

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01393)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	2,449,011	4,284,259	(42.8%)
Gross Profit	270,849	1,785,431	(84.8%)
(Loss)/Profit Before Tax	(732,162)	616,168	(218.8%)
(Loss)/Profit Attributable to the Owners of the Company	(746,192)	536,683	(239.0%)
Adjusted EBITDA	(86,254)	1,205,808	(107.2%)
Basic (Loss)/Earning per Share (<i>RMB cents</i>)	(18.74)	26.24	(171.4%)

The Board does not propose the payment of any final dividend.

The board (the “**Board**”) of directors (the “**Directors**”) of Hidili Industry International Development Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 (the “**Year**”), which have been agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	2,449,011	4,284,259
Cost of sales		<u>(2,178,162)</u>	<u>(2,498,828)</u>
Gross profit		270,849	1,785,431
Interest revenue		15,573	10,223
Other income	5	53,267	51,790
Other gains and losses	6	(55,009)	(255,830)
Distribution expenses		(216,571)	(304,815)
Administrative expenses		(315,475)	(382,442)
Share of loss of an associate		(556)	–
Share of loss of a joint venture		(225,178)	(41,678)
Finance costs	7	<u>(259,062)</u>	<u>(246,511)</u>
(Loss)/Profit before tax		(732,162)	616,168
Income tax expense	8	<u>(18,216)</u>	<u>(78,837)</u>
(Loss)/Profit and total comprehensive (expenses)/income for the year	9	<u>(750,378)</u>	<u>537,331</u>
(Loss)/Profit and total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		(746,192)	536,683
Non-controlling interests		<u>(4,186)</u>	<u>648</u>
		<u>(750,378)</u>	<u>537,331</u>
(Loss)/Earning per share	11		
Basic (<i>RMB cents</i>)		(18.74)	26.24
Diluted (<i>RMB cents</i>)		<u>(18.74)</u>	<u>26.24</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>15</i>	9,118,511	8,910,021
Right-of-use assets		17,446	87,842
Investment in an associate		44,022	–
Interests in a joint venture		1,117,225	1,342,403
Equity investment at fair value through other comprehensive income		5,500	5,500
Long-term deposits		14,259	14,259
Derivative financial assets		29,205	–
Goodwill		1,600	–
		<u>10,347,768</u>	<u>10,360,025</u>
CURRENT ASSETS			
Inventories		470,855	274,610
Financial assets at fair value through profit or loss		–	5,344
Bills and trade receivables	<i>12(a)</i>	486,641	991,537
Bills receivables discounted with recourse	<i>12(b)</i>	12,463	346,557
Other receivables and prepayments		808,985	921,747
Amount due from a joint venture		321,033	237,329
Pledged bank deposits		821	821
Bank and cash balances		46,654	78,184
		<u>2,147,452</u>	<u>2,856,129</u>
CURRENT LIABILITIES			
Bills and trade payables	<i>13</i>	748,675	774,240
Contract liabilities		331,806	111,901
Advances drawn on bills receivables discounted with recourse		12,463	346,557
Accruals and other payables		2,097,949	3,044,845
Lease liabilities		3,883	28,136
Tax payables		29,914	33,732
Senior notes		–	1,368,448
Bank borrowings		4,256,311	5,716,612
		<u>7,481,001</u>	<u>11,424,471</u>
NET CURRENT LIABILITIES		<u>(5,333,549)</u>	<u>(8,568,342)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,014,219</u>	<u>1,791,683</u>

	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Bank borrowings	1,363,403	–
Other payables	289,980	289,980
Provision for restoration and environmental costs	15,445	14,041
New USD Senior Notes	541,834	–
Lease liabilities	15,808	19,502
Deferred tax liabilities	12,771	8,025
Preferred shares	1,027,640	–
	<u>3,266,881</u>	<u>331,548</u>
NET ASSETS	<u>1,747,338</u>	<u>1,460,135</u>
CAPITAL AND RESERVES		
Share capital	421,298	197,506
Reserves	1,304,274	1,233,626
	<u>1,725,572</u>	<u>1,431,132</u>
Equity attributable to owners of the Company	1,725,572	1,431,132
Non-controlling interests	21,766	29,003
	<u>1,747,338</u>	<u>1,460,135</u>
TOTAL EQUITY	<u>1,747,338</u>	<u>1,460,135</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Room 1306, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. In the opinion of the Directors, the Company’s parent company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands and the ultimate holding company is Trident Trust Company (Singapore) Pte. Limited, which is controlled by Mr. Xian Yang, the executive director of the Company. The Company acts as investment holding company and its subsidiaries are engaged in mining and sale of raw coal and clean coal.

