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Hidili Industry International Development Limited
恒鼎實業國際發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01393)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Revenue	**2,264,297**	1,091,282	107.5%
Gross profit	**1,179,874**	548,880	115.0%
Profit before tax	**532,683**	279,804	90.4%
Profit and total comprehensive income for the period	**449,658**	279,804	60.7%
EBITDA	**822,995**	467,689	76.0%
Basic earning per share *(RMB cents)*	**22.0**	13.7	60.6%

The board (the "**Board**") of directors (the "**Directors**") of Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2022 (the "**Review Period**"), together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**2,264,297**	1,091,282
Cost of sales		**(1,084,423)**	(542,402)
Gross profit		**1,179,874**	548,880
Interest revenue		**4,862**	2,257
Other income	*5*	**16,864**	11,166
Other gains and losses	*6*	**(166,733)**	15,688
Distribution expenses		**(157,208)**	(80,020)
Administrative expenses		**(197,618)**	(71,936)
Share of loss of a joint venture		**(20,332)**	(29,849)
Finance costs	*7*	**(127,026)**	(116,382)
Profit before tax		**532,683**	279,804
Income tax expense	*8*	**(83,025)**	–
Profit and total comprehensive income for the Review Period		**449,658**	279,804
Profit and total comprehensive income for the Review Period attributable to:			
– Owners of the Company		**450,343**	279,398
– Non-controlling interests		**(685)**	406
		449,658	279,804
Earning per share	*11*		
Basic *(RMB cents)*		**22.0**	13.7
Diluted *(RMB cents)*		**22.0**	13.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,884,849**	8,980,120
Right-of-use assets		**121,431**	128,354
Interests in a joint venture		**1,369,249**	1,384,081
Long-term deposits		**14,259**	14,259
Deferred tax assets		**7,704**	62,300
		10,397,492	10,569,114
CURRENT ASSETS			
Inventories		**283,803**	310,026
Bills and trade receivables	*12(a)*	**868,393**	453,775
Bills receivables discounted with recourse	*12(b)*	**247,330**	–
Other receivables and prepayments		**982,717**	638,227
Amount due from a joint venture		**204,721**	142,779
Pledged bank deposits		**821**	820
Bank and cash balances		**40,179**	14,535
		2,627,964	1,560,162
CURRENT LIABILITIES			
Bills and trade payables	*13*	**956,756**	897,374
Contract liabilities		**133,181**	135,319
Advances drawn on bills receivables discounted with recourse		**247,330**	–
Accruals and other payables		**2,836,985**	2,679,689
Lease liabilities		**28,441**	30,479
Tax payables		**48,079**	19,714
Senior notes		**1,318,697**	1,252,737
Bank borrowings		**5,749,377**	5,853,793
		11,318,846	10,869,105
NET CURRENT LIABILITIES		**(8,690,882)**	(9,308,943)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,706,610**	1,260,171

	Notes	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Other payables		**289,980**	289,980
Provision for restoration and environmental costs		**13,208**	12,597
Lease liabilities		**22,935**	26,765
Deferred tax liabilities		**8,025**	8,025
		334,148	337,367
NET ASSETS		**1,372,462**	922,804
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**1,147,286**	696,943
Equity attributable to owners of the Company		**1,344,792**	894,449
Non-controlling interests		**27,670**	28,355
TOTAL EQUITY		**1,372,462**	922,804

NOTES TO THE CONDENSED 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, 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 clean coal and its by-products.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Gong concern assumption

In preparing these condensed 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 current liabilities position of approximately RMB8,691 million as at 30 June 2022.

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 RMB1,319 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 termsheet 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.

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

On 24 May 2022, a meeting with the Holders for the purpose of approving the scheme of arrangement (the "**Scheme**") was held. The Scheme was approved by the requisite statutory majorities of the Scheme Creditors. On 6 June 2022, the Scheme was approved and sanctioned by the High Court. On 20 June 2022, the relevant order (the "**Sanction Order**") of the High Court was registered with the Hong Kong Registrar of Companies.

On 25 July 2022, by a consent summons filed with the High Court on 13 July 2022, the order of the High Court dated 19 July 2022 and the hearing on 25 July 2022, the Winding Up Petition was dismissed with immediate effect.

