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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01393)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Change
	RMB'000	*RMB'000*	*%*
Revenue	**814,554**	370,702	119.7%
Gross Profit (Loss)	**132,963**	(49,805)	367.0%
Loss Before Tax	**(1,075,403)**	(999,694)	7.6%
Loss Attributable to the Owners of the Company	**(1,074,862)**	(999,801)	7.5%
Adjusted EBITDA	**88,486**	(575,647)	115.4%
Basic Loss per Share *(RMB cents)*	**(52.55)**	(48.88)	7.5%

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

The board (the "Board") of directors (the "Directors") of Hidili Industry International Development Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year"), which have been agreed by the auditors of the Company, together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2017 RMB'000	2016 RMB'000
Revenue	4	**814,554**	370,702
Cost of sales		**(681,591)**	(420,507)
Gross profit (loss)		**132,963**	(49,805)
Other income	5	**25,067**	28,463
Other gains and losses	6	**7,395**	(83,757)
Distribution expenses		**(70,611)**	(49,188)
Administrative expenses		**(198,669)**	(263,533)
Share of losses of associates		**–**	(4,035)
Share of loss of a joint venture		**(505,726)**	(231,066)
Finance costs	7	**(465,822)**	(346,773)
Loss before tax		**(1,075,403)**	(999,694)
Income tax expense	8	**(2,352)**	(403)
Loss and total comprehensive expense for the year	9	**(1,077,755)**	(1,000,097)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(1,074,862)**	(999,801)
Non-controlling interests		**(2,893)**	(296)
		(1,077,755)	(1,000,097)
Loss per share	11		
Basic *(RMB cents)*		**(52.55)**	(48.88)
Diluted *(RMB cents)*		**(52.55)**	(48.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2017** **RMB'000**	2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,194,312**	8,306,986
Prepaid lease payments		**27,371**	25,704
Interests in a joint venture		**1,572,802**	2,078,528
Available-for-sale investments		**18,000**	25,778
Long term deposits		**61,016**	59,601
Restricted bank deposits		**15**	31
		9,873,516	10,496,628
CURRENT ASSETS			
Inventories		**76,558**	47,889
Bills and trade receivables	*12(a)*	**91,472**	90,671
Bills receivables discounted with recourse	*12(b)*	**5,554**	–
Other receivables and prepayments		**340,635**	471,505
Amount due from a joint venture		**17,416**	27,123
Pledge bank deposits		**843**	1,276
Bank and cash balances		**22,554**	22,176
		555,032	660,640
CURRENT LIABILITIES			
Bills and trade payables	*13*	**398,085**	307,324
Advances drawn on bills receivables discounted with recourse		**5,554**	–
Accruals and other payables		**1,495,192**	1,254,979
Tax payables		**31,227**	46,410
Senior notes		**1,283,880**	1,363,025
Bank and other borrowings		**5,937,161**	5,834,460
		9,151,099	8,806,198
NET CURRENT LIABILITIES		**(8,596,067)**	(8,145,558)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,277,449**	2,351,070

	Notes	**2017**	2016
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**8,296**	7,412
Other long term payables		**6,361**	6,361
Finance lease payables		**20,110**	16,860
Deferred tax liabilities		**8,025**	8,025
		42,792	38,658
NET ASSETS		**1,234,657**	2,312,412
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**1,007,237**	2,082,099
Equity attributable to owners of the Company		**1,204,743**	2,279,605
Non-controlling interests		**29,914**	32,807
TOTAL EQUITY		**1,234,657**	2,312,412

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. IFRSs comprise International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior year.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Going concern assumption

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 RMB8,596,067,000 as at 31 December 2017 and incurred loss of approximately RMB1,077,755,000 for the year then ended.

During the year ended 31 December 2015, 2016 and 2017, the Group has breach 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; (ii) repayment of the outstanding principal and accrued interest of the US$400 million 8.625% senior notes due 2015 (the "Notes") of approximately USD191 million (equivalent to RMB1,284 million) which fell due on 4 November 2015 and (iii) repayment of a loan from a PRC bank which fell due on August 2016 with default interest payment of approximately RMB268 million. The aforesaid breaches constitute events of default under certain of the Group's loan facilities that contain cross-default provisions. In addition, certain other loan agreements of the Group provide that the lenders have the right to demand immediate repayment of any outstanding amount if the Group experiences material financial crises or other material adverse changes, the business of the Group deteriorates, or there occurs any event that could adversely affect lenders' interest or suggests the Group inability to repay any outstanding amount. Therefore, it is possible that the lenders to the Group could accelerate their loans as a result of breach of the other loans to the Group.