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

2. GOING CONCERN BASIS

As at 31 December 2023, the Group had net current liabilities of approximately RMB5,333,549,000, despite the Group had a net operating cash inflow of approximately RMB406,359,000 during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The Group had net loss of approximately RMB750,378,000 and net operating cash inflow of approximately RMB406,359,000 during the year. The directors of the Company have reviewed the Group’s cash flow projections, which cover a period of twelve months from 31 December 2023. They have assessed the appropriateness of adopting the going concern basis for the preparation of these consolidated financial statements for the year ended 31 December 2023 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 31 December 2023. 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 year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (“IFRS”), International Accounting Standards, and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior year.

The Group has not applied the new and revised IFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The Group’s operation is solely derived from the production and sales of clean coal and its by-products. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of coal and its by-products:		
Clean coal	2,206,940	4,095,182
High-ash thermal coal	239,520	185,003
Others	2,551	4,074
	<hr/> 2,449,011	<hr/> 4,284,259
Revenue from contracts with customers	<hr/> 2,449,011	<hr/> 4,284,259

Disaggregation of revenue from contracts with customers:

Time of revenue recognition

All timing of revenue recognition is at a point of time for the years ended 31 December 2023 and 2022.

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A ¹	384,167	–
Customer B ¹	320,796	498,214
Customer C ¹	320,008	659,590
Customer D ¹	255,415	*102,230
Customer E ¹	*50,972	456,035
Customer F ¹	<u>*170,963</u>	<u>448,799</u>

¹ Revenue from sales of clean coal

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

5. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government subsidies (<i>note</i>)	15,286	34,406
Others	<u>37,981</u>	<u>17,384</u>
	<u>53,267</u>	<u>51,790</u>

Note: The amounts represent incentives received from government regarding renovation of mechanization and informatization.

6. OTHER GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Allowance for loss allowance recognised on trade receivables	(6,800)	(3,085)
Net reversal of impairment of other receivables and prepayments	19,111	22,416
Losses on disposal of property, plant and equipment	(28,551)	(120,865)
Waiver of other payables	3,583	9,034
Fair value change on derivative financial assets	(512,629)	–
Provision for litigation	(9,600)	–
Fair value change on financial assets at fair value through profit or loss	(77)	(24,244)
Net exchange losses	(108,789)	(140,363)
Gain on bargain purchases by acquisition of an associate	14,578	–
Gain on debt restructuring	570,211	–
Others	3,954	1,277
	<u>(55,009)</u>	<u>(255,830)</u>

7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on borrowings:		
– bank and other borrowings	240,200	217,348
– advances drawn on bills receivable discounted	17,734	27,696
	<u>257,934</u>	<u>245,044</u>
Interest expenses on lease liabilities	1,128	1,467
	<u>259,062</u>	<u>246,511</u>

8. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	18,216	16,537
Deferred taxation	–	62,300
	<u>18,216</u>	<u>78,837</u>

Under the Law of PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2023 and 2022.

The Company is not subject to any income tax expense in the Cayman Island as the Cayman Islands levies no tax on the income of the Company (2022: Nil).

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong (2022: Nil).

9. (LOSS)/PROFIT FOR THE YEAR

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Profit for the year has been arrived at after charging:		
Provision for restoration and environmental costs	1,404	1,444
Depreciation and amortisation of property, plant and equipment	265,608	353,087
Depreciation of right-of-use assets	7,608	18,407
	<u>7,608</u>	<u>18,407</u>

10. DIVIDENDS

No dividend was proposed for the year ended 31 December 2023 and 2022 or since the end of the reporting period.

11. (LOSS)/EARNING PER SHARE

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

(Loss)/Profit

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Profit for the purposes of basic and diluted (loss)/earning per share ((Loss)/Profit for the year attributable to owners of the Company)	(746,192)	536,683
	<u>(746,192)</u>	<u>536,683</u>

Number of shares

	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earning per share	3,981,123	2,045,598
	<u>3,981,123</u>	<u>2,045,598</u>

The effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2023 and 2022.

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

(a) Bills and trade receivables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	521,204	1,082,271
Less: allowance for doubtful debts	<u>(77,809)</u>	<u>(128,584)</u>
	443,395	953,687
Bills receivables	<u>43,246</u>	<u>37,850</u>
	<u>486,641</u>	<u>991,537</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Aged:		
0 – 90 days	246,004	834,086
91 – 120 days	24,712	6,357
121 – 180 days	72,168	–
181 – 365 days	100,237	30,300
Over 365 days	<u>274</u>	<u>82,944</u>
	<u>443,395</u>	<u>953,687</u>

(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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Aged:		
0 – 120 days	2,463	145,548
121 – 180 days	10,000	161,129
181 – 365 days	<u>–</u>	<u>39,880</u>
	<u>12,463</u>	<u>346,557</u>

13. BILLS AND TRADE PAYABLES

The aged analysis of the Group's bills and trade payables based on invoice date at the end of the reporting period is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Aged:		
0 – 90 days	213,147	50,991
91 – 180 days	6,921	198,813
181 – 365 days	6,506	66,559
Over 365 days	522,101	457,877
	748,675	774,240

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

14. CAPITAL COMMITMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	555,564	532,094

The Group's share of the capital commitments made jointly with other ventures relating to its joint venture, 雲南東源恒鼎煤業有限公司 (Yunnan Dongyuan Hidili Coal Industry Company Limited*), is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Commitments to contribute funds for the acquisition of property, plant and equipment	31,259	32,220

15. PROPERTY, PLANT AND EQUIPMENT

Pursuant to Notices issued by Panzhihua Government and Liupanshui Government in October 2013 and September 2013, respectively (collectively “**Mine Restructuring Plans**”), Panzhihua Government and Liupanshui Government had formulated mines restructuring plans to improve productivity and safety of coal mining operations. The Group's mines located in Guizhou province and Sichuan province with carrying amounts as at 31 December 2023 of approximately RMB7,494 million (2022: approximately RMB7,553 million), which including mining structures and mining rights and construction in progress, are subject to the mines restructuring scheme and hence have to comply with the Mines Restructuring Plans.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023:

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2023, the Group had net current liabilities of RMB5,333,549,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful negotiation with banks to roll over the loan repayments and extend repayment of interests, (ii) the successful outcome that keep to improve the liquidity and profitability of the Group and (iii) the successful outcome that certain measures to control the administrative and production costs. The consolidated financial statements do not include any adjustments that would result from the failure to negotiate with banks to roll over the loan repayments and extend repayment of interests, the failure to improve the liquidity and profitability of the Group and the failure to control the administrative and production costs. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainty relating to (i) the successful negotiation with banks to roll over the loan repayments and extend repayment of interests, (ii) the successful outcome that keep to improve the liquidity and profitability of the Group and (iii) the successful outcome that certain measures to control the administrative and production costs, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the Year, turnover of the Group amounted to approximately RMB2,449.0 million, representing a significant decrease of approximately 42.8%, as compared to that of approximately RMB4,284.3 million in 2022. During the Year, the coking coal price continued to decline under severe market fluctuation and the Company has scaled down both the raw coal and clean coal production volume. Accordingly, both sales volumes and average selling prices (net of value added tax) of clean coal of the Company were decreased during the Year. The sales volume recorded for clean coal for the Year amounted to approximately 1,306,000 tonnes as compared to that of approximately 1,824,000 tonnes in 2022, representing a decrease of approximately 28.4%. The average selling price for the Year for clean coal decreased from approximately RMB2,244.9 per tonne in 2022 to that of RMB1,690.4 per tonne in the Year, representing a decrease of approximately 24.7%.

The following table sets forth the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2022:

	2023			2022		
	Turnover	Sales Volume	Average Selling Price	Turnover	Sales Volume	Average Selling Price
	<i>RMB'000</i>	<i>(thousand tonnes)</i>	<i>(RMB/Tonne)</i>	<i>RMB'000</i>	<i>(thousand tonnes)</i>	<i>(RMB/Tonne)</i>
Principal products						
Clean coal	<u>2,206,940</u>	1,305.6	1,690.4	<u>4,095,182</u>	1,824.2	2,244.9
By-products						
High-ash thermal coal	<u>239,520</u>	1,130.4	211.9	<u>185,003</u>	1,178.0	157.0
Other products						
Others	<u>2,551</u>			<u>4,074</u>		
Total turnover	<u>2,449,011</u>			<u>4,284,259</u>		

Cost of sales

Cost of sales for the Year was approximately RMB2,178.2 million, representing a decrease of approximately RMB320.6 million or 12.8%, as compared to that of approximately RMB2,498.8 million in 2022. The production volume of raw coal decreased from approximately 5,429,000 tonnes in 2022 to 4,741,000 tonnes in the Year, representing a decrease of approximately 12.7%. Also, the clean coal production volume decreased from approximately 1,749,000 tonnes in 2022 to approximately 1,347,000 tonnes in the Year, representing a decrease of approximately 23.0%.

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

	Year ended 31 December			
	2023 Raw coal (<i>'000 tonnes</i>)	2023 Clean coal (<i>'000 tonnes</i>)	2022 Raw coal (<i>'000 tonnes</i>)	2022 Clean coal (<i>'000 tonnes</i>)
Production volume				
Sichuan	241	65	203	68
Guizhou	<u>4,500</u>	<u>1,282</u>	<u>5,226</u>	<u>1,681</u>
	<u>4,741</u>	<u>1,347</u>	<u>5,429</u>	<u>1,749</u>

Since 2022, the Company carried out a comprehensive review of the production process and enhancement of capacity under full scale production of the coal mines in Guizhou province in order to release further production capacity. However, a series of safety inspections conducted by relevant government authorities, after the ordinary accident occurred in May 2023 at the Company's Hongxing Coal Mine in Guizhou Province, affected the overall production capacity enhancement progress. Both variable and fixed production costs such as material, fuel and power, staff costs and manufacturing overheads cannot be well absorbed by low level of production. Also, additional costs were incurred during the safety inspections. Finally, the unit cost of production reached an exceptional high level. 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 2024 and enhances production process to scale down the production costs.

Material, fuel and power costs for the Year were approximately RMB607.2 million, representing a decrease of approximately RMB123.0 million, or approximately 16.8%, as compared to that of approximately RMB730.2 million in 2022.

Staff costs for the Year were approximately RMB824.7 million, representing a decrease of approximately RMB12.0 million or 1.4%, as compared to that of approximately RMB836.7 million in 2022.

Depreciation and amortization for the Year were approximately RMB234.5 million, representing a decrease of approximately RMB62.0 million, or approximately 20.9%, as compared to that of approximately RMB296.5 million in 2022. The decrease was in line with the decrease in production volume of raw coal and clean coal.

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

	2023 <i>RMB per tonne</i>	2022 <i>RMB per tonne</i>
Coal mining		
Cash cost	352	348
Depreciation and amortisation	<u>48</u>	<u>46</u>
Total raw coal production cost	<u>400</u>	<u>394</u>
Average cost of clean coal	<u>1,541</u>	<u>1,307</u>

Gross profit

As a result of the foregoing, the Company reported a gross profit of approximately RMB270.8 million for the Year, representing a decrease of approximately RMB1,514.6 million or approximately 84.8%, as compared to that of approximately RMB1,785.4 million in 2022. The gross profit margin was approximately 11.1% as compared to that of approximately 41.7% in 2022.

Other income

Other income for the Year amounted to approximately RMB53.3 million, representing a slight increase of approximately RMB1.5 million or approximately 2.9%, as compared to that of approximately RMB51.8 million in 2022.

Other gains and losses

The Company recorded other losses of approximately RMB55.0 million for the Year as compared to approximately RMB255.8 million in 2022. The decrease was mainly attributable to: (i) decrease in net exchange losses of approximately RMB31.6 million, (ii) decrease in fair value change on financial assets at fair value through profit or loss of approximately RMB24.2 million; (iii) decrease in losses on disposal of property, plant and equipment of approximately RMB92.3 the Year; and (iv) gain on debt restructuring of approximately RMB570.2 million during the Year but set off by the fair value change on derivative financial assets of approximately RMB512.6 million during the Year.

Distribution expenses

Distribution expenses for the Year were approximately RMB216.6 million, representing a decrease of approximately RMB88.2 million or approximately 28.9%, as compared to that of approximately RMB304.8 million in 2022. The decrease was mainly in line with the decrease in sales volume of clean coal during the Year.

Administrative expenses

Administrative expenses for the Year were approximately RMB315.5 million, representing a decrease of approximately RMB66.9 million, or approximately 17.5%, as compared to that of approximately RMB382.4 million in 2022. The decrease was mainly attributable to the decrease in general administrative costs during the Year.

Finance costs

Finance costs for the Year amounted to approximately RMB259.1 million, were maintained at the similar level as compared with approximately RMB246.5 million in 2022.

Income tax expense

Income tax expense for the Year amounted to approximately RMB18.2 million, representing provision for EIT of approximately RMB18.2 million for the Year as compared to the provision of EIT and deferred taxation of approximately RMB16.5 million and RMB62.3 million respectively in 2022.

(Loss)/Profit for the year

As a result of the foregoing, loss for the Year was approximately RMB750.4 million, representing a decrease of approximately RMB1,287.7 million or approximately 239.7%, as compared with profit of approximately RMB537.3 million in 2022.

Adjusted EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was (3.5%) for the Year as compared with 28.1% in 2022:

	2023	2022
	RMB'000	RMB'000
(Loss)/Profit before tax	(732,162)	616,168
Adjusted for:		
– Allowance for loss allowance recognised on trade receivables	6,800	3,085
– Net reversal of impairment of other receivables and prepayments	(19,111)	(22,416)
– Waive of other payables	(3,585)	(9,034)
– Gain on debt restructuring	(570,211)	–
– Fair value change on derivative financial assets	512,629	–
– Impairment of interests in a joint venture	187,108	–
	(618,532)	587,803
Finance costs	259,062	246,511
Depreciation and amortisation	273,216	371,494
Adjusted EBITDA	<u>(86,254)</u>	<u>1,205,808</u>

Liquidity, financial resources and capital structure

As at 31 December 2023, the Group incurred net current liabilities of approximately RMB5,333.5 million as compared to approximately RMB8,568.3 million at 31 December 2022.

As at 31 December 2023, the bank balances and cash of the Group amounted to approximately RMB46.7 million (2022: approximately RMB78.2 million).

As at 31 December 2023, the bank borrowings repayable within one year and after one year of the Group were approximately RMB4,256.3 million and RMB1,363.4 million respectively (2022: payable within one year of approximately RMB5,716.6 million). As at 31 December 2023, loans amounting to RMB4,234.9 million carry interest at a fixed rate of 3.00% to 4.275% per annum. The remaining loans carry interest at variable market rates of 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 31 December 2023 was 57.5% (2022: 53.6%).

Restructuring

Debt Restructuring

During the Year, the Company implemented the debt restructuring involving: (1) the Scheme; (2) issue of Preferred Shares to certain PRC Lending Banks; and (3) settlement agreements with certain Onshore Operating Creditors. All the resolutions set out in the notice of the extraordinary general meeting (“EGM”) dated 30 December 2022 were duly passed by the Shareholders by way of poll at the EGM. The debt restructuring was announced effective on 31 March 2023.

The Scheme

- (i) As at 31 March 2023, the Scheme Creditors were entitled to receive the Scheme Consideration, which comprised: (1) the Scheme Shares; (2) the Zero-coupon Bonds and (3) the Cash Payment. Accordingly, 2,276,816,383 Scheme Shares were issued and allotted to the Participating Scheme Creditors. The Zero-coupon Bonds amounting to approximately USD31.5 million was made payable to the Initial Scheme Creditors by installments by 30 June 2023 and Cash Payment of approximately USD18.0 million was paid off to Participating Scheme Creditors on 31 March 2023.
- (ii) For those Scheme Creditors that elected to participate in the SPP, the Scheme Shares to which they are entitled were issued directly to and held on behalf by the Creditor SPV. The Company will use its best efforts to sell or procure the sale of all the SPP Shares for the SPP Participants. At the same time, the Company issued the New USD Senior Notes in the aggregate principal amount of USD76,501,000 to the Creditor SPV as an added measure of protection to the SPP Participants.

- (iii) On 20 December 2023, the Company received a winding up petition (“**2023 Winding Up Petition**”) filed by a bondholder of the Notes with a principal sum amounting to USD6.2 million to the Court against the Company regarding the petitioner’s entitlement to receive the Scheme Consideration under the Notes in the sum of approximately USD1.4 million together with approximately 79.5 million Scheme Shares. The hearing of the 2023 Winding Up Petition is adjourned to 15 April 2024. The Company has made a provision for litigation of approximately RMB9.6 million in the consolidated financial statements.

The Onshore Debt Restructuring

- (i) On 28 February 2023, the Company has issued 1,793,524,789 Preferred Shares to certain PRC Lending Banks to satisfy and discharge the Conversion Interest in the amount of approximately RMB948 million.
- (ii) On 31 March 2023, the Company issued and allotted 282,844,625 Onshore Operating Creditors Converted Shares to 125 Onshore Operating Creditors to satisfy and discharge outstanding debts in the amount of approximately RMB149.4 million.

Note: Unless otherwise defined, please refer to the circular of the Company dated 30 December 2022 for the capitalised terms stated above.

Pledge of assets of the Group

As at 31 December 2023, the Group pledged assets in an aggregate amount of approximately RMB4,891 million (2022: RMB4,220 million) to banks for credit facilities.

As at 31 December 2023, a director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,994 million (2022: RMB4,873 million).

Employees and remuneration policies

As at 31 December 2023, the number of employees of the Group amounted to 9,682 as compared to 9,834 employees at 31 December 2022. Accordingly, the staff costs (including directors’ remuneration in the form of salaries and other allowances) amounted to approximately RMB1,003.6 million (2022: RMB1,043.5 million).

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

Final dividend

The Board does not recommend the payment of any final dividend for the Year.

Risk in foreign exchange

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balances of approximately USD2.6 million and HKD0.1 million during the Year.

Significant investments held

During the Year, the Group did not hold any significant investments.

Material acquisition and disposal of subsidiaries, associates and joint ventures

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

Contingent liabilities

- (a) 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 (the "**2016 Writ**") issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院) on 15 April 2016. Pursuant to the 2016 Writ, China Merchants Bank, Shenzhen Chegongmiao Branch ("**2016 Plaintiff**") filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. ("**Liupanshui Hidili**"), a wholly owned subsidiary of the Company. (iii) Panxian Xileqing Coal Industry Co., Ltd. ("**Panxian Xileqing**"), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili 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 a Notice of Court Action attaching the writ of summons (the “**2017 Writ**”) issued by the Higher People’s Court of Sichuan Province of the People’s Republic of China (四川省高級人民法院) on 1 June 2017. Pursuant to the 2017 Writ, Chengdu Branch of Shanghai Pudong Development Bank (“**2017 Plaintiff**”) filed a civil complaint against (i) Sichuan Haohang, (ii) Sichuan Hidili, (iii) Liupanshui Hidili and (iv) Hidili China in respect of a loan agreement dispute case. The 2017 Plaintiff claimed against Sichuan Haohang and Sichuan Hidili for relief, among others, the outstanding principal amount as of 25 August 2016 and the default interest payment (calculated as at 18 April 2017) of approximately RMB134 million and RMB134 million respectively under the Agreement of Establishing Bank Promissory Note Business entered into between the 2017 Plaintiff and Sichuan Haohang and Sichuan Hidili on 25 February 2016 where Liupanshui Hidili pledged certain assets and mining rights and Hidili China acted as guarantor.

As it is not practical to assess the outcome of the cases at this stage, accordingly, no provision was made in the consolidated financial statements.

Save as disclosed above, as at 31 December 2023, the Group did not have any material contingent liabilities.

Continuing Connected transaction

During the Year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, the controlling shareholder of the Company and an executive Director, for the leasing of the Company’s head office located at 16th Floor, Dingli Mansion, No. 81 Renmin Road, Panzhuhua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

Save as disclosed above, as at 31 December 2023, the Group did not have any material continuing connected transaction.

Future Plans for Material Investment and Capital Assets

Save as disclosed in this announcement, the Group does not have other plans for material investment and capital assets during the Year.

OUTLOOK

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 and resumption of production in the coal mines in Sichuan province. However, the coking coal market fluctuation experienced and the reduction of production in Guizhou province during the Year brought along with pressure to the operating margin of the Company. Gross margin was deteriorated to around 11.1% during the Year as compared to approximately 41.7% in 2022. 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. Currently, the price of clean coal is rebounded. With the enlarging scale of production in 2024, the Board considers that the overall financial, business and trading position of the Company remain healthy.

OTHER INFORMATION

Audit committee

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

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

The Audit Committee has reviewed together with the management the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2023.

Corporate governance

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

Model code for securities transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 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 Year with the required standards set out in the Model Code and the Code.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

Publication of the final results and annual report of the Company

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.hidili.com.cn>). The annual report of the Company for the year ended 31 December 2023 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
28 March 2024

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