In order to improve the Group's financial position, to provide liquidity and cash flows and sustain the Group as a going concern, the Group has been implemented a number of measures, including but not limited to:

(i) The Group is negotiating with banks to roll over the loan repayments and extend repayment of interests;

(ii) The Group is negotiating with its lenders to restructure of their debt to equity;

(iii) The Group is looking for potential investor to invest to the Group;

(iv) The Group is looking for opportunity for disposal of certain assets of the Group.

In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, and the management is also implementing cost-saving measures to improve its operating cash flows and financial position.

On the basis that the Group can successfully complete the Debt Restructuring and certain measures as mentioned above to improve its operating results and cash flows, the Directors 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 interim period, 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 2022. IFRSs comprise International Financial Reporting Standards ("**IFRS**"), International Accounting Standards ("**IAS**"), and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current interim period.

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 with the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of coal and its by-products:		
Clean coal	**2,194,206**	1,011,966
Raw coal	**–**	3,945
High-ash thermal coal	**68,893**	72,593
Others	**1,198**	2,778
Revenue from contracts with customers	**2,264,297**	1,091,282

Time of revenue recognition

All timing of revenue recognition is at a point of time for the six months ended 30 June 2022 and 2021.

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:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A[1]	**306,169**	217,735
Customer B[1]	**280,346**	*41,182
Customer C[1]	**236,887**	195,170
Customer D[1]	***105,813**	154,652
Customer E[1]	***139,105**	146,306

[1] Revenue from sales of clean coal

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

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant *(note)*	**9,114**	10,241
Others	**7,750**	925
	16,864	11,166

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange (loss)/gain	**(79,340)**	15,011
Waive of other payable	**2,131**	677
Written-off of property, plant and equipment	**(45,185)**	–
Impairment loss on property, plant and equipment	**(45,109)**	–
Others	**770**	–
	(166,733)	15,688

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**110,204**	105,097
– advances drawn on bills receivables discounted	**14,792**	8,861
	124,996	113,958
Interest expenses on lease liabilities	**2,030**	2,424
	127,026	116,382

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**28,429**	–
Deferred taxation	**54,596**	–
	83,025	–

The provision of EIT is based on a statutory rate of 25% of the assessable profit of the Group entities which recorded profit for the period as determined in accordance with the relevant income tax rules and regulations of the PRC.

9. PROFIT FOR THE REVIEW PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the Review Period has been arrived at after charging the following items:		
Provision for restoration and environmental costs	**611**	608
Depreciation of property, plant and equipment	**156,699**	69,544
Depreciation of right-of-use assets	**6,587**	1,351
Directors' remuneration	**1,367**	1,364
Salaries and other benefits	**447,955**	244,290
Retirement benefits scheme contribution	**7,221**	3,517
Total staff costs	**456,543**	249,171

10. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2022 and 2021 or since the end of the reporting period.

11. EARNING PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit		
Profit for the purpose of basic and diluted earning per share		
Profit for the Review Period attributable to owners of the Company	450,343	279,398

	Six months ended 30 June	
	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earning per share	**2,045,598**	2,045,598

The effect of all potential ordinary shares is anti-dilutive for the six months ended 30 June 2022 and 2021.

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

(a) BILLS AND TRADE RECEIVABLES

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.

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**832,103**	448,725
Bills receivables	**36,290**	5,050
	868,393	453,775

The following is an analysis of trade receivables and bills receivables by age, net of allowances, presented based on the invoice date, which approximately respective revenue recognition dates is as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**669,501**	393,110
91-120 days	**76,650**	13,167
121-180 days	**53,307**	42,448
181-365 days	**32,645**	–
	832,103	448,725

(b) BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

The Group generally allows an average credit period ranging from 90-180 days to its customers. The aged analysis of bills receivables discounted with full recourse is as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**168,707**	–
91-120 days	**78,623**	–
	247,330	–

13. BILLS AND TRADE PAYABLES

The following is an analysis of the trade payables by age, presented based on the invoice date.

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**257,974**	249,596
91-180 days	**121,220**	73,232
181-365 days	**109,100**	142,475
Over 365 days	**468,462**	432,071
	956,756	897,374

14. CAPITAL COMMITMENTS

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**474,558**	526,316

The Group's share of the capital commitment made jointly with other ventures relating to its joint venture, Yunnan Dongyuan Hidili Coal Industry Company, is as follows:

Commitments to contribute funds for the acquisition of property, plant and equipment	**49,521**	50,530

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Review Period, revenue of the Group amounted to approximately RMB2,264.3 million, representing a sharp increase of approximately 107.5%, as compared to that of approximately RMB1,091.3 million in the corresponding period in 2021. During the Review Period, the Company continued to benefit from the steel industry and infrastructure development, the demand for coking coal still remained at a high level. Accordingly, both sales volumes and average selling prices (net of value added tax) of clean coal were increased. Sales volume and average selling price of clean coal increased from 703,600 tonnes to 878,200 tonnes and from RMB1,438.3 per tonne to RMB2,498.5 per tonne respectively, representing an increase of 24.8% and 73.7% respectively.

The following table sets forth the Group's revenue contribution, sales volume and average selling price by products for the Review Period, together with the comparative amounts for the corresponding period in 2021:

	Six months ended 30 June					
	2022			2021		
	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	**2,194,206**	**878.2**	**2,498.5**	1,011,966	703.6	1,438.3
By-products						
High-ash thermal coal	**68,893**	**507.1**	**135.9**	72,593	374.9	193.6
Other products						
Raw coal	**–**	**–**	**–**	3,945	7.4	532.4
Others	**1,198**			2,778		
Other products total	**1,198**			6,723		
Total turnover	**2,264,297**			1,091,282		

Cost of sales

Cost of sales for the Review Period was approximately RMB1,084.4 million, representing an increase of approximately RMB542.0 million, or approximately 99.9%, as compared to that of approximately RMB542.4 million in the corresponding period in 2021. The increase was primarily in line with the increase in the production volume of raw coal and clean coal in the Review Period. The production volume of raw coal and clean coal amounted to approximately 2,377,000 tonnes and 819,000 tonnes respectively, representing an increase of approximately 35.2% and 22.6% respectively, as compared to that of approximately 1,758,000 tonnes and 668,000 tonnes respectively in the corresponding period in 2021.

During the Review Period, the Company carried out a comprehensive review of the production process and the condition of the mining structures and assets for the production resumption of the coal mines in Sichuan province and enhancement of capacity under full scale production of the coal mines in Guizhou province. The production process together with the capacity was streamlined and optimized. Accordingly,:- (i) additional costs relating to material, fuel and power, manpower and manufacturing overheads were consumed during the Review Period; (ii) certain idle and aging mining structures and assets were written-off; and (iii) revised estimated useful lives on mining structures and assets were adopted.

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

	Six months ended 30 June			
	2022	**2022**	2021	2021
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Panzhihua	**89**	**29**	–	–
Guizhou	**2,288**	**790**	1,758	668
	2,377	**819**	1,758	668

Material, fuel and power costs for the Review Period were approximately RMB284.2 million, representing an increase of approximately RMB150.8 million, or approximately 113.0%, as compared to that of approximately RMB133.4 million in the corresponding period in 2021. The increase was mainly attributable to the increase in production volume of raw coal and clean coal and the material consumed in the production capacity upgrade and process optimization during the Review Period.

Staff costs for the Review Period were approximately RMB380.6 million, representing an increase of approximately RMB158.0 million, or approximately 71.0%, as compared to that of approximately RMB222.6 million in the corresponding period of 2021. The increase was mainly attributable to the increase in production volume of raw coal and clean coal and the production capacity upgrade and process optimization during the Review Period. In addition, incentives were given to the miners and management for increasing production volume and enhancement in production efficiency.

Depreciation and amortization for the Review Period were approximately RMB128.4 million, representing an increase of approximately RMB66.0 million, or approximately 105.8%, as compared to that of approximately RMB62.4 million in the corresponding period of 2021. The increase was in line with the increase in production volume of raw coal and clean coal and the effect arising from adoption of revised estimated useful lives of mining structures and assets during the Review Period.

The following table set forth the unit production costs of the respective segment.

	Six months ended 30 June	
	2022	2021
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**344**	223
Depreciation and amortization	**51**	36
Total production cost	**395**	259
Average cost of clean coal	**1,213**	664

Gross profit

As a result of the foregoing, the gross profit for the Review Period was approximately RMB1,179.9 million, representing a remarkable increase of approximately RMB631.0 million or approximately 115.0%, as compared to that of approximately RMB548.9 million in the corresponding period in 2021. The gross profit margin during the Review Period was approximately 52.1% as compared with approximately 50.3% in the corresponding period in 2021.

Other income

During the Review Period, other income amounted to approximately RMB16.9 million, as compared to approximately RMB11.2 million in the corresponding period in 2021. The increase was mainly attributable to the gain on sales of scrapped materials during the Review Period.