The Group intended to pursue a consensual restructuring with the holders of the Notes (the "Holders") (the "Debt Restructuring") and a steering committee of Holders (the "Steering Committee") has been formed in December 2015. On 19 January 2016, the Company received a winding up petition (the "Winding Up Petition") filed by a bondholder of the Notes with the High Court of Hong Kong against the Company for the outstanding principal and interest due to the bondholder under the Notes. On 11 March 2016, the Company provided Holders with the key indicative terms of a proposed restructuring of the Notes.

On 18 January 2017, the Company, the Steering Committee and a creditors committee of the onshore lending banks (the "Lending Banks") (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").

Regarding the execution of the Termsheet, the Holders and the 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 hearing of the Amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed not earlier than April 2018.

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 implemented a number of measures, including but not limited to:

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

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

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

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

In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, and the management 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 mentioned above to improve its operating results and cash flows, the Directors of the Company believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

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

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

The Group's principal activities are as follows:

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

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

Segments revenues and results

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

For the year ended 31 December 2017

	Coal mining	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
REVENUE			
External	**814,554**	**–**	**814,554**
RESULTS			
Segment loss	**(15,871)**	**–**	**(15,871)**
Other income, gains and losses			**110,685**
Administrative expenses			**(198,669)**
Share of loss of a joint venture			**(505,726)**
Finance costs			**(465,822)**
Loss before tax			**(1,075,403)**

For the year ended 31 December 2016

	Coal mining *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE			
External	370,649	53	370,702
RESULTS			
Segment (loss) profit	(64,030)	1	(64,029)
Other income, gains and losses			(90,258)
Administrative expenses			(263,533)
Share of losses of associates			(4,035)
Share of loss of a joint venture			(231,066)
Finance costs			(346,773)
Loss before tax			(999,694)

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

5. OTHER INCOME

	2017 ***RMB'000***	2016 *RMB'000*
Bank interest income	**891**	1,010
Government grant *(note)*	**20,380**	25,826
Others	**3,796**	1,627
	25,067	28,463

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

6. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Impairment loss on property, plant and equipment	**(29,050)**	–
(Allowance for)/Reversal of allowance for impairment loss recognised on trade receivables	**(63,729)**	14,415
Gain on disposal of property, plant and equipment	**8,822**	62,576
Loss on disposal of associates	**–**	(5,683)
Reversal of impairment loss/(Impairment loss) on inventories	**5,734**	(36,344)
Gain/(Loss) on disposal of available-for-sale investment	**5,789**	(63)
Net exchange gain/(loss)	**79,829**	(118,658)
	7,395	(83,757)

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**462,431**	370,168
– advances drawn on bills receivable discounted	**6,000**	3,835
	468,431	374,003
Less: Interest capitalised in construction in progress	**(4,920)**	(27,230)
	463,511	346,773
Finance lease charges	**2,311**	–
	465,822	346,773

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**–**	–
Underprovision in prior years	**2,352**	403
Income tax expense for the year	**2,352**	403

Under the Law of 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 2017 and 2016.

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

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

9. LOSS FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**102**	1,672
Provision for restoration and environmental costs	**884**	562
Depreciation and amortisation of property, plant and equipment	**114,186**	90,017

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2017 and 2016 or since the end of the reporting period.

11. LOSS PER SHARE

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

Loss

	2017	2016
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**1,074,862**	999,801

Number of shares

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic 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 2017 and 2016.

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

(a) Bills and trade receivables

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**284,943**	223,115
Less: allowance for doubtful debts	**(197,673)**	(133,944)
	87,270	89,171
Bills receivables	**4,202**	1,500
	91,472	90,671

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

	2017	2016
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**90,972**	8,978
91 – 120 days	**498**	39,818
121 – 180 days	**2**	25,430
181 – 365 days	**–**	16,445
	91,472	90,671

(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 recourse is as follows:

	2017	2016
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**5,554**	–

13. BILLS AND TRADE PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**49,770**	112,773
91 – 180 days	**28,600**	18,622
181 – 365 days	**203,105**	20,184
Over 365 days	**116,610**	155,745
	398,085	307,324

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

14. CAPITAL COMMITMENTS

	2017	2016
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**383,096**	320,594

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

	2017	2016
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**135,171**	135,171

15. PROPERTY, PLANT AND EQUIPMENT

Pursuant to Notices issued by Panzhihua Government and Liupanshui Government in October 2013 and September 2013, respectively (collectively "Mine Restructuring Plans"), Panzhihua Government and Liupanshui Government had formulated mines restructuring plans to improve productivity and safety of coal mining operations. The Group's mines located in Guizhou province and Sichuan province with carrying amounts as at 31 December 2017 of approximately RMB7,216 million (2016: approximately RMB7,317 million), which including mining structures and mining rights and construction in progress, are subject to the mines restructuring scheme and hence have to comply with the Mines Restructuring Plans.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2017.

