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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01393)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	2022	2021	Change
	RMB'000	*RMB'000*	%
Revenue	**4,284,259**	2,839,738	50.9%
Gross Profit	**1,785,431**	1,329,631	34.3%
Profit Before Tax	**616,168**	572,431	7.6%
Profit Attributable to the Owners of the Company	**536,683**	645,145	(16.8%)
Adjusted EBITDA	**1,205,808**	999,453	20.6%
Basic Earning per Share *(RMB cents)*	**26.24**	31.54	(16.8%)

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 2022 (the "**Year**"), which have been agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**4,284,259**	2,839,738
Cost of sales		**(2,498,828)**	(1,510,107)
Gross profit		**1,785,431**	1,329,631
Interest revenue		**10,223**	5,554
Other income	*5*	**51,790**	26,424
Other gains and losses	*6*	**(255,830)**	(50,120)
Distribution expenses		**(304,815)**	(217,838)
Administrative expenses		**(382,442)**	(213,162)
Share of loss of a joint venture		**(41,678)**	(57,147)
Finance costs	*7*	**(246,511)**	(250,911)
Profit before tax		**616,168**	572,431
Income tax (expense)/credit	*8*	**(78,837)**	72,008
Profit and total comprehensive income for the year	*9*	**537,331**	644,439
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**536,683**	645,145
Non-controlling interests		**648**	(706)
		537,331	644,439
Earning per share	*11*		
Basic *(RMB cents)*		**26.24**	31.54
Diluted *(RMB cents)*		**26.24**	31.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2022** **RMB'000**	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,910,021**	8,980,120
Right-of-use assets		**87,842**	128,354
Interests in a joint venture		**1,342,403**	1,384,081
Equity investments at fair value through other comprehensive income		**5,500**	–
Long-term deposits		**14,259**	14,259
Deferred tax assets		**–**	62,300
		10,360,025	10,569,114
CURRENT ASSETS			
Inventories		**274,610**	310,026
Financial assets at fair value through profit or loss		**5,344**	–
Bills and trade receivables	*12(a)*	**991,537**	453,775
Bills receivables discounted with recourse	*12(b)*	**346,557**	–
Other receivables and prepayments		**921,747**	638,227
Amount due from a joint venture		**237,329**	142,779
Pledged bank deposits		**821**	820
Bank and cash balances		**78,184**	14,535
		2,856,129	1,560,162
CURRENT LIABILITIES			
Bills and trade payables	*13*	**774,240**	897,374
Contract liabilities		**111,901**	135,319
Advances drawn on bills receivables discounted with recourse		**346,557**	–
Accruals and other payables		**3,044,845**	2,679,689
Lease liabilities		**28,136**	30,479
Tax payables		**33,732**	19,714
Senior notes		**1,368,448**	1,252,737
Bank borrowings		**5,716,612**	5,853,793
		11,424,471	10,869,105
NET CURRENT LIABILITIES		**(8,568,342)**	(9,308,943)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,791,683**	1,260,171

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Other payables	**289,980**	289,980
Provision for restoration and environmental costs	**14,041**	12,597
Lease liabilities	**19,502**	26,765
Deferred tax liabilities	**8,025**	8,025
	331,548	337,367
NET ASSETS	**1,460,135**	922,804
CAPITAL AND RESERVES		
Share capital	**197,506**	197,506
Reserves	**1,233,626**	696,943
Equity attributable to owners of the Company	**1,431,132**	894,449
Non-controlling interests	**29,003**	28,355
TOTAL EQUITY	**1,460,135**	922,804

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 Trident Trust Company (Singapore) Pte. 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

As at 31 December 2022, the Group had net current liabilities of approximately RMB8,568,342,000, despite the Group had a net operating cash inflow of approximately RMB683,611,000 during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group had net profit of approximately RMB537,331,000 and net operating cash inflow of approximately RMB683,611,000 during the year. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2022. They have assessed the appropriateness of adopting the going concern basis for the preparation of these consolidated financial statements for the year ended 31 December 2022 in light of the Group's plans and measures described below to improve its cash flows:

(i) The Group implements debt restructuring involving (1) the scheme; (2) issue of preferred shares to certain PRC Lending Banks; and (3) settlement agreements with Onshore Operating Creditors. For details, please refer to the Company's circular issued at 30 December 2022. All the resolutions (the "**Resolutions**") set out in the notice of the extraordinary general meeting ("**EGM**") dated 30 December 2022 were duly passed by the Shareholders by way of poll at the EGM at 30 January 2023. The Restructuring Effective Date will occur on 31 March 2023. It is expected that the results of debt restructuring will be successful to reduce the Group's current liabilities and increase the Group's equity.