Other gains and losses

During the Review Period, the Company reported other losses of approximately RMB166.7 million, representing a decrease of approximately RMB182.4 million, as compared to an aggregate gain of approximately RMB15.7 million in the corresponding period in 2021. The decrease was mainly attributable to: (i) the turnaround of exchange gain of approximately RMB15.0 million in the corresponding period of 2021 to a loss of approximately RMB79.3 million in the Review Period; (ii) written-off of property, plant and equipment of approximately RMB45.2 million; and (iii) impairment loss on property, plant and equipment of approximately RMB45.1 million.

Distribution expenses

Distribution expenses for the Review Period were approximately RMB157.2 million, representing an increase of approximately RMB77.2 million or approximately 96.5%, as compared to that of approximately RMB80.0 million in the corresponding period of 2021. The increase was mainly attributable to the increase in transportation expenses incurred as a result of: (i) increase in sales volume of clean coal; (ii) increase in transportation distance as increasing volume of clean coal shipped outside Guizhou province; and (iii) rising gasoline prices which led to higher charges for clean coal delivered by truck.

Administrative expenses

Administrative expenses during the Review Period were approximately RMB197.6 million, representing an increase of approximately RMB125.7 million or approximately 174.8%, as compared to that of approximately RMB71.9 million in the corresponding period in 2021. The increase was mainly attributable to the increase in staff costs of approximately RMB43.5 million, depreciation and amortization of approximately RMB20.5 million and legal and professional expenses of approximately RMB14.5 million during the Review Period.

Finance costs

Finance costs for the Review Period remained at approximately RMB127.0 million, similar to that of approximately RMB116.4 million in the corresponding period in 2021.

Income tax expense

Income tax expense for the Review Period amounted to approximately RMB83.0 million, representing provision for EIT for the Review Period of approximately RMB28.4 million and reversal of deferred tax assets of approximately RMB54.6 million as certain unused tax losses have been used up for offsetting current period taxable profits (nil provision for income tax in the corresponding period in 2021).

Profit for the Review Period

As a result of the foregoing, the profit attributable to the owners of the Company for the Review Period was approximately RMB450.3 million, representing an increase of approximately RMB170.9 million or approximately 61.2%, as compared to approximately RMB279.4 million in the corresponding period in 2021.

Earnings before interest, taxes, depreciation and amortization ("EDITDA")

The following table illustrates the Group's EBITDA for the respective periods. The Group's EBITDA margin was 36.3% for the Review Period as compared with 42.9% in the corresponding period in 2021.

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**532,683**	279,804
Finance costs	**127,026**	116,382
Depreciation and amortization	**163,286**	71,503
EBITDA	**822,995**	467,689

Liquidity, Financial Resources and Capital Structure

As at 30 June 2022, the Group incurred net current liabilities of approximately RMB8,690.9 million as compared to approximately RMB9,308.9 million as at 31 December 2021.

As at 30 June 2022, the bank and cash balances of the Group amounted to approximately RMB40.2 million (as at 31 December 2021: approximately RMB14.5 million).

As at 30 June 2022, the total bank borrowings payable within one year of the Group were approximately RMB5,749.4 million (as at 31 December 2021: approximately RMB5,853.8 million). As at 30 June 2022, loan amounting to RMB5,715.3 million carries interest at fixed rate of 3.00% per annum. The remaining loan carries interest at variable market rates around 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 30 June 2022 was 54.3% (as at 31 December 2021: 58.6%).

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. On 25 July 2022, by a consent summons filed with the High Court on 13 July 2022, the order of the High Court dated 19 July 2022 and the hearing on 25 July 2022, the Winding Up Petition was dismissed with immediate effect.

(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 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, 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 the newly issued ordinary shares of the Company with an option to participate in the SSP 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. On 29 April 2022, a second extension letter was entered into among the Company, the subsidiary guarantors and the Steering Committee to extend the scheme longstop date 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 Holders for the purpose of considering, and if thought fit, approving (with or without modification) the scheme of 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) On 24 May 2022, a meeting with the Holders for the purpose of approving the Scheme was held. The Scheme was approved by the requisite statutory majorities of the Scheme Creditors. On 6 June 2022, the Scheme was approved and sanctioned by the High Court. On 20 June 2022, the relevant order of the High Court was registered by the Hong Kong Registrar of Companies.

(r) The Company filed a Chapter 15 Petition with the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**") which seeks the entry of an order (i) recognizing the Hong Kong proceeding as a foreign nonmain proceeding; (ii) granting related relief; and (iii) granting comity to, and giving full force and effect within the territorial jurisdiction of the United States to the Scheme and the Sanction Order (collectively, the "**Requested Relief**"). On 12 July 2022 (New York time), the Bankruptcy Court entered an order granting the Requested Relief.

(s) Currently, the Company is working closely with the professional parties, Onshore Creditors Committee and the Steering Committee in finalization of all the necessary documents and terms and conditions required for completion of the Scheme and seeking further shareholders' approval in an extraordinary general meeting by 2022.

Pledge of Assets of the Group

As at 30 June 2022, the Group pledged its property, plant and equipment, bank deposits and bill receivables in an aggregate amount of approximately RMB3,670 million (as at 31 December 2021: approximately RMB3,833 million) to banks for credit facilities.

As at 30 June 2022, the executive director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,968 million (as at 31 December 2021: approximately RMB4,968 million).

Employees and remuneration policies

As at 30 June 2022, the Group maintained an aggregate of 10,731 employees as compared with 9,232 employees at 31 December 2021. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB456.5 million (corresponding period in 2021: approximately RMB249.2 million).

The salary and bonus policy of the Group is principally determined by the qualifications, performance and working experience of the individual employee and with reference to prevailing market conditions.

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. However, during the Review Period, the Group was exposed to exchange rate risk mainly arising from the foreign currency bank balances of approximately US$0.5 million and HK$0.1 million during the Review Period.

Significant Investment Held

During the Review Period, the Group did not hold any significant investments.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Review Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

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 Review Period.

Events After the Review Period

Save as disclosed in this announcement, there is no other material subsequent event undertaken by the Company or the Group after 30 June 2022 and up to the date of this announcement.

Contingent Liabilities

(a) 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 claim 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.

(b) 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 claim 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 30 June 2022, the Group did not have any material contingent liabilities.

Outlook

During the Review Period, 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 resumed. Benefit from the steel industry and infrastructural development, both the sales volume and average selling price in clean coal reported an increase from approximately 703,600 tonnes and RMB1,438.3 per tonne in the corresponding period of 2021 to that of approximately 878,200 tonnes and RMB2,498.5 per tonne during the Review Period. Turnover of the Company reached approximately RMB2,264.3 million during the Review Period, representing a significant increase of approximately RMB1,173.0 million or 107.5%, as compared to approximately RMB1,091.3 million in the corresponding period in 2021. At the same time, the Company carried out a comprehensive review of the production process and the condition of the mining structures and assets for the production resumption of the coal mines in Sichuan province and enhancement of capacity under full scale production of the coal mines in Guizhou province. The production process together with the capacity was streamlined and optimized. Accordingly:- (i) additional costs relating to material, fuel and power, manpower and manufacturing overheads were consumed during the Review Period; (ii) certain idle and aging mining structures and assets were written-off; and (iii) revised estimated useful lives on mining structures and assets were adopted. Accordingly, the unit production cost of raw coal and clean coal increased to approximately RMB395 per tonne and RMB1,213 per tonne respectively. As a result, gross profit of approximately RMB1,179.9 million was recorded and EBITDA of approximately RMB823.0 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.

During the Review Period, a remarkable progress in the Restructuring was achieved. In the meeting of the Holders of the Notes held on 24 May 2022, the Scheme was duly considered and approved. Currently, the Company is working closely with the professional parties, Onshore Creditors Committee and the Steering Committee in finalization of all the necessary documents and terms and conditions required for completion of the Scheme and seeking further shareholders' approval in an extraordinary general meeting 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

An audit committee of the Company (the "**Audit Committee**") was established on 25 August 2007 in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

As at the date of this announcement, the Audit Committee consists of three independent nonexecutive Directors, namely, Mr. Chan Shiu Yuen Sammy (Chairman), Mr. Huang Rongsheng and Ms. Xu Manzhen.

The Audit Committee has reviewed together with the management of the Company 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 Review Period.

Corporate governance

The Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the Review Period. The Directors are not 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 Review Period.

Model code for securities transactions by directors of the Company

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 Review Period with the required standards set out in the Model Code and the Code.

Purchase, sales 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 Review Period.

Publication of interim results and interim report

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.hidili.com.cn). The interim report of the Company for the six months ended 30 June 2022 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong
31 August 2022

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