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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 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Revenue	**926,402**	1,430,452	(35.2%)
Gross (loss)/profit	**(43,325)**	291,046	(114.9%)
(Loss)/Profit before tax	**(350,029)**	6,186	(5,758.4%)
Loss and total comprehensive expense for the period	**(351,190)**	(12,963)	(2,609.2%)
EBITDA	**(93,991)**	291,218	(132.3%)
Basic loss per share *(RMB cents)*	**(7.7)**	(0.3)	(2,466.7%)

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 2024 (the "**Review Period**"), together with the comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
	Notes	**2024**	2023
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**926,402**	1,430,452
Cost of sales		**(969,727)**	(1,139,406)
Gross (loss)/profit		**(43,325)**	291,046
Interest revenue		**8,392**	6,906
Other income	*5*	**10,151**	14,405
Other gains and losses	*6*	**3,262**	161,625
Distribution expenses		**(55,819)**	(134,067)
Administrative expenses		**(129,768)**	(174,235)
Share of loss of a joint venture		**(17,457)**	(19,260)
Finance costs	*7*	**(125,465)**	(140,234)
(Loss)/Profit before tax		**(350,029)**	6,186
Income tax expense	*8*	**(1,161)**	(19,149)
Loss and total comprehensive expense for the period		**(351,190)**	(12,963)
(Loss)/Profit and total comprehensive (expense)/income for the period attributable to:			
– Owners of the Company		**(353,688)**	(11,350)
– Non-controlling interests		**2,498**	(1,613)
		(351,190)	(12,963)
Loss per share	*11*		
Basic *(RMB cents)*		**(7.7)**	(0.3)
Diluted *(RMB cents)*		**(7.7)**	(0.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,771,672**	9,118,511
Right-of-use assets		**19,907**	17,446
Interests in an associate		**44,022**	44,022
Interests in a joint venture		**1,099,768**	1,117,225
Equity investments at fair value through other comprehensive income		**5,500**	5,500
Long-term deposits		**14,259**	14,259
Derivative financial assets		**29,205**	29,205
Goodwill		**1,513**	1,600
		9,985,846	10,347,768
CURRENT ASSETS			
Inventories		**413,193**	470,855
Bills and trade receivables	*12(a)*	**507,869**	486,641
Bills receivables discounted with recourse	*12(b)*	**–**	12,463
Other receivables and prepayments		**795,910**	808,985
Amount due from a joint venture		**365,243**	321,033
Pledged bank deposits		**822**	821
Bank and cash balances		**12,026**	46,654
		2,095,063	2,147,452
CURRENT LIABILITIES			
Bills and trade payables	*13*	**803,303**	748,675
Contract liabilities		**265,601**	331,806
Advances drawn on bills receivables discounted with recourse		**–**	12,463
Accruals and other payables		**2,304,713**	2,097,949
Lease liabilities		**6,241**	3,883
Tax payables		**45,516**	29,914
Bank borrowings		**4,256,444**	4,256,311
		7,681,818	7,481,001
NET CURRENT LIABILITIES		**(5,586,755)**	(5,333,549)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,399,091**	5,014,219

	30 June 2024 *RMB'000* (Unaudited)	31 December 2023 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Bank borrowings	**1,363,403**	1,363,403
Other payables	**15,144**	289,980
Provision for restoration and environmental costs	**15,923**	15,445
New USD Senior Notes	**550,366**	541,834
Lease liabilities	**18,216**	15,808
Deferred tax liabilities	**12,251**	12,771
Preferred shares	**1,027,640**	1,027,640
	3,002,943	3,266,881
NET ASSETS	**1,396,148**	1,747,338
CAPITAL AND RESERVES		
Share capital	**421,298**	421,298
Reserves	**950,586**	1,304,274
Equity attributable to owners of the Company	**1,371,884**	1,725,572
Non-controlling interests	**24,264**	21,766
TOTAL EQUITY	**1,396,148**	1,747,338

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 Trident Trust Company (Singapore) Pte. Limited, which is controlled by Mr. Xian Yang, the executive director of the Company. The Company acts as an 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**").

Going concern assumption

As at 30 June 2024, the Group had net current liabilities of approximately RMB5,586.8 million, despite the Group had a net operating cash inflow of approximately RMB27.2 million during the period. 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 loss of approximately RMB351.2 million and net operating cash inflow of approximately RMB27.2 million during the period. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 30 June 2024. They have assessed the appropriateness of adopting the going concern basis for the preparation of these consolidated financial statements for the six months ended 30 June 2024 in light of the Group's plans and measures described below to improve its cash flows:

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

(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, 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 30 June 2024. Accordingly, the directors 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 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 2024. 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	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of coal and its by-products:		
Clean coal	**829,470**	1,302,084
High-ash thermal coal	**94,888**	127,059
Others	**2,044**	1,309
Revenue from contracts with customers	**926,402**	1,430,452

Time of revenue recognition

All timing of revenue recognition is at a point of time for the six months ended 30 June 2024 and 2023.

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	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	**183,662**	–
Customer B	**138,158**	*47,189
Customer C	**128,833**	243,352
Customer D	**102,388**	–
Customer E	***38,650**	162,155
Customer F	***33,371**	170,031
Customer G	***28,905**	206,872
Customer H	***–**	159,697

Note: Stated above representing revenue from sales of clean coal

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

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant *(note)*	**3,645**	9,688
Others	**6,506**	4,717
	10,151	14,405

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	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net exchange losses	**(4,099)**	(105,539)
Gain on debt restructuring	**–**	231,764
Reversal of impairment of trade and other receivables	**1,674**	28,659
Written-off of property, plant and equipment	**(1,260)**	–
Others	**6,947**	6,741
	3,262	161,625

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**120,843**	127,514
– advances drawn on bills receivables discounted	**4,019**	12,660
	124,862	140,174
Interest expenses on lease liabilities	**603**	60
	125,465	140,234

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**1,161**	13,884
Deferred taxation	**–**	5,265
	1,161	19,149

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. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging the following items:		
Provision for restoration and environmental costs	**478**	804
Depreciation of property, plant and equipment	**126,936**	144,460
Depreciation of right-of-use assets	**3,637**	338
Directors' remunerations	**1,240**	1,063
Salaries and other benefits	**422,333**	475,589
Retirement benefits scheme contribution	**7,146**	6,576
Total staff costs	**430,719**	483,228

10. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2024 and 2023 or since the end of the reporting period.

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(353,688)**	(11,350)

	Six months ended 30 June	
	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,605,259**	3,965,344

The effect of all potential ordinary shares is anti-dilutive for the six months ended 30 June 2024 and 2023.

12. BILLS AND TRADE RECEIVABLES 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 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**501,220**	443,395
Bills receivables	**6,649**	43,246
	507,869	486,641

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 2024 *RMB'000* (Unaudited)	31 December 2023 *RMB'000* (Audited)
Aged:		
0-90 days	**331,135**	246,004
91-120 days	**14,118**	24,712
121-180 days	**24,248**	72,168
181-365 days	**131,719**	100,237
Over 356 days	**–**	274
	501,220	443,395

(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 2024 *RMB'000* (Unaudited)	31 December 2023 *RMB'000* (Audited)
Aged:		
0-120 days	**–**	2,463
121-180 days	**–**	10,000
	–	12,463

13. BILLS AND TRADE PAYABLES

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**206,847**	213,147
91-180 days	**128,686**	6,921
181-365 days	**86,576**	6,506
Over 365 days	**381,194**	522,101
	803,303	748,675

14. CAPITAL COMMITMENTS

	30 June 2024	31 December 2023
	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	**551,954**	555,564
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	**31,259**	31,259

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Review Period, revenue of the Group amounted to approximately RMB926.4 million, representing a drop of approximately 35.2%, as compared to that of approximately RMB1,430.5 million in the corresponding period in 2023. Being affected by the decrease in production volume of raw coal and clean coal during the Review Period, sales volumes of both clean coal and high-ash thermal coal were decreased. Sales volume of clean coal decreased from 756,900 tonnes to 477,400 tonnes, representing decrease of approximately 36.9%. Average selling prices (net of value added tax) maintained at a similar level as that of the corresponding period in 2023.

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 2023:

	Six months ended 30 June					
	2024			2023		
	Turnover	**Sales Volume**	**Average Selling Price**	Turnover	Sales Volume	Average selling price
	RMB'000	***(thousand tonnes)***	***(RMB/ Tonne)***	*RMB'000*	*(thousand tonnes)*	*(RMB/ Tonne)*
Principal products						
Clean coal	**829,470**	**477.4**	**1,737.4**	1,302,084	756.9	1,720.2
By-products						
High-ash thermal coal	**94,888**	**405.5**	**234.0**	127,059	607.1	209.3
Other products						
Others	**2,044**			1,309		
Total turnover	**926,402**			1,430,452		

Cost of sales

Cost of sales for the Review Period was approximately RMB969.7 million, representing a decrease of approximately RMB169.7 million, or approximately 14.9%, as compared to that of approximately RMB1,139.4 million in the corresponding period in 2023. During the Review Period, the Company scaled down the production volume of both raw coal and clean coal. The production volume of raw coal and clean coal amounted to approximately 1,641,000 tonnes and 499,000 tonnes respectively, representing a decrease of approximately 37.3% and 33.7% respectively, as compared to that of approximately 2,616,000 tonnes and 753,000 tonnes respectively in the corresponding period in 2023.

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

	Six months ended 30 June			
	2024	**2024**	2023	2023
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Panzhihua	**93**	**51**	98	3
Guizhou	**1,548**	**448**	2,518	750
	1,641	**499**	2,616	753

To strengthen the mining operation in the Company's Guizhou coal mines, the Company has been carrying out capacity enhancement to achieve full scale production. However, the enhancement has been affected by the coal mine accident in Hongxing Coal Mine in Guizhou province in 2023 and the progress has lagged behind. The Company has scaled down the production in Guizhou to facilitate the government safety inspections. Besides, in the second quarter of 2024, Xingda Coal Mine and Xiangxing Coal Mine are required to carry out adjustments to mining working faces and hence affecting the production volume. The Company reallocated resources and gradually ramped up production in the second half of 2024. Accordingly, the Company only achieved below 60% of the planned raw coal production and less than 50% of utilization rate during the Review Period. As a result, both variable and fixed production costs including but not limited to material, fuel and power, staff costs and manufacturing overheads cannot be well absorbed by low level of production. The unit cost of clean coal production reached an exceptional high level of RMB1,668 per tonne. With the resumption of production in Guizhou province, the Company targets a higher growth in the production volume of both raw coal and clean coal in the second half of 2024 and enhances production process to reduce the production costs.

Material, fuel and power costs for the Review Period were approximately RMB237.7 million, representing a decrease of approximately RMB58.4 million, or approximately 19.7%, as compared to that of approximately RMB296.1 million in the corresponding period in 2023. The decrease was mainly attributable to a big drop in production volume of raw coal and clean coal during the Review Period but setoff by high absorption costs arising from the low completion and utilization rate in raw coal production.

Staff costs for the Review Period were approximately RMB374.4 million, representing a decrease of approximately RMB32.8 million, or approximately 8.1%, as compared to that of approximately RMB407.2 million in the corresponding period of 2023. The decrease was mainly attributable to the decrease in production volume of raw coal and clean coal but setoff by high sharing of staff costs on managerial level together with administrative and supporting team.

Depreciation and amortization for the Review Period were approximately RMB101.9 million, representing a decrease of approximately RMB21.4 million, or approximately 17.4%, as compared to that of approximately RMB123.3 million in the corresponding period of 2023.

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

	Six months ended 30 June	
	2024	2023
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**436**	321
Depreciation and amortization	**58**	46
Total production cost	**494**	367
Average cost of clean coal	**1,668**	1,447

Gross (loss)/profit

As a result of the foregoing, the gross loss for the Review Period was approximately RMB43.3 million, representing a sharp decrease of approximately RMB334.3 million or approximately 114.9%, as compared to gross profit of approximately RMB291.0 million in the corresponding period in 2023. The gross profit margin during the Review Period was approximately -4.7% as compared with approximately 20.3% in the corresponding period in 2023.

Other income

During the Review Period, other income amounted to approximately RMB10.2 million, as compared to approximately RMB14.4 million in the corresponding period in 2023. The decrease was mainly attributable to the decrease in government grant during the Review Period.

Other gains and losses

During the Review Period, the Company reported other gains of approximately RMB3.3 million, representing a significant decrease of approximately RMB158.3 million, as compared to that of approximately RMB161.6 million in the corresponding period in 2023. The decrease was mainly attributable to the gain from debt restructuring of approximately RMB231.8 million in the corresponding period in 2023 but setoff by the decrease in net exchange losses of approximately RMB101.4 million during the Review Period.

Distribution expenses

Distribution expenses during the Review Period were approximately RMB55.8 million, representing a decrease of approximately RMB78.3 million or approximately 58.4%, as compared to that of approximately RMB134.1 million in the corresponding period of 2023. The decrease was in line with the decrease in sales volume of clean coal during the Review Period.

Administrative expenses

Administrative expenses during the Review Period were approximately RMB129.8 million, representing a decrease of approximately RMB44.4 million or approximately 25.5%, as compared to that of approximately RMB174.2 million in the corresponding period in 2023. The decrease was mainly attributable to the decrease in general administrative costs in Guizhou Province and legal and professional fee during the Review Period.

Finance costs

Finance costs during the Review Period were approximately RMB125.5 million, representing a decrease of approximately RMB14.7 million or approximately 10.5%, as compared to that of approximately RMB140.2 million in the corresponding period in 2023. The decrease was mainly attributable to the decrease in interest expenses on advances drawn on bills receivables discounted of approximately RMB8.6 million.

Income tax expense

Income tax expense for the Review Period amounted to approximately RMB1.2 million, representing the provision for EIT for the Review Period.

Loss for the period

As a result of the foregoing, the loss attributable to the owners of the Company for the Review Period was approximately RMB353.7 million, representing an increase of approximately RMB342.3 million or approximately 3,002.6%, as compared to that of approximately RMB11.4 million in the corresponding period in 2023.

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 -10.1% for the Review Period as compared with 20.4% in the corresponding period in 2023.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/Profit before tax	**(350,029)**	6,186
Finance costs	**125,465**	140,234
Depreciation and amortization	**130,573**	144,798
EBITDA	**(93,991)**	291,218

Liquidity, Financial Resources and Capital Structure

As at 30 June 2024, the Group incurred net current liabilities of approximately RMB5,586.8 million as compared to approximately RMB5,333.5 million as at 31 December 2023.

As at 30 June 2024, the bank and cash balances of the Group amounted to approximately RMB12.0 million (as at 31 December 2023: approximately RMB46.7 million).

As at 30 June 2024, the total bank borrowings payable within one year and after one year but within five years of the Group were approximately RMB4,256.4 million and RMB1,363.4 million respectively (as at 31 December 2023: payable within one year of approximately RMB4,256.3 million and payable after one year but within five years of approximately RMB1,363.4 million). As at 30 June 2024, loan amounting to RMB5,598.3 million carries interest at a fixed rate of 4.275% per annum. The remaining loan carries interest at variable market rates around 2.38% per annum.

The gearing ratio (calculated as the aggregate of total bank borrowings, senior notes and preferred shares divided by total assets) of the Group as at 30 June 2024 was 59.6% (as at 31 December 2023: 57.5%).

Debt Restructuring

During the Review Period, the Company continued the negotiations with onshore banks to roll over the loan repayments and extend repayment of interests. Certain onshore banks are undergoing their internal review and approval. The Company believes that the bank borrowings will be renewed by respective onshore banks by 2024 under proper commercial terms and no immediate repayment will be required. The Company will closely follow up the progress and speed up the negotiation with the respective onshore banks for the renewal of loan agreements.

Pledge of Assets of the Group

As at 30 June 2024, the Group pledged its property, plant and equipment, bank deposits and bill receivables in an aggregate amount of approximately RMB4,562 million (as at 31 December 2023: approximately RMB4,891 million) to banks for credit facilities.

As at 30 June 2024, the executive director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB3,994 million (as at 31 December 2023: approximately RMB3,994 million).

Employees and remuneration policies

As at 30 June 2024, the Group maintained an aggregate of 9,763 employees as compared with 9,682 employees at 31 December 2023. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB430.7 million (corresponding period in 2023: approximately RMB483.2 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$0.4 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

During the Review Period, the Group does not have any future plans for material investment and capital assets during the Review Period.

Events After the Review Period

There is no any material subsequent event undertaken by the Company or the Group after 30 June 2024 and up to the date of this announcement.

Contingent Liabilities

(a) Hidili Industry (China) Group Limited ("**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 Industry Co., Ltd. ("**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 Trading Company Limited ("**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 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 2024, the Group did not have other material contingent liabilities.

OUTLOOK

Since 2022, the Company has put great effort to engage in the production upgrade and process optimization and aimed at speeding up the release of production capacity in the coal mines in Guizhou province. To cooperate and facilitate a series of safety inspections conducted by relevant government authorities and to carry out adjustments to mining working faces in certain coal mines, the Company scaled down the raw coal production and resulted in a delay to the overall production capacity enhancement progress. The Company's production started to ramp up in the second half of 2024. Accordingly, it further deteriorated the operating margin of the Company and brought along with a gross loss of approximately RMB43.3 million during the Review Period as compared to a gross profit of approximately RMB291.0 million in the corresponding period 2023. To amid the challenge, the Company is in the progress of implementing various active and effective measures to strengthen the production process and to control the administrative overheads. With the enlarging scale of production in the second half of 2024, the Board considers the liquidity can be improved and the overall financial, business and trading position of the Company will remain healthy.

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 "**Corporate Governance Code**") as set out in Appendix C3 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 non-executive 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 C3 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 2024 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
30 August 2024

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.