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 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change
	RMB'000	*RMB'000*	*%*
Revenue	**370,702**	422,796	(12.3%)
Gross (Loss) Profit	**(49,805)**	1,472	N/A
Loss Before Tax	**(999,694)**	(2,349,199)	(57.4%)
Loss Attributable to the Owners of the Company	**(999,801)**	(2,285,173)	(56.2%)
EBITDA	**(561,232)**	(775,282)	(27.6%)
Basic Loss per Share *(RMB cents)*	**(48.88)**	(111.71)	(56.2%)

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 2016 (the "Year"), which have been agreed by the auditors of the Company together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 RMB'000	2015 RMB'000
Revenue	4	**370,702**	422,796
Cost of sales		**(420,507)**	(421,324)
Gross (loss) profit		**(49,805)**	1,472
Other income	5	**28,463**	45,552
Other gains and losses	6	**(83,757)**	(1,536,513)
Distribution expenses		**(49,188)**	(50,825)
Administrative expenses		**(263,533)**	(271,931)
Share of losses of associates		**(4,035)**	(6,591)
Share of loss of a joint venture		**(231,066)**	(59,393)
Finance costs	7	**(346,773)**	(470,970)
Loss before tax		**(999,694)**	(2,349,199)
Income tax (expense)/credit	8	**(403)**	61,898
Loss and total comprehensive expense for the year		**(1,000,097)**	(2,287,301)
Loss and total comprehensive expenses for the year attributable to:			
Owners of the Company		**(999,801)**	(2,285,173)
Non-controlling interests		**(296)**	(2,128)
		(1,000,097)	(2,287,301)
Loss per share	11		
Basic *(RMB cents)*		**(48.88)**	(111.71)
Diluted *(RMB cents)*		**(48.88)**	(111.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,306,986**	8,248,722
Prepaid lease payments		**25,704**	83,617
Interests in a joint venture		**2,078,528**	2,309,594
Interests in associates		**–**	43,330
Available-for-sale investments		**25,778**	30,778
Long-term deposits		**59,601**	169,009
Restricted bank deposits		**31**	10,320
		10,496,628	10,895,370
CURRENT ASSETS			
Inventories		**47,889**	115,671
Bills and trade receivables	*12(a)*	**90,671**	109,697
Bills receivables discounted with recourse	*12(b)*	**–**	9,000
Other receivables and prepayments		**471,505**	588,491
Amount due from a joint venture		**27,123**	34,417
Pledged bank deposits		**1,276**	778,762
Bank and cash balances		**22,176**	17,680
		660,640	1,653,718
CURRENT LIABILITIES			
Bills and trade payables	*13*	**307,324**	578,985
Advances drawn on bills receivables discounted with recourse		**–**	9,000
Accruals and other payables		**1,254,979**	935,314
Amount due to an associate		**–**	23,777
Tax payables		**46,410**	39,687
Senior notes		**1,363,025**	1,258,844
Bank and other borrowings		**5,834,460**	6,350,897
		8,806,198	9,196,504
NET CURRENT LIABILITIES		**(8,145,558)**	(7,542,786)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,351,070**	3,352,584

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**7,412**	6,850
Other long-term payables		**6,361**	25,200
Finance lease payables		**16,860**	–
Deferred tax liabilities		**8,025**	8,025
		38,658	40,075
NET ASSETS		**2,312,412**	3,312,509
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**2,082,099**	3,081,900
Equity attributable to owners of the Company		**2,279,605**	3,279,406
Non-controlling interests		**32,807**	33,103
TOTAL EQUITY		**2,312,412**	3,312,509

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

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. 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 preparing the consolidated financial statements, the Directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of approximately RMB8,145,558,000 as at 31 December 2016 and incurred loss of approximately RMB1,000,097,000 for the year then ended.

During the year ended 31 December 2015, 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; and (ii) repayment of senior notes due 2015 (the "Notes") of approximately USD191 million (equivalent to RMB1,259 million) which fell due on 4 November 2015. The aforesaid breaches constitute events of default under certain of the Group's loan facilities that contain cross-default provisions. In addition, certain other loan agreements of the Group provide that the lenders have the right to demand immediate repayment of any outstanding amount if the Group experiences material financial crises or other material adverse changes, the business of the Group deteriorates, or there occurs any event that could adversely affect lenders' interest or suggests the Group inability to repay any outstanding amount. Therefore, it is possible that the lenders to the Group could accelerate their loans as a result of breach of the other loans to the Group.

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 8.625% 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 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 Board expects to finalise the formal documentation by 30 June 2017 to seeking 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.

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 Company;

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

In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, and the management 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 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 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.

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 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)**

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)

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.

5. OTHER INCOME

	2016 ***RMB'000***	2015 *RMB'000*
Bank interest income	**1,010**	15,964
Government grant *(note)*	**25,826**	26,410
Others	**1,627**	3,178
	28,463	45,552

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 the closed mines were fully impaired in previous years.

6. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Net impairment loss recognised on		
– trade receivables	**–**	(61,047)
– other receivables	**–**	(98,032)
– long term deposits	**–**	(103,893)
Net impairment loss recognised on financial assets	**–**	(262,972)
Reversal of impairment of trade receivables	**14,415**	–
Write off of prepayments	**–**	(37,676)
Loss on disposal of a subsidiary	**–**	(3,358)
Impairment loss recognised on property, plant and equipment	**–**	(886,636)
Impairment loss recognised on intangible assets	**–**	(130,065)
Impairment loss recognised on inventories	**(36,344)**	(32,140)
Gain/(loss) on disposal of property, plant and equipment	**62,576**	(2,065)
Loss on disposal of associates	**(5,683)**	–
Impairment loss recognised on an available-for-sale investment	**–**	(3,000)
Net exchange loss	**(118,658)**	(153,601)
Loss on disposal of an available-for-sale investment	**(63)**	(25,000)
	(83,757)	(1,536,513)

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**370,168**	403,470
– advances drawn on bills receivable discounted	**3,835**	6,152
– convertible loan notes	**–**	24
– senior notes	**–**	97,390
	374,003	507,036
Less: over-provision of interest expenses of convertible loan notes in prior year	**–**	(657)
Less: Interest capitalised in construction in progress	**(27,230)**	(35,409)
	346,773	470,970

8. INCOME TAX EXPENSE/(CREDIT)

	2016 *RMB'000*	2015 *RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	–	64
Underprovision in prior years	**403**	6,892
	403	6,956
Deferred taxation	–	(68,854)
Income tax expenses/(credit) for the year	**403**	(61,898)

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 2016 and 2015.

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.

9. LOSS FOR THE YEAR

	2016 *RMB'000*	2015 *RMB'000*
Loss for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,672**	1,871
Amortisation of intangible assets	–	5,029
Provision for restoration and environmental costs	**562**	445
Depreciation and amortisation of property, plant and equipment	**90,017**	92,988

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2016 and 2015 or since the end of the reporting period.

11. 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

	2016	2015
	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)	**999,801**	2,285,173

Number of shares

	2016	2015
	'000	*'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 2016 and 2015.

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

(a) Bills and trade receivables

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**223,115**	257,556
Less: allowance for doubtful debts	**(133,944)**	(148,359)
	89,171	109,197
Bills receivables	**1,500**	500
	90,671	109,697

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:

	2016	2015
	RMB'000	*RMB'000*
Aged:		
0 -90 days	**8,978**	44,119
91 – 120 days	**39,818**	1,380
121 – 180 days	**25,430**	14,950
181 – 365 days	**16,445**	49,248
	90,671	109,697

(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:

	2016	2015
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**–**	9,000

13. BILLS AND TRADE PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Aged:		
0 -90 days	**112,773**	341,067
91 – 180 days	**18,622**	63,596
181 – 365 days	**20,184**	40,715
Over 365 days	**155,745**	133,607
	307,324	578,985

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

	2016	2015
	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	**320,594**	269,415

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

	2016	2015
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**135,171**	135,184

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 2016 of approximately RMB7,317 million (2015: approximately RMB7,373 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 2016.

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 RMB8,306,986,000 and RMB8,248,722,000 in the consolidated statement of financial position as at 31 December 2016 and 31 December 2015 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 were properly accounted for in the consolidated financial statements for the year ended 31 December 2015 respectively, or for the year ended before.

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

No sufficient evidence has been provided to satisfy ourselves as to the valuation of interest in a joint venture of approximately RMB2,078,528,000 and RMB2,309,594,000 in the consolidated statement of financial position as at 31 December 2016 and 31 December 2015 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 RMB231,066,000 and RMB59,393,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016 and 31 December 2015 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 2016 and 2015 and the consolidated financial position as at 31 December 2016 and 2015.