(ii) It is expected that the operations will keep to improve the liquidity and profitability of the Group; and

(iii) The Group will continue to take active measures to control the administrative and production costs.

In the opinion of the directors of the Company, in light of the above, the Group will have sufficient financial resources to finance its operations and fulfil its financial obligations as and when required in the coming twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

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 issued by International Accounting Standard Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards, International Accounting Standards, 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:

	2022	2021
	RMB'000	*RMB'000*
Sales of coal and its by-products:		
Clean coal	**4,095,182**	2,657,380
Raw coal	**–**	3,904
High-ash thermal coal	**185,003**	172,893
Others	**4,074**	5,561
Revenue from contracts with customers	**4,284,259**	2,839,738

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 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:

	2022	2021
	RMB'000	*RMB'000*
Customer A[1,2]	**498,214**	573,575
Customer B[1]	**659,590**	345,139
Customer C[1,2]	* **–**	325,422
Customer D[1]	**456,035**	* 58,415
Customer E[1]	**448,799**	*238,235

1 Revenue from sales of clean coal

2 Revenue from sales of raw coal

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

5. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Government grant *(note 1)*	**–**	18,507
Government subsidies *(note 2)*	**34,406**	–
Others	**17,384**	7,917
	51,790	26,424

Note 1: 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.

Note 2: The amounts represent incentives received from government regarding renovation of mechanization and informatization with no conditions attached.

6. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Allowance for loss allowance recognised on trade receivables	**(3,085)**	(24,886)
Allowance for loss allowance recognised on other receivables and prepayments	**(11,758)**	–
Reversal of impairment/(Impairment) of trade receivables and other receivables	**34,174**	(36,475)
Losses on disposal of property, plant and equipment	**(120,865)**	(79,966)
Waiver of other payables	**9,034**	55,657
Fair value change on financial assets at fair value through profit or loss	**(24,244)**	–
Net exchange (losses)/gains	**(140,363)**	34,955
Others	**1,277**	595
	(255,830)	(50,120)

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on borrowings:		
– bank and other borrowings	**217,348**	231,510
– advances drawn on bills receivable discounted	**27,696**	14,912
	245,044	246,422
Interest expenses on lease liabilities	**1,467**	4,489
	246,511	250,911

8. INCOME TAX (EXPENSE)/CREDIT

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**(16,537)**	–
Overprovision in prior years	**–**	9,708
	(16,537)	9,708
Deferred taxation	**(62,300)**	62,300
Income tax (expense)/credit for the year	**(78,837)**	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 2022 and 2021.

The Company is not subject to any income tax expense in the Cayman Islands as the Cayman Islands levies no tax on the income of the Company (2021: 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 (2021: Nil).

9. PROFIT FOR THE YEAR

	2022	2021
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Provision for restoration and environmental costs	**1,444**	1,154
Depreciation and amortisation of property, plant and equipment	**353,087**	157,321
Depreciation of right-of-use assets	**18,407**	13,086

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 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 owners of the Company is based on the following data:

Profit

	2022	2021
	RMB'000	*RMB'000*
Profit for the purposes of basic and diluted earning per share (Profit for the year attributable to owners of the Company)	**536,683**	645,145

Number of shares

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earning per share	**2,045,598**	2,045,598

The effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2022 and 2021.

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

(a) Bills and trade receivables

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,082,271**	772,459
Less: allowance for doubtful debts	**(128,584)**	(323,734)
	953,687	448,725
Bills receivables	**37,850**	5,050
	991,537	453,775

The Group generally allows an average credit period ranging from 90-120 days to its trade customers and the average credit period for bills receivables is ranging from 90-180 days. The aged analysis of trade receivables, net of allowances presented based on the invoice date at the end of the reporting period, which approximately respective revenue recognition dates is as follows:

	2022	2021
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**834,086**	393,110
91 – 120 days	**6,357**	13,167
121 – 180 days	**–**	42,448
181 – 365 days	**30,300**	–
Over 365 days	**82,944**	–
	953,687	448,725

(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:

	2022	2021
	RMB'000	*RMB'000*
Aged:		
0 – 120 days	**145,548**	–
121 – 180 days	**161,129**	–
181 – 365 days	**39,880**	–
	346,557	–

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:

	2022	2021
	RMB'000	*RMB'000*
Aged:		
0 – 90 days	**50,991**	249,596
91 – 180 days	**198,813**	73,232
181 – 365 days	**66,559**	142,475
Over 365 days	**457,877**	432,071
	774,240	897,374

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

	2022	2021
	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	**532,094**	526,314

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:

	2022	2021
	RMB'000	*RMB'000*
Commitments to contribute funds for the acquisition of property, plant and equipment	**32,220**	50,530

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 2022 of approximately RMB7,553 million (2021: approximately RMB7,670 million), which including mining structures and mining rights and construction in progress, are subject to the mines restructuring scheme and hence have to comply with the Mines Restructuring Plans.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2022, the Group had net current liabilities of approximately RMB8,568,342,000, despite the Group had a net operating cash inflow of approximately RMB683,611,000 during the year. 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. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Year, turnover of the Group amounted to approximately RMB4,284.3 million, representing a sharp increase of approximately 50.9%, as compared to that of approximately RMB2,839.7 million in 2021. During the Year, 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 of the Company increased during the Year. The sales volume recorded for clean coal for the Year amounted to approximately 1,824,200 tonnes as compared to that of approximately 1,433,000 tonnes in 2021, representing an increase of approximately 27.3%. The average selling price for the Year for clean coal increased from approximately RMB1,854.5 per tonne in 2021 to that of RMB2,244.9 per tonne in the Year, representing an increase of approximately 21.1%.

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 2021:

	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	**4,095,182**	**1,824.2**	**2,244.9**	2,657,380	1,433.0	1,854.5
By-products						
High-ash thermal coal	**185,003**	**1,178.0**	**157.0**	172,893	922.5	187.4
Other products						
Raw coal	**–**	**–**	**–**	3,904	7.4	526.9
Others	**4,074**			5,561		
Other products total	**4,074**			9,465		
Total turnover	**4,284,259**			2,839,738		

Cost of sales

Cost of sales for the Year was approximately RMB2,498.8 million, representing an increase of approximately RMB988.7 or 65.5%, as compared to that of approximately RMB1,510.1 million in 2021. During the Year, the Company's coal mines in Guizhou province continued to release further production capacity and the production in Tianbao Coal Mine in Sichuan province was resumed. The production volume of raw coal increased from approximately 4,078,000 tonnes in 2021 to 5,429,000 tonnes in the Year, representing an increase of approximately 33.1%. Also, the clean coal production volume increased from approximately 1,527,000 tonnes in 2021 to approximately 1,749,000 tonnes in the Year, representing an increase of approximately 14.5%.

During the Year, 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 and hence resulting to: (i) consumption of additional costs relating to material, fuel and power, manpower and manufacturing overheads; (ii) written-off of certain idle and aging mining structures and assets; and (iii) adoption of revised estimated useful lives on mining structures and assets. Accordingly, it contributed to the increase in cost of sales for the Year.

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

	Year ended 31 December			
	2022	**2022**	2021	2021
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**203**	**68**	–	–
Guizhou	**5,226**	**1,681**	4,078	1,527
	5,429	**1,749**	4,078	1,527

Material, fuel and power costs for the Year were approximately RMB730.2 million, representing an increase of approximately RMB312.1 million, or approximately 74.6%, as compared to that of approximately RMB418.1 million in 2021. The increase was mainly attributable to the increase in raw coal and clean coal production volume and the rising materials prices. Besides, additional materials, fuel and power have been consumed to the resumption of Tianbao Coal Mine and the production capacity upgrade and process optimisation during the Year.

Staff costs for the Year were approximately RMB836.7 million, representing an increase of approximately RMB262.7 million or 45.8%, as compared to that of approximately RMB574.0 million in 2021. The increase was mainly attributable to the increase in headcount involved in the growth in production volume of raw coal and clean coal and the production capacity upgrade and process optimization during the Year. In addition, incentives were given to the miners and management for increasing production volume and enhancement in production efficiency.

Depreciation and amortisation for the Year were approximately RMB296.5 million, representing an increase of approximately RMB146.0 million, or approximately 97.0%, as compared to that of approximately RMB150.5 million in 2021. The increase was due to the growth 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 Year.

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

	2022	2021
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**348**	286
Depreciation and amortisation	**46**	36
Total raw coal production cost	**394**	322
Average cost of clean coal	**1,307**	806

Gross profit

As a result of the foregoing, the Company reported a gross profit of approximately RMB1,785.4 million for the Year, representing an increase of approximately RMB455.8 million or approximately 34.3%, as compared to that of approximately RMB1,329.6 million in 2021. The gross profit margin was approximately 41.7% as compared to that of approximately 46.8% in 2021.

