Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1393

2022

Annual Report

CONTENTS

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

NOMINATION COMMITTEE

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

AUDITORS

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COMPANY SECRETARY

Ms. Chu Lai Kuen

AUTHORISED REPRESENTATIVES

Mr. Xian Yang
Ms. Chu Lai Kuen

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CORPORATE INFORMATION

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STOCK CODE

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Central, Hong Kong

CHAIRMAN'S STATEMENT

To the respectful shareholders of Hidili Industry International Development Limited,

On behalf of the board (the "Board") of the directors (the "Directors") of Hidili Industry International Development Limited (the "Company"), I am pleased to present the 2022 Annual Report and the operating results of the Company and the subsidiaries (collectively the "Group") for the year ended 31 December 2022 (the "Year") to the shareholders as follows.

PERFORMANCE OF THE COMPANY'S SHARES

As at 31 December 2022, the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK$0.40, representing a decrease of approximately 13.0% from the closing price of HK$0.46 as at 31 December 2021 while the Hang Seng Index has decreased by approximately 15.9%.

THE COMPANY'S OPERATION

The Company recorded a revenue and adjusted earnings before interest, taxes, depreciation and amortisation ("EBITDA") of approximately RMB4,284.3 million and approximately RMB1,205.8 million respectively for the year ended 31 December 2022, representing an increase of approximately 50.9% and 20.6% respectively as compared to approximately RMB2,839.7 million and approximately RMB999.5 million respectively for the year ended 31 December 2021.

During the Year, the Company's coal mines in Guizhou province continued to release further production capacity and the production in Tianbao Coal Mine in Sichuan province was resumed. The production volume of raw coal increased from approximately 4,078,000 tonnes in 2021 to 5,429,000 tonnes in the Year, representing an increase of approximately 33.1%. The clean coal production volume increased from approximately 1,527,000 tonnes in 2021 to approximately 1,749,000 tonnes in the Year, representing an increase of approximately 14.5%.

In 2022, the Company's raw coal production cost amounted to approximately RMB394 per tonne, representing an increase of approximately 22.4% as compared to that of approximately RMB322 per tonne in 2021. The average production cost of clean coal of the Company for the Year amounted to approximately RMB1,307 per tonne, representing an increase of 62.2% as compared to that of approximately RMB806 per tonne in 2021. The increase was mainly attributable to the material consumption and headcounts of miners and coal mines management in line with the enhancement of production capacity upgrade and process optimization during the Year. Besides, the comprehensive review of the Company's production process and condition of the mining structures and assets during the Year brought along with additional consumption of materials, written-off of idle and aging mining structures and assets and increase in depreciation and amortisation of mining structures and assets.

The Company reported a gross profit of approximately RMB1,785 million for the Year, representing an increase of approximately RMB455 million or approximately 34.3%, as compared to approximately RMB1,330 million in 2021. The gross profit margin was approximately 41.7% as compared with that of approximately 46.8% in 2021.

EXTRACT OF THE SIGNIFICANT EVENTS OF THE YEAR

Significant events of the Group are as follows:

RESTRUCTURING

The significant events in relation to restructuring is set out in page 14 to 16 in "Liquidity, financial resources and capital structure" in the section headed "Management Discussion and Analysis".

MINING RESOURCE CONSOLIDATION

GUIZHOU PROVINCE

The Guizhou provincial government commenced a mining resource consolidation program in September 2005. This program is intended to encourage consolidation of small mines into larger mining enterprises in order to achieve economies of scale and to close down mines which were not economically efficient or environmentally friendly or were exposed to safety hazards. In April 2009, the Guizhou provincial government published a notice re-affirming its commitment to support the consolidation of large-scale mines (defined as those with production volumes exceeding 300,000 tonnes per annum) and the further consolidation of existing smaller mines. The notice stated that the government will continue to support mine consolidation based on principles of market efficiency with the goal of improving the overall structure and quality of the coal mining industry. In accordance with this government policy of resource consolidation, nine consolidated core mines were designated in Guizhou Province.

Under the nine consolidated core mines in Guizhou province, eight mines have commenced the production stage under the requirement of the consolidation plan; one mine is under construction. Details of the nine consolidated core mines are as follows:

Coal Mines	Long term Production Target ('000 tonnes)	2022 Production Volume ('000 tonnes)	2021 Production Volume ('000 tonnes)	Change %	Coal Type
Hongxing Coal Mine	1,500	853	1,117	(23.6%)	Coking coal
Dechang Coal Mine	900	–	–	–	Coking coal
Dahe Coal Mine	1,200	970	577	68.1%	Coking coal
Yangchang Coal Mine	1,000	559	659	(15.2%)	Coking coal
Xiangxing Coal Mine	1,000	785	577	36.0%	Coking coal
Jichanghe Coal Mine	600	134	257	(47.9%)	Coking coal
Jinhe Coal Mine	1,500	1,579	882	79.0%	Coking coal
Xingda Coal Mine	900	346	9	3,744.4%	Coking coal
Xileqing Coal Mine	600	–	–	–	Coking coal
Total	9,200	5,226	4,078	28.2%	

Remarks:

1. Dechang Coal Mine is under construction.

2. Xileqing Coal Mine is undertaking adjustments to consolidation plan.

Raw coal production in Guizhou province in the Year amounted to approximately 5,226,000 tonnes, representing 95.0% of the forecast production volume of approximately 5,500,000 tonnes estimated in 2021. During the Year, one consolidated core mine were undergoing technical improvement and one consolidated core mine was undertaking adjustments to consolidation plan. During the construction progress, taken into account the resources allocation and production safety of the mines, actual production volume was affected.

The Company estimates the forecast production volume in 2023 can reach approximately 7,300,000 tonnes.

SICHUAN PROVINCE

The Sichuan provincial government commenced a mining resource consolidation program in June 2006. This program was intended to consolidate small mines into larger mines to achieve economies of scale and to close inefficient, environmentally unfriendly or unsafe mines. The consolidation is being implemented primarily through two means: (i) consolidating two or more coal mines with separate mining right permits into a larger mine with one mining right permit and (ii) integrating two or more production portals into one production system comprising one primary production portal, certain secondary production portals and one ventilation system, canceling the production permits for each of the old production portals and issuing one production permit for the new production system. Currently, all coal mines in Sichuan with capacity under 90,000 tonnes per annum are required by the provincial government to revise consolidation plans and upgrade annual capacity to over 300,000 tonnes. Accordingly, the Company is undertaking further improvement to consolidate the existing five consolidated core mines to three consolidated core mines with each target annual production level of 450,000 tonnes.

Under the three consolidated core mines in Sichuan province, all mines have commenced the production stage under the requirement of the consolidation plan. Details of the three consolidated core mines are as follows:

Coal Mines	**Long term Production Target** ('000 tonnes)	**2022 Production Volume** ('000 tonnes)	**2021 Production Volume** ('000 tonnes)	**Change** %	**Coal Type**
Zhangjiawan Coal Mine	450	–	–	–	Thermal coal
Dahegou Coal Mine	450	–	–	–	Thermal coal
Tianbao Coal Mine II	450	203	–	–	Coking coal and lean coal
Total	1,350	203	–	–	

Remarks:

1. Zhangjiawan Coal Mine and Dahegon Coal Mine were closed for production upgrade during the Year. The two mines are expected to resume production in 2024.

2. In March 2022, Tianbao Coal Mine II has fulfilled safety inspection imposed by relevant government authorities and is scheduled to resume normal production in April 2022.

Following the resumption of production in Tianbao Coal Mine II in the second quarter of 2022, the Company estimates the forecast production volume in 2023 to be approximately 300,000 tonnes.

YUNNAN PROVINCE

There are currently eight consolidated core mines in Yunnan province and both of them are located in Fuyuan County. All mines are controlled by a joint venture 雲南東源恒鼎煤業有限公司 (Yunnan Dongyuan Hidili Coal Industry Company Limited*) in which the Group has 50% equity interest.

Currently, the approved consolidated capacity of the mines is approximately 3,600,000 tonnes. The production volume in 2022 was approximately 98,000 tonnes in total, representing 49.0% of the forecast production volume of approximately 200,000 tonnes estimated in 2021. The decrease in production volume during the Year was mainly attributable to the relevant government authorities in Yunnan province which have entirely devoted their time and resources in the coal mines consolidation and debt restructure of a state-owned mining company and led to certain delay in the Company's consolidation progress.

The Company estimates the forecast production volume in 2023 remain approximately 200,000 tonnes.

ESTIMATED COAL RESERVES AND RESOURCES

The table below illustrates the estimated coal reserves and resources of the Company's coal mines in Sichuan and Guizhou provinces respectively.

	Sichuan Province ('000 tonnes)	**Guizhou Province** ('000 tonnes)	**Total** ('000 tonnes)
Coal resources summary as at 31 December 2022			
– Measured	–	187,534	187,534
– Indicated	14,247	198,985	213,232
– Inferred	11,480	292,567	304,047
Total	25,727	679,086	704,813
Coal reserves summary as at 31 December 2022			
– Proved	–	133,254	133,254
– Probable	11,491	155,523	167,014
Total	11,491	288,777	300,268

Remarks:

The estimation of coal resources and reserves of the Company's coal mines in Sichuan and Guizhou provinces as at 31 December 2022 are prepared by an independent minerals industry consultant, Behre Dolbear & Company (USA) Inc. ("BDB") in compliance with the JORC Code 2012 Edition guidelines and Chapter 18 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") regarding the applicable disclosure requirements and continuing obligations for Mineral Companies.

OUTLOOK

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

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

By order of the Board
Chairman
Xian Yang

Hong Kong
31 March 2023

FINANCIAL REVIEW

TURNOVER

During the Year, turnover of the Group amounted to approximately RMB4,284.3 million, representing a sharp increase of approximately 50.9%, as compared to that of approximately RMB2,839.7 million in 2021. During the Year, the Company continued to benefit from the steel industry and infrastructure development, the demand for coking coal still remained at a high level. Accordingly, both sales volumes and average selling prices (net of value added tax) of clean coal of the Company increased during the Year. The sales volume recorded for clean coal for the Year amounted to approximately 1,824,200 tonnes as compared to that of approximately 1,433,000 tonnes in 2021, representing an increase of approximately 27.3%. The average selling price for the Year for clean coal increased from approximately RMB1,854.5 per tonne in 2021 to that of RMB2,244.9 per tonne in the Year, representing an increase of approximately 21.1%.

The following table sets forth the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2021:

	2022			2021		
	Turnover RMB'000	**Sales Volume (thousand tonnes)**	**Average Selling Price (RMB/ Tonne)**	Turnover RMB'000	Sales Volume (thousand tonnes)	Average Selling Price (RMB/ Tonne)
Principal products Clean coal	**4,095,182**	**1,824.2**	**2,244.9**	2,657,380	1,433.0	1,854.5
By-products High-ash thermal coal	**185,003**	**1,178.0**	**157.0**	172,893	922.5	187.4
Other products						
Raw coal	**–**	**–**	**–**	3,904	7.4	526.9
Others	**4,074**			5,561		
Other products total	**4,074**			9,465		
Total turnover	**4,284,259**			2,839,738		

COST OF SALES

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

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

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

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

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

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

Depreciation and amortisation for the Year were approximately RMB296.5 million, representing an increase of approximately RMB146.0 million, or approximately 97.0%, as compared to that of approximately RMB150.5 million in 2021. The increase was due to the growth in production volume of raw coal and clean coal and the effect arising from adoption of revised estimated useful lives of mining structures and assets during the Year.