3. *Going concern*

We draw attention to note to the consolidated financial statements which mentions that the Group incurred a loss of RMB1,000,097,000 for the year ended 31 December 2016 and as at 31 December 2016 the Group had net current liabilities of RMB8,145,558,000. 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

Turnover

During the Year, turnover of the Group amounted to approximately RMB370.7 million, representing a decrease of approximately 12.3%, as compared with approximately RMB422.8 million in 2015. The decrease was primarily attributable to the decrease in sales volumes and average selling prices (net of value added tax) of clean coal. The sales volume recorded for clean coal for the Year amounted to approximately 205,000 tonnes as compared to approximately 429,000 tonnes in 2015, representing a decrease of approximately 52.2%. The average selling price for the Year for clean coal decreased from RMB674.2 per tonne in 2015 to RMB632.0 per tonne for the Year, representing a decrease of 6.3%. On the other hand, sales of raw coal increased from approximately RMB104.7 million in 2015 to approximately RMB217.2 million, representing an increase of 107.4%.

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 2015:

	2016			2015		
	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	**129,311**	**204.6**	**632.0**	289,042	428.7	674.2
By-products						
High-ash thermal coal	**22,935**	**109.7**	**209.1**	21,296	78.2	272.3
Other products						
Raw coal	**217,156**	**863.8**	**251.4**	104,725	353.6	296.2
Others	**1,300**			7,733		
Other products total	**218,456**			112,458		
Total turnover	**370,702**			422,796		

Cost of sales

Cost of sales for the Year was approximately RMB420.5 million, representing similar level, as compared with approximately RMB421.3 million in 2015. During the Year, the Group still kept a low level of production under the suspension arising from the coal mine consolidation in Sichuan and Guizhou provinces and the production volume of raw coal increased from approximately 1,032,000 tonnes in 2015 to 1,360,000 tonnes in the Year. Also, the clean coal production volume slightly decreased from approximately 223,000 tonnes in 2015 to approximately 219,000 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.

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			
	2016	**2016**	2015	2015
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**470**	**170**	306	120
Guizhou	**890**	**49**	726	103
	1,360	**219**	1,032	223
Purchase volume	**–**	**–**	5	256

Material, fuel and power costs for the Year were approximately RMB162.6 million, representing a decrease of approximately RMB86.4 million, or approximately 34.7%, as compared with approximately RMB249.0 million in 2015. Single out the purchase cost of raw coal and clean coal in 2015 of approximately RMB187.9 million, the material, fuel and power costs led a significant increase during the Year. Since certain coal mines required detailed inspection and minor development before resumption of production, it resulted in additional material, fuel and power costs for the Year.

Staff costs for the Year were approximately RMB171.6 million, representing an increase of approximately RMB58.7 million or 52.0%, as compared to approximately RMB112.9 million in 2015. The increase in staff costs was mainly attributable to the increase in 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 amortization for the Year were approximately RMB47.8 million, representing an increase of approximately RMB6.2 million, or approximately 14.9%, as compared with approximately RMB41.6 million in 2015. The increase was in line with the increase in production volume of raw coal.

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

	2016	2015
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**256**	186
Depreciation and amortisation	**36**	41
Total raw coal production cost	**292**	227
Purchase cost of raw coal	**–**	293
Average cost of clean coal	**731**	736
Purchase cost of clean coal	**–**	723

Gross loss (profit)

As a result of the foregoing, the Company incurred a gross loss for the Year of approximately RMB49.8 million, representing a decrease of approximately RMB51.3 million, as compared with a gross profit of approximately RMB1.5 million in 2015. The gross profit margin was approximately -13.4% as compared with approximately 0.4% in 2015.

Other income

Other income for the Year amounted to approximately RMB28.5 million, representing a decrease of approximately RMB17.1 million or approximately 37.5%, as compared with approximately RMB45.6 million in 2015. The decrease was mainly attributable to the decrease in bank interest income from approximately RMB16.0 million in 2015 to RMB1.0 million for the Year.

Other gains and losses

Other losses for the Year amounted to approximately RMB83.8 million, representing a decrease of approximately RMB1,452.7 million or 94.5%, as compared to approximately RMB1,536.5 million in 2015. The decrease was substantially arisen from (i) nil impairment losses recognised on financial assets, property, plant and equipment, and intangible assets as compared to aggregate impairment losses recognised in 2015 of approximately RMB1,279.7 million, (ii) the decrease in exchange loss of approximately RMB34.9 million and (iii) gain on disposal of property, plant and equipment for the Year of approximately RMB62.6 million.

Distribution expenses

Distribution expenses for the Year were approximately RMB49.2 million, representing a decrease of approximately RMB1.6 million or approximately 3.1%, as compared to approximately RMB50.8 million in 2015. During the Year, the Company conducted less shipment of clean coal outside Sichuan and Guizhou province but delivered more raw coal to those customers within Sichuan and Guizhou province. As a result, distribution expenses kept at similar level as 2015.

Administrative expenses

Administrative expenses for the Year were approximately RMB263.5 million, representing a decrease of approximately RMB8.4 million, or approximately 3.1%, as compared with approximately RMB271.9 million in 2015. The decrease in administrative expenses mainly contributed to the decrease in spending in legal and professional expenses of approximately RMB30.0 million and further cost saving of approximately RMB61.4 million in relation to staff costs and office expense resulting from streamline of operation units and management structure but off set by the compensation and restoration costs of approximately RMB103.0 million payable to contractors in relation to the closure of coal mines under the consolidation.

Finance costs

Finance costs for the Year amounted to approximately RMB346.8 million, representing a decrease of approximately RMB124.2 million or approximately 26.4%, as compared with approximately RMB471.0 million in 2015. The decrease was mainly attributable to the decrease in interests payable to bank and other borrowings and senior notes of approximately RMB33.3 million and RMB97.4 million respectively but off set by the decrease in capitalised in construction in progress of approximately RMB8.2 million.

Taxation

Income tax expense of approximately RMB0.4 million was recorded during the year as compared to approximately RMB61.9 million income tax credit in 2015. The amount of income tax expense represented EIT of approximately RMB0.4 million. The decrease in tax credit was mainly attributable to the deferred taxation adjustment recorded in 2015 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 RMB1,000.0 million, representing a decrease of approximately RMB1,287.3 million or approximately 56.3%, as compared with approximately RMB2,287.3 million in 2015.

EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was -151.4% for the Year as compared with -183.4% in 2015.

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(999,694)**	(2,349,199)
Adjusted for:		
– Loss on disposal of subsidiaries	**–**	3,358
– Impairment on property, plant and equipment	**–**	866,636
– Impairment on an available-for-sale investment	**–**	3,000
– Impairment loss recognised on intangible assets	**–**	130,065
	(999,694)	(1,346,140)
Finance costs	**346,773**	470,970
Depreciation and amortisation	**91,689**	99,888
Adjusted EBITDA	**(561,232)**	(775,282)

Liquidity, financial resources and capital structure

As at 31 December 2016, the Group incurred net current liabilities of approximately RMB8,145.6 million as compared to approximately RMB7,542.8 million at 31 December 2015.

As at 31 December 2016, the bank balances and cash of the Group amounted to approximately RMB22.2 million (2015: approximately RMB17.7 million).

As at 31 December 2016, the total bank and other borrowings repayable within one year of the Group were approximately RMB5,834.5 million. As at 31 December 2016, loans amounting to RMB1,717.4 million carry interest at a fixed rate of ranging from 5.97% to 12.00% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 5.95% 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 2016 was 64.5% (2015: 60.6%).

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 US$400 million 8.625% senior notes due 2015 (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").

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

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

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

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

(g) On 26 April 2016, the Company held a meeting with all the PRC banks (the "Onshore Lending Banks"). Following initial discussion with 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 2016, the Group pledged assets in an aggregate amount of approximately RMB3,204 million (2015: RMB4,199 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 RMB2,800 million (2015: RMB2,141 million).

Employees

As at 31 December 2016, the number of employees from continuing operation of the Group reached 3,856 as compared to 5,058 employees at 31 December 2015, 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 RMB259.6 million (2015: RMB204.7 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 USD2.3 million and HKD0.2 million.

Significant investment held

The Group had invested in unlisted investments of RMB25.8 million representing 15% and 1.24% equity interest in two entities established in PRC respectively. The principal activities of the investees are manufacture of mining machinery, provision of trading coal products services and manufacture of lithium salt products respectively.

Material acquisition and disposal

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

Contingent liabilities

(a) On 19 January 2016, the Company received a Winding Up Petition. 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 ("Plaintiff") filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. ("Liupanshui Hidili"), a wholly owned subsidiary of the Company. (iii) Panxian Xileqing Coal Industry Co., Ltd. ("Panxian Xileqing"), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili Industry Co., Ltd. ("Sichuan Hidili"), a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The Plaintiff claims against Hidili China for relief, among others, the outstanding principal amount and the default interest payment of approximately RMB576 million as of 20 January 2016 under the security agreement entered into between Plaintiff and Hidili China on 13 January 2013 where Liupanshui Hidili and Panxian Xileqing acted as guarantors and Liupanshui Hidili, Panxian Xileqing and Sichuan Hidili pledged certain assets and mining rights.

As advised by the Company's legal advisor, 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 2016, 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 2016, the Group did not have any material connected transaction.

OUTLOOK

Going through over year of negotiations with onshore and offshore creditors, the Company, the Steering Committee and the Onshore Creditors Committee have entered into a term sheet in relation to the proposed restructuring 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. Recently, the Company is working closely with the onshore and offshore creditors together with the professionals to finalise 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 2016.

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 2016.

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

Hong Kong
31 March 2017

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