Other income

Other income for the Year amounted to approximately RMB51.8 million, representing an increase of approximately RMB25.4 million or approximately 96.2%, as compared to that of approximately RMB26.4 million in 2021. The increase was mainly attributable to the increase in government grant and subsidies from approximately RMB18.5 million in 2021 to RMB34.4 million for the Year.

Other gains and losses

The Company recorded other losses of approximately RMB255.8 million for the Year as compared to approximately RMB50.1 million in 2021. The increase was mainly attributable to: (i) increase in losses on written of and disposal of property, plant and equipment of approximately RMB40.9 million, (ii) decrease in waiver of other payables of approximately RMB46.7 million and (iii) turnaround of exchange gains of approximately RMB35.0 million in 2021 to exchange losses of approximately RMB140.4 million during the Year but offset by the changes in loss allowance and impairment of trade receivables and other receivables and prepayments of approximately RMB80.7 million.

Distribution expenses

Distribution expenses for the Year were approximately RMB304.8 million, representing an increase of approximately RMB87.0 million or approximately 39.9%, as compared to that of approximately RMB217.8 million in 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 for the Year were approximately RMB382.4 million, representing an increase of approximately RMB169.2 million, or approximately 79.4%, as compared to that of approximately RMB213.2 million in 2021. The increase was mainly attributable to: (i) increase in staff costs of approximately RMB76.0 million; (ii) increase in depreciation and amortisation of plant, property and equipment of approximately RMB35.0 million resulting from the adoption of revised useful lives; and (iii) increase in professional expenses of approximately RMB17.0 million.

Finance costs

Finance costs for the Year amounted to approximately RMB246.5 million, maintained at the similar level as compared with approximately RMB250.9 million in 2021.

Income tax (expense)/credit

During the Year, provision for income tax expense of approximately RMB78.8 million was made at the rate of 25% to the Company's certain PRC profit making subsidiaries (2021: income tax credit of approximately RMB72.0 milion). Accordingly, deferred tax assets recognised in 2021 was utilised during the year (2021: recognition of deferred tax assets of approximately RMB62.3 million). At the end of the Year, the Company has unused tax losses of approximately RMB80.6 million available for offsetting against future profits. All these tax losses will expire during 2023 to 2027. However, no deferred tax asset has been recognised due to the unpredictability of future profit streams.

Profit for the year

As a result of the foregoing, the profit for the Year was approximately RMB537.3 million, representing a decrease of approximately RMB107.1 million or approximately 16.6%, as compared with approximately RMB644.4 million in 2021.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was 28.1% for the Year as compared with 35.2% in 2021:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**616,168**	572,431
Adjusted for:		
– Loss allowance for trade receivables	**3,085**	24,886
– Loss allowance for other receivables and prepayments	**11,758**	–
– (Reversal of impairment)/Impairment of the trade receivables and other receivables	**(34,174)**	36,475
– Waiver of other payables	**(9,034)**	(55,657)
	587,803	578,135
Finance costs	**246,511**	250,911
Depreciation and amortisation	**371,494**	170,407
Adjusted EBITDA	**1,205,808**	999,453

Liquidity, financial resources and capital structure

As at 31 December 2022, the Group incurred net current liabilities of approximately RMB8,568.3 million as compared to approximately RMB9,308.9 million at 31 December 2021.

As at 31 December 2022, the bank balances and cash of the Group amounted to approximately RMB78.2 million (2021: approximately RMB14.5 million).

As at 31 December 2022, the total bank borrowings repayable within one year of the Group were approximately RMB5,716.6 million. As at 31 December 2022, loans amounting to RMB5,687.2 million carry interest at a fixed rate of 3.00% per annum. The remaining loans carry interest at variable market rates of 3.51% 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 2022 was 53.6% (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 US$400 million 8.625% senior notes due 2015 (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 the holders of the Notes (the "**Holders**"), a steering committee of 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 a winding up petition (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 onshore lending banks (the "**Lending Banks**"). Following initial discussion with the Lending Banks, a creditors committee of Lending Banks (the "**Onshore Creditors Committee**") has been set up.

(h) The Board agreed to form a monitoring team, comprising four individuals proposed by the Onshore Creditors Committee, for a term commencing on 1 December 2016 and ending on 30 November 2017 to monitor the mine production, mining operations, mine development, sales of coal products and finance of the Company's mining region in Sichuan and Guizhou provinces.

(i) On 18 January 2017, the Company, the Steering Committee and the Onshore Creditors Committee entered into a termsheet in relation to the proposed restructuring of the onshore and offshore indebtedness of the Company (the "**2017 Termsheet**").

(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 reached a preliminary restructuring framework (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 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.

(m) 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 the newly issued ordinary shares of the Company with an option to participate in a share placement programme (the "**SSP**") to be conducted by the Company.

(n) On 30 April 2021, the Company and the Steering Committee 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.

(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. On 30 September 2022 and 3 January 2023, a third extension letter and a fourth extension letter were executed respectively among the Company, the subsidiary guarantors and the Steering Committee to further 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) On 23 November 2022, the Company announced the proposed debt restructuring involving: (i) the Scheme; (ii) issue of preferred shares to certain PRC Lending Banks; (iii) settlement agreements with onshore operating creditors; (iv) specific mandate to issue new shares; (v) specific mandate to issue preferred shares; and (vi) proposed amendments to Memorandum of Association and Articles of Association (For details, please refer to the Company's circular dated 30 December 2022). Accordingly, an extraordinary general meeting was convened at 30 January 2023 and the proposed debt restructuring was approved.

(t) On 6 March 2023, the Company announced that the Restructuring Effective Date will be on 31 March 2023.

Pledge of assets of the Group

As at 31 December 2022, the Group pledged assets in an aggregate amount of approximately RMB4,220 million (2021: RMB3,833 million) to banks for credit facilities.

As at 31 December 2022, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,873 million (2021: RMB4,968 million).

Employees and remuneration policies

As at 31 December 2022, the number of employees of the Group reached 9,834 as compared to 9,232 employees at 31 December 2021. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB1,043.5 million (2021: RMB718.5 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 USD1.6 million and HKD0.11 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) 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.

(b) Both of Sichuan Haohang and Sichuan Hidili received the 2017 Writ issued by the Higher People'sCourt of Sichuan Province of the People's Republic of China (四川省高級人民法院) on 1 June2017. Pursuant to the 2017 Writ, Chengdu Branch of Shanghai Pudong Development Bank ("**2017 Plaintiff**") filed a civil complaint against (i) Sichuan Haohang, (ii) Sichuan Hidili, (iii) Liupanshui Hidili and (iv) Hidili China in respect of a loan agreement dispute case. The 2017 Plaintiff claimed against Sichuan Haohang and Sichuan Hidili for relief, among others, the outstanding principal amount as of 25 August 2016 and the default interest payment (calculated as at 18 April 2017) of approximately RMB134 million and RMB134 million respectively under the Agreement of Establishing Bank Promissory Note Business entered into between the 2017 Plaintiff and Sichuan Haohang and Sichuan Hidili on 25 February 2016 where Liupanshui Hidili pledged certain assets and mining rights and Hidili China acted as guarantor.

As 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 2022, 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 2022, 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 production in Tianbao Coal Mines in Sichuan province was resumed. Benefit from the steel industry and infrastructure development, both the sales volume and average selling price in clean coal reported an increase from approximately 1,433,000 tonnes and RMB1,854.5 per tonne in 2021 to that of approximately 1,824,200 tonnes and RMB2,244.9 per tonne during the Year. Turnover of the Company reached approximately RMB4,284.3 million during the Year, representing an increase of approximately RMB1,444.6 million or 50.9%, as compared to approximately RMB2,839.7 million 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 and hence resulting to: (i) consumption of additional costs relating to material, fuel and power, manpower and manufacturing overheads; (ii) written-off of certain idle and aging mining structures and assets; and (iii) adoption of revised estimated useful lives on mining structures and assets. Accordingly, the unit production cost of raw coal and clean coal increased to approximately RMB394 per tonne and RMB1,307 per tonne respectively. As a result, gross profit of approximately RMB1,785.4 million was recorded and adjusted EBITDA of approximately RMB1,205.8 million was achieved. The Company believes that the strong market position in coking coal will continue in 2023 and will contribute remarkable revenue and profit to the Company throughout 2023.

Approval of the Scheme in the extraordinary general meeting held on 30 January 2023 indicated a remarkable progress in the Restructuring. Currently, the Company is closely coordinating with the professionals to work out and finalise the Restructuring. The Company believes that upon the completion of the Restructuring, the Company will have a healthy financial position and sustainable cashflow for operation and development.

OTHER INFORMATION

Audit committee

An audit committee of the Company ("**Audit Committee**") was established on 25 August 2007 in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code (the "**Corporate Governance 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.

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 2022.

Corporate governance

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

Model code for securities transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own Code for Securities Transactions by the Directors (the "**Code**"). All Directors have confirmed their compliance throughout the Year with the required standards set out in the Model Code and the Code.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

Publication of the final results and annual report of the Company

This annual 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 annual report of the Company for the year ended 31 December 2022 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong
31 March 2023

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.