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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: 1393)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Audited)	
Revenue	**1,194,557**	1,072,199	11.4%
Gross Profit	**342,317**	251,431	36.1%
Loss Before Tax	**(269,344)**	(399,655)	(32.6%)
Loss Attributable to the Owners of the Company	**(253,743)**	(413,506)	(38.6%)
Adjusted EBITDA	**300,094**	137,968	117.5%
Basic Loss per Share (RMB cents)	**(12.40)**	(20.21)	(38.6%)

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

Due to the recent epidemic of the COVID-19 and the curbing and quarantine policies adopted and/or implemented by the Chinese government, ZHONGHUI ANDA CPA Limited, the auditor of the Company, encountered significant practical difficulties in compiling its report as it was unable to perform audit work on schedule. Accordingly, it was unable to complete the audit of the Group's annual results for the year ended December 31, 2019 by 31 March, 2020 in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the reasons explained above, the unaudited annual results contained herein have not yet been agreed with the Company's auditor. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

The board (the "Board") of directors (the "Directors") of Hidili Industry International Development Limited (the "Company") is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Year") together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*4*	**1,194,557**	1,072,199
Cost of sales		**(852,240)**	(820,768)
Gross profit		**342,317**	251,431
Interest revenue		**1,418**	999
Other income	*5*	**28,726**	36,310
Other gains and losses	*6*	**56,132**	(41,998)
Distribution expenses		**(84,405)**	(82,806)
Administrative expenses		**(105,396)**	(134,187)
Share of losses of a joint venture		**(70,501)**	(14,740)
Finance costs	*7*	**(437,635)**	(414,664)
Loss before tax		**(269,344)**	(399,655)
Income tax credit	*8*	**62**	220
Loss for the year	*9*	**(269,282)**	(399,435)
Other comprehensive expenses after tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income		**(18,000)**	–
Total comprehensive expenses for the year		**(287,282)**	(399,435)
Loss for the year attributable to:			
Owners of the Company		**(253,743)**	(413,506)
Non-controlling interests		**(15,539)**	14,071
		(269,282)	(399,435)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(271,743)**	(413,506)
Non-controlling interests		**(15,539)**	14,071
		(287,282)	(399,435)
Loss per share	*11*		
Basic *(RMB cents)*		**(12.40)**	(20.21)
Diluted *(RMB cents)*		**(12.40)**	(20.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,314,523**	8,202,418
Right-of-use assets		**119,858**	–
Prepaid lease payments		**27,167**	27,269
Interests in a joint venture		**1,487,561**	1,558,062
Equity investment at fair value through other comprehensive income		**–**	18,000
Long-term deposits		**15,899**	61,743
Restricted bank deposits		**2**	2
		9,965,010	9,867,494
CURRENT ASSETS			
Inventories		**45,552**	56,970
Bills and trade receivables	*12(a)*	**182,888**	167,421
Bills receivables discounted with recourse	*12(b)*	**97,649**	5,000
Other receivables and prepayments		**577,081**	481,085
Amount due from a joint venture		**70,853**	45,896
Pledged bank deposits		**841**	844
Bank and cash balances		**17,986**	11,166
		992,850	768,382
CURRENT LIABILITIES			
Bills and trade payables	*13*	**483,615**	403,990
Contract liabilities		**248,389**	243,011
Advances drawn on bills receivables discounted with recourse		**97,649**	5,000
Accruals and other payables		**2,190,549**	1,806,225
Lease liabilities		**38,476**	–
Tax payables		**29,422**	31,189
Senior notes		**1,370,727**	1,348,524
Bank borrowings		**5,903,412**	5,924,665
		10,362,239	9,762,604
NET CURRENT LIABILITIES		**(9,369,389)**	(8,994,222)
TOTAL ASSETS LESS CURRENT LIABILITIES		**595,621**	873,272

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**10,271**	9,350
Finance lease payables		**–**	20,675
Lease liabilities		**29,385**	–
Deferred tax liabilities		**8,025**	8,025
		47,681	38,050
NET ASSETS		**547,940**	835,222
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**321,988**	593,731
Equity attributable to owners of the Company		**519,494**	791,237
Non-controlling interests		**28,446**	43,985
TOTAL EQUITY		**547,940**	835,222

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 FIANANCIAL 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 2019. 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 except as stated below.

IFRS 16 "Leases"

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as "operating leases" under HKAS 17 "Leases".

