



Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1393

INTERIM REPORT 2022



山东天河科技股份有限公司

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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xian Yang (Chairman)
Mr. Sun Jiankun
Mr. Zhuang Xianwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Chan Shiu Yuen Sammy (Chairman)
Mr. Huang Rongsheng
Ms. Xu Manzhen

REMUNERATION COMMITTEE

Mr. Chan Shiu Yuen Sammy (Chairman)
Mr. Huang Rongsheng
Ms. Xu Manzhen
Mr. Xian Yang

AUDITORS

ZHONGHUI ANDA CPA Limited
23rd Floor, Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Kowloon
Hong Kong

COMPANY SECRETARY

Ms. Chu Lai Kuen

AUTHORIZED REPRESENTATIVES

Mr. Xian Yang
Ms. Chu Lai Kuen

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE

16th Floor, Dingli Mansion
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Panzhuhua
Sichuan 617000
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1306, 13th Floor
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8 Fleming Road
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
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Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

CORPORATE INFORMATION



HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
Hong Kong

LEGAL ADVISER

Kwok Yih & Chan
Suites 1501, 15th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

STOCK CODE

1393

WEBSITE

<http://www.hidili.com.cn>

PRINCIPAL BANKERS

China Merchants Bank
Shenzhen Che Gong Miao Sub-Branch
A 1/F, Tianxiang Bldg
Tianan Numeral City
Futian, Shenzhen
PRC

China Minsheng Banking Corp. Ltd,
Chengdu Branch
No. 2, Remin Road South
Chengdu, Sichuan Province
PRC

Panzhuhua City Commercial Bank Ltd,
Zhuhuyuan Branch
Floor 1, Ping Street, Laodong Building
East District, Panzhuhua City
Sichuan Province
PRC

Ping An Bank Co., Ltd.
Chengdu Branch
No. 240-1, Shuncheng Avenue
Chengdu, Sichuan Province
PRC

Ping An Bank Co., Ltd.
Kunming Branch
No. 450, Qingnian Road
Kunming, Sichuan Province
PRC

Wing Lung Bank
16/F, Wing Lung Bank Building
45 Des Voeux Road Central
Central, Hong Kong

CHAIRMAN'S STATEMENT

OUTLOOK

During the six months ended 30 June 2022 (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 debt restructuring of the Company (the "Restructuring") was achieved. In the meeting of the holders (the "Holders") of the US\$400 million 8.625% senior notes due 2015 (the "Notes") held on 24 May 2022, the scheme of arrangement (the "Scheme") was duly considered and approved. Currently, the Company is working closely with the professional parties, a creditors committee (the "Onshore Creditors Committee") of the onshore lending banks (the "Lending Banks") and a steering committee of Holders (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.



FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (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 (<i>RMB cents</i>)	22.0	13.7	60.6%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS



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

	Six months ended 30 June			
	2022 Raw coal ('000 tonnes)	2022 Clean coal ('000 tonnes)	2021 Raw coal ('000 tonnes)	2021 Clean coal ('000 tonnes)
Production volume				
Panzhuhua	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 RMB per tonne	2021 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS



INCOME TAX EXPENSE

Income tax expense for the Review Period amounted to approximately RMB83.0 million, representing provision for PRC Enterprise Income Tax ("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 ("EBITDA")

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 the Notes divided by total assets) of the Group as at 30 June 2022 was 54.3% (as at 31 December 2021: 58.6%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 Industry (China) Group Limited (“Hidili China”), a wholly-owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons (“2016 Writ”) issued by the Higher People’s Court of Guangdong Province of the People’s Republic of China (廣東省高級人民法院).
- (g) On 26 April 2016, the Company held a meeting with all the Lending Banks. Following initial discussion with the Lending Banks, the Onshore Creditors Committee has been set up.
- (h) The Board agreed to form a monitoring team, comprising four individuals proposed by the Onshore Creditors Committee, for a term commencing on 1 December 2016 and ending on 30 November 2017 to monitor the mine production, mining operations, mine development, sales of coal products and finance of the Company’s mining region in Sichuan and Guizhou provinces.
- (i) On 18 January 2017, the Company, the Steering Committee and the Onshore Creditors Committee entered into a 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 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 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.

As of the date of this report, 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 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 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 Restructuring. The material terms of the 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 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 (the "Sanction Order") of the High Court was registered by the Hong Kong Registrar of Companies.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 report, 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 report, 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 report.

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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES

As at 30 June 2022, the Directors and chief executive of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")) which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Rules Governing the Listing of Securities on the Stock Exchanges of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

Name	Name of the entity	Number of issued ordinary shares held	Nature of interest	Approximate percentage of the issued share capital of the Company/ percentage of shareholding
Mr. Xian Yang ("Mr. Xian") (Note 1)	The Company	1,100,674,000 (L)	Founder and beneficiary of trust	53.81% (L)
Mr. Xian	Sanlian Investment Holding Limited ("Sanlian Investment")	1,000	Beneficial owner	100%
Mr. Sun Jiankun ("Mr. Sun") (Note 2)	The Company	19,380,000 (L)	Interest of controlled corporation	0.95% (L)
Mr. Sun	Able Accord Enterprises Limited ("Able Accord")	1,000	Beneficial owner	100%
Mr. Zhuang Xianwei	The Company	500,000 (L)	Beneficial owner	0.02% (L)

* (L)-Long position, (S)-Short position

Notes:

- The 1,100,674,000 shares of the Company are held by Sanlian Investment, the issued share capital of which is jointly held by Xian Yang No.1A Ltd. ("Xian Yang No.1A") and Sanlian No.1 Ltd. ("Sanlian No.1"). Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian formed a discretionary trust, The Xian Yang Foundation 1, of which Sarasin Trust Company Guernsey Limited ("Sarasin Trust") was the trustee. Accordingly, Mr. Xian is deemed to be interested in the 1,100,674,000 shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is also the sole director of Sanlian Investment.
- The 19,380,000 shares of the Company are held by Able Accord, the entire issued share capital of which is held by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in 19,380,000 shares held by Able Accord by virtue of the SFO. Mr. Sun is also a director of Able Accord.

OTHER INFORMATION



Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2022, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Saved as disclosed, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of issued ordinary shares held*	Nature of interest	Approximate percentage of the issued share capital of the Company*
Sarasin Trust (Note 1)	561,343,740 (L)	Trustee	27.44% (L)
Sanlian Investment (Note 1)	1,100,674,000 (L)	Beneficial owner	53.81% (L)
Mr. Xian (Note 1)	1,100,674,000 (L)	Interest of controlled corporation	53.81% (L)
Ms. Qiao Qian (Note 2)	1,100,674,000 (L)	Interest of spouse	53.81% (L)

* (L)-Long position, (S)-Short position

Notes:

1. The entire issued share capital of Sanlian Investment is jointly owned by Xian Yang No.1A and Sanlian No.1. Mr. Xian is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian formed a discretionary trust, The Xian Yang Foundation 1, of which Sarasin Trust was the trustee. Accordingly, Mr. Xian is deemed to be interested in 1,100,674,000 shares of the Company held by Sanlian Investment by virtue of the SFO. Mr. Xian is the sole director of Sanlian Investment.
2. Ms. Qiao Qian is the spouse of Mr. Xian. By virtue of the SFO, Ms. Qiao Qian is also deemed, as the spouse of Mr. Xian, to be interested in all the shares of the Company in which Mr. Xian is deemed to be interested.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had/would have interests or short positions in the shares or underlying shares of the Company or its associated corporations of 5% or more which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

OTHER INFORMATION

AUDIT COMMITTEE

The 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 "CG 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 report, 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 unaudited 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 CG Code during the Review Period. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or derivation from the CG Code by the Company any time during the Review Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. All Directors have confirmed their compliance throughout the Review Period with the required standards set out in the Model 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.

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

Hong Kong
31 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022



	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (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	9	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	12	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	13(a)	868,393	453,775
Bills receivables discounted with recourse	13(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	14	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	15	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

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 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	16	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Future development fund	Other reserve	Equity investment		Total	Attributable to non-controlling interests	Total
							revaluation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	197,506	2,935,794	695,492	451,303	109,346	(99,070)	(18,000)	(3,377,922)	894,449	28,355	922,804
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	450,343	450,343	(685)	449,658
At 30 June 2022 (unaudited)	197,506	2,935,794	695,492	451,303	109,346	(99,070)	(18,000)	(2,927,579)	1,344,792	27,670	1,372,462
At 1 January 2021 (audited)	197,506	2,935,794	695,492	451,303	109,346	(99,070)	(18,000)	(4,023,067)	249,304	29,061	278,365
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	279,398	279,398	406	278,804
At 30 June 2021 (unaudited)	197,506	2,935,794	695,492	451,303	109,346	(99,070)	(18,000)	(3,743,669)	528,702	29,467	558,169

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022



	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash from operating activities		358,346	194,725
Net cash used in investment activities			
Additions to property, plant and equipment	12	(158,309)	(188,798)
(Placement)/withdrawal of pledged bank deposits		(1)	5
		(158,310)	(188,793)
Net cash used in financing activities			
Repayment of bank and other borrowings	15	(123,672)	(6,096)
Interest paid		(50,720)	(21,319)
		(174,392)	(27,415)
Net increase/(decrease) in cash and cash equivalents		25,644	(21,483)
Cash and cash equivalents at 1 January		14,535	32,909
Cash and cash equivalents at 30 June		40,179	11,426

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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. 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 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022



2. BASIS OF PREPARATION *(Continued)*

GONG CONCERN ASSUMPTION *(Continued)*

The Group intended to pursue a consensual restructuring with the Holders (the “Debt Restructuring”) and the Steering Committee has been formed in December 2015. On 19 January 2016, the Company received the Winding Up Petition filed by a bondholder of the Notes with the High Court against the Company for the outstanding principal and interest due to the bondholder under the Notes. 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 the Onshore Creditors Committee have entered into the 2017 Termsheet in relation to the proposed restructuring of the onshore and offshore indebtedness of the Company.

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 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.

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 newly issued ordinary shares of the Company with an option to participate in the SPP to be conducted by the Company. On 30 April 2021, the Company and the Steering Committee further entered into the Amended and Restated Termsheet 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 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 Sanction Order of the High Court was registered with the Hong Kong Registrar of Companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION *(Continued)*

GONG CONCERN ASSUMPTION *(Continued)*

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022



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 RMB'000 (Unaudited)	2021 RMB'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 <i>(note)</i>	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022



6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (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 RMB'000 (Unaudited)	2021 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022



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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately 135.9 million (six months ended 30 June 2021: 101.8 million) and 22.4 million (six months ended 30 June 2021: 87.0 million) on acquisition of property, plant and equipment and construction in progress, respectively.

Pursuant to Notices issued by Panzhihua Government and Liupanshui Government in October 2013 and September 2013, respectively (collectively "Mines 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 30 June 2022 of approximately RMB7,663 million (six months ended 30 June 2021: RMB7,433 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022



13. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE *(Continued)*

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

14. BILLS AND TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. BANK BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Secured bank loans	5,749,377	5,853,793

The bank borrowings are repayable as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount of bank borrowings repayable within one year	5,749,377	5,853,793

During the current interim period, the Group obtained nil new borrowings (for the six months ended 30 June 2021: nil) and repaid borrowings in an aggregate amount of approximately RMB124 million (for the six months ended 30 June 2021: RMB6 million). As at 30 June 2022, loan amounting to approximately RMB5,715 million carries interest at fixed rate of 3.00% per annum. The remaining loans carry interest at variable market rates around 4.00% per annum.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Amount RMB'000
Ordinary shares of HK\$0.1 each			
Issued and fully paid:			
As at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	2,045,598,000	204,560	197,506

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022



17. CAPITAL COMMITMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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 its joint venture, Yunnan Dongyuan Hidili Coal Industry Company Limited, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Commitment for the acquisition of property, plant and equipment	49,521	50,530

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks for credit facilities granted to the Group:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Property, plant and equipment	3,668,926	3,831,811
Bank deposits	821	820
	3,669,747	3,832,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

19. RELATED PARTY DISCLOSURES

In addition to the balances with related parties set out in the condensed consolidated statement of financial position, during the period, the Group entered into the following transactions with related parties:

(I) TRANSACTIONS:

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

(II) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term benefits	1,367	1,364
Post-employment benefits	17	28
	1,384	1,392



 **Hidili 恒鼎**

Hidili Industry International Development Limited