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 2018

FINANCIAL HIGHLIGHTS

	2018	2017	Change
	RMB'000	*RMB'000*	%
Revenue	**1,072,199**	814,554	31.6%
Gross Profit	**251,431**	132,963	89.1%
Loss Before Tax	**(399,655)**	(1,075,403)	(62.8%)
Loss Attributable to the Owners of the Company	**(413,506)**	(1,074,862)	(61.5%)
Adjusted EBITDA	**137,968**	88,486	55.9%
Basic Loss per Share (RMB cents)	**(20.21)**	(52.55)	(61.5%)

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 2018 (the "Year"), which have been agreed by the auditors of the Company, together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**1,072,199**	814,554
Cost of sales		**(820,768)**	(681,591)
Gross profit		**251,431**	132,963
Interest revenue		**999**	891
Other income	5	**36,310**	24,176
Other gains and losses	6	**(41,998)**	7,395
Distribution expenses		**(82,806)**	(70,611)
Administrative expenses		**(134,187)**	(198,669)
Share of losses of a joint venture		**(14,740)**	(505,726)
Finance costs	7	**(414,664)**	(465,822)
Loss before tax		**(399,655)**	(1,075,403)
Income tax credit/(expense)	8	**220**	(2,352)
Loss and total comprehensive expense for the year	9	**(399,435)**	(1,077,755)
Loss and total comprehensive expenses for the year attributable to:			
Owners of the Company		**(413,506)**	(1,074,862)
Non-controlling interests		**14,071**	(2,893)
		(399,435)	(1,077,755)
Loss per share	11		
Basic *(RMB cents)*		**(20.21)**	(52.55)
Diluted *(RMB cents)*		**(20.21)**	(52.55)

CONSOLIDATED STATEMEENT OF FINANCIAL POSITION

	Notes	**2018** **RMB'000**	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**8,202,418**	8,194,312
Prepaid lease payments		**27,269**	27,371
Interests in a joint venture		**1,558,062**	1,572,802
Equity investments at fair value through other comprehensive income		**18,000**	18,000
Long-term deposits		**61,743**	61,016
Restricted bank deposits		**2**	15
		9,867,494	9,873,516
CURRENT ASSETS			
Inventories		**56,970**	76,558
Bills and trade receivables	*12(a)*	**167,421**	91,472
Bills receivables discounted with recourse	*12(b)*	**5,000**	5,554
Other receivables and prepayments		**481,085**	340,635
Amount due from a joint venture		**45,896**	17,416
Pledge bank deposits		**844**	843
Bank and cash balances		**11,166**	22,554
		768,382	555,032
CURRENT LIABILITIES			
Bills and trade payables	*13*	**403,990**	398,085
Contract liabilities		**243,011**	55,038
Advances drawn on bills receivables discounted with recourse		**5,000**	5,554
Accruals and other payables		**1,806,225**	1,440,154
Tax payables		**31,189**	31,227
Senior notes		**1,348,524**	1,283,880
Bank and other borrowings		**5,924,665**	5,937,161
		9,762,604	9,151,099
NET CURRENT LIABILITIES		**(8,994,222)**	(8,596,067)
TOTAL ASSETS LESS CURRENT LIABILITIES		**873,272**	1,277,449

	Notes	**2018**	2017
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**9,350**	8,296
Other long term payables		**–**	6,361
Finance lease payables		**20,675**	20,110
Deferred tax liabilities		**8,025**	8,025
		38,050	42,792
NET ASSETS		**835,222**	1,234,657
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**593,731**	1,007,237
Equity attributable to owners of the Company		**791,237**	1,204,743
Non-controlling interests		**43,985**	29,914
TOTAL EQUITY		**835,222**	1,234,657

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 registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is at Room 1306, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. In the opinion of the Directors, the Company's parent company is Sanlian Investment Holding Limited ("Sanlian Investment"), a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited, which is controlled by Mr. Xian Yang, the executive director of the Company. The Company acts as an investment holding company and its subsidiaries are engaged in mining and sale of raw coal and clean coal.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL 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 2018. 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 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 RMB8,994,222,000 as at 31 December 2018 and incurred loss of approximately RMB399,435,000 for the year then ended.

During the years ended 31 December 2015, 2016, 2017 and 2018, 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 RMB1,259 million) which fell due on 4 November 2015 and (iii) repayment of a short-term loan from a PRC bank which fell due on August 2016 with default interest of approximately RMB268. 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 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 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

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 with the Group. 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:

	2018	2017
	RMB'000	*RMB'000*
Sales of coal and its by-products		
Clean coal	**489,710**	398,541
Raw coal	**469,768**	347,278
Other products	**112,721**	68,735
Revenue from contracts with customers	**1,072,199**	814,554

Time of revenue recognition

All timing of revenue recognition is at a point of time for the years ended 31 December 2018 and 2017.

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

	2018	2017
	RMB'000	*RMB'000*
Government grant *(note)*	**26,431**	20,380
Others	**9,879**	3,796
	36,310	24,176

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

	2018	2017
	RMB'000	*RMB'000*
Allowance for impairment loss recognised on trade receivables	**(13,419)**	(63,729)
Bad debts recovery	**38,581**	–
(Loss)/Gain on disposal of property, plant and equipment	**(571)**	8,822
Reversal of impairment loss on inventories	**–**	5,734
Impairment loss of property, plant and equipment	**–**	(29,050)
Gain on disposal of equity investment at fair value through other comprehensive income	**–**	5,789
Net exchange (loss)/gain	**(66,589)**	79,829
	(41,998)	7,395

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on borrowings:		
– bank and other borrowings	**401,101**	462,431
– advances drawn on bills receivable discounted	**12,559**	6,000
	413,660	468,431
Less: Interest capitalised in construction in progress	**(5,109)**	(4,920)
	408,551	463,511
Finance lease charge	**6,113**	2,311
	414,664	465,822

8. INCOME TAX CREDIT/(EXPENSE)

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**–**	–
Overprovision/(Underprovision) in prior years	**220**	(2,352)
Income tax credit/(expenses) for the year	**220**	(2,352)

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 2018 and 2017.

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

	2018	2017
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**102**	102
Provision for restoration and environmental costs	**1,054**	884
Depreciation and amortisation of property, plant and equipment	**109,438**	114,186

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2018 and 2017 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

	2018	2017
	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	**413,506**	1,074,862

Number of shares

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,045,598**	2,045,598

The effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2018 and 2017.

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

(a) Bills and trade receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**378,513**	284,943
Less: allowance for doubtful debts	**(211,092)**	(197,673)
	167,421	87,270
Bills receivables	**–**	4,202
	167,421	91,472

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:

	2018	2017
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**34,180**	90,972
91 – 120 days	**1,000**	498
121 – 180 days	**250**	2
181 – 365 days	**131,991**	–
	167,421	91,472

(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:

	2018	2017
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**5,000**	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:

	2018	2017
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**79,323**	49,770
91 – 180 days	**37,939**	28,600
181 – 365 days	**86,470**	203,105
Over 365 days	**200,258**	116,610
	403,990	398,085

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

	2018	2017
	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	**403,866**	383,096

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:

	2018	2017
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**67,560**	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 2018 of approximately RMB7,157 million (2017: approximately RMB7,216 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 2018.

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 RMB8,202,418,000 and RMB8,194,312,000 in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 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 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 RMB1,558,062,000 and RMB1,572,802,000 in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 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 RMB14,740,000 and RMB505,726,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2018 and 31 December 2017 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 2018 and 2017 and the consolidated financial position as at 31 December 2018 and 2017 and the related disclosures in the consolidated financial statements.

3. Going concern

We draw attention to note 3 to the consolidated financial statements which mentions that the Group incurred a loss of RMB399,435,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities of RMB8,994,222,000. 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 RMB1,072.2 million, representing an increase of approximately 31.6%, as compared with approximately RMB814.6 million in 2017. The increase was primarily attributable to the increase in both sales volumes and average selling prices (net of value added tax) of clean coal and raw coal. The sales volume recorded for clean coal for the Year amounted to approximately 460,000 tonnes as compared to approximately 404,000 tonnes in 2017, representing an increase of approximately 13.9%. The average selling price of clean coal increased from RMB986.0 per tonne in 2017 to RMB1,065.1 per tonne for the Year, representing an increase of 8.0%. On the other hand, sales of raw coal continued to be a major contribution to the Company's revenue and amounted to approximately RMB469.8 million, representing an increase of approximately 35.3% as compared to approximate RMB347.3 million in 2017.

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 2017:

	2018			2017		
	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	**489,710**	**459.8**	**1,065.1**	398,541	404.2	986.0
By-products						
High-ash thermal coal	**110,366**	**480.8**	**229.6**	68,665	274.6	250.1
Other products						
Raw coal	**469,768**	**1,008.2**	**466.0**	347,278	1,032.5	336.3
Others	**2,355**			70		
Other products total	**472,123**			347,348		
Total turnover	**1,072,199**			814,554		

Cost of sales

Cost of sales for the Year was approximately RMB820.8 million, representing an increase of approximately RMB139.2 or 20.4%, as compared with approximately RMB681.6 million in 2017. During the Year, the Company's coal mines located in Guizhou province which was originally affected by the coal mine consolidation have gradually resumed normal production.The production volume of raw coal increased from approximately 2,013,000 tonnes in 2017 to 2,381,000 tonnes in the Year, representing an increase of 18.3%. Also, the clean coal production volume increased from approximately 414,000 tonnes in 2017 to approximately 598,000 tonnes in the Year, representing an increase of 44.4%. During the Year, more raw coal was arranged for sale instead of further processing to clean coal as the collection of sale proceeds 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:

	Year ended 31 December			
	2018	**2018**	2017	2017
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**545**	**211**	604	164
Guizhou	**1,836**	**387**	1,409	250
	2,381	**598**	2,013	414
Purchase volume	**37**	**–**	81	74

Material, fuel and power costs for the Year were approximately RMB261.4 million, representing an increase of approximately RMB20.0 million, or approximately 8.3%, as compared with approximately RMB241.4 million in 2017. The increase was in line with the increase in production volume of raw coal. On the other hand, under normal production, less raw coal and clean coal were purchased from outsiders.

Staff costs for the Year were approximately RMB366.2 million, representing an increase of approximately RMB84.8 million or 30.1%, as compared to approximately RMB281.4 million in 2017. The increase was in line with the increase in production volume of raw coal and clean coal. Besides, more staff was engaged in the mining and processing activities in Guizhou province.

Depreciation and amortization for the Year were approximately RMB87.6 million, representing an increase of approximately RMB10.1 million, or approximately 13.0%, as compared with approximately RMB77.5 million in 2017. 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.

	2018	2017
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**269**	246
Depreciation and amortisation	**37**	38
Total raw coal production cost	**306**	284
Purchase cost of raw coal	**495**	355
Average cost of clean coal	**873**	790
Purchase cost of clean coal	**–**	699

Gross profit

As a result of the foregoing, the Company reported a gross profit of approximately RMB251.4 million for the Year, representing an increase of approximately RMB118.4 million or approximately 89.0%, as compared to approximately RMB133.0 million in 2017. The gross profit for the Year margin was approximately 23.5% as compared with approximately 16.3% in 2017.

Other income

Other income for the Year amounted to approximately RMB36.3 million, representing an increase of approximately RMB12.1 million or approximately 50.0%, as compared with approximately RMB24.2 million in 2017. The increase was mainly attributable to the increase in government grant from approximately RMB20.4 million in 2017 to RMB26.4 million for the Year.

Other gains and losses

Other losses for the Year amounted to approximately RMB42.0 million, representing a decrease of approximately RMB49.4 million or 667.6%, as compared to other gains of approximately RMB7.4 million in 2017. The decrease was mainly attributable to the increase in net exchange loss of approximately RMB146.4 million for the Year but off set by the decrease in allowance for impairment loss recognised on trade receivables of approximately RMB50.3 million and bad debts recovery of approximately RMB38.6 million for the Year.

Distribution expenses

Distribution expenses for the Year were approximately RMB82.8 million, representing an increase of approximately RMB12.2 million or approximately 17.3%, as compared to approximately RMB70.6 million in 2017. 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 RMB134.2 million, representing a decrease of approximately RMB64.5 million, or approximately 32.5%, as compared with approximately RMB198.7 million in 2017. The decrease in administrative expenses was mainly contributed to the decrease in legal and professional expenses of approximately RMB47.3 million.

Finance costs

Finance costs for the Year amounted to approximately RMB414.7 million, representing a decrease of approximately RMB51.1 million or approximately 11.0%, as compared with approximately RMB465.8 million in 2017. The decrease was mainly attributable to the decrease in interest expenses on borrowings of approximately RMB54.8 million.

Income tax credit/(expenses)

Income tax credit, representing overprovision in prior years, of approximately RMB0.2 million was recorded during the Year as compared to the income tax expenses of approximately RMB2.3 million in 2017. 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 RMB399.4 million, representing a decrease of approximately RMB678.4 million or approximately 62.9%, as compared with approximately RMB1,077.8 million in 2017.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was 12.9% for the Year as compared with 10.9% in 2017.

	2018	2017
	RMB'000	*RMB'000*
Loss before tax	**(399,655)**	(1,075,403)
Adjusted for:		
– Impairment loss on property, plant and equipment	**–**	29,050
– Share of loss of a joint venture	**–**	500,000
– Allowance for impairment loss recognised on trade receivables	**13,419**	63,729
	(386,236)	(482,624)
Finance costs	**414,664**	456,822
Depreciation and amortisation	**109,540**	114,288
EBITDA	**137,968**	88,486

Liquidity, financial resources and capital structure

As at 31 December 2018, the Group incurred net current liabilities of approximately RMB8,994.2 million as compared to approximately RMB8,596.1 million as at 31 December 2017.

As at 31 December 2018, the bank balances and cash of the Group amounted to approximately RMB11.2 million (2017: approximately RMB22.6 million).

As at 31 December 2018, the total bank and other borrowings repayable of the Group within one year were approximately RMB5,924.7 million. As at 31 December 2018, loans amounting to RMB3,203.3 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 2018 was 68.4% (2017: 69.2%).

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 2018, the Group pledged assets in an aggregate amount of approximately RMB3,661 million (2017: RMB3,544 million) to banks for credit facilities.

As at 31 December 2018, the executive director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,875 million (2017: RMB4,287 million).

Employees

As at 31 December 2018, the number of employees of the Group reached 5,888 as compared to 4,916 employees as at 31 December 2017. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB398.9 million (2017: RMB304.0 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.

Significant investment held

The Group had invested in unlisted investments of RMB18.0 million, representing 15% of equity interest in an entity established in the 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. In addition, the Group has no specific plan for major investment or acquisition for major capital assets or other business.

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 June2017.

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 2018, the Group did not have any material contingent liabilities.

Connected transaction

During the Year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, a controlling shareholder and the executive director of the Company, 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 2018, the Group did not have any 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 2,381,000 tonnes, an increase of approximately 18.3% as compared with 2,013,000 tonnes in 2017. Meanwhile, the turnover of the Group also increased to approximately RMB1,072.2 million, an increase of approximately 31.6% as compared with approximately RMB814.6 million in 2017, which was due to the increase in the sales volume and average selling price of principal products. As a result, a gross profit of approximately RMB251.4 million was recorded and adjusted EBITDA of approximately RMB138.0 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. The Company expects the debt restructuring can be formally kicked off in the second half of 2019. 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 Corporate Governance Code (the "CG 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 2018.

Corporate governance

The Board is of the view that the Company has complied with the provisions of the CG Code during the Year. No Director is aware of any information that reasonably reveals that there is any non-compliance with the CG 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 2018.

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

Hong Kong
29 March 2019

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