The reconciliation of operating lease commitment to lease liabilities is set out below:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018 (audited)	3,978
Less: Recognition exemption – short-term leases (unaudited)	(570)
Gross operating lease obligations at 1 January 2019 (unaudited)	3,408
Discounting	(159)
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019 (unaudited)	3,249
Add: Obligations under finance leases recognised at 31 December 2018 (audited)	74,296
Lease liabilities as at 1 January 2019 (unaudited)	77,545
Analysed as:	
Current (unaudited)	55,557
Non-current (unaudited)	21,988
	77,545

The carrying amount of right-of-use assets at 1 January 2019 comprise the followings:

	RMB'000 (unaudited)
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	3,408
Amount included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	140,373
	143,781
By class:	
Land and building	3,408
Machinery	64,737
Construction in progress	75,636
	143,781

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 under the historical cost convention and in accordance with IFRSs, accounting principles generally accepted in Hong Kong, and the 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 fact that the Group's net current liabilities position of approximately RMB9,369,389,000 as at 31 December 2019 and incurred loss of approximately RMB269,282,000 for the year then ended.

During the years ended 31 December 2015, 2016, 2017, 2018 and 2019, 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; (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 approximately RMB1,371 million) which fell due on 4 November 2015 and (iii) repayment of a short-term loan from a PRC bank which fell due in August 2016 with default interest 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 the 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 the 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 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.

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 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

The Group's operation is solely derived from the production and sales of clean coal and its by-products. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

An analysis of the Group's revenue from its major products is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of coal and its by-products		
Clean coal	**1,087,882**	489,710
Raw coal	**18,186**	469,768
High-ash thermal coal	**81,114**	110,366
Others	**7,375**	2,355
Revenue from contracts with customers	**1,194,557**	1,072,199

Time of revenue recognition

All timing of revenue recognition is at a point of time for the years ended 31 December 2019 and 2018.

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 are located in the PRC. Therefore, no geographical information is presented.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Government grant *(note)*	**20,515**	26,431
Others	**8,211**	9,879
	28,726	36,310

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Allowance for loss allowance recognised on trade receivables	**(11,813)**	(13,419)
Bad debts recovery	**75,697**	38,581
Gain/(Loss) on disposal of property, plant and equipment	**386**	(571)
Waive of other payable	**14,758**	–
Net exchange loss	**(22,896)**	(66,589)
	56,132	(41,998)

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expenses on borrowings:		
– bank and other borrowings	**422,419**	401,101
– advances drawn on bills receivable discounted	**14,532**	12,559
	436,951	413,660
Less: Interest capitalised in construction in progress	**(5,331)**	(5,109)
	431,620	408,551
Interest expenses on lease liabilities/finance lease	**6,015**	6,113
	437,635	414,664

8. INCOME TAX CREDIT

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**–**	–
Overprovision in prior years	**62**	220
Income tax credit for the year	**62**	220

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 2019 and 2018.

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**102**	102
Provision for restoration and environmental costs	**921**	1,054
Depreciation and amortisation of property, plant and equipment	**119,888**	109,438

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2019 and 2018 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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(253,743)**	(413,506)

Number of shares

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,045,598**	2,045,598

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

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

(a) Bills and trade receivables

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**402,293**	378,513
Less: allowance for doubtful debts	**(222,905)**	(211,092)
	179,388	167,421
Bills receivables	**3,500**	–
	182,888	167,421

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0 – 90 days	**139,567**	34,180
91 – 120 days	**399**	1,000
121 – 180 days	**32,624**	250
181 – 365 days	**6,798**	131,991
	179,388	167,421

(b) Bills receivables discounted with 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0 – 90 days	**97,649**	5,000

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0 – 90 days	**15,912**	79,323
91 – 180 days	**33,492**	37,939
181 – 365 days	**219,849**	86,470
Over 365 days	**214,362**	200,258
	483,615	403,990

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**414,970**	403,866

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitments to contribute funds for the acquisition of property, plant and equipment	**49,952**	67,560

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 2019 of approximately RMB7,338 million (2018: approximately RMB7,157 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the year, revenue of the Group amounted to approximately RMB1,194.6 million, representing an increase of approximately 11.4%, as compared with approximately RMB1,072.2 million in 2018. The increase was primarily attributable to the increase in sales volumes of clean coal. In order to cope with the market demand for clean coal, the Company enhanced its production capacity and achieved a high profit margin thereof. The sales volume recorded for clean coal for the Year amounted to approximately 1,061,000 tonnes as compared to approximately 460,000 tonnes in 2018, representing a sharp increase of approximately 130.7%. The average selling price (net of value added tax) for the Year for clean coal decreased slightly from RMB1,065.1 per tonne in 2018 to RMB1,025.3 per tonne for the Year. On the other hand, sales of raw coal compressed from approximately RMB469.8 million in 2018 to approximately RMB18.2 million, representing a decrease of approximately 96.1%.

The following table sets forth the Group's revenue contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2018:

	2019			2018		
	Revenue ***RMB'000***	**Sales Volume** ***(thousand tonnes)***	**Average Selling Price** ***(RMB/Tonne)***	Revenue *RMB'000*	Sales Volume *(thousand tonnes)*	Average selling price *(RMB/Tonne)*
Principal products						
Clean coal	**1,087,882**	**1,061.0**	**1,025.3**	489,710	459.8	1,065.1
By-products						
High-ash thermal coal	**81,114**	**479.6**	**169.1**	110,366	480.8	229.6
Other products						
Raw coal	**18,186**	**52.9**	**344.0**	469,768	1,008.2	466.0
Others	**7,375**			2,355		
Other products total	**25,561**			472,123		
Total turnover	**1,194,557**			1,072,199		

Cost of sales

Cost of sales for the Year was approximately RMB852.2 million, representing an increase of approximately RMB31.4 million or 3.8%, as compared with approximately RMB820.8 million in 2018. During the Year, the Company's coal mines located in Guizhou province originally affected by the coal mine consolidation have gradually resumed normal production. The production volume of raw coal increased from approximately 2,381,000 tonnes in 2018 to 2,751,000 tonnes in the Year, representing an increase of approximately 15.5%. Also, the clean coal production volume increased from approximately 598,000 tonnes in 2018 to approximately 1,123, 000 tonnes in the Year, representing an increase of approximately 87.8%.

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			
	2019	**2019**	2018	2018
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**451**	**227**	545	211
Guizhou	**2,300**	**896**	1,836	387
	2,751	**1,123**	2,381	598
Purchase volume	**–**	**–**	37	–

Material, fuel and power costs for the Year were approximately RMB185.4 million, representing a decrease of approximately RMB76.0 million, or approximately 29.1%, as compared with approximately RMB261.4 million in 2018. The decrease was mainly attributable to the gradual stable in raw coal production and streamline of production process. On the other hand, under normal production, no further raw coal or clean coal was purchased from outsiders.

Staff costs for the Year were approximately RMB384.6 million, representing an increase of approximately RMB18.4 million or 5.0%, as compared to approximately RMB366.2 million in 2018. The increase was in line with the increase in production volume of raw coal and clean coal.

Depreciation and amortisation for the Year were approximately RMB106.0 million, representing an increase of approximately RMB18.4 million, or approximately 21.0%, as compared with approximately RMB87.6 million in 2018. 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.

	2019	2018
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**244**	269
Depreciation and amortisation	**36**	37
Total raw coal production cost	**280**	306
Purchase cost of raw coal	**–**	495
Average cost of clean coal	**682**	873

Gross profit

As a result of the foregoing, the Company reported a gross profit of approximately RMB342.3 million for the Year, representing an increase of approximately RMB90.9 million or approximately 36.2%, as compared to approximately RMB251.4 million in 2018. The gross profit margin was approximately 28.7% as compared with approximately 23.5% in 2018.

Other income

Other income for the Year amounted to approximately RMB28.7 million, representing a decrease of approximately RMB7.6 million or approximately 20.9%, as compared with approximately RMB36.3 million in 2018. The decrease was mainly attributable to the decrease in government grant from approximately RMB26.4 million in 2018 to RMB20.5 million for the Year.

Other gains and losses

Other gains for the Year amounted to approximately RMB56.1 million, representing an increase of approximately RMB98.1 million or 233.6%, as compared to other losses of approximately RMB42.0 million in 2018. The increase was mainly attributable to (i) the increase in bad debts recovery of approximately RMB37.1 million; (ii) waiver of other payable of approximately RMB14.8 million; and (iii) the decrease in net exchange loss of approximately RMB43.7 million.

Distribution expenses

Distribution expenses for the Year were approximately RMB84.4 million, representing an increase of approximately RMB1.6 million or approximately 1.9%, as compared to approximately RMB82.8 million in 2018. The increase was in line with the increase in sales volume of clean coal for the Year.

Administrative expenses

Administrative expenses for the Year were approximately RMB105.4 million, representing a decrease of approximately RMB28.8 million, or approximately 21.5%, as compared with approximately RMB134.2 million in 2018. The decrease in administrative expenses mainly contributed to the decrease in legal and professional expenses and office expenses of approximately RMB5.7 million and RMB11.9 million respectively.

Finance costs

Finance costs for the Year amounted to approximately RMB437.6 million, representing an increase of approximately RMB22.9 million or approximately 5.5%, as compared with approximately RMB414.7 million in 2018. The increase was mainly attributable to the increase in interest expenses on borrowings of approximately RMB21.3 million.

Income tax credit

Income tax credit, representing overprovision in prior years, of approximately RMB62,000 was recorded during the Year as compared to approximately RMB220,000 in 2018. 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 RMB269.3 million, representing an increase of approximately RMB130.1 million or approximately 32.6%, as compared with approximately RMB399.4 million in 2018.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was 25.1% for the Year as compared with 12.9% in 2018.

	2019	2018
	RMB'000	*RMB'000*
Loss before tax	**(269,344)**	(399,655)
Adjusted for:		
– Loss allowance for trade receivables	**11,813**	13,419
	(257,531)	(386,236)
Finance costs	**437,635**	414,664
Depreciation and amortisation	**119,990**	109,540
Adjusted EBITDA	**300,094**	137,968

Liquidity, financial resources and capital structure

As at 31 December 2019, the Group incurred net current liabilities of approximately RMB9,369.4 million as compared to approximately RMB8,994.2 million at 31 December 2018.

As at 31 December 2019, the bank and cash balances of the Group amounted to approximately RMB18.0 million (2018: approximately RMB11.2 million).

As at 31 December 2019, the total bank borrowings repayable within one year of the Group were approximately RMB5,903.4 million. As at 31 December 2019, loans amounting to RMB3,592.7 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 borrowings and senior notes divided by total assets) of the Group as at 31 December 2019 was 66.4% (2018: 68.4%).

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.

(b) On 14 December 2015, following initial discussions with certain 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 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.

(l) Negotiations with the creditors are still in progress and no definitive agreement has been reached as at the date hereby.

Pledge of assets of the Group

As at 31 December 2019, the Group pledged assets in an aggregate amount of approximately RMB3,782 million (2018: RMB3,661 million) to banks for credit facilities.

As at 31 December 2019, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,875 million (2018: RMB4,875 million).

Employees

As at 31 December 2019, the number of employees of the Group reached 5,795 as compared to 5,888 employees at 31 December 2018. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) was amounted to approximately RMB373.9 million (2018: RMB398.9 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 HKD0.1 million.

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.

(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 2019, 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 2019, the Group did not have any material connected transaction.

INDEPENDENT AUDITOR'S REPORT

Potential Disclaimer of Opinion

ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), the auditor of the Company, is in the process of the audit of the Group's unaudited consolidated financial statements for the year ended 31 December 2019 and the audit process is yet to be completed. The Group's financial conditions, together with the other matters as described in note (3) to the unaudited consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Because of the multiple uncertainties relating to going concern and their possible cumulative effect on the unaudited consolidated financial statements and potential impairment of property, plant and equipment and interests in a joint venture of the Company, management expects that ZHONGHUI ANDA will not express an opinion on the unaudited consolidated financial statements for the year ended 31 December 2019.

OUTLOOK

During the Year, as the coal mines affected by the coal mine consolidation in Sichuan and Guizhou provinces gradually resumed normal production, the Company saw a sign of recovery. Its production volume of raw coal increased to approximately 2,751,000 tonnes, an increase of approximately 15.5% as compared with 2,381,000 tonnes in 2018. Meanwhile, the Group has enhanced its production of clean coal for higher margin, the turnover of clean coal increased to approximately RMB1,087.9 million, representing an increase of approximately 122.2% as compared with approximately RMB489.7 million in 2018 which offset by approximately 96.1% decrease of revenue of raw coal from approximately RMB469.8 million in 2018 to approximately RMB18.2 million for the Year. As a result, a gross profit of approximately RMB342.3 million was recorded and adjusted EBITDA of approximately RMB300.1 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 finalize the detailed terms of the debt restructuring as soon as possible, and prepare the formal documentation for approval in shareholders' meeting. The Company expects the debt restructuring can be formally kicked off in the second half of 2020. 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 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. Chan Shiu Yuen Sammy (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 2019.

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 2019.

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

Hong Kong
31 March 2020

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. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen.