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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Revenue	**1,348,556**	1,194,557	12.9%
Gross Profit	**619,944**	342,317	81.1%
Loss Before Tax	**(269,575)**	(269,344)	0.1%
Loss Attributable to the Owners of the Company	**(270,190)**	(253,743)	6.5%
Adjusted EBITDA	**605,459**	319,550	89.5%
Basic Loss per Share *(RMB cents)*	**(13.21)**	(12.40)	6.5%

The Board does not propose the payment of any final 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 2020 (the "**Year**"), which have been agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**1,348,556**	1,194,557
Cost of sales		**(728,612)**	(852,240)
Gross profit		**619,944**	342,317
Interest revenue		**2,563**	1,418
Other income	*5*	**15,290**	28,726
Other gains and losses	*6*	**(190,234)**	56,132
Distribution expenses		**(121,838)**	(84,405)
Administrative expenses		**(107,771)**	(105,396)
Share of loss of a joint venture		**(46,333)**	(70,501)
Finance costs	*7*	**(441,196)**	(437,635)
Loss before tax		**(269,575)**	(269,344)
Income tax credit	*8*	**–**	62
Loss for the year	*9*	**(269,575)**	(269,282)
Other comprehensive expense 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 expense for the year		**(269,575)**	(287,282)
Loss for the year attributable to:			
Owners of the Company		**(270,190)**	(253,743)
Non-controlling interests		**615**	(15,539)
		(269,575)	(269,282)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(270,190)**	(271,743)
Non-controlling interests		**615**	(15,539)
		(269,575)	(287,282)
Loss per share	*11*		
Basic *(RMB cents)*		**(13.21)**	(12.40)
Diluted *(RMB cents)*		**(13.21)**	(12.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,536,819**	8,314,523
Right-of-use assets		**134,875**	147,127
Interests in a joint venture		**1,441,228**	1,487,561
Long-term deposits		**17,042**	15,899
Restricted bank deposits		**–**	2
		10,129,964	9,965,112
CURRENT ASSETS			
Inventories		**145,089**	45,552
Bills and trade receivables	*12(a)*	**126,183**	182,888
Bills receivables discounted with recourse	*12(b)*	**67,950**	97,649
Other receivables and prepayments		**662,613**	576,979
Amount due from a joint venture		**87,536**	70,853
Pledged bank deposits		**847**	841
Bank and cash balances		**32,909**	17,986
		1,123,127	992,748
CURRENT LIABILITIES			
Bills and trade payables	*13*	**751,272**	483,615
Contract liabilities		**278,413**	248,389
Advances drawn on bills receivables discounted with recourse		**67,950**	97,649
Accruals and other payables		**2,600,875**	2,190,549
Lease liabilities		**31,729**	38,476
Tax payables		**29,422**	29,422
Senior notes		**1,282,053**	1,370,727
Bank borrowings		**5,885,344**	5,903,412
		10,927,058	10,362,239
NET CURRENT LIABILITIES		**(9,803,931)**	(9,369,491)
TOTAL ASSETS LESS CURRENT LIABILITIES		**326,033**	595,621

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**11,443**	10,271
Lease liabilities		**28,200**	29,385
Deferred tax liabilities		**8,025**	8,025
		47,668	47,681
NET ASSETS		**278,365**	547,940
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**51,798**	321,988
Equity attributable to owners of the Company		**249,304**	519,494
Non-controlling interests		**29,061**	28,446
TOTAL EQUITY		**278,365**	547,940

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, 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. GOING CONCERN BASIS

In the preparation of the consolidated financial statements, the Directors 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 RMB9,803,931,000 as at 31 December 2020 and incurred loss of approximately RMB269,575,000 for the year then ended.

During the years ended 31 December 2016, 2017, 2018, 2019 and 2020, 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 RMB1,282 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 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 "**2017 Termsheet**").

On 21 April 2020, the Company and the Onshore Creditors Committee have reached an agreement on a preliminary restructuring framework agreement regarding the settlement of the onshore banks indebtedness of the Company (the "**Preliminary Restructuring Framework**") pursuant 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 Industry (China) Group Limited ("**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.

On 13 July 2020, the Company and the Steering Committee entered into a termsheet (the "**2020 Termsheet**"), which are binding on the Company and the Steering Committee, pursuant to which the parties agreed to the key commercial terms for the swap of the Notes into newly issued ordinary shares of the Company with an option to participate in the share placement programme (the "**SPP**") to be conducted by the Company. On 30 April 2021, the Company and the Steering Committee further entered into the amended and restated termsheet (the "**Amended and Restated Termsheet**") to amend certain timelines and fees of the debt restructuring, which replaced and superseded the 2020 Termsheet in its entirety. The Company will use its best endeavours to implement a restructuring of the Notes in accordance with the Amended and Restated Termsheet subject to such other terms and conditions as the Company and the Steering Committee may agree in writing and relevant legal and regulatory requirements.

Regarding the execution of the Debt Restructuring, 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.

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

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. 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 consolidated financial statements and amounts reported for the current year and prior years.

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.

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:

	2020	2019
	RMB'000	*RMB'000*
Sales of coal and its by-products		
Clean coal	**1,200,840**	1,087,882
Raw coal	**25,607**	18,186
High-ash thermal coal	**109,491**	81,114
Others	**12,618**	7,375
Revenue from contracts with customers	**1,348,556**	1,194,557

Disaggregation of revenue from contracts with customers:

Time of revenue recognition

All timing of revenue recognition is at a point of time for the years ended 31 December 2020 and 2019.

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.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A[1,2]	**417,594**	623,879
Customer B[1]	**213,573**	–
Customer C[1]	**144,555**	*114,403

1 Revenue from sales of clean coal

2 Revenue from sales of raw coal

* Revenue from this customer did not exceed 10% of the total revenue during the year. These amounts were shown for comparative purpose.

5. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Government grant *(note)*	**11,318**	20,515
Others	**3,972**	8,211
	15,290	28,726

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

	2020	2019
	RMB'000	*RMB'000*
Allowance for impairment loss recognised on trade receivables	**(75,943)**	(11,813)
Impairment of other receivables	**(203,245)**	–
Bad debts recovery	**–**	75,697
(Loss)/Gain on disposal of property, plant and equipment	**(3,259)**	386
Waive of other payable	**–**	14,758
Rental income	**8,609**	–
Net exchange gain/(loss)	**91,614**	(22,896)
Others	**(8,010)**	–
	(190,234)	56,132

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on borrowings:		
– bank and other borrowings	**426,856**	422,419
– advances drawn on bills receivable discounted	**16,456**	14,532
	443,312	436,951
Less: Interest capitalised in construction in progress	**(5,745)**	(5,331)
	437,567	431,620
Interest expenses on lease liabilities	**3,629**	6,015
	441,196	437,635

8. INCOME TAX CREDIT

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**–**	–
Overprovision in prior years	**–**	62
Income tax credit for the year	**–**	62

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 2020 and 2019.

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 (2019: Nil).

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong (2019: Nil).

9. LOSS FOR THE YEAR

	2020	2019
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Provision for restoration and environmental costs	**1,172**	921
Depreciation and amortisation of property, plant and equipment	**141,388**	122,813
Depreciation of right-of-use assets	**13,262**	16,633

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2020 and 2019 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

	2020	2019
	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)	**(270,190)**	(253,743)

Number of shares

	2020	2019
	'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 2020 and 2019.

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

(a) Bills and trade receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**425,031**	402,293
Less: allowance for doubtful debts	**(298,848)**	(222,905)
	126,183	179,388
Bills receivables	**–**	3,500
	126,183	182,888

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, 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:

	2020	2019
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**125,980**	139,567
91 – 120 days	**–**	399
121 – 180 days	**–**	32,624
181 – 365 days	**203**	6,798
	126,183	179,388

(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:

	2020	2019
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**42,950**	97,649
91 – 120 days	**25,000**	–
	67,950	97,649

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:

	2020	2019
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**89,139**	15,912
91 – 180 days	**49,584**	33,492
181 – 365 days	**128,934**	219,849
Over 365 days	**483,615**	214,362
	751,272	483,615

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

	2020	2019
	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	**588,863**	414,970

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:

	2020	2019
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**48,512**	49,952

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 2020 of approximately RMB7,502.2 million (2019: approximately RMB7,263.7 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.

EXTRACTS 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 2020:

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an 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

Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of RMB269,575,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities of RMB9,803,931,000. 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 multiple 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 RMB1,348.6 million, representing an increase of approximately 12.9%, as compared to that of approximately RMB1,194.6 million in 2019. The increase was primarily attributable to the increase in sales volumes of clean coal. Accompanying the gradual release in production capacity in Guizhou province, the Company achieved an increase in sales volume in clean coal and its by-products during the Year. The sales volume recorded for clean coal for the Year amounted to approximately 1,173,500 tonnes as compared to that of approximately 1,061,000 tonnes in 2019, representing an increase of approximately 10.6%. The average selling price for the Year for clean coal maintained at approximately RMB1,023.3 per tonne in the Year as compared to that of RMB1,025.3 per tonne in 2019.

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 2019:

	2020			2019		
	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	**1,200,840**	**1,173.5**	**1,023.3**	1,087,882	1,061.0	1,025.3
By-products						
High-ash thermal coal	**109,491**	**557.2**	**196.5**	81,114	479.6	169.1
Other products						
Raw coal	**25,607**	**69.2**	**370.2**	18,186	52.9	343.8
Others	**12,618**			7,375		
Other products total	**38,225**			25,561		
Total turnover	**1,348,556**			1,194,557		

Cost of sales

Cost of sales for the Year was approximately RMB728.6 million, representing a decrease of approximately RMB123.6 or 14.5%, as compared with that of approximately RMB852.2 million in 2019. During the Year, the Company's coal mines located in Guizhou provinces originally affected by the coal mine consolidation have gradually resumed normal production. The production volume of raw coal increased from approximately 2,751,000 tonnes in 2019 to 3,485,000 tonnes in the Year, representing an increase of approximately 26.7%. Also, the clean coal production volume increased from approximately 1,123,000 tonnes in 2019 to approximately 1,398,000 tonnes in the Year, representing an increase of approximately 24.5%.

The following table illustrates the production volume of the principal products in Sichuan and Guizhou provinces:

	Year ended 31 December			
	2020	**2020**	2019	2019
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**204**	**96**	451	227
Guizhou	**3,281**	**1,302**	2,300	896
	3,485	**1,398**	2,751	1,123

Material, fuel and power costs for the Year were approximately RMB162.0 million, representing a decrease of approximately RMB23.4 million, or approximately 12.6%, as compared with that of approximately RMB185.4 million in 2019. The decrease was mainly attributable to the gradual stable in raw coal production and streamline of production process in Guizhou province.

Staff costs for the Year were approximately RMB365.8 million, representing a decrease of approximately RMB18.8 million or 4.9%, as compared to that of approximately RMB384.6 million in 2019. The decrease was attributable to the decrease in the production of raw coal and clean coal under the coal mine consolidation measures as required by the relevant government authorities in Sichuan province.

Depreciation and amortization for the Year were approximately RMB122.3 million, representing an increase of approximately RMB16.3 million, or approximately 15.4%, as compared to that of approximately RMB106.0 million in 2019. The increase was in line with the increase in production volume of raw coal.

The following table sets forth the unit production costs of the respective segment:

	2020	2019
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**222**	244
Depreciation and amortisation	**34**	36
Total raw coal production cost	**256**	280
Average cost of clean coal	**649**	682

Gross profit

As a result of the foregoing, the Company reported a gross profit of approximately RMB619.9 million for the Year, representing an increase of approximately RMB277.6 million or approximately 81.1%, as compared to that of approximately RMB342.3 million in 2019. The gross profit margin was approximately 46.0% as compared to that of approximately 28.7% in 2019.

Other income

Other income for the Year amounted to approximately RMB15.3 million, representing a decrease of approximately RMB13.4 million or approximately 46.7%, as compared to that of approximately RMB28.7 million in 2019. The decrease was mainly attributable to the decrease in government grant from approximately RMB20.5 million in 2019 to RMB11.3 million for the Year.

Other gains and losses

The Company recorded other losses of approximately RMB190.2 million for the Year as compared to other gain of approximately RMB56.1 million in 2019. Considering the domestic economic slowdown and the negative impact of the COVID-19 epidemic on various industries which led to increasing downward pressure on the economy, the Company adopted a prudence assessment regarding the recoverability of the receivables. Accordingly, the allowance for loss allowance recognised on trade receivables and impairment of trade receivables and other receivables increased by approximately RMB64.1 million and RMB203.2 million respectively during the Year. Besides, the net exchange gain increased by approximately RMB114.5 million for the Year was set off by the decrease of approximately RMB76.0 million in bad debts recovery.

Distribution expenses

Distribution expenses for the Year were approximately RMB121.8 million, representing an increase of approximately RMB37.4 million or approximately 44.3%, as compared to that of approximately RMB84.4 million in 2019. The increase was mainly attributable to the increase in transportation charges in relation to the increase in sales volume of clean coal for the Year.

Administrative expenses

Administrative expenses for the Year maintained at approximately RMB107.8 million, representing a slight increase of approximately RMB2.4 million, or approximately 2.3%, as compared to that of approximately RMB105.4 million in 2019.

Finance costs

Finance costs for the Year amounted to approximately RMB441.2 million, representing an increase of approximately RMB3.6 million or approximately 0.8%, as compared to that of approximately RMB437.6 million in 2019. During the Year, the Company recorded saving in interest expenses payable to Lending Banks of approximately RMB169.0 million, following the Preliminary Restructuring Framework entered into in April 2020 with the Onshore Creditors Committee. However, the Company made provision of approximately RMB173.5 million for the interest expenses payable and the fees accrued in accordance with the revised termsheet entered into in July 2020 entered into between the Company and the Steering Committee.

Taxation

No income tax was recorded during the Year (2019: Income tax credit of approximately RMB62,000). 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 RMB269.6 million, representing a slight increase of approximately RMB0.3 million or approximately 0.1%, as compared with that of approximately RMB269.3 million in 2019.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was 44.9% for the Year as compared with 26.8% in 2019:

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(269,575)**	(269,344)
Adjusted for:		
– Allowance for impairment loss recognized on trade receivables	**75,943**	11,813
– Impairment of other receivables	**203,245**	–
	9,613	(257,531)
Finance costs	**441,196**	437,635
Depreciation and amortisation	**154,650**	139,446
Adjusted EBITDA	**605,459**	319,550

Liquidity, financial resources and capital structure

As at 31 December 2020, the Group incurred net current liabilities of approximately RMB9,803.9 million as compared to approximately RMB9,364.5 million at 31 December 2019.

As at 31 December 2020, the bank balances and cash of the Group amounted to approximately RMB32.9 million (2019: approximately RMB18.0 million).

As at 31 December 2020, the total bank borrowings repayable within one year of the Group were approximately RMB5,885.3 million. As at 31 December 2020, loans amounting to RMB5,845.7 million carry interest at a fixed rate of 3.00% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 5.70% per annum.

The gearing ratio (calculated as the aggregate of total bank borrowings and senior notes divided by total assets) of the Group as at 31 December 2020 was 63.7% (2019: 66.4%).

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) On 21 April 2020, the Company and the Onshore Creditors Committee have reached an agreement on the Preliminary Restructuring Framework pursuant 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 the Lending Banks have agreed to enter into 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.

(m) On 13 July 2020, the Company and the Steering Committee entered into the 2020 Termsheet pursuant to which the parties agreed to the key commercial terms for the swap of the Notes into Converted Shares with an option to participant in the SPP to be conducted by the Company.

(n) On 30 April 2021, the Company and the Steering Committee entered into the Amended and Restated Termsheet to amend certain timelines and fees of the debt restructuring, which replaced and superseded the 2020 Termsheet in its entirety.

(o) Negotiations with the creditors are still in progress and no definitive agreement has been reached as at the date of this announcement.

Pledge of assets of the Group

As at 31 December 2020, the Group pledged assets in an aggregate amount of approximately RMB3,704.6 million (2019: RMB3,772.6 million) to banks for credit facilities.

As at 31 December 2020, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,875 million (2019: RMB4,875 million).

Employees and remuneration policies

As at 31 December 2020, the number of employees of the Group reached 7,486 as compared to 5,795 employees at 31 December 2019. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB465.4 million (2019: RMB426.7 million).

The salary and bonus policy of the Group is principally determined by the qualifications, performance 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 dividend for the Year.

Risk in foreign exchange

Since all of the Group's business activities are transacted in RMB, the Directors 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 USD0.2 million and HKD0.1 million during the Year.

Significant investments held

During the Year, the Group did not hold any significant investments.

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the Year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures 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 advised by 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 2020, the Group did not have any material contingent liabilities.

Continuing connected transaction

During the year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, the controlling shareholder of the Company and an executive 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 2020, the Group did not have any continuing connected transaction.

Future Plans for Material Investment and Capital Assets

Save as disclosed in this announcement, the Group does not have other plans for material investment and capital assets during the Year.

OUTLOOK

During the Year, as the coal mines affected by the coal mine consolidation in Guizhou province gradually resumed normal production, the Company saw a sign of recovery. Its production volume of raw coal increased to approximately 3,485,000 tonnes, an increase of approximately 26.7% as compared with 2,751,000 tonnes in 2019. Accordingly, the unit production cost of raw coal and clean coal further reduced to approximately RMB256 per tonne and RMB649 per tonne respectively. As a result, gross profit of approximately RMB619.9 million was recorded and adjusted EBITDA of approximately RMB605.5 million was achieved. The Company believes that the gradually increasing production capacity of its coal mines will help to further reduce its operating cost and strengthen its working capital.

During the Year, the Company, the Onshore Creditors Committee and the Steering Committee have come to a remarkable progress in the debt restructuring plan. The Company and the Onshore Creditors Committee have reached the Preliminary Restructuring Framework to convert part of the indebtedness to newly issued ordinary shares of the Company and to extend the remaining indebtedness to 2025. At the same time, the Company has entered into revised termsheet with the Steering Committee for key commercial terms for the swap of the Notes into converted shares with an option to participate in the SPP to be conducted by the Company. Currently, the Company is working closely with the onshore and offshore creditors, the professionals and relevant regulated parties 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 by 2021. Upon the completion of the debt restructuring, the Company believes that it will have a healthy financial position and sustainable cashflow for operation and development.

OTHER INFORMATION

Audit committee

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

As of the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Mr. 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 2020.

Corporate governance

The Company failed to timely publish the 2020 audited financial results and lay the audited 2020 financial statements at the 2021 annual general meeting of the Company in accordance with Rules 13.46 and 13.49 of the Listing Rules, and published its environmental, social and governance report for the same period in its 2020 annual report in accordance with rule 13.91 of the Listing Rules. The Company has been reviewing and closely monitoring its internal control systems to avoid delay in publication of its periodic financial and non-financial information under the Listing Rules in the future.

Save as above and in the opinion of the Directors, 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 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hidili.com.cn). The annual report of the Company for the year ended 31 December 2020 containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company no or before 30 September 2021.

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

Hong Kong
17 September 2021

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