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

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

GROSS PROFIT

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

OTHER INCOME

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

OTHER GAINS AND LOSSES

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

DISTRIBUTION EXPENSES

Distribution expenses for the Year were approximately RMB304.8 million, representing an increase of approximately RMB87.0 million or approximately 39.9%, as compared to that of approximately RMB217.8 million in 2021. The increase was mainly attributable to the increase in transportation expenses incurred as a result of: (i) increase in sales volume of clean coal; (ii) increase in transportation distance as increasing volume of clean coal shipped outside Guizhou province; and (iii) rising gasoline prices which led to higher charges for clean coal delivered by truck.

ADMINISTRATIVE EXPENSES

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

FINANCE COSTS

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

INCOME TAX (EXPENSE)/CREDIT

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

PROFIT FOR THE YEAR

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

ADJUSTED EBITDA

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

As at 31 December 2022, the total bank borrowings repayable within one year of the Group were approximately RMB5,716.6 million. As at 31 December 2022, loans amounting to RMB5,687.2 million carry interest at a fixed rate of 3.00% per annum. The remaining loans carry interest at variable market rates of 3.51% per annum.

The gearing ratio (calculated as the aggregate of total bank borrowings and senior notes divided by total assets) of the Group as at 31 December 2022 was 53.6% (2021: 58.6%).

RESTRUCTURING

(a) On 30 October 2015, the Company announced that it would not be in a position to pay the principal amount of, or the accrued but unpaid interest on, the US$400 million 8.625% senior notes due 2015 (the "Notes") on the maturity date, i.e. 4 November 2015. The aggregate amount due and payable to the Holders amounted to approximately US$190.6 million.

(b) On 14 December 2015, following initial discussions with certain the holders of the Notes (the "Holders"), a steering committee of Holders (the "Steering Committee") was formed.

(c) On 8 January 2016, the Company announced that it had not repaid a long term secured loan from an onshore bank which fell due on 4 January 2016 and has not paid the accrued interest thereon.

(d) On 19 January 2016, the Company received a winding up petition (the "Winding Up Petition") filed by a bondholder of the Notes with the High Court of Hong Kong (the "High Court") against the Company for the outstanding principal and interest due to the bondholder under the Notes.

(e) On 11 March 2016, the Company made an announcement and the purpose of such announcement was to provide the Holders with the key indicative terms of a proposed restructuring of the Notes and to facilitate discussion with the Holders.

(f) On 15 April 2016, Hidili China, a wholly-owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons ("2016 Writ") issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院).

(g) On 26 April 2016, the Company held a meeting with all the onshore lending banks (the "Lending Banks"). Following initial discussion with the Lending Banks, a creditors committee of Lending Banks (the "Onshore Creditors Committee") has been set up.

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

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

(j) On 1 June 2017, both of Sichuan Haohang Trading Company Limited ("Sichuan Haohang"), a wholly-owned subsidiary of the Company and Sichuan Hidili Industry Co., Ltd. ("Sichuan Hidili"), a wholly-owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons ("2017 Writ") issued by the Higher People's Court of Sichuan Province of the People's Republic of China (四川省高級人民法院).

(k) On 17 November 2017, the hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed. On 25 July 2022, by a consent summons filed with the High Court on 13 July 2022, the order of the High Court dated 19 July 2022 and the hearing on 25 July 2022, the Winding Up Petition was dismissed with immediate effect.

(l) On 21 April 2020, the Company and the Onshore Creditors Committee reached a preliminary restructuring framework (the "Preliminary Restructuring Framework") pursuant to which (i) the Company has agreed to convert the interest payable to the Lending Banks from the date of default to 31 December 2018 charged at 4.75% per annum to newly issued ordinary shares of the Company; and (ii) the Company, Hidili China, Mr. Xian Yang and Lending Banks have agreed to enter into a post syndication agreement (the "Post Syndication Agreement") to (a) extend the terms of the remaining onshore banks indebtedness to 4 February 2025; (b) charge interest at 3% per annum in the first three years and 4.275% per annum in the fourth to fifth years from the date of the Post Syndication Agreement respectively; and (c) repay the remaining onshore banks indebtedness in accordance with a fixed and variable portion.

(m) On 13 July 2020, the Company and the Steering Committee entered into a termsheet (the "2020 Termsheet"), which are binding on the Company and the Steering Committee, pursuant to which the parties agreed to the key commercial terms for the swap of the Notes into the newly issued ordinary shares of the Company with an option to participate in a share placement programme (the "SSP") to be conducted by the Company.

(n) On 30 April 2021, the Company and the Steering Committee entered into an amended and restated termsheet (the "Amended and Restated Termsheet") to amend certain timelines and fees of the debt restructuring, which replaced and superseded the 2020 Termsheet in its entirety.

(o) On 1 November 2021, the Company, the subsidiary guarantors and the Steering Committee entered into a restructuring support agreement (the "RSA"), pursuant to which they have agreed to support and facilitate the Debt Restructuring. The material terms of the Debt Restructuring have been agreed in the 2020 Termsheet as amended and restated by the Amended and Restated Termsheet. On 28 January 2022, the Company, the subsidiary guarantors and the Steering Committee entered into an extension letter to the RSA to amend certain deadlines in the RSA. On 29 April 2022, a second extension letter was entered into among the Company, the subsidiary guarantors and the Steering Committee to extend the scheme longstop date in the RSA. On 30 September 2022 and 3 January 2023, a third extension letter and a fourth extension letter were executed respectively among the Company, the subsidiary guarantors and the Steering Committee to further extend the scheme longstop date in the RSA.

(p) On 4 February 2022, the Company filed an application with the High Court seeking an order (the "Convening Order") to grant permission for the Company to convene a meeting of the Holders for the purpose of considering, and if thought fit, approving (with or without modification) the Scheme pursuant to section 673 and 674 of the Companies Ordinance (Cap.622 of the Laws of Hong Kong) between the Holders and the Company. The hearing for the Convening Order in respect of the Scheme was heard by the High Court on 9 February 2022, during which the High Court granted the Convening Order.

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

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

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

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

(u) On 31 March 2023, the Company has successfully implemented the Restructuring and discharged all the obligations under the Notes with effect from the Restructuring Effective Date.

PLEDGE OF ASSETS OF THE GROUP

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

FINAL DIVIDEND

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

RISK IN FOREIGN EXCHANGE

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balances of approximately USD1.6 million and HKD0.11 million during the Year.

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

(a) Hidili China, a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the 2016 Writ issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院) on 15 April 2016. Pursuant to the 2016 Writ, China Merchants Bank, Shenzhen Chegongmiao Branch ("2016 Plaintiff") filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. ("Liupanshui Hidili"), a wholly owned subsidiary of the Company. (iii) Panxian Xileqing Coal Industry Co., Ltd. ("Panxian Xileqing"), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili, a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The 2016 Plaintiff claimed against Hidili China for relief, among others, the outstanding principal amount and the default interest payment of approximately RMB576 million as of 20 January 2016 under the security agreement entered into between 2016 Plaintiff and Hidili China on 13 January 2013 where Liupanshui Hidili and Panxian Xileqing acted as guarantors and Liupanshui Hidili, Panxian Xileqing and Sichuan Hidili pledged certain assets and mining rights.

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

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

Save as disclosed above, as at 31 December 2022, the Group did not have any material contingent liabilities.

CONTINUING CONNECTED TRANSACTION

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

Save as disclosed above, as at 31 December 2022, the Group did not have any material continuing connected transaction.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. XIAN YANG (鮮揚)

Mr. Xian, aged 49, is an Executive Director of the Company, Chairman of the Board and founder of the Company. Mr. Xian graduated from The People's Police School of Sichuan (四川省人民警察學校) in 1994, studied law at Southwest University of Political Science and Law (西南政法大學) from 1994 to 1997 and did MBA courses at Sichuan University (四川大學) in 2005 to 2008 and was graduated with Master Degree. He worked in the police force and Customs Bureau of Panzhihua City prior to establishing our Group in May 2000. He was awarded a Grade Three Achievement (三等功) by the Ministry of Public Security for his distinguished service. He chairs our Group's investment management committee and production safety committee. Mr. Xian is also Director of Sanlian Investment Holding Limited, a company which holds approximately 50.87% of the issued share capital of the Company.

MR. SUN JIANKUN (孫建坤)

Mr. Sun, aged 59, is an Executive Director and our Chief Executive Officer, he is a responsible for the overall management and business development of the Company and its subsidiaries. He is a senior engineer and graduated from East China University of Metallurgy (華東冶金學院) (now known as Anhui University of Technology (安徽工業大學)) in 1986 with a bachelor's degree in steel metallurgy. Prior to joining the Group in December 2006, Mr. Sun has worked at Panzhihua Steel Group since 1986 and accumulated broad experience in steel production, quality control and raw material procurement. He served as the vice general manager of Chengdu Steel Company, a subsidiary of Panzhihua Steel Group, from 2003 to 2006 and the vice general manager of Panzhihua New Steel & Vanadium Co., Ltd. (攀枝花新鋼釩股份有限公司), a Shenzhen Stock Exchange listed company, from 2002 to 2003. Mr. Sun is also a Director of Able Accord Enterprises Limited, a company which holds approximately 0.95% of the issued share capital of the Company.

MR. ZHUANG XIANWEI (莊顯偉)

Mr. Zhuang, aged 52, is our Executive Director and the General Manager of Coal Mines of the Company and is responsible for the operation of the Company's coal mines. He is also president of the Company's subsidiary, 恒鼎實業（中國）集團有限公司 (Hidili Industry (China) Group Limited*) and chairman of two of the Company's subsidiaries, namely 雲南東源恒鼎煤業有限公司 (Yunnan Dongyuan Hidili Coal Industry Company Limited*) and 六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited*). Mr. Zhuang is a mining engineer. Prior to joining the Company in March 2002, Mr. Zhuang worked for the production technology division at Panzhihua Coal Group for over 10 years with extensive experience in management of coal mines. Mr. Zhuang has 500,000 shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHAN SHIU YUEN SAMMY (陳紹源)

Mr. Chan, aged 59, has over 21 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan holds a bachelor's degree in Commerce from Dalhousie University, Canada and is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chan is an independent non-executive director of Da Sen Holdings Group Limited (stock code: 1580), a company listed on the main board of the Stock Exchange, since August 2022. Mr. Chan was an independent non-executive director of Powerleader Science & Technology Group Limited ("Powerleader") (stock code: 8236), a company listed on the GEM of the Stock Exchange and withdrawn from listing on 30 December 2020, during the period from December 2009 to December 2020. During the period from May 2005 to May 2007, Mr. Chan was the company secretary and qualified accountant of Powerleader. During the period from July 2007 to February 2009, Mr. Chan was the deputy general manager of China Fibretech Limited (company registration no. 40381), a company listed on the main board of the Singapore Stock Exchange Limited. During the period from December 2009 to September 2015, Mr. Chan was the chief financial officer of Newtree Group Holdings Limited (stock code: 1323), a company listed on the main board of the Stock Exchange.

MR. HUANG RONGSHENG (黃容生)

Mr. Huang, aged 76, joined our Board since June 2007. He graduated from Tsinghua University in 1970. He has over 30 years' experience in the steel industry. Prior to his retirement in December 2006, he served as the vice general manager and the vice president of Panzhihua Steel (Group) Company from 1993 to 2003. Then, he worked at Central Iron & Steel Research Institute (鋼鐵研究總院) as secretary of the Party committee and vice president from 2003 to 2006.

MS. XU MANZHEN (徐曼珍)

Ms. Xu, aged 57, graduated from Auhui University of Law. Ms. Xu is the Director of 四川道合律師事務所 (Sichuan Daohe Law Firm*) since 2001. Before joining Sichuan Daohe Law Firm, Ms. Xu worked as deputy Director of Audit division of 四川攀枝花鋼鐵集團公司 (Sichuan Panzhihua Steel Group Limited*). Ms. Xu was a deputy of Panzhihua City to the National People's Congress of PRC.

SENIOR MANAGEMENT

MS. CHU LAI KUEN (朱麗娟)

Ms. Chu, aged 54, is our Chief Financial Officer and Company Secretary. She is responsible for financial and accounting management of our Company. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chu graduated from Hong Kong Polytechnic University with a bachelor's degree (Hons) in accountancy. Prior to joining the Group in October 2008, Ms. Chu has over 16 years of working experience in auditing and financial management.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statement for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are engaged in coal mining, manufacture and sale of raw coal and clean coal.

BUSINESS REVIEW

Review of the business and a analysis of the performance of the Group during the Year under review are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion of the Company's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Company are provided in the sections headed "Environment, Social and Governance Report" and "Corporate Governance Report" in this annual report. These sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of this report.

The Directors did not propose any payment of final dividend for the year ended 31 December 2022 to the shareholders (2021: nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2022 amounted to approximately RMB422 million. Details of the movements during the Year in the Group's property, plant and equipment are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the movements during the Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 67 of this report.

As at 31 December 2022, the Company's reserves available for distribution to shareholders amounted to approximately RMB1,234 million (2021: approximately RMB697 million).

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2022 are set out in note 44 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 132.

BORROWINGS

Details of the borrowings of the Group are set out in note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, sales to the Group's five largest customers amounted to approximately RMB2,359 million, representing 55.1% of the total turnover of the Group. Sales to the single largest customers amounted to approximately RMB660 million, representing 16.1% of the total turnover of the Group.

For the year ended 31 December 2022, the amount of purchases made from the Group's five largest suppliers amounted to approximately RMB482 million, representing 33.2% of the total purchases of the Group. Purchase from the single largest suppliers amounted to approximately RMB150 million, representing 10.4% of the total purchases of the Group.

For the year ended 31 December 2022, none of the Directors or any of their associates and any shareholders (which, to be best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

DONATIONS

Donations made by the Group during the year ended 31 December 2022 amounted to approximately RMB3.1 million. (2021: Nil).

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were as follows:

EXECUTIVE DIRECTORS

Mr. Xian Yang
Mr. Sun Jiankun
Mr. Zhuang Xianwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 18 and 19 of this report.

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), one third of the Directors will retire from directorship by rotation at each annual general meeting and, being eligible, shall offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a fixed term of three years.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a fixed term of two years.

None of the Directors has entered into any service agreement with the Company which is not determinable within one year without payment of compensation (other than the statutory compensation).

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 14 to the consolidated financial statements.

The remuneration of the Directors is principally determined by the balance of skill and experience appropriate to the Company's business.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision has been in force throughout the year ended 31 December 2022. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company for the year ended 31 December 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 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 *(Note 3)*
Mr. Xian Yang ("Mr. Xian") *(Note 1)*	The Company	1,040,674,000 (L)	Founder and beneficiary of trust	50.87%
Mr. Xian	Sanlian Investment Holding Limited ("Sanlian Investment")	1,000 (L)	Beneficial owner	100%
Mr. Sun Jiankun ("Mr. Sun") *(Note 2)*	The Company	19,380,000 (L)	Interest of controlled corporation	0.95%
Mr. Sun	Able Accord Enterprises Limited ("Able Accord")	1,000 (L)	Beneficial owner	100%
Mr. Zhuang Xianwei	The Company	500,000 (L)	Beneficial owner	0.02%

(L)-Long position

Notes:

1. The 1,040,674,000 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 Trident Trust Company (Singapore) Pte. Limited ("Trident Trust") is currently the trustee. Accordingly, Mr. Xian is deemed to be interested in the 1,040,674,000 shares held by Sanlian Investment by virtue of the SFO. Mr. Xian is also the sole Director of Sanlian Investment.

2. 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.

3. The percentage was complied based on the total number of issued shares of the Company (i.e. 2,045,598,399 ordinary shares) as at 31 December 2022.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 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 were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Saved as disclosed, at no time during the Year 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' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2022, the following persons, other than the Directors and chief executive of the Company, had an interest and/or short position in the shares and 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* *(Note 3)*
Trident Trust *(Note 1)*	530,743,740 (L)	Trustee	25.95%
Sanlian Investment *(Note 1)*	1,040,674,000 (L)	Beneficial owner	50.87%
Mr. Xian *(Note 1)*	1,040,674,000 (L)	Interest of controlled corporation	50.87%
Ms. Qiao Qian *(Note 2)*	1,040,674,000 (L)	Interest of spouse	50.87%

* (L)-Long 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 Trident Trust is currently the trustee. Accordingly, Mr. Xian is deemed to be interested in 1,040,674,000 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.

3. The percentage was complied based on the total number of issued shares of the Company (i.e. 2,045,598,399 ordinary shares) as at 31 December 2022.

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.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

CONTRACTS OF SIGNIFICANCE

No contracts of significant, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interests, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

No contracts of significance between the Company or any of its subsidiary companies and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

CONTINUING CONNECTED TRANSACTION

During the Year, rental expenses amounting to RMB0.6 million were paid to Mr. Xian Jilun, father of Mr. Xian Yang, a controlling shareholder and a Director of the Company, for the leasing of the Company's head office located at 16th Floor, Dingli Mansion, No. 185 Renmin Road, Panzhihua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

Such continuing connected transaction falls under the de minimis provision set forth in Rule 14A.33(3)(a) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

The Audit Committee consisted of three independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy (Chairman), Mr. Huang Rongsheng and Ms. Xu Menzhen.

The Audit Committee has reviewed, together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and the interim results of the Group for the six months ended 30 June 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

EQUITY-LINKED AGREEMENTS

No equity linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares during the Year.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the Year. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or derivation from the Corporate Governance Code by the Company during any time of the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

SUFFICIENCY OF PUBLIC FLOAT

On the basis of publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float throughout the year ended 31 December 2022.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") as auditors of the Company.

On behalf of the Board of
Hidili Industry International Development Limited
Xian Yang
Chairman

Hong Kong
31 March 2023

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high level of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the success of the Group and for safeguarding and maximizing of the interests of shareholders of the Company (the "Shareholders"). The Company has complied with the provision of the Code during the Year.

In addition to the Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in the Code whenever suitable and appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the required standards as set out in the Model Code throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

The Board currently consists of six Directors, three of whom are independent non-executive Directors who are expressly identified in all corporate communications that disclose the names of the Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board is as follows:

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 Menzhen

The brief biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 18 and 19 of this report.

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years but is subject to retirement by rotation and is eligible for re-election.

All of the independent non-executive Directors were appointed for a specific term of two years but are subject to retirement by rotation and are eligible for re-election.

None of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

CORPORATE GOVERNANCE REPORT

The Board is responsible for the overall development and guidance of the Group. The Board determines the overall strategies, monitors and control operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. The Board has delegated the day-to-day operation to the Executive Directors and senior management under the supervision of the Board to ensure effectiveness and appropriateness.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated to reinforce their independence and accountability. Mr. Xian Yang is the Chairman of the Company. Mr. Xian is responsible for the overall management and business development of the Group. Mr. Sun Jiankun is the Chief Executive Officer of the Company. Mr. Sun is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board for all the Group's operations.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

The Company's Articles of Association set out a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of Directors are fixed for a specific term, but at every annual general meeting one-third of the Directors, including the Chairman, will be subject to retirement by rotation and re-election by shareholders. All Directors eligible for re-election will have their biographical details made available to the shareholders to enable them to make an informed decision on their re-election. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

The Board selects and recommends candidates for directorship having regard to the balance of skill and experience appropriate to the Company's business.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the Year, all Directors read materials relevant to the Company's business, director's duties and responsibilities. The Company updates Directors constantly on the latest developments regarding the Group's business and other applicable regulatory requirements, to ensure compliance and enhance and enhance their awareness or good corporate government practices. All Directors have provided record of training attendance to the Company and the Company will continue to arrange the training in accordance with paragraph A.6.5 of the Code.

BOARD MEETINGS

Four board meetings were held during the Year. Details of the attendance of Directors are set out below:

	Attendance of meetings
Executive Directors	
Mr. Xian Yang	4/4
Mr. Sun Jiankun	4/4
Mr. Zhuang Xianwei	4/4
Independent non-executive Directors	
Mr. Chan Shiu Yuen Sammy	4/4
Mr. Huang Rongsheng	4/4
Ms. Xu Menzhen	4/4

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have accessed to the advice and services of the company secretary with a view to ensure that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records.

Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

ANNUAL GENERAL MEETING

The Company held the annual general meeting on 28 June 2022, Mr. Zhuang Xianwei, Mr. Huang Rongsheng and Ms. Xu Menzhen were unable to attend the annual general meeting of the Company due to business engagements. Mr. Xian Yang, the executive Director, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at the meeting.

REMUNERATION

The remuneration committee (the "Remuneration Committee") was established on 25 August 2007 with written terms of reference in compliance with the Code. The Remuneration Committee consists of an executive Director, Mr. Xian Yang and all the independent non-executive Directors, Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Menzhen. Mr. Chan Shiu Yuen Sammy is the Chairman of the Remuneration Committee. The role of the Remuneration Committee is to review and give recommendations to the Board regarding the remuneration package of the Directors and the senior management of the Company and other remuneration related matters.

The Company's emolument policy of the employees is set up by the Remuneration Committee on the basis of the expertise, capability, performance and responsibility of the employees. In addition to the basic salaries, the Company also provides staff with retirement benefit scheme contributions. The Company may grant bonus to individuals for their contribution on a discretionary basis.

During the Year, one remuneration committee meeting was held to discuss and approve the annual salary review for 2022 for the Directors and the employees and the remuneration policy. All the members of the Remuneration Committee attended the meeting.

NOMINATION COMMITTEE

The nomination committee (the "Nomination Committee") was established on 25 August 2007 with written terms of referable in compliance with the Code. The Nomination Committee consists of an executive Director, Mr. Xian Yang and all the independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Menzhen. The Nomination Committee will consider the appointment of new Directors first by reviewing the profiles of the candidates and making recommendations to the Board. New Directors appointed by the Board during the Year to fill a casual vacancy shall retire and submit themselves for re-election at the first general meeting immediately followed their appointment.

The Board had adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The following measurable objectives were adopted: Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board.

The Nomination Committee had also reviewed the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

During the Year, the Nomination Committee had convened one meeting during which it considered, among other things, the Directors who should retire by rotation pursuant to the Company's Articles of Association and the Code. All the members of the Nomination Committee attended the meeting. During the meeting of the Nomination Committee, it had also reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company and assessed the independence of all the independent non-executive Directors of the Company.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established on 25 August 2007 with written terms of reference in compliance with the Code. The Audit Committee consists of three Independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Menzhen. Mr. Chan Shiu Yuen Sammy is the Chairman of the Audit Committee. The primary duties of the Audit Committee include reviewing and supervising the financial reporting process and internal control procedures of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

During the Year, two Audit Committee meetings were held. All the members of the Audit Committee attended both meetings. 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 statement of the Group for the year ended 31 December 2022 and the interim results for the six months ended 30 June 2022.

AUDITORS' REMUNERATION

The external auditor of the Company is ZHONGHUI ANDA. During the year ended 31 December 2022, the remuneration paid and payable to the auditors of the Company in respect of the audit services and non-audit service provided amounted to approximately RMB3.5 million and HK$0.3 million respectively during the Year.

The Audit Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties of the Company in accordance with the "Terms of Reference of Corporate Governance unction" adopted: (i) to develop and review the Company's policies and practices on corporate governance and make appropriate recommendations; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and (v) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the Year, the Board has performed the following corporate governance duties: (i) reviewed and approved the contents of the Corporate Governance Report included in the 2021 annual report of the Company; (ii) adopted the "Board Diversity Policy"; and (iii) reviewed the whistle-blowing policy of the Group to ensure the arrangements for employees to raise concerns about possible improprieties in financial reporting and internal control, etc. were adequate.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited account. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of ZHONGHUI ANDA on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 61 to 63 of this report. Saved as disclosed in the independent auditor's report under the heading "Material Uncertainty Related to Going Concern", the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern as at 31 December 2022.

THE COMPANY'S VIEW ON MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As at 31 December 2022, the Group had net current liabilities of approximately RMB8,568 million despite the Group had a net operating cash inflow of approximately RMB684 million during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group had net profit of approximately RMB537 million and net operating cash inflow of approximately RMB684 million during the Year. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2022. They have assessed the appropriateness of adopting the going concern basis for the preparation of these consolidated financial statements for the year ended 31 December 2022 in light of the Group's plans and measures described below to improve its cash flows:

(i) The Group implements debt restructuring involving (1) the scheme; (2) issue of preferred shares to certain PRC Lending Banks; and (3) settlement agreements with Onshore Operating Creditors. The Restructuring Effective Date will occur on 31 March 2023. It is expected that the results of debt restructuring will be successful to reduce the Group's current liabilities and increase the Group's equity.

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

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

Considered that adequate disclosures of management judgement on such material uncertainty and mitigating factors have been made, the auditor's opinion would not be qualified in this respect, but such matter will be highlighted in the section headed "Materiality Uncertainty related to Going Concern" in the auditor's report.

REMOVAL OF MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As at the date of this report, the Company is closely coordinating with the professionals to work out and complete the debt restructuring. The Company believes that upon the completion of the debt restructuring, the Company will have a healthy financial position and sustainable cashflow for operation and development. Accordingly, the audit qualifications regarding going concern can be removed in the audit of the financial statement for the year ending 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective internal control system of the Group and is committed to the ongoing development of an effective internal control system to safeguard assets, and to enhance risk management and compliance with applicable legislation and regulations. The Group has adopted a set of internal control procedures and policies to safeguard the Group's assets and to ensure the reliability of financial reporting.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Company's system of internal control during the Year, and the Board confirms that the provision C.2.1 of the Code has been complied with.

The Company have formulated an inside information policy providing guideline on handling inside information. The Company regularly reminds the Directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 of the Listing Rules in relation to dealings in securities of the Company.

COMPANY SECRETARY

Ms. Chu Lai Kuen, the chief financial officer of the Company, is also appointed by the Board as the company secretary of the Company (the "Company Secretary"). She is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. Ms Chu confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board directly to its head office in Sichuan, PRC or principal place of business in Hong Kong by post or email to hidili@yeah.net. The Company will respond to all enquiries on a timely and proper basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up-to-date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Company's Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hidili.com.cn) immediately after the relevant general meetings.

INVESTOR RELATIONS AND COMMUNICATION

The Company has established and maintained different communication channels with the Shareholders. The Company updates the Shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Briefing and meetings with institutional investors and analysts are conducted regularly. The Company also maintains its website to provide the public and its shareholders with an alternative communication channel. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the Year, there has been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

Hidili Industry International Development Limited (the "Company") and its subsidiaries (collectively, the "Group" or "we") act as an investment holding company, which is principally engaged in coal mining, manufacture and sale of clean coal. Currently, one of the consolidated core mines in Sichuan province has commenced the production stage, and the remaining two mines have still been in the process of upgrading. For the nine consolidated core mines in Guizhou province, eight mines have commenced the production stage under the requirement of the consolidation plan; one mine is under construction. This environmental, social and governance report (the "ESG Report") provides an overview of the Group's practices, strategies and performance in environmental, social, and governance ("ESG") aspects, and demonstrates its commitment to sustainable development.

REPORTING PERIOD

Unless otherwise stated, the ESG Report covers the activities, challenges and measures taken with respect to ESG aspects of the Group for the year ended 31 December 2022 (the "Reporting Period" or "2022").

REPORTING SCOPE

The reporting scope is determined based on the materiality of the business segments under the Group's direct operational control. The ESG Report covers the overall performances, challenges, strategies, measures and commitments in five areas, namely, corporate governance, environmental protection, employment practice, operating practice and community investment of the Group's operations in Sichuan and Guizhou provinces together with the head office in Hong Kong. The key performance indicators ("KPIs") data on ESG issues are obtained from the above operations. We will continue to expand the scope of disclosure in the future when the data collection system of the Group is more refined and the sustainable development work is enhanced.

REPORTING FRAMEWORK

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For the corporate governance structure of the Group and other relevant information, please refer to the "Corporate Governance Report" in this annual report.

During the preparation for the ESG report, the Group has applied the reporting principles in the afore-mentioned ESG Reporting Guide as follow:

Materiality: Materiality assessment was conducted by the Group to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG report. The materiality of issues was reviewed and confirmed by the board of directors (the "Board"). For further details, please refer to two sections headed "Communication with Stakeholders" and "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data are supplemented by explanatory notes.

Consistency: The preparation approach of the ESG report is consistent with that for the year ended 31 December 2021 ("2021"). The Group has improved its data collection system and relevant environmental and social data have been disclosed since 2022 to further improve the ESG report. The scope of disclosure and calculation methodologies are explained at the corresponding aspect and data.

ESG GOVERNANCE STRUCTURE

The Group has developed an ESG governance structure to ensure ESG governance aligns with its business strategy for sustainable development and to integrate ESG management into its business operations and decision-making processes.

The Board holds the overall responsibilities for the Group's ESG issues, including general oversight, guidance and formulation of ESG management approaches, strategies and objectives, and selects qualified members with the appropriate skills, knowledge, experience and perspectives required to address relevant ESG issues. In order to better manage the Group's ESG performances, related issues and potential risks, the Board discusses ESG-related issues, evaluates and determines ESG-related risks and opportunities of the Group, reviews the materiality of ESG issues and sets ESG-related targets collectively at least once a year. In addition, the Board is responsible for ensuring the effectiveness of the Group's risk management and internal control systems and approving disclosures in the ESG Report.

The management of the Group is jointly responsible for the specific implementation of ESG matters. The management consists of core members of different departments who have relevant expertise in all areas of ESG to assist the Board in supervising ESG matters. The management arranges a meeting at least once a year to review the effectiveness of current policies and procedures by collecting and analysing ESG-related data, and to review the formulation and progress of ESG-related targets in order to improve the overall performance of ESG policies and ensure compliance with ESG-related laws and regulations. In addition, the management shall engage an independent third party to conduct an annual materiality assessment to evaluate, prioritise and manage major ESG related issues, as well as prepare the ESG Report. Therefore, the management also needs to report its investigation results, decisions and recommendations to the Board at least once a year.

COMMUNICATION WITH STAKEHOLDERS

The Group has established various channels to allow stakeholders to participate in the its operations, and to understand and monitor the Group's operating conditions, so as to promote the formation of a community of harmony and common interest between the Group and stakeholders and realize maximum comprehensive social interest, which includes optimal corporate revenue. Therefore, we have been maintaining close communication with key stakeholders, including but not limited to, shareholders and investors, government and regulatory authorities, employees, customers, suppliers, the community and the public, so as to improve the Group's performance in ESG. Stakeholders can participate in the Group's operations through the following channels:

Major Stakeholders	Expectations	Communication Channels
Shareholders and investors	• Investment returns • Business strategies and performance • Completion of debt restructuring and sustainability	• The Group's website • Annual report and interim report • The Group's announcements and notices on Stock Exchange website • Shareholders' meetings • Financial news
Government and regulatory authorities	• Compliance with laws and regulations • Compliance with listing rules • Production safety • Payment of tax in accordance with the law • Fulfillment of social responsibilities	• Inspection and site visits • The Group's filings, working reports and submissions • Work conference and discussion • The Group's website and announcements • Training courses, seminars and publications
Employees	• Welfare and remuneration • Working environment • Training and development opportunities • Occupational health and safety	• Staff meetings and activities • Staff training and education • Staff handbook • The Group's notices
Customers	• Product quality and delivery • Quality control • Credit terms	• Regular visits and business correspondence • Sales framework agreements • After sales service
Suppliers	• Long term stable cooperation • Timely settlement	• Regular visits and business correspondence • Sales framework agreements • Review and evaluation report
Community and the public	• Job opportunities • Community development • Social welfare	• Community activities • Media enquiry • Press releases and announcements

MATERIALITY ASSESSMENT

In hope of understanding the views and expectations of stakeholders on the Group's ESG performances effectively, the Group adopts a systematic approach in conducting the annual materiality assessment to identify and assess ESG-related concerns and priorities that were shared by the Group and its stakeholders. With reference to the Group's business development strategies and industry practices, the Group identified and determined a list of material ESG issues, which covers five major areas, namely, corporate governance, environmental protection, employment practice, operating practice and community investment. The relevant results and identified major issues have been reviewed and confirmed by the Board and management, followed by the establishment of appropriate and effective internal management policies and systems, and disclosed in the ESG Report.

The following table summarises the levels of materiality of the different ESG issues of the Group:

	Material issues	
High	**Medium**	**Low**
• Use of resources • Supply chain management • Reliable services and products	• Employment system • Occupational health and safety • Development and training • Protection of customers' privacy	• Emission control and adaptation to climate change • Waste management • Prevention of child labour and forced labour • Anti-corruption • Community investment

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development by the following means:

Mailing Address: No. 2206, 22/F, Block C, China Overseas International Center, No. 233, Jiaozi Road, Gaoxin District, Chengdu, Sichuan Province

Tel: 028-61689133

Fax: 028-61689138

Email: hidili@yeah.net

A. ENVIRONMENTAL

ENVIRONMENTAL TARGETS

To ensure that we can effectively implement and maintain the direction of sustainable development, the Group has set a number of environmental targets in 2022 in accordance with its development direction and strategic approaches, and closely monitored and regularly reviewed its progress and sustainable development performance, which will be disclosed in the ESG report for the year ending 31 December 2023 ("2023"). The following table summarizes the environmental targets to be achieved by the Group:

Aspect	Environmental Targets
Greenhouse Gas ("GHG") emissions	Encourage all mines and offices within the report scope to reduce vehicles and energy use, thereby reducing total emissions more effectively.
Hazardous waste	Make continuous efforts to increase disposal projects for hazardous waste, thereby reducing the disposing volume of hazardous waste more effectively.
Non-hazardous waste	Organise activities to raise employees' awareness of waste reduction and recycling, thereby reducing the disposing volume of non-hazardous waste more effectively.
Energy management	Organise activities to promote the importance of energy conservation, thereby reducing total energy consumption more effectively.
Water management	Organise activities to promote the importance of water conservation, thereby reducing total water consumption more effectively.

A1. EMISSIONS

The Group has always valued good environmental management and strives to protect the environment in order to fulfill its social responsibilities. Therefore, we have formulated relevant environmental policies, and are committed to developing operational measures to enhance environmental management in our business processes. The Group also has complied with current applicable environmental laws and standards, with an aim to minimize the pollution and environmental damage caused by our daily business operations and achieve sustainable development targets. Meanwhile, by establishing relevant environmental management systems and regulations for its business operations located in Mainland China and Hong Kong to regulate the air, GHG and waste, etc. generated during operations, the Group has contributed to environmental protection.

The Group keeps close track of the latest national and local environmental laws and regulations, commits to measures that strengthen environmental protection based on related laws and regulations, and also complies with relevant laws and regulations of the local government and implements environmental policies. During the Reporting Period, the Group strictly complied with laws and regulations, including but not limited to the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", as well as the "Air Pollution Control Ordinance", "Waste Disposal Ordinance", "Water Pollution Control Ordinance", "Product Eco-responsibility Ordinance" and the regulations relating to environmental protection in Hong Kong.

During the Reporting Period, the Group did not have any material non-compliance with relevant local environmental laws and regulations due to air and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste.

AIR EMISSIONS

The air emissions by the Group mainly come from vehicle fuel consumption. In order to mitigate the negative impact on the environment, the Group maintains and repairs vehicles and equipment regularly to prevent them from emitting excessive emissions due to damaged parts and other reasons. We also eliminate substandard vehicles in accordance with the requirements under regional emission policies. In addition, the Group plans and arranges reasonable transportation schedules to maximise transport efficiency, so as to avoid unnecessary transportation.

The types of air emissions by the Group include nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM"). During the Reporting Period, the emissions[1] of NOx, SOx and PM of the Group were approximately 999.17 kg, 5.14 kg and 89.52 kg, respectively.

Note:

1. The calculation of air emissions referred to "How to Prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

GHG EMISSIONS

The main sources of GHG emissions of the Group were direct GHG emissions caused by the fuel consumption of vehicles and backup generators (Scope 1) and energy indirect GHG emissions from the purchased electricity (Scope 2). By making full use of the coalbed methane resources in underground mines, the Group extracted approximately 2,978.96 ten thousand of cubic meters of coalbed methane in 2022, of which approximately 1,237.63 ten thousand of cubic meters were used for power generation for self-use. During the Reporting Period, the Group's total direct GHG emissions (Scope 1) were approximately 43,068.94 tonnes of carbon dioxide equivalent ("tCO_2e"), and the total energy indirect GHG emissions (Scope 2) was approximately 92,213.15 tCO_2e. Therefore, the total GHG emissions[2] was approximately 135,282.09 tCO_2e, and its intensity[3] was approximately 0.03 tCO_2e/RMB'000 revenue.

The Group is also proactive in enhancing its reputation by reducing energy use and, in turn, reducing GHG emissions. Given the above emission sources, we have actively taken the following measures to reduce GHG emissions:

- Actively reduce carbon emissions from automobile exhaust, of which relevant measures are described in the section headed "AIR EMISSIONS" under this aspect;

- Actively adopt environmental protection and energy saving measures, of which relevant measures are described in the section headed "ENERGY MANAGEMENT" under Aspect A2; and

- Post notices and posters containing environmental protection promotion information at prominent places in our offices to enhance employees' environmental awareness.

Notes:

2. The data of GHG emissions are presented in terms of carbon dioxide equivalent with reference to, including but not limited to, the "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" published by the World Resources Institute and the World Business Council for Sustainable Development, the "Notice on the Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry from 2023 to 2025" published by the Ministry of Ecology and Environment of China, the Global Warming Potentials provided by the Intergovernmental Panel on Climate Change (IPCC) in its "Fifth Assessment Report", "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "Sustainability Report 2022" published by CLP Power Hong Kong Limited. As there is no sufficient theoretical basis for the calculation of greenhouse gas produced in the process of power generation by coalbed methane, this report only discloses its extraction volume and utilisation volume.

3. During the Reporting Period, the total turnover of the Group was RMB4,284.259.00 thousand. This data shall also be used to calculate other intensity data. The relevant intensity data have been disclosed since 2022.

SEWAGE DISCHARGE

The Group discharges industrial sewage in the course of daily operations in Mainland China. Water management at the coal washing plants located in Mainland China is primarily done through a waste water recycling system and water reclaim ponds, and surface water shall go to the settling ponds for removal of suspended solids. The total water consumption data of the Group are explained in the section headed "USE OF RESOURCES – WATER MANAGEMENT" in Aspect A2.

WASTE MANAGEMENT

The Group strictly adheres to the principles of waste management and is committed to properly regulating and disposing of waste generated from business activities. The Group maintains high standards in waste reduction, educates employees on the necessity of sustainable development, and provides appropriate support to enhance their knowledge and skills in the field of sustainable development.

Hazardous wastes

The main hazardous wastes produced during the operation of the Group are waste mineral oil and coal gangue from coal mines. The Group requires all departments to collect and store hazardous wastes in accordance with established relevant policies and regulations, and to deliver such waste to designated storage areas within a specified time. Only designated employees are responsible for handling hazardous wastes in the designated storage area, and other employees may not enter such area without permission. The Group shall hire qualified hazardous waste collectors to handle such waste in order to comply with relevant environmental laws and regulations.

Due to the designated agency entrusted by Sichuan Coal Mine to conduct integrated processing for hazardous wastes, we were not able to collect data on the disposing volume of hazardous wastes. During the Reporting Period, the disposing volume of waste mineral oil and coal gangue by the Group was approximately 34.46 tonnes and 2,728,616.02 tonnes, respectively. Therefore, the total hazardous wastes was approximately 2,728,650.48 tonnes, and its intensity was approximately 0.64 tonnes/RMB'000 revenue.

Non-hazardous wastes

The main non-hazardous wastes produced during the operation of the Group are domestic waste and paper. We require employees to properly treat such wastes and encourage employees to sort and store such wastes before disposal, and also arrange for personnel to conduct integrated processing. Due to the designated agency entrusted by the Group to conduct integrated processing for domestic waste, relevant data was not collected. With regard to paper consumption in the office, we have implemented the following measures:

- Encourage employees to use electronic documents and establish electronic work processes;
- Recycle used paper; and
- Print or copy on both sides.

During the Reporting Period, the Group disposed of approximately 1,740.24 kg of paper. Therefore, the total non-hazardous wastes was about 1,740.24 kg, and its intensity was approximately 0.0004 tonnes/RMB'000 revenue.

A2. USE OF RESOURCES

The Group strictly complies with the relevant local environmental laws and regulations, and has formulated relevant environmental policies to ensure that our mining activities are carried out in compliance with environmental standards and in line with the rules of the office buildings, so as to achieve energy saving and consumption reduction. By taking measures for more efficient use of electricity and water resources and reducing or even stopping the use of materials that waste resources or pollute the environment, etc., we are committed to mitigating the negative impact on the environment during our business operations.

ENERGY MANAGEMENT

The main energy consumption sources of the Group in its daily operations are the direct energy consumption caused by the consumption of unleaded petrol and diesel oil of vehicles and the diesel consumption of backup generators, and the indirect energy consumption caused by electricity used in daily operations. By making full use of the coalbed methane resources in underground mines, the Group used the coalbed methane to generate electricity of approximately 35,040.80 MWh in total in 2022. During the Reporting Period, the total direct energy consumption[4] of the Group was approximately 175,994.30 MWh and the indirect energy consumption was approximately 161,691.44 MWh. Therefore, the total energy consumption was approximately 337,685.74 MWh, and its intensity was approximately 0.08 MWh/RMB'000 revenue.

Upholding the Group's commitment to energy conservation and consumption reduction, in addition to the energy-saving measures for vehicles mentioned in the section headed "AIR EMISSIONS" in Aspect A1, the Group has also developed a system to promote green office culture and a strategic approach to save electricity in daily operations, and regularly reviews its effectiveness and makes adjustments in response to operational conditions. The specific measures are as follows:

- Encourage office employees who will be out for a long time to turn off their own computers and set hibernating or sleeping mode when they are out for meals or rests;
- Enhance the maintenance and repairment of electronic devices to ensure their best condition and the efficiency of electricity consumption;
- Post signage of "Save Electricity" as a reminder near power switches in the offices to remind employees to turn off unnecessary power sources;
- Strengthen the ventilation system of underground mines and reduce the energy consumption required for ventilation during exploration and mining;
- Actively seek for and use more environmentally friendly power generation methods and clean energy to reduce the use of generators; and
- Make plans to use electric vehicles in underground mines as early as possible to reduce the dependence on fuel oil.

Note:

4. The unit conversion method for energy consumption data is formulated with reference to the "Energy Statistics Manual" issued by the International Energy Agency.

WATER MANAGEMENT

The Group's water consumption is mainly contributed by those used in mining, processing and production processes in Mainland China. Due to the geographical location of our operations, there is no issue in sourcing water. To reduce water use, the Group has actively taken the following measures:

- Check the water pipes for leaks, cracks, and other damage regularly and engage professional personnel to repair them in a timely manner;
- Strengthen the water treatment and regulation of underground mines, and establish relevant recycling measures;
- Remind employees to turn off faucets after using water to prevent water wastage; and
- Post posters or promotional materials at prominent places in the offices to promote water conservation.

During the Reporting Period, the total water consumption of the Group was approximately 3,446,583.00 cubic meters, and its intensity was approximately 0.80 cubic meters/RMB'000 revenue.

USE OF PACKAGING MATERIALS

Due to the nature of the business, the Group's business does not involve the use of packaging materials.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The coal mining work of the Group has a certain impact on the environment and natural resources. Therefore, our underground coal mines and coal washing plants are registered with the Industry and Business Administration Bureau and possess the necessary environmental approvals from the Provincial Environmental Protection Bureau to undertake mining and processing activities at their various sites. As a responsible and good enterprise, we strive to minimize the negative impact of our business on the environment and conduct an environmental risk assessment of our business to formulate appropriate environmental policies and measures, so as to make contribution to environmental protection. The Group shall comply with relevant environmental regulations and international standards, and endeavour to achieve the goal of sustainable development by integrating the concept of environmental and natural resources protection into its internal management procedures and daily operating activities. The Group makes greater efforts to cooperate with the quarterly inspections by the County Environmental Protection Bureau, with an aim to ensure that all operating facilities comply with national environmental standards.

In addition, the Group has set up an Environmental Management Office under the direct supervision of the president. The responsible personnel of the Environmental Management Office shall report to the president through weekly telephone calls and monthly written reports, and are responsible for formulating environmental policies to ensure that all mines and factories of the Group comply with applicable environmental laws and regulations.

ENVIRONMENTAL OPERATIONS

The Group is committed to providing a pleasant and safe working environment for its employees and uses ISO14000 international environmental standards as the basis of its environmental management program. Therefore, we have adopted a number of environmentally responsible practices in our operations to minimize the damage of operations to the environment, including:

- Regularly monitor and measure water and air quality to ensure compliance with various statutory environmental requirements;
- Utilise underground mine waste rock in the mine and use excess rock on the surface as building material in order to make good use of resources;
- Plan call for rehabilitation of all facility sites, with a few locations already undergoing re-seeding and revegetation projects;
- Utilize the coalbed methane extracted during coal mining to generate electricity to reduce the greenhouse effect caused by its direct emissions; and
- Set up easy-to-maintain direct reduction plants and electric arc furnaces to reduce resource waste.

The Group also proactively promotes employees' awareness of environmental protection to effectively improve environmental protection. As such, the Group reviews its internal codes, issues environmental guidelines and reminders to its employees and shares relevant environmental information from time to time. We also consider participating in more feasible and appropriate activities to enhance employees' awareness of the environment and natural resources.