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 RMB8,194,312,000 and RMB8,306,986,000 in the consolidated statement of financial position as at 31 December 2017 and 31 December 2016 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 RMB29,050,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2017, 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 RMB1,572,802,000 and RMB2,078,528,000 in the consolidated statement of financial position as at 31 December 2017 and 31 December 2016 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 RMB505,726,000 and RMB231,066,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 respectively, or for the year ended before.

Any adjustments to the above figures might have a significant consequential effect on the consolidated financial performance for the year ended 31 December 2017 and 2016 and the financial positions as at 31 December 2017 and 2016.

3. Going concern

We draw attention to note 3 to the consolidated financial statements which mentions that the Group incurred a loss of RMB1,077,755,000 for the year ended 31 December 2017 and as at 31 December 2017 the Group had net current liabilities of RMB8,596,067,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful completion of various debt restructuring measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to complete various debt restructuring measures and the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to (i) the successful completion of various debt restructuring measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the year, revenue of the Group amounted to approximately RMB814.6 million, representing a significant increase of approximately 119.7%, as compared with approximately RMB370.7 million in 2016. The increase was primarily attributable to the increase in both sales volumes and average selling prices (net of value added tax) of clean coal, by-products and raw coal. The sales volume recorded for clean coal for the Year amounted to approximately 404,000 tonnes as compared to approximately 205,000 tonnes in 2016, representing an increase of approximately 97.1%. The average selling price for the Year for clean coal increased from RMB632.0 per tonne in 2016 to RMB986.0 per tonne, representing an increase of 56.0%. On the other hand, sales of raw coal continued to be a major contribution to the Company's revenue and amounted to approximately RMB347.3 million, representing an increase of approximately 59.9% as compared to approximate RMB217.2 million in 2016.

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 2016:

	2017			2016		
	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	**398,541**	**404.2**	**986.0**	129,311	204.6	632.0
By-products						
High-ash thermal coal	**68,665**	**274.6**	**250.1**	22,935	109.7	209.1
Other products						
Raw coal	**347,278**	**1,032.5**	**336.3**	217,156	863.8	251.4
Others	**70**			1,300		
Other products total	**347,348**			218,456		
Total turnover	**814,554**			370,702		

Cost of sales

Cost of sales for the Year was approximately RMB681.6 million, representing an increase of approximately RMB261.1 million or 62.1%, as compared with approximately RMB420.5 million in 2016. During the Year, the Company's coal mines located in Sichuan and Guizhou provinces originally affected by the coal mine consolidation have gradually resumed normal production. Accordingly, the production volume of raw coal increased from approximately 1,360,000 tonnes in 2016 to 2,013,000 tonnes in the Year and, the clean coal production volume increased from approximately 219,000 tonnes in 2016 to approximately 414,000 tonnes in the Year, representing increase of approximately 48.0% and 89.0% respectively. During the Year, more raw coal was arranged for sale instead of further processing to clean coal as the collection of sale proceed from raw coal was relatively quicker than clean coal.

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			
	2017	**2017**	2016	2016
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**604**	**164**	470	170
Guizhou	**1,409**	**250**	890	49
	2,013	**414**	1,360	219
Purchase volume	**81**	74	–	–

Material, fuel and power costs for the Year were approximately RMB241.4 million, representing an increase of approximately RMB78.8 million, or approximately 48.5%, as compared with approximately RMB162.6 million in 2016. The increase was in line with the increase in production volume of raw coal and clean coal.

Staff costs for the Year were approximately RMB281.4 million, representing an increase of approximately RMB109.8 million or 64.0%, as compared to approximately RMB171.6 million in 2016. The increase in staff costs was mainly attributable to the increase in headcount for the increasing production volume of raw coal and additional manpower incurred in the detailed inspection and minor development of coal mines before resumption of production.

Depreciation and amortisation for the Year were approximately RMB77.5 million, representing an increase of approximately RMB29.7 million, or approximately 62.1%, as compared with approximately RMB47.8 million in 2016. The increase was in line with the increase in production volume of raw coal and clean coal.

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

	2017	2016
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**246**	256
Depreciation and amortisation	**38**	36
Total raw coal production cost	**284**	292
Purchase cost of raw coal	**355**	–
Average cost of clean coal	**790**	731
Purchase cost of clean coal	**699**	–

Gross profit (loss)

As a result of the foregoing, the Company reported a gross profit of approximately RMB133.0 million for the Year, representing an increase of approximately RMB182.8 million or approximately 367.1%, as compared to the gross loss of approximately RMB49.8 million in 2016. The gross profit margin was approximately 16.3% as compared with approximately -13.4% in 2016.

Other income

Other income for the Year amounted to approximately RMB25.1 million, representing a decrease of approximately RMB3.4 million or approximately 11.9%, as compared with approximately RMB28.5 million in 2016. The decrease was mainly attributable to the decrease in government grant from approximately RMB25.8 million in 2016 to RMB20.4 million for the Year.

Other gains and losses

An aggregate gain for the Year amounted to approximately RMB7.4 million, representing an increase of approximately RMB91.2 million or approximately 108.8%, as compared to an aggregate loss of approximately RMB83.8 million in 2016. The increase was mainly attributable to the increase in net exchange gain of approximately RMB198.5 million but off set by: (i) impairment loss recognised on property, plant and equipment of approximately RMB29.1 million for the Year and (ii) an increase in allowance for impairment loss recognised on trade receivable of approximately RMB78.1 million during the Year .

Distribution expenses

Distribution expenses for the Year were approximately RMB70.6 million, representing an increase of approximately RMB21.4 million or approximately 43.5%, as compared to approximately RMB49.2 million in 2016. The increase was in line with the increase in sales volume of both clean coal and raw coal for the Year.

Administrative expenses

Administrative expenses for the Year were approximately RMB198.7 million, representing a decrease of approximately RMB64.8 million, or approximately 24.6%, as compared with approximately RMB263.5 million in 2016. The decrease in administrative expenses mainly contributed to the decrease in the compensation and restoration costs of approximately RMB103.0 million payable to contractors in relation to the closure of coal mines under the consolidation in 2016 but off set by the increase in legal and professional expenses payable to professional parties of approximately RMB41.0 million.

Finance costs

Finance costs for the Year amounted to approximately RMB465.8 million, representing an increase of approximately RMB119.0 million or approximately 34.3%, as compared with approximately RMB346.8 million in 2016. The increase was mainly attributable to underprovision in prior years.

Income tax expense

Income tax expense, representing underprovision in prior years, of approximately RMB2.4 million was recorded during the year as compared to approximately RMB0.4 million in 2016. 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 RMB1,077.8 million, representing an increase of approximately RMB77.7 million or approximately 7.8%, as compared with approximately RMB1,000.1 million in 2016.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was 10.9% for the Year as compared with -155.3% in 2016.

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(1,075,403)**	(999,694)
Adjusted for:		
– Impairment loss on property, plant and equipment	**29,050**	–
– Share of loss in a joint venture	**500,000**	–
– Allowance for/(Reversal of allowance for) impairment loss recognised on trade receivables	**63,729**	(14,415)
	(482,624)	(1,014,109)
Finance costs	**456,822**	346,773
Depreciation and amortisation	**114,288**	91,689
Adjusted EBITDA	**88,486**	(575,647)

Liquidity, financial resources and capital structure

As at 31 December 2017, the Group incurred net current liabilities of approximately RMB8,596.1 million as compared to approximately RMB8,145.6 million at 31 December 2016.

As at 31 December 2017, the bank balances and cash of the Group amounted to approximately RMB22.6 million (2016: approximately RMB22.2 million).

As at 31 December 2017, the total bank and other borrowings repayable within one year of the Group were approximately RMB5,937.2 million. As at 31 December 2017, loans amounting to RMB3,204.1 million carry interest at a fixed rate of ranging from 3.00% to 11.50% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 5.70% per annum.

The gearing ratio (calculate as the aggregate of total bank and other borrowings and senior notes divided by total assets) of the Group as at 31 December 2017 was 69.2% (2016: 64.5%).

Restructuring

(a) On 30 October 2015, the Company announced that it would not be in a position to pay the principal amount of, or the accrued but unpaid interest on, the Notes on the maturity date, i.e. 4 November 2015. The aggregate amount due and payable to the Holders amounted to approximately US$190.6 million. On the same day, the Company announced that it had appointed UBS AG Hong Kong Branch as financial advisor to the Company for the purposes of providing advice with respect to the potential restructuring of the Notes.

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

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

(d) On 19 January 2016, the Company received 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 ("2016 Writ") issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院).

(g) On 26 April 2016, the Company held a meeting with all the Lending Banks. Following initial discussion with the 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 1 June 2017, both of Sichuan Haohang Trading Company Limited ("Sichuan Haohang"), a wholly owned subsidiary of the Company and Sichuan Hidili Industry Co., Ltd. ("Sichuan Hidili"), a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons ("2017 Writ") issued by the Higher People's Court of Sichuan Province of the People's Republic of China (四川省高級人民法院).

(k) On 17 November 2017, the hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed not earlier than April 2018.

Pledge of assets of the Group

As at 31 December 2017, the Group pledged assets in an aggregate amount of approximately RMB3,544 million (2016: RMB3,204 million) to banks for credit facilities.

As at 31 December 2016, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,287 million (2016: RMB2,800 million).

Employees

As at 31 December 2017, the number of employees of the Group reached 4,916 as compared to 3,856 employees at 31 December 2016, mainly representing increase in headcount for coal mining. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) was amounted to approximately RMB304.0 million (2016: RMB259.6 million).

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

Final dividend

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

Risk in foreign exchange

Since all of the Group's business activities are transacted in RMB, the Directors of the Company consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balances of approximately USD0.8 million and HKD0.2 million.

Significant investment held

The Group had invested in unlisted investments of RMB18.0 million representing 15%, equity interest in an entity established in PRC respectively. The principal activities of the investees are manufacture of mining machinery, provision of trading coal products services.

Material acquisition and disposal

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

Contingent liabilities

(a) On 19 January 2016, the Company received a Winding Up Petition filed by a bondholder of the Notes with the Court against the Company for the outstanding principal and interest due to the bondholder under the Notes. The hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed not earlier than April 2018.

(b) Hidili China, a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the 2016 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 2016 Writ, China Merchants Bank, Shenzhen Chegongmiao Branch ("2016 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, a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The 2016 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 2016 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.

(c) Both of Sichuan Haohang and Sichuan Hidili received the 2017 Writ issued by the Higher People's Court of Sichuan Province of the People's Republic of China (四川省高級人民法院) on 1 June 2017.

Pursuant to the 2017 Writ, Chengdu Branch of Shanghai Pudong Development Bank ("2017 Plaintiff") filed a civil complaint against (i) Sichuan Haohang, (ii) Sichuan Hidili, (iii) Liupanshui Hidili and (iv) Hidili China in respect of a loan agreement dispute case. The 2017 Plaintiff claimed against Sichuan Haohang and Sichuan Hidili for relief, among others, the outstanding principal amount as of 25 August 2016 and the default interest payment (calculated as at 18 April 2017) of approximately RMB134 million and RMB134 million respectively under the Agreement of Establishing Bank Promissory Note Business entered into between the 2017 Plaintiff and Sichuan Haohang and Sichuan Hidili on 25 February 2016 where Liupanshui Hidili pledged certain assets and mining rights and Hidili China acted as guarantor.

As in the opinion of the legal advisor of the Company, 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 2017, the Group did not have any material contingent liabilities.

Connected transaction

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

Save as disclosed above, as at 31 December 2017, the Group did not have any material connected transaction.

OUTLOOK

During the Year, as the coal mines affected by the coal mine consolidation in Sichuan province and Guizhou province gradually resumed normal production, the Company saw a sign of recovery. Its production volume of raw coal increased to approximately 2,013,000 tonnes, an increase of approximately 48.0% as compared with 1,360,000 tonnes in 2016. Meanwhile, the turnover of the Group also increased to approximately RMB814.6 million, an increase of approximately 119.7% as compared with approximately RMB370.7 million in 2016, which was due to the increase in the sales volumes and average selling prices of principal products. As a result, a gross profit of approximately RMB133.0 million was recorded and adjusted EBITDA of approximately RMB88.5 million was achieved. The Company believes that the gradually increasing production capacity of its coal mines will help to further reduce its operating cost and strengthen its working capital.

In respect of debt restructuring, the Company, the Steering Committee and the Onshore Creditors Committee continued to negotiate based on the framework of the Termsheet in relation to the proposed restructuring entered into on 18 January 2017. Basically, certain outstanding Notes, onshore debts and other payables will be converted into newly issued ordinary shares of the Company. The remaining balances of the indebtedness will be extended to a further terms of three to five years. Currently, the Company is working closely with the onshore and offshore creditors together with the professionals to strive to finalise the detailed terms of the debt restructuring as soon as possible, and prepare the formal documentation for approval in shareholders' meeting. Upon the completion of the restructuring, the Company believes that it will have a healthy financial position and sustainable cashflow for operation and development.

OTHER INFORMATION

Audit committee

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

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

The audit committee has reviewed together with the management the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017.

Corporate governance

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

Model code for securities transactions by the Directors

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

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

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

Hong Kong
29 March 2018

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