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 2021

FINANCIAL HIGHLIGHTS

	2021	2020	Change
	RMB'000	*RMB'000*	%
Revenue	**2,839,738**	1,348,556	110.6%
Gross Profit	**1,329,631**	619,944	114.5%
Profit/(Loss) Before Tax	**572,431**	(269,575)	312.3%
Profit/(Loss) Attributable to the Owners of the Company	**645,145**	(270,190)	338.8%
Adjusted EBITDA	**999,453**	605,459	65.1%
Basic Earning/(Loss) per Share *(RMB cents)*	**31.54**	(13.21)	338.8%

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 2021 (the "**Year**"), which have been agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**2,839,738**	1,348,556
Cost of sales		**(1,510,107)**	(728,612)
Gross profit		**1,329,631**	619,944
Interest revenue		**5,554**	2,563
Other income	*5*	**26,424**	15,290
Other gains and losses	*6*	**(50,120)**	(190,234)
Distribution expenses		**(217,838)**	(121,838)
Administrative expenses		**(213,162)**	(107,771)
Share of loss of a joint venture		**(57,147)**	(46,333)
Finance costs	*7*	**(250,911)**	(441,196)
Profit/(Loss) before tax		**572,431**	(269,575)
Income tax credit	*8*	**72,008**	–
Profit/(Loss) and total comprehensive income/(expense) for the year	*9*	**644,439**	(269,575)
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**645,145**	(270,190)
Non-controlling interests		**(706)**	615
		644,439	(269,575)
Earning/(Loss) per share	*11*		
Basic *(RMB cents)*		**31.54**	(13.21)
Diluted *(RMB cents)*		**31.54**	(13.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,980,120**	8,536,819
Right-of-use assets		**128,354**	134,875
Interests in a joint venture		**1,384,081**	1,441,228
Long-term deposits		**14,259**	17,042
Deferred tax assets		**62,300**	–
		10,569,114	10,129,964
CURRENT ASSETS			
Inventories		**310,026**	145,089
Bills and trade receivables	*12(a)*	**453,775**	126,183
Bills receivables discounted with recourse	*12(b)*	**–**	67,950
Other receivables and prepayments		**638,227**	662,613
Amount due from a joint venture		**142,779**	87,536
Pledged bank deposits		**820**	847
Bank and cash balances		**14,535**	32,909
		1,560,162	1,123,127
CURRENT LIABILITIES			
Bills and trade payables	*13*	**897,374**	751,272
Contract liabilities		**135,319**	278,413
Advances drawn on bills receivables discounted with recourse		**–**	67,950
Accruals and other payables		**2,679,689**	2,600,875
Lease liabilities		**30,479**	31,729
Tax payables		**19,714**	29,422
Senior notes		**1,252,737**	1,282,053
Bank borrowings		**5,853,793**	5,885,344
		10,869,105	10,927,058
NET CURRENT LIABILITIES		**(9,308,943)**	(9,803,931)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,260,171**	326,033

	2021	2020
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Other payables	**289,980**	–
Provision for restoration and environmental costs	**12,597**	11,443
Lease liabilities	**26,765**	28,200
Deferred tax liabilities	**8,025**	8,025
	337,367	47,668
NET ASSETS	**922,804**	278,365
CAPITAL AND RESERVES		
Share capital	**197,506**	197,506
Reserves	**696,943**	51,798
Equity attributable to owners of the Company	**894,449**	249,304
Non-controlling interests	**28,355**	29,061
TOTAL EQUITY	**922,804**	278,365

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 RMB9,308,943,000 as at 31 December 2021.

During the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021, 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 RMB1,253 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 has renewed or extended certain loans from certain banks. In addition, representatives of certain banks have stated that the bank does not currently intend to take enforcement action in respect of the loan.

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**").

Regarding the execution of the 2017 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.

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.

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 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 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 2021. 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 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.

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:

	2021	2020
	RMB'000	*RMB'000*
Sales of coal and its by-products		
Clean coal	**2,657,380**	1,200,840
Raw coal	**3,904**	25,607
High-ash thermal coal	**172,893**	109,491
Others	**5,561**	12,618
Revenue from contracts with customers	**2,839,738**	1,348,556

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 2021 and 2020.

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:

	2021	2020
	RMB'000	*RMB'000*
Customer A[1,2]	**573,575**	213,573
Customer B[1]	**345,139**	120,750
Customer C[1,2]	**325,422**	144,555
Customer D[1,2,3]	***187,080**	417,594

1 Revenue from sales of clean coal

2 Revenue from sales of raw coal

3 Revenue from sales of high-ash thermal 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

	2021	2020
	RMB'000	*RMB'000*
Government grant *(note)*	**18,507**	11,318
Others	**7,917**	3,972
	26,424	15,290

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

	2021	2020
	RMB'000	*RMB'000*
Allowance for loss allowance recognized on trade receivables	**(24,886)**	(75,943)
Impairment of trade receivables and other receivables	**(36,475)**	(203,245)
Loss on disposal of property, plant and equipment	**(79,966)**	(3,259)
Waive of other payables	**55,657**	–
Rental income	**–**	8,609
Net exchange gain	**34,955**	91,614
Others	**595**	(8,010)
	(50,120)	(190,234)

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on borrowings:		
– bank and other borrowings	**231,510**	426,856
– advances drawn on bills receivable discounted	**14,912**	16,456
	246,422	443,312
Less: Interest capitalised in construction in progress	**–**	(5,745)
	246,422	437,567
Interest expenses on lease liabilities	**4,489**	3,629
	250,911	441,196

8. INCOME TAX CREDIT

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**–**	–
Overprovision in prior years	**9,708**	–
	9,708	–
Deferred taxation	**62,300**	–
Income tax credit for the Year	**72,008**	–

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 2021 and 2020.

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 (2020: 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 (2020: Nil).

9. PROFIT/(LOSS) FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
Profit/(Loss) for the Year has been arrived at after charging:		
Provision for restoration and environmental costs	**1,154**	1,172
Depreciation and amortisation of property, plant and equipment	**157,321**	141,388
Depreciation of right-of-use assets	**13,086**	13,262

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2021 and 2020 or since the end of the reporting period.

11. EARNING/(LOSS) PER SHARE

The calculation of the basic and diluted earning/(loss) per share attributable to owners of the Company is based on the following data:.

Profit/(Loss)

	2021	2020
	RMB'000	*RMB'000*
Profit/(Loss) for the purposes of basic and diluted earning/(loss) per share (Profit/(Loss) for the year attributable to owners of the Company)	**645,145**	(270,190)

Number of shares

	2021	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earning/(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 2021 and 2020.

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

(a) Bills and trade receivables

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**772,459**	425,031
Less: allowance for doubtful debts	**(323,734)**	(298,848)
	448,725	126,183
Bills receivables	**5,050**	–
	453,775	126,183

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:

	2021	2020
	RMB'000	*RMB'000*
Aged:		
0 -90 days	**393,110**	125,980
91 – 120 days	**13,167**	–
121 – 180 days	**42,448**	–
181 – 365 days	**–**	203
	448,725	126,183

(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:

	2021	2020
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**–**	42,950
91 – 120 days	**–**	25,000
	–	67,950

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:

	2021	2020
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**249,596**	89,139
91 – 180 days	**73,232**	49,584
181 – 365 days	**142,475**	128,934
Over 365 days	**432,071**	483,615
	897,374	751,272

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

	2021	2020
	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	**526,316**	588,863

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:

	2021	2020
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**50,530**	48,512

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 2021 of approximately RMB7,670 million (2020: approximately RMB7,502 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 2021:

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 as at 31 December 2021 the Group had net current liabilities of RMB9,308,943,000. 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 RMB2,839.7 million, representing a sharp increase of approximately 110.6%, as compared to that of approximately RMB1,348.6 million in 2020. With the recovery of the economy, especially in the steel industry and infrastructure development, under the strict control of the wild spread of the COVID-19 imposed by the Chinese government, the demand for commodities including coking coal led a gradual growth. Accordingly, both sales volume and average selling price (net of value added tax) of clean coal of the Company were increased during the Year. The sales volume recorded for clean coal for the Year amounted to approximately 1,433,000 tonnes as compared to that of approximately 1,173,500 tonnes in 2020, representing an increase of approximately 22.1%. The average selling price for the Year for clean coal increased from approximately RMB1,023.3 per tonne in 2020 to that of RMB1,854.5 per tonne in the Year, representing an increase of approximately 81.2%.

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 2020:

	2021			2020		
	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	**2,657,380**	**1,433.0**	**1,854.5**	1,200,840	1,173.5	1,023.3
By-products						
High-ash thermal coal	**172,893**	**922.5**	**187.4**	109,491	557.2	196.5
Other products						
Raw coal	**3,904**	**7.4**	**526.9**	25,607	69.2	370.2
Others	**5,561**			12,618		
Other products total	**9,465**			38,225		
Total turnover	**2,839,738**			1,348,556		

Cost of sales

Cost of sales for the Year was approximately RMB1,510.1 million, representing an increase of approximately RMB781.5 million or 107.3%, as compared to that of approximately RMB728.6 million in 2020. During the Year, the Company's coal mines in Guizhou province continued to release further production capacity and the production in the Company's coal mines in Sichuan province was suspended for revised consolidated plan. The production volume of raw coal increased from approximately 3,485,000 tonnes in 2020 to 4,078,000 tonnes in the Year, representing an increase of approximately 17.0%. Also, the clean coal production volume increased from approximately 1,398,000 tonnes in 2020 to approximately 1,527,000 tonnes in the Year, representing an increase of approximately 9.2%.

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

	Year ended 31 December			
	2021	**2021**	2020	2020
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**–**	**–**	204	96
Guizhou	**4,078**	**1,527**	3,281	1,302
	4,078	**1,527**	3,485	1,398

Material, fuel and power costs for the Year were approximately RMB418.1 million, representing an increase of approximately RMB256.1 million, or approximately 158.1%, as compared to that of approximately RMB162.0 million in 2020. The increase was mainly attributable to the increase in raw coal production volume and rising materials prices. Besides, additional materials were consumed for the enhancement of production capacity upgrade and process optimization during the Year.

Staff costs for the Year were approximately RMB574.0 million, representing an increase of approximately RMB208.2 million or 56.9%, as compared to that of approximately RMB365.8 million in 2020. The increase was in line with the increase in the production of raw coal and clean coal for the Year and the headcounts of miners and coal mines management for enhancement of production capacity upgrade and process optimization.

Depreciation and amortization for the Year were approximately RMB150.5 million, representing an increase of approximately RMB28.2 million, or approximately 23.1%, as compared to that of approximately RMB122.3 million in 2020. The increase was in line with the increase in production volume of raw coal and clean coal.

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

	2021	2020
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**286**	222
Depreciation and amortisation	**36**	34
Total raw coal production cost	**322**	256
Average cost of clean coal	**806**	649

Gross profit

As a result of the foregoing, the Company reported a gross profit of approximately RMB1,329.6 million for the Year, representing an increase of approximately RMB709.7 million or approximately 114.5%, as compared to that of approximately RMB619.9 million in 2020. The gross profit margin was approximately 46.8% as compared to that of approximately 46.0% in 2020.

Other income

Other income for the Year amounted to approximately RMB26.4 million, representing an increase of approximately RMB11.1 million or approximately 72.5%, as compared to that of approximately RMB15.3 million in 2020. The increase was mainly attributable to the increase in government grant from approximately RMB11.3 million in 2020 to RMB18.5 million for the Year.

Other gains and losses

The Company recorded other losses of approximately RMB50.1 million for the Year as compared to approximately RMB190.2 million in 2020. The decrease was mainly attributable to: (i) the decrease in allowance for loss allowance recognized on trade receivables and impairment of trade receivables and other receivables of approximately RMB51.1 million and RMB166.8 million respectively as a result of improving credit recoverability of customers and (ii) waive of other payables of approximately RMB55.7 million during the Year but offset by: (i) an increase in loss on disposal of property, plant and equipment of approximately RMB76.7 million (mainly arising from the closure of Luhuan Coal Mine) and (ii) a decrease in net exchange gain of approximately RMB56.7 million.

Distribution expenses

Distribution expenses for the Year were approximately RMB217.8 million, representing an increase of approximately RMB96.0 million or approximately 78.8%, as compared to that of approximately RMB121.8 million in 2020. The increase was mainly attributable to the increase in both volume and unit charge on railway and highway transportation in line with the increase in sales volume of clean coal for the Year.

Administrative expenses

Administrative expenses for the Year were approximately RMB213.2 million, representing an increase of approximately RMB105.4 million, or approximately 97.8%, as compared to that of approximately RMB107.8 million in 2020. The increase was mainly attributable to: (i) the increase in professional expenses of approximately RMB28.5 million in relation to the fee payable to working parties in debt restructuring and technical consultants, external valuer and auditor for the addition work done on valuation of the Company's mining assets and the interests in a joint venture; (ii) surcharge of approximately RMB20.1 million charged by provincial government for the delay payment of taxes and levies and (iii) research and development expenses of approximately RMB6.6 million for the Year.

Finance costs

Finance costs for the Year amounted to approximately RMB250.9 million, representing a decrease of approximately RMB190.3 million or approximately 43.1%, as compared with approximately RMB441.2 million in 2020. The decrease was mainly attributable to the provision made in 2020 by the Company of approximately RMB173.0 million for the interest expenses payable and the fees accrued in accordance with the revised termsheet entered into in July 2020 between the Company and the Steering Committee.

Income tax credit

During the Year, the Company recorded an income tax credit of approximately RMB72.0 million, representing an overprovision in prior years of approximately RMB9.7 million and the recognition of deferred tax assets of approximately RMB62.3 million (2020: nil provision for income tax and deferred tax). At the end of the Year, the Company has unused tax losses of approximately RMB137.2 million available for offsetting against future profits. All these tax losses will expire during 2022 to 2026. Accordingly, a deferred tax asset has been recognised for the Year.

Loss for the year

As a result of the foregoing, the profit for the Year was approximately RMB644.4 million, representing an increase of approximately RMB914.0 million or approximately 339.0%, as compared with that of a loss of approximately RMB269.6 million in 2020.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was 35.2% for the Year as compared with 44.9% in 2020:

	2021	2020
	RMB'000	*RMB'000*
Profit/(Loss) before tax	**572,431**	(269,575)
Adjusted for:		
– Loss allowance for trade receivables	**24,886**	75,943
– Impairment of the trade receivables and other receivables	**36,475**	203,245
– Waive of other payables	**(55,657)**	–
	578,135	9,613
Finance costs	**250,911**	441,196
Depreciation and amortisation	**170,407**	154,650
Adjusted EBITDA	**999,453**	605,459

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group incurred net current liabilities of approximately RMB9,308.9 million as compared to approximately RMB9,803.9 million at 31 December 2020.

As at 31 December 2021, the bank balances and cash of the Group amounted to approximately RMB14.5 million (2020: approximately RMB32.9 million).

As at 31 December 2021, the total bank borrowings repayable within one year of the Group were approximately RMB5,853.8 million. As at 31 December 2021, loans amounting to RMB5,821.4 million carry interest at a fixed rate of 3.00% per annum. The remaining loans carry interest at variable market rates of 4.00% 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 2021 was 58.6% (2020: 63.7%).

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 "**High 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 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 the 2017 Termsheet 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 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 newly issued ordinary shares of the Company 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) On 1 November 2021, the Company, the subsidiary guarantors and the Steering Committee entered into a restructuring support agreement (the "**RSA**"), pursuant to which they have agreed to support and facilitate the Debt Restructuring. The material terms of the Debt Restructuring have been agreed in the 2020 Termsheet as amended and restated by the Amended and Restated Termsheet. On 28 January 2022, the Company, the subsidiary guarantors and the Steering Committee entered into an extension letter to the RSA to amend certain deadlines in the RSA.

(p) On 4 February 2022, the Company filed an application with the High Court seeking an order (the "**Convening Order**") to grant permission for the Company to convene a meeting of the Noteholders for the purpose of considering, and if thought fit, approving (with or without modification) the scheme arrangement (the "**Scheme**") pursuant to section 673 and 674 of the Companies Ordinance (Cap.622 of the Laws of Hong Kong) between the Holders and the Company. The hearing for the Convening Order in respect of the Scheme was heard by the High Court on 9 February 2022, during which the High Court granted the Convening Order.

(q) Currently, the Company is working closely with the professional parties for the preparation of the Scheme, together with an explanatory statement, appendices thereto and related documents containing detailed information regarding the Scheme in addition to other documents that relate to the Debt Restructuring to the Holders in the manner prescribed by the Convening Order.

Pledge of assets of the Group

As at 31 December 2021, the Group pledged assets in an aggregate amount of approximately RMB3,833 million (2020: RMB3,705 million) to banks for credit facilities.

As at 31 December 2021, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,875 million (2020: RMB4,875 million).

Employees and remuneration policies

As at 31 December 2021, the number of employees of the Group reached 9,232 as compared to 7,486 employees at 31 December 2020. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB656.9 million (2020: RMB465.4 million).

The salary and bonus policy of the Group is principally determined by the qualification, 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 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 the Winding Up Petition filed by a bondholder of the Notes with the High 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 2021, 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 2021, the Group did not have any material 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, the Company's coal mines in Guizhou province continued to release further production capacity and the production in the Company's coal mines in Sichuan province was suspended for revised consolidated plan. Benefit from the recovery in the steel industry and infrastructure development, both the sales volume and average selling price in clean coal reported a sharp increase from approximately 1,173,500 tonnes and RMB1,023.3 per tonne in 2020 to that of approximately 1,433,000 tonnes and RMB1,854.5 per tonne during the Year. Turnover of the Company reached approximately RMB2,839.7 million during the Year, representing a significant increase of approximately RMB1,491.1 million or 110.6%, as compared to approximately RMB1,348.6 million in 2020. At the same time, regarding the rising materials prices and the increasing staff cost and overheads spend on enhancement of production capacity upgrade and process optimization, the unit production cost of raw coal and clean coal increased to approximately RMB322 per tonne and RMB806 per tonne respectively. As a result, gross profit of approximately RMB1,329.6 million was recorded and adjusted EBITDA of approximately RMB999.5 million was achieved. The Company believes that the strong market position in coking coal will continue in 2022 and will contribute remarkable revenue and profit to the Company throughout 2022.

The granting of the Convening Order by the High Court on 9 February 2022 indicated a remarkable progress in the Debt Restructuring. Currently, the Company is working closely with the professional parties for the preparation of the Scheme, together with an explanatory statement, appendices thereto and related documents containing detailed information regarding the Scheme in addition to other documents that relate to the Restructuring to the Holders in the manner prescribed by the Convening Order. The Company believes that the Scheme will be approved by the Holders and the shareholders by 2022. 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 "**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 2021.

Corporate governance

The Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the Year. None of the Directors 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 2021.

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

Hong Kong
31 March 2022

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.