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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (the "**Company**") dated 31 March 2020 (the "**Announcement**") in relation to the unaudited annual results for the year ended 31 December 2019. Unless otherwise defined in this announcement, capitalised terms used in this announcement have the same meaning as defined in the Announcement.

AUDITOR'S AGREEMENT ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2019

The Board is pleased to announce that ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") has completed the audit of the Group's annual results for the year ended 31 December 2019 in accordance with Hong Kong Standard on Auditing issued by Hong Kong Institute of Certified Public Accountants. The audited annual results for the year ended 31 December 2019, agreed by ZHONGHUI ANDA and reviewed by the audit committee of the Company, are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

	RMB'000
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 of the Group is also implementing cost-saving measures to improve its operating cash flows and financial position.

On the basis that the Group can successfully complete the Debt Restructuring and certain measures as 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*
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*
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*
Allowance for impairment loss 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*
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*
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*
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	**122,813**	109,438
Depreciation of right-of-use assets	**16,531**	–

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*
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*
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*
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*
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*
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*
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*
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 RMB7,624 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.

16. EVENT AFTER THE REPORTING PERIOD

On 21 April 2020, the Company and the Onshore Creditors Committee have reached an agreement on a preliminary restructuring framework regarding the settlement of the onshore banks indebtedness of the Company (the "**Preliminary Restructuring Framework**") to which:- (i) the Company has agreed to convert the interest payable to the Lending Banks from the date of default to 31 December 2018 charged at 4.75% per annum to newly issued ordinary shares of the Company; and (ii) the Company, Hidili China, Mr. Xian Yang and Lending Banks have agreed to enter into a post syndication agreement (the "**Post Syndication Agreement**") to:- (a) extend the terms of the remaining onshore banks indebtedness to 4 February 2025; (b) charge interest at 3% per annum in the first three years and 4.275% per annum in the fourth to fifth years from the date of the Post Syndication Agreement respectively; and (c) repay the remaining onshore banks indebtedness in accordance with a fixed and variable portion.

As of the date of this announcement, the terms of the conversion of newly issued ordinary shares of the Company under the Preliminary Restructuring Framework have not yet been finalised. Also, further documents and/or agreements containing detailed terms for the Preliminary Restructuring Framework subject to the latest status of the outstanding onshore banks indebtedness will be concluded and signed by individual Lending Banks with the Company.

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 2019.

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 RMB8,314,523,000 and RMB8,202,418,000 in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018 respectively.

2. ***Interest in a joint venture and share of loss of a joint venture***

   No sufficient evidence has been provided to satisfy ourselves as to the valuation of interest in a joint venture of approximately RMB1,487,561,000 and RMB1,558,062,000 in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018 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 RMB70,501,000 and RMB14,740,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2019 and 31 December 2018 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 2019 and 2018 and the consolidated financial position as at 31 December 2019 and 2018 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 RMB269,282,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of RMB9,369,389,000. 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.

PUBLICATION OF 2019 ANNUAL REPORT

Due to the epidemic of the COVID-19 and the curbing and quarantine policies adopted and/or implemented by the Chinese government, ZHONGHUI ANDA encountered significant practical difficulties in compiling its report as it was unable to complete audit work on schedule. As a result, the Board hereby announces that the annual report of the Company for the year ended 31 December 2019 is expected to be published on or before 15 May 2020.

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

Hong Kong
29 April 2020

As at the date of this announcement, the executive directors of the Company are Mr. Xian Yang (Chairman), Mr. Sun Jiankun and Mr. Zhuang Xianwei and the independent non-executive directors of the Company are Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen.