mr. Sung Wing Sum (appointed on 14 March 2016)
Mr. Chen Limin (resigned on 10 September 2015)
Mr. Huang Rongsheng
Ms. Xu Menzhen (appointed on 13 December 2015)

The brief biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 15 and 16 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

The roles of the Chairman and the Chief Executive Officer are segregated to reinforce their independence and accountability. Mr. Xian Yang is the Chairman of the Company. Mr. Xian is responsible for the overall management and business development of the Group. Mr. Sun Jiankun is the Chief Executive Officer of the Company. Mr. Sun is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming fully accountability to the Board for all the Group's operations.

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 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 in order 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 to the Company and the Company will continue to arrange the training in accordance with paragraph A.6.5 of the Code.

BOARD MEETINGS

Four 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	4
Mr. Sun Jiankun	4
Ms. Cheng Yuanyun (appointed on 13 December 2015)	1
Mr. Zhuang Xianwei (appointed on 13 December 2015)	1
Independent non-executive Directors	
Mr. Chan Chi Hing (resigned on 7 November 2015)	3
Mr. Sin Yuen Ko Terence (appointed on 7 November 2015 and resigned on 14 March 2016)	1
Mr. Chen Limin (resigned on 10 September 2015)	2
Mr. Huang Rongsheng	4
Ms. Xu Menzhen (appointed on 13 December 2015)	1

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 accessed to the advice and services of the company secretary with a view to ensure 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 25 June 2015, Mr. Xian Yang and Mr. Chen Limin were unable to attend the annual general meeting of the Company due to business engagement. Mr. Sun Jiankun, the executive director, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at 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 (resigned on 7 November 2015), Mr. Chen Limin (resigned on 10 September 2015), Mr. Sin Yuen Ko Terence (appointed on 7 November 2015), Mr. Huang Rongsheng and Ms. Xu Menzhen (appointed on 13 December 2015). Mr. Chan Chi Hing was the Chairman of the Remuneration Committee upto his resignation on 7 November 2015 and was replaced by Mr. Sin Yuen Ko Terence on the same date. 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 43 to the consolidated financial statements.

During the Year, one remuneration committee meeting was held to discuss and approve the annual salary review for 2015 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 (resigned on 7 November 2015), Mr. Chen Limin (resigned on 10 September 2015), Mr. Sin Yuen Ko Terence (appointed on 7 November 2015), Mr. Huang Rongsheng and Ms. Xu Menzhen (appointed on 13 December 2015). The nomination committee will consider the appointment of new Directors first by reviewing the profiles of the candidates 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 meetings 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.

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 (resigned on 7 November 2015), Mr. Sin Yuen Ko Terence (appointed on 7 November 2015 and resigned on 14 March 2016), Mr. Sung Wing Sum (appointed on 14 March 2016), Mr. Chen Limin (resigned on 10 September 2015), Mr. Huang Rongsheng and Ms. Xu Menzhen (appointed on 13 December 2015). Mr. Chan Chi Hing was the Chairman of the Audit Committee upto his resignation on 7 November 2015 and was eventually replaced by Mr. Sin Yuen Ko on the same date. Mr. Sin Yuen Ko Terence was resigned on 14 March 2016 and Mr. Sung Wing Sum took up his causal vacancy on the same date.

During the Year, two meetings were held. Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng of the Audit Committee attended both 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 reviewed the combined financial statement of the Group for the year ended 31 December 2015.

AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu has resigned as the auditors of the Company with effect from 19 August 2016. The Company has on 25 August 2016 appointed Zhonghui Anda CPA Limited ("Zhonghui Anda") as the auditors of the Company with effect on the same date to fill the causal vacancy. Zhonghui Anda should hold office until the conclusion of the next annual general meeting of the Company. During the year ended 31 December 2015, the remuneration paid and payable to the auditors of the Company in respect of the audit services and non-audit services provided amounted to RMB2.2 million and RMB0.6 million.

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 page pages 32 to 34 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 secretaly of the Company (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 different 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 the public and its shareholders with an alternative communication channel. 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.

TO THE SHAREHOLDERS 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 were engaged to audit 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 35 to 103, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company (the "Directors") are responsible for the preparation of the 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 the 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 SHARE 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.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 28 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	**422,796**	719,872
Cost of sales		**(421,324)**	(642,374)
Gross profit		**1,472**	77,498
Other income	8	**45,552**	76,388
Other gains and losses	9	**(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 loss of a joint venture		**(59,393)**	(31,013)
Finance costs	10	**(470,970)**	(533,702)
Loss before tax		**(2,349,199)**	(1,354,396)
Taxation	11	**61,898**	(69,471)
Loss and total comprehensive expense for the year	12	**(2,287,301)**	(1,423,867)
Loss and total comprehensive expense 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	15		
– Basic (RMB cents)		**(111.71)**	(69.56)
– Diluted (RMB cents)		**(111.71)**	(69.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**8,248,722**	8,399,929
Prepaid lease payments	17	**83,617**	85,881
Intangible assets	18	**–**	135,094
Interests in a joint venture	19	**2,309,594**	2,368,987
Interests in associates	20	**43,330**	49,921
Available-for-sale investments	21	**30,778**	73,778
Long-term deposits	22	**169,009**	384,052
Pledged and restricted bank deposits	27	**10,320**	511,688
		10,895,370	12,009,330
Current assets			
Inventories	23	**115,671**	187,736
Bills and trade receivables	24(a)	**109,697**	286,742
Bills receivables discounted with recourse	24(b)	**9,000**	12,000
Other receivables and prepayments	25	**588,491**	727,223
Amount due from a joint venture	26(a)	**34,417**	64,525
Pledged bank deposits	27	**778,762**	777,223
Bank and cash balances	27	**17,680**	32,767
		1,653,718	2,088,216
Current liabilities			
Bills and trade payables	28(a)	**578,985**	586,757
Advances drawn on bills receivables discounted with recourse	28(b)	**9,000**	12,000
Accruals and other payables	29	**935,314**	568,788
Amount due to an associate	26(b)	**23,777**	21,307
Tax payables		**39,687**	35,352
Senior notes	37	**1,258,844**	1,131,844
Convertible loan notes	38	**–**	7,504
Bank and other borrowings	30	**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	33	**6,850**	7,735
Other long term payables	34	**25,200**	34,620
Deferred tax liabilities	35	**8,025**	76,879
Bank and other borrowings	30	**–**	2,833,442
		40,075	2,952,676
NET ASSETS		**3,312,509**	5,599,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	31	**197,506**	197,506
Reserves	32	**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

The consolidated financial statements on pages 35 to 103 were approved and authorised for issue by the Board of Directors on 28 February 2017 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 2015

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share reserve RMB'000	Statutory surplus reserve RMB'000	Convertible loan notes reserve RMB'000	Future development fund RMB'000	Share options reserve RMB'000	Other reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	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
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	–	(1,422,951)	(1,422,951)	(916)	(1,423,867)
Transfer	–	–	–	626	–	–	–	–	(626)	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	5,990	–	–	5,990	–	5,990
Deemed disposal of a subsidiary	–	–	–	(67,419)	–	(39,787)	–	–	107,206	–	–	–
Acquisition of an additional interest in a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	(250)	(250)
	–	–	–	(66,793)	–	(39,787)	5,990	–	106,580	5,990	(250)	5,740
Balance at 31 December 2014	197,506	2,935,794	695,492	466,997	652	128,718	240,542	(99,070)	997,948	5,564,579	35,231	5,599,810
Balance at 1 January 2015	**197,506**	**2,935,794**	**695,492**	**466,997**	**652**	**128,718**	**240,542**	**(99,070)**	**997,948**	**5,564,579**	**35,231**	**5,599,810**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,285,173)**	**(2,285,173)**	**(2,128)**	**(2,287,301)**
Redemption of convertible loan notes	**–**	**–**	**–**	**–**	**(652)**	**–**	**–**	**–**	**652**	**–**	**–**	**–**
Disposal of a subsidiary	**–**	**–**	**–**	**(15,694)**	**–**	**(19,372)**	**–**	**–**	**35,066**	**–**	**–**	**–**
	–	**–**	**–**	**(15,694)**	**(652)**	**(19,372)**	**–**	**–**	**35,718**	**–**	**–**	**–**
At 31 December 2015	**197,506**	**2,935,794**	**695,492**	**451,303**	**–**	**109,346**	**240,542**	**(99,070)**	**(1,251,507)**	**3,279,406**	**33,103**	**3,312,509**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Cash flows from operating activities		
Loss before tax	**(2,349,199)**	(1,354,396)
Adjustments for:		
Amortisation of prepaid lease payments	**1,871**	1,978
Amortisation of intangible assets	**5,029**	5,029
Interest income	**(15,964)**	(61,151)
Loss/(gain) on disposal of a subsidiary	**3,358**	(18,346)
Depreciation and amortisation of property, plant and equipment	**92,988**	89,419
Share-based payment expenses	**–**	5,990
Finance costs	**470,970**	533,702
Loss on disposal of property, plant and equipment	**2,065**	13,626
Net impairment loss recognised on financial assets	**262,972**	53,940
Write off of prepaymets	**37,676**	–
Impairment loss recognised on inventories	**32,140**	–
Impairment loss recognised on property, plant and equipment	**886,636**	800,441
Impairment loss recognised on intangible assets	**130,065**	–
Impairment loss recognised on an available-for-sale investment	**3,000**	44,925
Unrealised exchange losses	**131,077**	–
Share of losses of associates	**6,591**	3,391
Share of loss of a joint venture	**59,393**	31,013
Gain on repurchase of senior notes	**–**	(348,646)
Loss/(gain) on disposal of an available-for-sale investment	**25,000**	(36,358)
Operating cash flows before movements in working capital	**(214,332)**	(235,443)
Decrease/(increase) in inventories	**39,705**	(57,528)
Decrease in bills and trade receivables	**68,532**	105,550
Increase in other receivables and prepayments	**(232,797)**	(270,698)
Decrease in amount due from a joint venture	**30,108**	46,590
(Decrease)/increase in bills and trade payables	**(5,014)**	216,860
Increase in other payables and accrued expenses	**204,983**	188,797
Provision for restoration and environmental costs	**445**	590
Net cash used in operations	**(108,370)**	(5,282)
Income tax paid	**(2,847)**	(5,616)
Net cash used in operating activities	**(111,217)**	(10,898)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Cash flows from investing activities		
Withdrawal of pledged and restricted bank deposits	**668,321**	1,720,374
Refund of deposits paid for acquisition of investments	**103,645**	–
Receipt of consideration receivables from disposal of mines	**–**	459,251
Proceeds from disposal of a subsidiary	**(12)**	253,059
Interest received	**8,736**	19,650
Proceeds from disposal of an available-for-sale investment	**15,000**	104,063
Repayment of loan advance from a third party	**–**	32,675
Refund of deposits paid for acquisition of an available-for-sale investment	**–**	2,222
Proceeds from disposal of property, plant and equipment	**1,395**	1,078
Refund of deposits for environmental rehabilitation paid to local government	**7,505**	8,551
Purchase of property, plant and equipment	**(736,043)**	(664,294)
Placement of pledged and restricted bank deposits	**(168,492)**	(1,995,487)
Net cash outflow arising on acquisition of a subsidiary	**–**	(74,725)
Deposit paid for acquisition of mines	**–**	(67,000)
Deposits paid for acquisition of investments	**–**	(36,900)
Acquisition of an additional interest in an associate	**–**	(5,000)
Net cash used in investing activities	**(99,945)**	(242,483)
Cash flows from financing activities		
Repayment of bank and other borrowings	**(3,270,184)**	(3,314,000)
Repurchase of senior notes	**–**	(864,929)
Interest paid	**(268,940)**	(578,402)
Repayment of other long term payables	**(24,000)**	(48,624)
Acquisition of additional interest in non-wholly owned subsidiaries	**–**	(250)
Redemption of convertible loan notes	**(6,871)**	–
Repayment to an associate	**–**	(2,878)
New bank and other borrowings raised	**3,754,600**	4,741,510
Advances drawn on bills receivables discounted with recourse	**9,000**	12,000
Advance from an associate	**2,470**	15,160
Net cash generated from/(used in) financing activities	**196,075**	(40,413)
Net decrease in cash and cash equivalents	**(15,087)**	(293,794)
Cash and cash equivalents at beginning of year	**32,767**	326,561
Cash and cash equivalents at end of year, representing bank and cash balances	**17,680**	32,767

1. GENERAL INFORMATION

Hidili Industry International Development Limited (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 ("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, 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 and trading of magnetic iron powder.

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. GOING CONCERN BASIS

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 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 senior note set out in note 37 (the "Senior Note") on its maturity on 4 November 2015 of approximately USD191 million (equivalent to RMB1,259 million) as at maturity date. 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 events that could adversely affect lenders' interest or suggests the Group's 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 US$135 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 8.625% senior notes due 2015 issued by the Company (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. For details, please refer to Note 46(b).

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

2. GOING CONCERN BASIS *(Continued)*

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 their debts to equity;

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

(iv) The Group is looking for opportunities 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 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.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("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 years.

The Group has not applied the new and revised IFRSs that have been issued but are 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.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on the 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.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 A JOINT VENTURE

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 a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture 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 loss of an associate or a 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE *(Continued)*

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.

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 gain 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION *(Continued)*

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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including 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 and probable 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 expenses on a straight-line basis over the lease term.

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. Nonmonetary items that are measured in terms of historical cost in foreign currencies 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 expenses when employees have rendered service entitling them to the contributions.

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

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 'loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into the following specified categories: 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.

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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified as financial assets at fair value through profit or loss, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

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, amount due from a joint venture, pledged and restricted bank deposits, deposits for environmental rehabilitation paid to local government and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets 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 financial assets have been affected.

For loans and receivables, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all the financial assets with the exception of bills and 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 non-controlling shareholders, amount due to an associate, convertible loan notes, senior note 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 contain 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible loan notes contain liability and equity components (Continued)

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.

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES *(Continued)*

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies: *(Continued)*

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

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 of disposal 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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options granted to employees *(Continued)*

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. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful completion of the Debt Restructuring and certain measures as mentioned in note 2 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. Details are explained in note 2 to financial statements.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES *(Continued)*

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 19 for details.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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, are discussed below.

Depreciation of property, plant and equipment

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

The Group assesses annually the residual values and the useful lives 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 2015, the carrying amount of property, plant and equipment was RMB8,249 million (2014: RMB8,400 million). Details of property, plant and equipment are disclosed in note 16.

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 one to two years. The Directors performed impairment assessment of the Group's property, plant and equipment and impairment loss of RMB887 million (2014: RMB800 million) was recognised in profit or loss during the year.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of interests in a joint venture

Interests in a joint venture 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.

Reserve estimates

As explained in note 4, mining structures and mining rights are amortised using the units of production method based on the total proven and probable 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 and probable". Proven and probable 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 2015, the carrying amount of mining structures and mining rights was RMB4,663 million (2014: RMB5,145 million).

Estimated impairment of trade receivables and other 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 2015, the carrying amounts of trade receivables and other receivables are RMB109 million (2014: RMB257 million) and RMB586.7 million (2014: RMB694.5 million), respectively.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of mining structures and mining rights and construction in progress

Determining whether there is an impairment loss on mining structures 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 2015, the carrying amount of mining structures and mining rights, was RMB4,663 million (2014: RMB5,145 million).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

FOREIGN CURRENCY RISK

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. During the year ended 31 December 2015, the Group had bank and cash balances, senior notes and bank borrowings that are denominated in foreign currencies which exposed the Group to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2015, if the RMB had weakened 5% against USD with all other variables held constant, consolidated loss after tax for the year would have been RMB130,360,000 (2014: RMB93,293,000) higher, arising mainly as a result of the foreign exchange loss on senior notes and bank borrowings denominated in USD. If the RMB had strengthened 5% against the USD with all other variables held constant, consolidated loss after tax for the year would have been RMB130,360,000 (2014: RMB93,293,000) lower, arising mainly as a result of the foreign exchange gain on senior notes and bank borrowings denominated in USD.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2015, the five largest debtors accounted for approximately 97% (2014:61%) of the Group's total trade receivables. The five largest debtors are well established customers which have good internal credit rating by the Group. 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.

In addition, the Group has concentration of credit risk on deposits paid for acquisition of property, plant and equipment and advance to suppliers.

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 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

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

LIQUIDITY RISK *(Continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year or repayable on demand RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2015			
Bills and trade payables	**578,985**	**–**	**578,985**
Advances drawn on bills receivables discounted with recourse	**9,588**	**–**	**9,588**
Accruals and other payables	**816,179**	**–**	**816,179**
Amount due to an associate	**23,777**	**–**	**23,777**
Senior notes	**1,367,419**	**–**	**1,367,419**
Bank and other borrowings	**6,805,929**	**–**	**6,805,929**
Other long-term payables	**28,362**	**26,296**	**54,658**
	9,630,239	**26,296**	**9,656,535**

	Less than 1 year or repayable on demand RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2014			
Bills and trade payables	586,757	–	586,757
Advances drawn on bills receivables discounted with recourse	12,364	–	12,364
Accruals and other payables	389,474	–	389,474
Amount due to an associate	21,307	–	21,307
Senior notes	1,192,858	–	1,192,858
Convertible loan notes	7,551	–	7,551
Bank and other borrowings	3,272,074	3,022,602	6,294,676
Other long-term payables	32,864	46,726	79,590
	5,515,249	3,069,328	8,584,577

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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.

The sensitivity analysis below has 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 (2014: 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 (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss would decrease/increase by RMB3,970,000 (2014: RMB3,081,000).

If interest rates of variable-rate bank borrowings had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss would increase/decrease by RMB23,349,000 (2014: RMB17,890,000).

CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2015

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,036,167**	1,723,056
Available-for-sale financial assets	**30,778**	73,778
Financial liabilities		
Amortised cost	**9,051,968**	8,231,191

FAIR VALUE

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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 makers 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

SEGMENT REVENUE 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 loss of a joint venture			**(59,393)**
Finance costs			**(470,970)**
Loss before tax			**(2,349,199)**

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

SEGMENT REVENUE AND RESULTS *(Continued)*

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 loss of a 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 Senior Note 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.

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).

OTHER SEGMENT INFORMATION

All of the Group's other segment information including impairment loss on trade and other receivables, impairment loss recognised in respect of property, plant and equipment, depreciation and amortisation, provision for restoration and environmental costs, gain on disposal of a subsidiary and loss on disposal of property, plant and equipment, are derived from coal mining segment.

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.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2015 RMB'000	2014 RMB'000
Customer A[1]	**86,070**	176,255
Customer B[1]	**63,277**	79,496
Customer C[1]	**–**	70,551

[1] Revenue from sales of clean coal.

8. 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 closures 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.

9. 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 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 of the Company consider utilisation of the transportation services may not be able to generate future economic benefits to the Group.

10. 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
– senior note	**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

11. TAXATION

	2015 **RMB'000**	2014 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**64**	164
Underprovision in prior years	**6,892**	–
	6,956	164
Deferred taxation (Note 35)	**(68,854)**	69,307
Income tax (credit)/expense 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 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 taxation 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:

	2015 **RMB'000**	2014 RMB'000
Loss before tax	**(2,349,199)**	(1,354,396)
Tax at applicable tax rate of 25% (2014: 25%)	**(587,300)**	(338,599)
Tax effect of losses of associates	**1,648**	848
Tax effect of losses of a joint venture	**14,848**	7,753
Tax effect of income not taxable for tax purpose	**(35)**	(986)
Tax effect of expenses not deductible for tax purpose	**13,501**	7,766
Tax effect of deferred tax assets not recognised	**557,402**	323,382
Reversal of deferred tax assets recognised in prior years	**–**	69,307
Reversal of deferred tax liabilities recognised in prior years	**(68,854)**	–
Underprovision in prior years	**6,892**	–
Income tax (credit)/expense for the year	**(61,898)**	69,471

12. LOSS FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Loss for the year has been arrived at after charging:		
Salaries and other benefits (including directors' remuneration)	**186,951**	188,398
Retirement benefits scheme contribution	**17,733**	17,673
Share-based payment expense	**–**	5,990
Total staff costs	**204,684**	212,061
Auditor's remuneration	**2,211**	2,712
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
Cost of inventories sold	**421,324**	642,374

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2014: 5) Directors were as follows:

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

	2015 RMB'000	2014 RMB'000
Directors:		
Fees	**553**	600
Basic salaries and allowances	**18,177**	2,477
Retirement benefit scheme contributions	**48**	40
	18,778	3,117

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' 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 2015

	Directors' fee RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Xian Yang	–	1,229	24	1,253
Sun Jiankun (CFO)	–	8,400	–	8,400
Cheng Yuanyun (note d)	–	4,532	24	4,556
Zhuang Xianwei (note d)	–	4,016	–	4,016
Independent non-executive directors				
Chan Chi Hing (note b)	171	–	–	171
Chen Limin (note a)	139	–	–	139
Huang Rongsheng	200	–	–	200
Sin Yuen Ko Terence (note c)	32	–	–	32
Xu Manzhen (note d)	11	–	–	11
	553	18,177	48	18,778

Notes:

(a) Mr. Chen Limin resigned on 10 September 2015.

(b) Mr. Chan Chi Hing resigned on 7 November 2015.

(c) Mr. Sin Yuen Ko Terence was appointed and resigned as independent non-executive Director on 7 November 2015 and 14 March 2016 respectively.

(d) Mr. Cheng Yuanyun and Mr. Zhuang Xianwei were appointed as executive Directors and Ms. Xu Manzhen as independent non-executive Director on 13 December 2015. The basic salaries and allowances and retirement benefit scheme of Mr. Cheng and Mr. Zhuang as staff from 1 January 2015 were included in the above disclosures.

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' 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 2014

	Directors' fee RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Xian Yang	–	1,727	40	1,767
Sun Jiankun (CFO)	–	750	–	750
Independent non-executive directors				
Chan Chi Hing	200	–	–	200
Chen Limin	200	–	–	200
Huang Rongsheng	200	–	–	200
	600	2,477	40	3,117

(B) FIVE HIGHEST EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year ended 31 December 2015, three (2014: one) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the two (2014: four) individuals were as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	**6,853**	1,743
Retirement benefit scheme contributions	**25**	25
Share-based payment expenses	**–**	3,549
	6,878	5,317

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

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

Their emoluments were within the following bands:

	2015 No. of employees	2014 No. of employees
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	1
HK$3,500,001 to HK$4,000,000	1	–
HK$4,500,001 to HK$5,000,000	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 2015 and 2014.

14. DIVIDENDS

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

15. LOSS PER SHARE

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

Loss

	2015 RMB'000	2014 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 '000	2014 '000
Weighted average number of ordinary shares for the purposes 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structures and mining rights	Machinery	Motor vehicles	Office and electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2014	349,034	5,620,064	704,104	65,129	32,503	2,754,515	9,525,349
Additions	8,692	44,594	186,340	4,014	2,805	520,663	767,108
Transfer	65,187	409,269	7,068	–	825	(482,349)	–
Acquisition of a subsidiary	37,255	37,952	32,064	–	221	–	107,492
Disposals	(3,136)	(56,626)	(20,708)	(6,947)	(10,822)	(345)	(98,584)
Disposal of a subsidiary	(699)	(937)	(80,452)	(3,712)	(569)	(350)	(86,719)
At 31 December 2014	456,333	6,054,316	828,416	58,484	24,963	2,792,134	10,214,646
Additions	1,160	457	15,076	–	1,768	815,354	833,815
Transfer	14,837	7,415	2,745	–	2,190	(27,187)	–
Disposals	–	–	(5,779)	(9,793)	(264)	–	(15,836)
Disposal of a subsidiary	–	–	(2,744)	–	(14)	–	(2,758)
At 31 December 2015	472,330	6,062,188	837,714	48,691	28,643	3,580,301	11,029,867
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 January 2014	83,706	596,573	180,481	47,135	13,128	121,258	1,042,281
Provided for the year	10,819	12,499	60,307	4,038	1,756	–	89,419
Impairment loss recognised in profit or loss	57,203	354,584	15,134	–	5,116	368,404	800,441
Eliminated on disposals	(2,700)	(54,625)	(14,536)	(5,796)	(6,223)	–	(83,880)
Eliminated on disposal of a subsidiary	(44)	(200)	(30,176)	(2,880)	(244)	–	(33,544)
At 31 December 2014	148,984	908,831	211,210	42,497	13,533	489,662	1,814,717
Provided for the year	10,933	13,831	59,032	6,457	2,735	–	92,988
Impairment loss recognised in profit or loss	4,059	476,090	25,004	6	83	381,394	886,636
Eliminated on disposals	–	–	(2,482)	(9,690)	(204)	–	(12,376)
Eliminated on disposal of a subsidiary	–	–	(813)	–	(7)	–	(820)
At 31 December 2015	163,976	1,398,752	291,951	39,270	16,140	871,056	2,781,145
CARRYING AMOUNTS							
At 31 December 2015	308,354	4,663,436	545,763	9,421	12,503	2,709,245	8,248,722
At 31 December 2014	307,349	5,145,485	617,206	15,987	11,430	2,302,472	8,399,929

16. 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 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 comprises 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 and probable reserves of the coal mine.

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 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 RMB7,372,681,000 (2014: RMB7,447,957,000), 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 RMB30,000,000 (2014: RMB30,000,000), had not been granted by the relevant government authorities and the relevant title transfers 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 had been transferred to the Group.

17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments of the Group, on which the Group's buildings as disclosed in note 16 are located, analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Non-current assets	**83,617**	85,881
Current assets included in other receivables and prepayments	**1,871**	1,478
	85,488	87,359

The payments for land use rights is amortised over 50 years on a straight-line basis.

18. INTANGIBLE ASSETS

	Transportation rights RMB'000 (Note a)	**Goodwill** RMB'000 (Note b)	**Total** RMB'000
COST			
At 1 January 2014, 31 December 2014 and 2015	150,870	11,065	161,935
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	21,812	–	21,812
Charge for the year	5,029	–	5,029
At 31 December 2014	26,841	–	26,841
Charge for the year	5,029	–	5,029
Impairment loss recognised in profit or loss	119,000	11,065	130,065
At 31 December 2015	150,870	11,065	161,935
CARRYING VALUES			
At 31 December 2015	–	–	–
At 31 December 2014	124,029	11,065	135,094

18. INTANGIBLE ASSETS *(Continued)*

(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. 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 Panshi, Panxian Panying and Panxian Shangxipu 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, Panxian Panying and Panxian Shangxipu. Also, the Group is not entitled to the dividend and share any assets, liabilities, income and expenses of Panxin Panshi, Panxian Panying and Panxian Shangxipu. In return, the Group obtained the consecutive right for the provision of railway logistic service by Panxin Panshi, Panxian Panying and Panxian Shangxipu in Guizhou for a term of 30 years. Accordingly, the aggregated consideration of RMB150,870,000 paid for acquisition of interests in Panxin Panshi, Panxian Panying and 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.

During the year ended 31 December 2014, the Group ceased the use of these railway logistic services as the Group's mines under merger and consolidation process affected the Group's production volume of coal. The amount was fully impaired in the current year, as in the opinion of 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 of the Company consider utilisation of the transportation services may not be able to generate future economic benefits to the Group.

(b) In July 2008, the Group acquired 70% interests in Panxian Panyi Coal Washing Company Limited ("Panyi Coal Washing") and Panxian Panxin Coal Washing Company (formerly known as Panxian Panxin Coking Company Limited) ("Panxin Coal Washing") at an aggregate consideration of RMB127,500,000. Both Panyi Coal Washing and Panxin Coal Washing are engaged in the clean coal washing. 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 2015, management of the Group determined to fully impair the goodwill attributed to the clean coal washing cash generating units as the recoverable amount is less than its carrying amount.

19. INTERESTS IN A JOINT VENTURE

	2015 RMB'000	2014 RMB'000
Cost of investments in a joint venture – unlisted	**2,400,000**	2,400,000
Share of post-acquisition losses	**(90,406)**	(31,013)
	2,309,594	2,368,987

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 2015	2014	Principal activity
雲南東源恒鼎煤業有限公司 Yunnan Hidili	The PRC	**50%**	50%	Coal mining

Name of Yunnan Hidili's subsidiaries	Place of incorporation and operation	Proportion of ownership interest and voting power held by Yunnan Hidili 2015	2014	Principal activity
富源縣大河青坪煤業有限公司 Translated as Fuyuan Country Dahe Qingping Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣錦泰煤業有限公司 Translated as Fuyuan County Jintai Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣坤源煤業有限公司 Translated as Fuyuan County Kunyuan Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣通和煤業有限公司 Translated as Fuyuan County Tonghe Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣祥達煤礦有限公司 Translated as Fuyuan County Xiangda Coal Mine Co., Ltd.	The PRC	**100%**	100%	Coal mining

19. INTERESTS IN A JOINT VENTURE *(Continued)*

Name of Yunnan Hidili's subsidiaries	Place of incorporation and operation	Proportion of ownership interest and voting power held by Yunnan Hidili		Principal activity
		2015	2014	
雲南恒隆煤業有限公司 Translated as Yunnan Henglong Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
雲南恒鼎實業有限公司 Translated as Yunnan Hidili Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣茂盛選煤有限責任公司 Translated as Fuyuan County Maosheng Coal Preparing Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣富德選煤有限公司 Translated as Fuyuan County Fude Coal Washing Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣鈺源煤業有限責任公司 Translated as Fuyuan Country Yuyuan Coal Washing Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源東源恒鼎煤焦有限公司 Translated as Fuyuan Dongyuan Hidili Coal Coke Co., Ltd.	The PRC	**100%**	100%	Coking

All subsidiaries of a joint venture are engaged in coal washing and sales of raw and clean coal in Yunnan. The Group held these joint venture's subsidiaries to maintain 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 venture is accounted for using the equity method in Yunnan Hidili's consolidated financial statements.

19. INTERESTS IN A JOINT VENTURE *(Continued)*

	2015 RMB'000	2014 RMB'000
Current assets	**289,910**	245,361
Non-current assets	**4,548,280**	4,405,678
Current liabilities	**872,548**	577,514
Non-current liabilities	**203,583**	196,110
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**25,741**	28,038
Current financial liabilities (excluding trade and other payables and provisions)	**227,417**	230,833
Non-current financial liabilities (excluding trade and other payables and provisions)	**190,393**	190,393

	Year ended 31.12.2015 RMB'000	Year ended 31.12.2014 RMB'000
Revenue	**244,399**	160,724
Loss and other comprehensive expense for the year	**(115,356)**	(61,265)
The above loss and other comprehensive expense for the year include the following:		
Depreciation and amortisation	**(43,236)**	(35,243)
Interest income	**9,938**	1,147
Interest expense	**(60,474)**	(17,031)
Income tax expense	**–**	(5,685)

19. INTERESTS IN A JOINT VENTURE *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Net assets of Yunnan Hidili	**3,762,059**	3,877,415
Proportion of the Group's ownership interest in Yunnan Hidili	**50%**	50%
Effect of fair value adjustments at acquisition on Mining Right and Structure	**428,565**	430,280
Carrying amount of the Groups' interest in Yunnan Hidili	**2,309,594**	2,368,987

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

20. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**43,330**	49,921

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

Name of associate	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group 2015**	2014	**Principal activity**
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

As at 31 December 2015 and 2014, included in the cost of investments in associates is goodwill of RMB675,000 arising from acquisition of Yunnan Huaihai.

20. INTERESTS IN ASSOCIATES *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Total assets	**139,461**	131,693
Total liabilities	**(96,131)**	(81,772)
Group's share of net assets of associates	**43,330**	49,921
Total revenue	**1,580**	7,869
Group's share of losses and total comprehensive expense of associates for the year	**(6,591)**	(3,391)

21. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Available-for-sale investments comprise:		
Unlisted equity securities	**30,778**	73,778

As at 31 December 2015, the unlisted equity investments represent 15%, 5% and 1.24% equity interest in 3 entities established in the PRC respectively (2014: 15%, 5% and 1.24% equity interest in 3 entities established in the PRC, and 5% interest in company incorporated in Laos respectively). The principal activities of the investees are manufacture of mining machinery, provision of trading coal products services and manufacture of lithium salt products, 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.

During the year ended 31 December 2015, impairment loss of RMB3,000,000 has been recognised on investment of 15% interest in a company incorporated in the PRC which engaged in manufacture of mining machinery as its recoverable amount is estimated to be less than its carrying amount.

22. LONG-TERM DEPOSITS

	2015 RMB'000	2014 RMB'000
Deposits paid for acquisition of mines	–	67,000
Deposits paid for acquisition of land use rights	89,157	89,157
Deposits for environmental rehabilitation paid to the local government	79,852	87,357
Deposits paid for acquisition of investments	–	140,538
	169,009	384,052

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.

23. INVENTORIES

	2015 RMB'000	2014 RMB'000
Coal products	86,746	158,732
Alloy pig iron	212	212
Auxiliary materials and spare parts	28,713	28,792
	115,671	187,736

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

(A) BILLS AND TRADE RECEIVABLES

	2015 RMB'000	2014 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

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

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

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 **RMB'000**	2014 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

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

Included in the Group's bills and trade receivables balance as at 31 December 2015 are debtors aged over 120 days with a carrying amount of RMB64,198,000 (2014: RMB24,949,000) 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 settlements. The Group does not hold any collateral over these balances.

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

	2015 **RMB'000**	2014 RMB'000
Aged:		
121 – 180 days	**14,950**	6,176
181 – 365 days	**49,248**	18,773
	64,198	24,949

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

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

Movement in allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
Trade receivables		
Balance at beginning of the year	**87,312**	38,578
Impairment loss recognised on receivables	**61,290**	59,781
Amounts recovered during the year	**(243)**	(8,284)
Disposal of subsidiaries	**–**	(2,763)
Balance at end of the year	**148,359**	87,312

Allowance for doubtful debts of RMB148,359,000 (2014: RMB87,312,000) included individually impaired trade receivables who have severe financial difficulties or long aged trade receivables. The Group does not hold any collateral over these balances.

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

25. OTHER RECEIVABLES AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Advances to suppliers	**224,757**	519,494
Deposits paid for suppliers	**254,836**	–
Prepayments	**17,011**	76,423
Staff advances	**2,224**	5,237
Other deposits	**5,083**	16,026
Receivables from disposal of coal mines	**22,085**	22,085
Interest receivable	**47,729**	40,501
Deposits paid for government	**8,220**	21,536
Prepaid lease payments	**1,871**	1,478
Others	**4,675**	24,443
	588,491	727,223

26. AMOUNTS DUE FROM (TO) RELATED PARTIES

(A) AMOUNT DUE FROM A JOINT VENTURE

Name of joint venture	2015 RMB'000	2014 RMB'000
Yunnan Hidili (note)	**34,417**	64,525

(B) AMOUNT DUE TO AN ASSOCIATE

Name of associate	2015 RMB'000	2014 RMB'000
Yunnan Huaihai	**23,777**	21,307

Note:

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

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.

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

The restricted bank deposits of RMB10,320,000 (2014: RMB53,688,000) 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.

Pledged bank deposits amounting to RMB778,762,000 (2014: RMB777,223,000) 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. In addition, at 31 December 2014 pledged deposits of RMB458,000,000 were used to secure bank borrowings which were repayable after one year. Accordingly, the pledged bank deposits were classified as non-current assets.

Bank and cash balances 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 2015 is 0.82% (2014: 2.58%) per annum.

28. 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:

	2015 **RMB'000**	2014 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.

28. BILLS AND TRADE PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE *(Continued)*

(B) ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2015	2014
Effective interest rate	**6.53%**	7.00%

The advances drawn on bills receivables discounted with recourse of HK$12,000,000 as at 31 December 2014 (2014: HK$90,000,000 as at 31 December 2013) were settled during the current financial year by settlement of the respective discounted bills receivables on maturity of the bills.

29. ACCRUALS AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Advances from customers	**18,595**	17,653
Deposit received from customers	**100,103**	–
Accrued wages	**183,181**	91,323
Other tax payables	**357**	27,725
Accrued expenses	**46,375**	29,996
Welfare payables	**1,739**	3,256
Interest payables	**140,636**	–
Payables for acquisition of property, plant and equipment	**217,758**	155,396
Other long-term payables – due within one year	**27,180**	41,760
Amounts due to non-controlling shareholders	**18,457**	18,154
Others	**180,933**	183,525
	935,314	568,788

30. BANK AND OTHER BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank loans		
– Secured	**5,857,383**	4,749,906
– Unsecured	**493,514**	465,044
Other loans		
– Unsecured	**–**	800,000
Bank loans	**6,350,897**	6,014,950

30. BANK AND OTHER BORROWINGS *(Continued)*

The bank and other borrowings are repayable as follows:

	2015 RMB'000	2014 RMB'000
Bank and other borrowings		
On demand or within one year	**6,350,897**	3,181,508
More than one year, but not exceeding two years	**–**	1,488,398
More than two years, but not exceeding five years	**–**	1,345,044
	6,350,897	6,014,950
Less: amount due within one year shown under current liabilities (Note)	**(6,350,897)**	(3,181,508)
Amount due after one year	**–**	2,833,442

Notes:

Included in RMB6,350,897,000 (2014: RMB3,181,508,000) is RMB1,393,314,000 (2014: nil) bank borrowings that are not repayable within one year pursuant to the scheduled repayment dates set out in the loan agreements but the loan agreements contain a repayable on demand clause.

An analysis of the carrying amounts of the borrowings by nature and currency is as follows:

	2015 RMB'000	2014 RMB'000
At fixed rates in USD	**–**	94,239
At variable rates in USD	**1,362,713**	1,273,442
At fixed rates in RMB	**1,681,052**	1,150,000
At variable rates in RMB	**3,307,132**	3,497,269
	6,350,897	6,014,950

30. BANK AND OTHER BORROWINGS *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Effective interest rates:		
Fixed-rate bank borrowings	**6.80% – 12.00%**	8.39% – 11.75%
Fixed-rate other borrowings	**N/A**	8.55% – 11.50%
Variable-rate bank borrowings	**3.61% – 8.74%**	3.33% – 8.88%

31. SHARE CAPITAL

	Number of shares (in thousand)		**Amount HK$'000**		**Equivalent to RMB'000**	
	2015	2014	**2015**	2014	**2015**	2014
Ordinary shares of HK$0.1 each						
Authorised:						
At 1 January 2014, 31 December 2014 and 31 December 2015	**10,000,000**	10,000,000	**1,000,000**	1,000,000		
Issued and fully paid:						
At 1 January 2014, 31 December 2014 and 31 December 2015	**2,045,598**	2,045,598	**204,560**	204,560	**197,506**	197,506

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 net of cash and cash equivalents and equity attributable to owners of the company, comprised share capital and reserves.

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 new shares issues as well as the issue of new debt or the redemption of the existing debt.

32. 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 mine (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 shareholders and the amount contributed by a shareholder for waive of the balance due to him.

33. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	RMB'000
At 1 January 2014	16,095
Provision for the year	590
Disposal of a subsidiary	(8,950)
At 31 December 2014	7,735
Provision for the year	445
Disposal of a subsidiary	(1,330)
At 31 December 2015	6,850

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.

33. 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.

34. OTHER LONG-TERM PAYABLES

	2015 **RMB'000**	2014 RMB'000
Other long-term payables comprise of:		
Consideration payables for mining rights (Note)	**52,380**	76,380
Less: amount due within one year shown under current liabilities (included in other payables and accrued expenses)	**(27,180)**	(41,760)
	25,200	34,620

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 rights 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 4.35% (2014: 5.31%) per annum.

35. DEFERRED TAX LIABILITIES

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

	2015 **RMB'000**	2014 RMB'000
Deferred tax liabilities	**(8,025)**	(76,879)

35. DEFERRED TAX LIABILITIES *(Continued)*

	Deferred tax liabilities			Deferred tax asset
	Withholding tax on undistributed profits of PRC subsidiaries RMB'000	**Fair value adjustment on property, plant and equipment at acquisition** RMB'000	**Total** RMB'000	**Impairment of property, plant and equipment** RMB'000
At 1 January 2014	68,854	58,301	127,155	(69,307)
Credit to profit or loss	–	–	–	69,307
Disposal of a subsidiary	–	(50,276)	(50,276)	–
At 31 December 2014	68,854	8,025	76,879	–
Credit to profit or loss	(68,854)	–	(68,854)	–
At 31 December 2015	–	8,025	8,025	–

Note:

At the end of the reporting period, the Group has unused tax losses of approximately RMB2,100,599,000 (2014: RMB808,246,000) and deductible temporary differences arising from impairment of property, plant and equipment of RMB2,119,536,000 (2014: RMB1,232,899,000) available for offsetting against future profits. All these tax losses will expire during 2016 to 2020 (2014: 2015 to 2019).

36. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2015, the Group disposed of Panzhihua City Yangfan Industry & Trading Company Limited ("Yangfan"), a wholly owned subsidiary of the Group. The assets and liabilities of Yangfan on date of disposal were as follows:

	RMB'000
Property, plant and equipment	1,938
Inventories	220
Trade receivables	38,711
Other receivables and prepayments	243,500
Bank and cash balances	12
Tax receivables	243
Trade payables	(2,758)
Other payables and accrued expenses	(27,178)
Bank borrowings	(250,000)
Provision for restoration and environmental costs	(1,330)
Net assets disposed of	3,358
Loss on disposal of a subsidiary	
Consideration received	–
Net assets disposed of	3,358
	3,358
Net cash outflow arising on disposal of a subsidiary	
Bank and cash balances disposed of	(12)
	(12)

37. SENIOR NOTES

On 28 October 2010, the Company issued guaranteed senior fixed rate notes (the "Senior Notes") at par with aggregate nominal value of US$400,000,000 (equivalent to RMB2,596,614,000) 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 Senior Notes were listed on the Singapore Exchange Securities Trading Limited. They were 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 guarantees are effectively subordinated to secure obligations of each guarantor, to the extent of the value of assets serving as security.

37. SENIOR NOTES *(Continued)*

At any time on or after 4 November 2013, the Company may redeem the Senior Notes in whole or in part at the pre-determined redemption prices. The fair value of the redemption right was insignificant as at 31 December 2014 and 2015.

On 17 September 2014, the Group proposed amendments to restrictive covenants and certain events of default of the Senior Notes which became operative on 22 October 2014.

At the mature date of the Senior Notes on 4 November 2015, the Company failed to repay outstanding principal amount of the Senior Note and accrued interest thereon. Following several discussions with certain holders of the Senior Notes, there is no agreement on the Debt Restructuring up to the date of this report and negotiations are still undergoing.

During the year ended 31 December 2014, the Company repurchased the Senior Notes with nominal value of US$197,249,000 (equivalent to RMB1,213,575,000) from the market for a consideration of US$140,582,000 (equivalent to RMB864,929,000) resulting in a gain on repurchase of RMB348,646,000 being recognised in other gains and losses.

38. 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 semiannually up until the settlement date.

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 2015, convertible loan notes with principal amount of RMB6,200,000 was redeemed by the Company.

38. CONVERTIBLE LOAN NOTES *(Continued)*

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

	RMB'000
At 1 January 2014	7,074
Effective interest expenses	523
Interest paid	(93)
At 31 December 2014	7,504
Effective interest expenses	24
Over-provision of interest expenses in prior years	(657)
Redemption during the year	(6,871)
At 31 December 2015	–

39. 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 24(b)). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables discounted to banks with full recourse	
	2015	2014
	RMB'000	RMB'000
Carrying amount of transferred assets	**9,000**	12,000
Carrying amount of associated liabilities	**(9,000)**	(12,000)
Net position	**–**	–

40. OPERATING LEASES

THE GROUP AS LESSEE

Minimum lease payments paid under operating leases during the year:

	2015 **RMB'000**	2014 RMB'000
Premises	**12,464**	23,440

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 will fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**978**	3,477
Between two and five years	**36**	853
	1,014	4,330

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

41. CAPITAL COMMITMENTS

	2015 **RMB'000**	2014 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 venturers relating to its joint venture, Yunnan Hidili, is as follows:

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

42. PLEDGE OF ASSETS

Other than as disclosed in notes 27, 30 and 37, at the end of respective reporting period, the Group pledged the following assets to secure bank and other borrowings of the Group:

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	**3,358,773**	3,490,169
Prepaid lease payments	**57,811**	–
Bank deposits	**776,380**	1,235,223
Bills receivables	**5,693**	19,580
	4,198,657	4,744,972

43. SHARE OPTIONS 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.

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.

43. SHARE OPTIONS SCHEME *(Continued)*

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 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 126,127,000 (2014: 126,147,000), representing 6.17% (2014: 6.17%) of the shares of the Company in issue at that date. The Directors and employees should remain in office or be employed by the Group for the options to be vested.

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

DIRECTORS

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1.1.2015	Lapsed during the year	Outstanding at 31.12.2015
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 – 30.4.2011	30.4.2011 – 24.8.2017	3.15	40,000	–	40,000
30.4.2009	1.5.2009 – 30.4.2012	30.4.2012 – 24.8.2017	3.15	40,000	(20,000)	20,000
				120,000	(20,000)	100,000
Exercisable as at 31 December				120,000		100,000

43. SHARE OPTIONS SCHEME *(Continued)*

EMPLOYEES

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1.1.2015 and 31.12.2015
30.4.2009	1.5.2009 – 30.4.2010	30.4.2010 – 24.8.2017	3.15	11,587,000
30.4.2009	1.5.2009 – 30.4.2011	30.4.2011 – 24.8.2017	3.15	17,128,000
30.4.2009	1.5.2009 – 30.4.2012	30.4.2012 – 24.8.2017	3.15	8,564,000
26.2.2011	27.2.2011 – 27.2.2012	27.2.2012 – 24.8.2017	6.604	21,960,000
26.2.2011	27.2.2011 – 27.2.2013	27.2.2013 – 24.8.2017	6.604	10,980,000
26.2.2011	27.2.2011 – 27.2.2014	27.2.2014 – 24.8.2017	6.604	10,980,000
4.2.2013	4. 2.2013 – 3.2.2014	4. 2.2014 – 24.8.2017	2.266	44,700,000
				125,899,000
Exercisable as at 31 December 2015				125,899,000
Exercisable as at 31 December 2014				125,899,000

CONSULTANTS

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1.1.2015 and 31.12.2015
30.4.2009	1.5.2009 – 30.4.2011	30.4.2011 – 24.8.2017	3.15	32,000
30.4.2009	1.5.2009 – 30.4.2012	30.4.2012 – 24.8.2017	3.15	16,000
26.2.2011	27.2.2011 – 27.2.2012	27.2.2012 – 24.8.2017	6.604	40,000
26.2.2011	27.2.2011 – 27.2.2013	27.2.2013 – 24.8.2017	6.604	20,000
26.2.2011	27.2.2011 – 27.2.2014	27.2.2014 – 24.8.2017	6.604	20,000
				128,000
Exercisable as at 31 December 2015				128,000
Exercisable as at 31 December 2014				128,000
Total as at 31 December 2015				126,127,000

No expense has been recognised for the year ended 31 December 2015. The Group recognised the expense of RMB5,990,000 for the year ended 31 December 2014 in relation to the share options granted by the Company.

43. SHARE OPTIONS SCHEME *(Continued)*

During the year ended 31 December 2014 and 2015, no share options have been exercised, forfeited, cancelled or lapsed under the Scheme.

EMPLOYEES' SHARE AWARD SCHEME

On 31 March 2014, the Company has adopted an employees' share award scheme (the "ESA Scheme") as an incentive to retain employees and to attract suitable talents for the continual operation and development of the Group. Under the ESA Scheme, a board committee established by the Board of Directors of the Company may, from time to time, at their absolute discretion, select any employee (including without limitation any executive director) of the Group, for participation in the ESA Scheme.

The total number of shares may be granted under the ESA Scheme is not permitted to exceed 79,982,881 shares, representing 3.91% of the issued share capital of the Company in issue at the date of adoption of the ESA Scheme, unless otherwise deterred by the Board of Director by written resolution.

No share was award under the ESA Scheme at the end of the reporting period or during the year ended 31 December 2015 (2014: nil).

44. RELATED PARTY TRANSACTIONS

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

Name of Company	Relationship	Nature of transaction	2015 RMB'000	2014 RMB'000
Mr. Xian Jilun	Father of Mr. Xian Yang	Rental payable by the Group	**600**	600
Yunnan Hidili	Joint venture	Sales of coal	**28**	7,648
Yunnan Huaihai	Associate	Purchase of mining machineries	**110**	6,060

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

44. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Short-term benefits	**21,723**	5,570
Post-employment benefits	**63**	74
Share-based payments	**–**	3,670
	21,786	9,314

45. 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 2015 and 2014, the Group had no significant obligation apart from the contribution as stated above.

46. EVENTS AFTER THE REPORTING PERIOD

(a) The Company has not repaid a long-term secured loan (the "Long-Term Loan") from an offshore bank (the "Offshore Bank") which fell due on 4 January 2016 and has not paid the accrued interest thereon. The principal amount outstanding and the interest accrued for the period from 20 October 2015 to 4 January 2016 under the Long Term Loan was approximately USD134 million and approximately USD0.66 million respectively. The Long-Term Loan was secured by a standby letter of credit of RMB858 million (the "Standby Letter of Credit") issued by an onshore bank (the "Onshore Bank"). As at the date of this announcement, the Offshore Bank has enforced their right over the Standby Letter of Credit to repay the outstanding principal.

Upon the enforcement of the Standby Letter of Credit by the Offshore Bank, the Onshore Bank has demanded a settlement of approximately RMB600 million (after deducting the security deposit of RMB258 million). The Company has been in discussions with the Onshore Bank regarding an extension of the settlement. There can be no assurance that any extension will in fact be obtained.

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

(b) On 19 January 2016, the Company received the Winding Up Petition.

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

Pursuant to the Termsheet, the Holders and the Onshore Lending Banks have agreed to standstill and not take action against the Company until 31 March 2017 to allow all parties to formulate the formal documentation and thereafter extend the standstill in accordance with the terms of the formal documentation. The Board of Directors of the Company expects to finalise the formal documentation in respect of the proposed restructuring by 30 June 2017 and seek approval in shareholders' meeting.

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.

(c) 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) on 15 April 2016.

Pursuant to the Writ, China Merchants Bank, Shenzhen Chegongmiao Branch ("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.

(d) A major incident occurred in Xileqing Mine, one of the integrated coal mines of the Company, in Guizhou Province on 24 November 2016 where 3 people were killed. Production of Xileqing Mine and Hongxing Mine, mine located in the same township, was suspended in coordinating the investigation on the incident with the relevant government authorities. The Company will by way of further announcements keep its shareholders and the public informed of any development regarding the resumption of production of Xileqing Mine and Hongxing Mine.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2015 and 2014 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	British Virgin Islands	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 Yanjiang Industry Co. Ltd.[(1)]	The PRC	RMB7,812,500	–	100%	Coal mining and development
Liupanshui Hidili Industry Co., Ltd.[(1)]	The PRC	RMB2,000,000,000	–	100%	Mine holding and development
Panxian Panyi Coal Preparation Co., Ltd.[(2)]	The PRC	RMB15,000,000	–	70%	Clean coal washing
Hidili (China) Coal Distribution Co., Ltd.[(2)]	The PRC	RMB1,310,933,000	–	100%	Sale of coal and coal products

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.

48. FINANCIAL INFORMATION OF THE COMPANY

STATEMENT OF FINANCIAL POSITION

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,211**	1,211
Amounts due from subsidiaries	**5,139,106**	5,156,397
	5,140,317	5,157,608
CURRENT ASSET		
Bank and cash balances	**9,408**	1,284
CURRENT LIABILITIES		
Accruals and other payables	**25,501**	16,845
Amounts due to subsidiaries	**710,107**	594,912
Senior notes	**1,258,844**	1,131,844
Convertible loan notes	**–**	7,504
Bank borrowings	**1,362,713**	94,239
	3,357,165	1,845,344
NET CURRENT LIABILITIES	**(3,347,757)**	(1,844,060)
	1,792,560	3,313,548
CAPITAL AND RESERVES		
Share capital	**197,506**	197,506
Reserves	**1,595,054**	1,842,600
	1,792,560	2,040,106
NON-CURRENT LIABILITY		
Bank borrowings	**–**	1,273,442
	1,792,560	3,313,548

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 February 2017.

FINANCIAL SUMMARY

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	**422,796**	719,872	790,296	1,923,599	2,861,532
(Loss) Profit attributable to owners of the Company	**(2,285,173)**	(1,422,951)	(424,697)	(147,396)	718,608

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Non-current assets	**10,895,370**	12,009,330	11,821,018	14,382,464	13,022,604
Current assets	**1,653,718**	2,088,216	3,283,757	3,347,554	2,796,583
Current liabilities	**(9,196,504)**	(5,545,060)	(6,285,092)	(8,073,800)	(3,045,934)
Non-current liabilities	**(40,075)**	(2,952,676)	(1,801,746)	(2,271,621)	(5,029,561)
Total equity	**3,312,509**	5,599,810	7,017,937	7,384,597	7,743,692
Minority interests	**(33,103)**	(35,231)	(36,397)	(99,800)	(182,834)
Equity attributable to owners of the Company	**3,279,406**	5,564,579	6,981,540	7,284,797	7,560,858

SEGMENT ANALYSIS

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover					
Coal mining	**421,435**	719,311	727,224	1,627,562	2,545,993
Coking (discontinued in 2013)	**–**	–	61,167	287,722	296,580
Others	**1,361**	561	1,905	8,315	18,959
Segment results					
Coal mining	**(1,404,297)**	(806,753)	569,824	705,398	1,361,362
Coking (discontinued in 2013)	**–**	–	(257,471)	93,799	144,611
Others	**32**	5	(4,710)	1,690	7,473

Hidili Industry International Development Limited