A4. CLIMATE CHANGE

With the escalating risks and challenges posed by climate change to the global economy, the coal mining, manufacture and sales of clean coal businesses of the Group will also be negatively affected. Therefore, the Group understands the necessity of mitigating the impact of climate change and incorporates climate change into its internal control and enterprise risk management procedures. According to the international recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD") established by the Financial Stability Board, the management of the Group has assessed and identified climate-related risks and corresponding opportunities that have an impact on the Group's businesses. Referring to the risk classification of TCFD, the identified climate-related risks and corresponding management measures are as follows:

PHYSICAL RISKS

The increased frequency and severity of extreme weather events such as storms and typhoons may disrupt mining activities and increase the risk of power shortages, thereby disrupting the Group's operations and reducing revenue. These incidents may also obstruct employees during their work and even cause casualties. As countermeasures, the Group has taken out insurance for its employees and assets, and has formulated relevant policies and response plan, such as regular inspection of drainage facilities to avoid casualties or property losses caused by extreme weather in the workplace. In addition, the Group pays close attention to the emergency notices issued by the local government and informs all departments of the latest warning in a timely manner. We also provide special training for employees on a regular basis, including emergency evacuation, communications security, medical assistance and other programs.

TRANSITION RISKS

Governments around the world have formulated climate-related legislation or more stringent regulations to support the global vision of decarbonisation, with an aim to achieve sustainable development. In response to climate change, the Chinese government has set the goal of "peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060", with focusing on the promotion of low-carbon strategic direction. The Group shall actively cooperate with such decisions and deployment by following the green and low-carbon development goals. In order to meet the requirements of the Stock Exchange, the Group strengthened its climate-related disclosure in 2022, set targets for reducing emissions and resource use, and regularly monitored existing and emerging trends, policies and regulations related to climate change, so as to avoid reputational risks due to delayed response. The Group will continue to assess the effectiveness of its actions on climate change and enhance its capacity to deal with climate change.

B. SOCIAL

B1. EMPLOYMENT

The Group believes that human resource is essential for the sustainable development of enterprises. Therefore, the Group has established a definite employment policy, remuneration and welfare system, incentive and punishment system, and conduct of code, and has also defined specific responsibilities and qualifications required for each position to provide reference and basis for employment. The Group has strictly complied with applicable national and local laws and regulations on employment matters, including but not limited to the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China" in Mainland China, as well as the "Employment Regulations" in Hong Kong.

As of 31 December 2022, the Group has a total of 9,834 employees, all of whom were full-time employees, with its composition shown as below:

Indicators	As of 31 December 2022
By gender	
Male	7,321
Female	2,513
By age group	
<31	1,956
31-50	6,884
>50	994
By region	
Mainland China	9,830
Hong Kong	3
Singapore	1

RECRUITMENT, PROMOTION, REMUNERATION AND DISMISSAL

In respect of staff recruitment, the Group has adopted a highly transparent recruitment procedure, under which, job applicants, after preliminary selection by our department of human resources, will go through our written examination and interview and then, if qualified, professional tests by relative departments, and it finally comes out with the best suitable candidates. In order to attract and retain talents, the Group provides a competitive remuneration package. The value of the post is linked with remuneration, which means that the same post shall be offered with the same remuneration. Besides, emoluments are paid based on posts, personnel capability and performance through the construction of remuneration system.

Various promotion opportunities are also provided by the Group to employees, and corresponding salary and bonus policies are implemented according to their qualifications, performance and work experience, as well as current market conditions. In addition to promotions made by reference to the normal working performance of individual staff and assessment of their capability through the annual review, the Group has also optimized staff's occupational development direction based on the particular features of various work positions. By adopting of dual-way development model, our employees are enabled to develop their causes either in terms of management sequence or in terms of professional technology sequence.

In addition, the relevant procedures for the dismissal of personnel of the Group are clearly stipulated in the "Staff Handbook", and all dismissal procedures shall be properly conducted in accordance with local laws and regulations, and issues shall be fully communicated before formal dismissal.

During the Reporting Period, the total employee turnover rate[5] of the Group was approximately 4.09%, with its composition[6] shown below:

Indicators	2022
By gender	
Male	4.63%
Female	2.51%
By age group	
<31	12.07%
31-50	1.73%
>50	4.73%
By region	
Mainland China	4.09%
Hong Kong	–
Singapore	–

Notes:

5. Total employee turnover rate = (total number of resigned employees during the Reporting Period ÷ total number of employees at the end of the Reporting Period) × 100%.

6. Employee turnover rate by categories = (number of resigned employees in the category during the Reporting Period ÷ number of employees in the category at the end of the Reporting Period)× 100%. As all employees were full-time employees, its turnover rate by categories was the same as the total employee turnover rate.

EMPLOYEE BENEFITS

A full range of employee benefits is available in the Group, including, among others, social insurance and provident fund. The Group attaches great importance to the balance between work and life. Employee works 40 hours per week on an average basis, and is entitled to paid leaves such as marriage leave, maternity leave and annual paid leave. Besides, we organise diversified staff activities from time to time, such as annual dinner and outdoor sports, to enrich staff's life and strengthen their sense of belongingness.

EQUAL OPPORTUNITIES, DIVERSITY AND ANTI-DISCRIMINATION

The Group is committed to providing equal opportunities for all employees in all aspects of employment and maintaining workplaces that are free from discrimination, physical or verbal harassment against any individual on the basis of gender, race, religion, age, marital and family status or physical disability. To ensure that all employees enjoy fair and equal protection, the Group has zero tolerance for sexual harassment or abuse in the workplace in any form.

B2. HEALTH AND SAFETY

The Group strictly complies with the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on Prevention and Control of Occupational Diseases", the "Fire Protection Law of the People's Republic of China" in Mainland China and the "Occupational Safety and Health Ordinance" in Hong Kong. The Group has not recorded any major safety incidents or deaths as a result of work, nor has it paid any claims or compensation to its employees as a result of such incidents within the past three years (including the Reporting Period). Moreover, the Group has no loss of working days due to work-related injuries.

OCCUPATIONAL HEALTH AND SAFETY

The Group attaches great importance to the health and safety of its employees by striving to ensure employee safety and providing a safe and comfortable working environment. Therefore, the Group has obtained valid safety permits issued by the Provincial Bureau of Coal Mine Safety, and the coal washing and related management activities are also all covered by certification subject to international and national standards for occupational health and safety management systems.

To ensure strict compliance with the regulatory requirements for coal mines by the Chinese government, the Group has established safety monitor departments in the respective coal mines, responsible for monitoring and reviewing safety production-related matters within the Group. All the employees working in the coal mines are required to comply with an internal safety management manual for mine operations and adopted detailed safety procedures according to the "State Coal Mine Safety Guideline" (《國家煤礦安全規程》). The Group has also determined the in-house safety production administrative rules and emergency planning for safety production accidents which set six specific requirements on its subsidiaries in terms of education and training, hidden danger investigation, costs management, emergency rescue, information reporting as well as accident investigation and solution. Besides, safety production, which is linked with the performance-based remuneration in the remuneration policies of the Group, is taken as one of the key performance indicators adopted by the Company when making annual assessments on the operating results of the management of the subsidiaries, so as to guarantee implementation of various rules and regulations.

The Group has established a full-time mine rescue team to ensure "professional, prompt and efficient" measures would be taken in treating various safety accidents, which in turn further secures the personal safety of employees. Meanwhile, the Group also has an independent safety committee that comprises experienced retired mining experts to supervise mine safety.

RESPONSE TO COVID-19 PANDEMIC

In response to the outbreak of COVID-19 pandemic, the Group strictly complied with the relevant pandemic prevention guidelines of the local government to ensure the health of employees as well as safety within the Group's premises and business continuity. In addition to regular cleaning and disinfecting the office area, the Group also continued to implement corresponding hygiene and pandemic prevention measures, strictly require employees to wear surgical masks in the offices and conduct stringent temperature tests to reduce the risk of virus transmission. Moreover, the Group implemented the work-from-home arrangement and staggered team scheduling in Hong Kong, so as to reduce the social contact among employees and avoid increasing the risk of infection.

B3. DEVELOPMENT AND TRAINING

Great importance has been attached to talent reserve and personnel promotion and development. Since then, the Group spares no efforts to propel staff training. Through a combination of internal and external training, the Company advocates never stop for study and creates an enthusiastic study atmosphere to inspire employees' potential and promote the development and innovation of the Group.

As such, an overall training and management plan is prepared by the Group at the beginning of each year, targeting to providing comprehensive training for employees, including (but not limited to) induction training, safety knowledge training, special business training, qualification education in various high education institutions majoring in mining for those staff who stop working for education purpose with work positions maintained, as well as further continuous education to obtain qualification and titles required for the occupation. Besides, our employees also participate in trainingings organized by the local government regulatory departments. The Group emphasizes on the cultivation of talent reserve and the improvement of employees' quality. Therefore, employees are dispatched regularly to Tsinghua University, Sichuan University, China University of Mining and Technology and other high education institutions to receive professional training.

During the Reporting Period, the percentage of total trained employees[7] of the Group was approximately 9.37%, and the average training hours completed per employee[8] was approximately 0.22 hour. The breakdown of trained employees and average training hours by gender and employee category is as follows:

Indicators	Breakdown of trained employees[9]	Average training hours[10]
By gender		
Male	12.10%	0.20
Female	1.39%	0.28
By employee category		
Senior management	33.33%	13.33
Middle management	32.36%	3.24
General staff	8.69%	0.12

Notes:

7. Percentage of total trained employees = (total number of trained employees during the Reporting Period ÷ total number of employees at the end of the Reporting Period) × 100%.

8. Average training hours completed per employee = total number of training hours during the Reporting Period ÷ total number of employees at the end of the Reporting Period.

9. Breakdown of trained employees by categories = (number of trained employees in the category during the Reporting Period ÷ number of employees in the category at the end of the Reporting Period) × 100%.

10. Average training hours of employees by categories = total training hours of employees in the category during the Reporting Period ÷ number of employees in the category at the end of the Reporting Period.

B4. LABOUR STANDARDS

The Group is in strict compliance with the "Regulations on Labor Security Supervision", the "Labour Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China" in Mainland China, as well as the "Employment Ordinance" in Hong Kong. During the Reporting Period, the Group was not aware of any significant violations of laws and regulations relating to the prevention of child labour and forced labour, nor did it have any discrimination involving race, religion, age and disability, etc.

PREVENTION OF CHILD LABOUR AND FORCED LABOUR

The Company established and implemented a "Staff Handbook" which contains policies relating to relevant labor laws, regulations and industry practices, covering areas such as compensation, promotion, working hours, dismissal, recruitment, rest periods, diversity and other benefits and welfare.

In addition, the Group conducts regular self-examination and inspections to strictly abide by labor standards and protect the legitimate rights and interests of employees. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, and sexual harassment (including inappropriate language, posture, and physical contact) for any reason. Meanwhile, the Group also prohibits the employment of child labour and forced labour under any circumstances. The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any illegal behaviour is being discovered. If necessary, the Group will further improve its labour policies and mechanism against illegal behaviours.

B5. SUPPLY CHAIN MANAGEMENT

Due to the fact that the primary raw material of clean coal production of the Group, raw coal, is mainly self-produced, only a small number of external raw coal suppliers are employed. Other major suppliers in connection with coal mining, coal washing and mine development and construction include suppliers of cement, wood, explosives and construction parts.

During the Reporting Period, the Group implemented its engagement practices for all 2,241 suppliers. The number of suppliers by region is as follows:

Indicators	2022
By region	
Mainland China	2,236
Hong Kong	5

PROCUREMENT MECHANISM

We promote fair and open competition and strive to establish a long-term cooperative relationship of mutual trust. The subsidiaries of the Group strictly abide by the relevant provisions such as the "Law of the People's Republic of China on Bid Invitation and Bidding" in the procurement process. Therefore, our suppliers act in good faith and abide by all laws, international conventions and contractual obligations.

The operation department of the Group selects suitable suppliers based on clear internal standards (including product quality, after-sales services, prices, credit terms and records on cooperation records, etc.) and relevant policies, and strictly prohibits any violation of business ethics, with an aim to provide the most competitive resources, products and services. Moreover, the Group also ensures that suppliers comply with their standard requirements in terms of ESG and reviews suppliers' awareness in these areas.

In addition, the Group gives priority to selecting local suppliers to reduce the carbon footprint in the transportation process. The Group also gives priority to employing suppliers of environmentally friendly products and services in the selection process, in an effort to reduce potential environmental and social risks in the supply chain. The Group will continue to regularly review the sustainability policies and business performance of its suppliers in its supply chain. With regard to any identified serious violations of laws and regulations, the Group will terminate its contract with such suppliers.

B6. PRODUCT RESPONSIBILITY

The Group has compiled a detailed "Quality Control Manual" and implemented a comprehensive quality control system. In addition, we have a quality control department to implement our quality control system. Such quality control department performs on-site inspections and monitors internal production procedures and the storage and delivery of raw products, semi-finished products and finished products, so as to ensure up-to-standard product quality and stable operation of the production system. The Group is subject to the "Law of the People's Republic of China on Product Quality", the "Regulations on Quality Responsibility for Industrial Products" (《工業產品質量責任條例》), the "Several Provisions of the Ministry of Coal Industry on Clarifying Quality Responsibility for Coal Products and Improving the Control of Quality of Coal Products" (《煤炭工業部關於明確煤炭產品質量責任和嚴格煤質管理的若干規定》) and relevant laws and regulations in Mainland China.

In addition, we are in strict compliance with relevant laws and regulations, including but not limited to the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests", the "Advertisement Law of the People's Republic of China", the "Interim Measures for the Administration of Internet Advertisement" (《互聯網廣告管理暫行辦法》) in Mainland China, and the "Trade Descriptions Ordinance" in Hong Kong and other relevant laws and regulations on consumer protection. The sales and marketing team of the Group is mainly responsible for planning and formulating the overall marketing strategy, conducting market research and coordinating sales and marketing activities to carry out the marketing and promotion of products and services. We shall strictly regulate the promotion of all products and services to ensure that the relevant work complies with the applicable laws and regulations governing advertising and labelling. During the Reporting Period, the Group was not aware of any material violations of laws and regulations relating to the quality of products and services, nor did it receive any material complaints about products and services. Due to the nature of the Group's businesses, there is no recall products for health and safety reasons, nor is it applicable to the disclosure of product recall procedures.

CUSTOMER COMMUNICATION

The Group is committed to providing customers with quality products and services, maintaining close communication with customers, understanding customer needs to improve our service quality and customer satisfaction and maintaining a good relationship with customers, with an aim to build a better corporate reputation. Customers can give feedback or lodge complaints by e-mail and telephone, which shall be treated on a confidential basis to ensure that the complaint processes are conducted fairly with proper records. Relevant departments of the Group will also strive to protect the interests of all parties and improve the customer service system by quickly following up on the complaints, identifying the responsible parties and areas for improvement and making appropriate responses in a timely manner.

PROTECTION OF CUSTOMERS' PRIVACY

The Group attaches great importance to the protection of customer rights and privacy. As such, the Group has implemented relevant policies and measures to maintain and protect customers' data, and ensures that employees rigidly follow the regulations on data privacy. We have formulated relevant guidelines and arranged training to make staff understand the importance of prudent handling of personal data, raise their awareness of proper collection, use, maintenance, management, storage and handling data, so as to better protect customers' privacy. In order to monitor the implementation performance of our employees, the Group regularly reviews the information system to ensure that there is no risk of leakage of confidential information.

INTELLECTUAL PROPERTY RIGHTS

The Group does not lose sight of the importance of protecting intellectual property rights due to the nature of its businesses. We have formulated relevant policies to manage internal information technology, including ensuring that the software, hardware, and graphic information downloaded and used in its business operations do not infringe any copyrights. In addition, the Group shall continue to monitor and prevent infringement of its intellectual property rights such as counterfeit trademarks in the market.

B7. ANTI-CORRUPTION

The Group incorporated anti-corruption and bribery clauses into the "Staff Handbook" and "Employment Contracts", and encourages employees to maintain honesty, refuse corruption, and refuse to accept kickbacks. The Group is also in strict compliance with the provisions of laws and regulations such as the "Company Law of the People's Republic of China" and the "Law of the People's Republic of China on Bid Invitation and Bidding" in Mainland China as well as the "Prevention of Bribery Ordinance" in Hong Kong. During the Reporting Period, the Group was not aware of any material violations of laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, nor did it have any concluded corruption litigation cases.

The Group organises anti-corruption related training at least once a year to enhance the corruption prevention capability and awareness of directors and employees. During the Reporting Period, the Group provided a total of approximately 40 hours and 2,400 hours to 2 Directors and 120 employees respectively, so as to cultivate anti-corruption awareness and good professional conduct among employees and comply with all local laws and regulations.

WHISTLE-BLOWING MECHANISM

The Group has launched regular campaigns to raise significant awareness of anti-corruption among all employees and encourages them to report any corruption or fraud incidents. We shall also conduct immediate investigations and take necessary and appropriate actions while promising to protect the identity of the whistleblower, so as to prevent any behavior that may harm the interests of the Group and related stakeholders. Therefore, the Group shall regularly monitor the effectiveness of its whistle-blowing mechanism.

B8. COMMUNITY INVESTMENT

The Group aims to address community concerns through engaging in volunteer work and charity donations. It also encourages the employees to pursue their personal passions and dedicate their time and skills to support the local communities by formulating its internal guidelines, in the hope to cultivate employees' sense of social responsibility.

We help different institutions and engage in social activities to contribute and give back to society by making donations to perform social responsibility as a corporate citizen and develop a better public image. During the Reporting Period, the Group donated a total of approximately RMB3.1 million to support local education and provide social welfare. The Group will continue to seek for cooperation with various charitable organisations, and meanwhile be aware of the difficulties and needs of society and vulnerable groups, aiming to give back to society and promote social harmony.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	ESG GOVERNANCE STRUCTURE
Reporting Principles	ABOUT THE ESG REPORT – REPORTING FRAMEWORK
Reporting Boundary	ABOUT THE ESG REPORT – REPORTING SCOPE

Aspects, General Disclosures and KPIs	Descriptions	Section/ Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	EMISSIONS
KPI A1.1	The types of emissions and respective emissions data.	EMISSIONS – AIR EMISSIONS
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	EMISSIONS – GHG EMISSIONS
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	EMISSIONS – WASTE MANAGEMENT
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	EMISSIONS – WASTE MANAGEMENT
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; EMISSIONS – GHG EMISSIONS
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; EMISSIONS – WASTE MANAGEMENT

Aspects, General Disclosures and KPIs	Descriptions	Section/ Declaration
Aspect A2: Use of resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	USE OF RESOURCES
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	USE OF RESOURCES – ENERGY MANAGEMENT
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	USE OF RESOURCES – WATER MANAGEMENT
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; USE OF RESOURCES – ENERGY MANAGEMENT
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; USE OF RESOURCES – WATER MANAGEMENT
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	USE OF RESOURCES – USE OF PACKAGING MATERIALS (N/A – EXPLAINED)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	THE ENVIRONMENT AND NATURAL RESOURCES
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	THE ENVIRONMENT AND NATURAL RESOURCES – ENVIRONMENTAL OPERATIONS

Aspects, General Disclosures and KPIs	Descriptions	Section/ Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CLIMATE CHANGE
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CLIMATE CHANGE – PHYSICAL RISKS, TRANSITION RISKS
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	EMPLOYMENT
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	EMPLOYMENT
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	EMPLOYMENT – RECRUITMENT, PROMOTION, REMUNERATION AND DISMISSAL
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	HEALTH AND SAFETY

Aspects, General Disclosures and KPIs	Descriptions	Section/ Declaration
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	HEALTH AND SAFETY
KPI B2.2	Lost days due to work injury.	HEALTH AND SAFETY
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	HEALTH AND SAFETY – OCCUPATIONAL HEALTH AND SAFETY, RESPONSE TO COVID-19 PANDEMIC
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	DEVELOPMENT AND TRAINING
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	DEVELOPMENT AND TRAINING
KPI B3.2	The average training hours completed per employee by gender and employee category.	DEVELOPMENT AND TRAINING
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	LABOUR STANDARDS
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	LABOUR STANDARDS – PREVENTION OF CHILD LABOUR AND FORCED LABOUR
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	LABOUR STANDARDS – PREVENTION OF CHILD LABOUR AND FORCED LABOUR

Aspects, General Disclosures and KPIs	Descriptions	Section/ Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	SUPPLY CHAIN MANAGEMENT
KPI B5.1	Number of suppliers by geographical region.	SUPPLY CHAIN MANAGEMENT
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	SUPPLY CHAIN MANAGEMENT – PROCUREMENT MECHANISM
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	SUPPLY CHAIN MANAGEMENT – PROCUREMENT MECHANISM
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	SUPPLY CHAIN MANAGEMENT – PROCUREMENT MECHANISM
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	PRODUCT RESPONSIBILITY
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	PRODUCT RESPONSIBILITY
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	PRODUCT RESPONSIBILITY – CUSTOMER COMMUNICATION
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	PRODUCT RESPONSIBILITY – INTELLECTUAL PROPERTY RIGHTS
KPI B6.4	Description of quality assurance process and recall procedures.	PRODUCT RESPONSIBILITY (N/A – EXPLAINED)

Aspects, General Disclosures and KPIs	Descriptions	Section/ Declaration
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	PRODUCT RESPONSIBILITY – PROTECTION OF CUSTOMERS' PRIVACY
Aspect B7: Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	ANTI-CORRUPTION
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ANTI-CORRUPTION
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	ANTI-CORRUPTION – WHISTLE-BLOWING MECHANISM
KPI B7.3	Description of anti-corruption training provided to directors and staff.	ANTI-CORRUPTION – WHISTLE-BLOWING MECHANISM
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY INVESTMENT
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	COMMUNITY INVESTMENT
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	COMMUNITY INVESTMENT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hidili Industry International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 131, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2022, the Group had net current liabilities of approximately RMB8,568,342,000, despite the Group had a net operating cash inflow of approximately RMB683,611,000 during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

PROPERTY, PLANT AND EQUIPMENT

Refer to note 17 to the consolidated financial statements.

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately RMB8,910,021,000 as at 31 December 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

– Assessing the reasonableness of the discount rate; and

– Checking input data to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	8	**4,284,259**	2,839,738
Cost of sales		**(2,498,828)**	(1,510,107)
Gross profit		**1,785,431**	1,329,631
Interest revenue		**10,223**	5,554
Other income	9	**51,790**	26,424
Other gains and losses	10	**(255,830)**	(50,120)
Distribution expenses		**(304,815)**	(217,838)
Administrative expenses		**(382,442)**	(213,162)
Share of loss of a joint venture		**(41,678)**	(57,147)
Finance costs	11	**(246,511)**	(250,911)
Profit before tax		**616,168**	572,431
Income tax (expense)/credit	12	**(78,837)**	72,008
Profit and total comprehensive income for the year	13	**537,331**	644,439
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**536,683**	645,145
Non-controlling interests		**648**	(706)
		537,331	644,439
Earning per share	16		
– Basic (RMB cents)		**26.24**	31.54
– Diluted (RMB cents)		**26.24**	31.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	17	**8,910,021**	8,980,120
Right-of-use assets	18	**87,842**	128,354
Interests in a joint venture	19	**1,342,403**	1,384,081
Equity investments at fair value through other comprehensive income	20	**5,500**	–
Long-term deposits	21	**14,259**	14,259
Deferred tax assets	36	**–**	62,300
		10,360,025	10,569,114
Current assets			
Inventories	22	**274,610**	310,026
Financial assets at fair value through profit or loss	23	**5,344**	–
Bills and trade receivables	24(a)	**991,537**	453,775
Bills receivables discounted with recourse	24(b)	**346,557**	–
Other receivables and prepayments	25	**921,747**	638,227
Amount due from a joint venture	26	**237,329**	142,779
Pledged bank deposits	27	**821**	820
Bank and cash balances	27	**78,184**	14,535
		2,856,129	1,560,162
Current liabilities			
Bills and trade payables	28(a)	**774,240**	897,374
Contract liabilities	29	**111,901**	135,319
Advances drawn on bills receivables discounted with recourse	28(b)	**346,557**	–
Accruals and other payables	30	**3,044,845**	2,679,689
Lease liabilities	35	**28,136**	30,479
Tax payables		**33,732**	19,714
Senior notes	37	**1,368,448**	1,252,737
Bank borrowings	31	**5,716,612**	5,853,793
		11,424,471	10,869,105
Net current liabilities		**(8,568,342)**	(9,308,943)
Total assets less current liabilities		**1,791,683**	1,260,171

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Other payables	30	**289,980**	289,980
Provision for restoration and environmental costs	34	**14,041**	12,597
Lease liabilities	35	**19,502**	26,765
Deferred tax liabilities	36	**8,025**	8,025
		331,548	337,367
NET ASSETS		**1,460,135**	922,804
Capital and reserves			
Share capital	32	**197,506**	197,506
Reserves	33	**1,233,626**	696,943
Equity attributable to owners of the Company		**1,431,132**	894,449
Non-controlling interests		**29,003**	28,355
TOTAL EQUITY		**1,460,135**	922,804

The consolidated financial statements on pages 64 to 131 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

XIAN YANG
Director

SUN JIANKUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Share reserve RMB'000	Statutory surplus reserve RMB'000	Future development fund RMB'000	Other reserve RMB'000	Equity investment revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	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/(Loss) and total comprehensive income/(expense) for the year	–	–	–	–	–	–	–	645,145	645,145	(706)	644,439
Balance at 31 December 2021 and 1 January 2022	**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 year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**536,683**	**536,683**	**648**	**537,331**
Balance at 31 December 2022	**197,506**	**2,935,794**	**695,492**	**451,303**	**109,346**	**(99,070)**	**(18,000)**	**(2,841,239)**	**1,431,132**	**29,003**	**1,460,135**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Profit before tax	**616,168**	572,431
Adjustments for:		
Interest revenue	**(10,223)**	(5,554)
Depreciation and amortisation of property, plant and equipment	**353,087**	157,321
Depreciation on right-of-use assets	**18,407**	13,086
Rent Concession	**(367)**	–
Finance costs	**246,511**	250,911
Loss on disposal of property, plant and equipment	**120,865**	79,966
(Reversal)/impairment of trade receivables and other receivables	**(34,174)**	36,475
Loss allowance of trade receivable	**3,085**	24,886
Loss allowance of other receivables and prepayments	**11,758**	–
Fair value change on financial assets at fair value through profit or loss	**24,244**	–
Waive of other payables	**(9,034)**	(55,657)
Unrealised exchange losses/(gains)	**120,299**	(30,244)
Share of loss of a joint venture	**41,678**	57,147
Provision for restoration and environmental costs	**1,444**	1,154
Operating cash flows before movements in working capital	**1,503,748**	1,101,922
Decrease/(increase) in inventories	**35,416**	(164,937)
Increase in bills and trade receivables	**(506,673)**	(284,528)
Increase in other receivables and prepayments	**(299,408)**	(12,089)
Increase in amount due from a joint venture	**(94,550)**	(55,243)
(Decrease)/increase in bills and trade payables	**(123,134)**	78,152
Decrease in contract liabilities	**(23,418)**	(143,094)
Increase/(decrease) in other payables and accrued expenses	**194,149**	(22,949)
Net cash generated from operations	**686,130**	497,234
Income tax paid	**(2,519)**	–
Net cash generated from operating activities	**683,611**	497,234

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from investing activities		
(Placement)/Withdrawal of pledged bank deposits	**(1)**	27
Interest received	**10,223**	5,554
Payments for equity investments at fair value through other comprehensive income	**(5,500)**	–
Proceeds from disposal of property, plant and equipment	**18,133**	14,624
Payments for financial assets at fair value through profit or loss	**(29,588)**	–
Increase in long-term deposits	**–**	2,783
Purchase of property, plant and equipment	**(393,867)**	(410,807)
Net cash used in investing activities	**(400,600)**	(387,819)
Cash flows from financing activities		
Repayment of bank borrowings	**(141,770)**	(30,623)
Interest paid	**(66,470)**	(87,916)
Repayment of lease liabilities	**(11,122)**	(9,250)
Net cash used in financing activities	**(219,362)**	(127,789)
Net increase/(decrease) in cash and cash equivalents	**63,649**	(18,374)
Cash and cash equivalents at beginning of year	**14,535**	32,909
Cash and cash equivalents at end of year, representing bank and cash balances	**78,184**	14,535

1. GENERAL INFORMATION

Hidili Industry International Development Limited (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 ("Stock Exchange"). The address of the registered office is Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands. The address of its principal place of business is Room 1306, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. In the opinion of the directors of the Company, the Company's parent company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands and the ultimate holding company is Trident Trust Company (Singapore) Pte. Limited, which is controlled by Mr. Xian Yang, the Executive Director of the Company. The Company acts as an investment holding company and its subsidiaries are engaged in mining and sale of raw coal and clean coal.

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

2. GOING CONCERN BASIS

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

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

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

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

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

2. GOING CONCERN BASIS *(Continued)*

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") 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 consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are 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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs, accounting principles generally accepted in Hong Kong, and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by investments which are carried at their fair values.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(A) CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) CONSOLIDATION *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(B) JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) JOINT ARRANGEMENTS *(Continued)*

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post- acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(C) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency and the functional currency of the principal operating subsidiaries of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) FOREIGN CURRENCY TRANSLATION *(Continued)*

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on these assets, other than mining structures, mining rights and construction in progress, is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Buildings	Over the shorter of terms of relevant lease or 15 or 35 years
Machinery	3 to 15 years
Motor vehicles, office and electronic equipment	4 to 10 years
Mining structures and mining rights	Units of production method over the total proven and probable reserves of the coal mines.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(E) LEASES

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right- of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful life or the lease term of right-of-use assets are as follows:

Land and buildings	1-10 years
Machinery	1-2 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

(F) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(H) FINANCIAL ASSETS

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories as financial assets at amortised cost, equity investment at fair value through other comprehensive income and investment at fair value through profit or loss;

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) FINANCIAL ASSETS *(Continued)*

Equity investment at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the other reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the other reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) LOSS ALLOWANCES FOR EXPECTED CREDIT LOSSES

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(J) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(K) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(L) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(M) TRADE AND OTHER PAYABLES

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(N) EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(O) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

(P) OTHER REVENUE

Interest income is recognised using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Q) RETIREMENT BENEFITS COSTS

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered service entitling them to the contributions.

(R) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(S) GOVERNMENT GRANTS

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) TAXATION

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(U) RELATED PARTIES

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(V) IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(W) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(X) EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful completion of the Debt Restructuring and certain measures as mentioned in note 2 to improve its operating results and cash flows. The directors of the Company 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. Details are explained in note 2 to consolidated financial statements.

Classification of Yunnan Dongyuan Hidili Coal Industry Company Limited ("Yunnan Hidili") as a joint venture

Yunnan Hidili is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Yunnan Hidili is classified as a joint venture of the Group. See note 19 for details.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment other than mining structures and mining rights are depreciated on a straight-line basis over their useful lives, after taking into account their estimated residual values. Mining structures and mining rights are amortised using the units of production method based on the total proven and probable reserves of the coal mines.

The Group assesses annually the residual values and the useful lives of the property, plant and equipment, other than mining structures and mining rights, and assesses annually the reserves of the coal mines. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charged in the year in which such estimate is changed. As at 31 December 2022, the carrying amount of property, plant and equipment was approximately RMB8,910 million (2021: RMB8,980 million). Details of property, plant and equipment are disclosed in note 17.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise. The directors performed impairment assessment of the Group's property, plant and equipment and no impairment was recognised in profit or loss during the year. (2021: no impairment)

Estimated impairment of interests in a joint venture

Interests in a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise.

Reserve estimates

As explained in note 4(d), mining structures and mining rights are amortised using the units of production method based on the total proven and probable reserves of the coal mines.

Engineering estimates of the Group's mineral reserves involved subjective judgements by mineral engineers in developing such information. There is a Chinese system, which is the national standard set by the PRC Government, regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven and probable". Proven and probable reserve estimates are updated on a regular basis and are taken into account as a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation and amortisation rates. If the expectation differs from the original reserve estimate, such difference will impact the depreciation and amortisation charge in the year in which such estimate is changed. As at 31 December 2022, the carrying amount of mining structures and mining rights was approximately RMB7,553 million (2021: RMB7,653 million).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade receivables and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2022, the carrying amounts of trade and bills receivables and other receivables are approximately RMB992 million (2021: RMB454 million) and RMB922 million (2021: RMB638 million), respectively.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

Estimated impairment of mining structures and mining rights and construction in progress

Determining whether there is an impairment loss on mining structures and mining rights and construction in progress requires an estimate of the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Management consider that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use calculation which is higher than its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. In addition, the Group estimates the mergers and restructuring of mines in the PRC will be completed in one to two years and operations of the various mines will reach full capacity in one to three years after the end of the current reporting period. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. As at 31 December 2022, the carrying amount of mining structures and mining rights was approximately RMB7,553 million (2021: RMB7,653 million).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

FOREIGN CURRENCY RISK

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. During the year ended 31 December 2022, the Group had bank and cash balances, senior notes and bank borrowings that are denominated in foreign currencies which exposed the Group to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2022, if the RMB had weakened 5% against USD with all other variables held constant, consolidated profit (2021: profit) after tax for the year would have been RMB69,856,000 (2021: RMB64,255,000) lower (2021: lower), arising mainly as a result of the foreign exchange loss on senior notes and bank borrowings denominated in USD. If the RMB had strengthened 5% against the USD with all other variables held constant, consolidated profit (2021: profit) after tax for the year would have been RMB69,856,000 (2021: RMB64,255,000) higher (2021: higher), arising mainly as a result of the foreign exchange gain on senior notes and bank borrowings denominated in USD.

PRICE RISK

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to price risk. The directors of the Company manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2022, if the prices of the investments increase/decrease by 10%, profit after tax for the year would have been RMB534,000 (2021: Nil) higher/lower, arising as a result of the fair value gain/loss of the investments.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and deposit at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk on trade receivables. At 31 December 2022, the five largest debtors accounted for approximately 60% (2021:76%) of the Group's total trade receivables. The five largest debtors are well established customers which have good internal credit rating by the Group. The Group has no significant credit risk with any of these customers since the Group maintains long-term and stable business relationship. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on these customers, the Group had also explored new customers in order to minimise the concentration of credit risk.

In addition, the Group has concentration of credit risk on advance to suppliers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The credit risk on deposits paid for environmental rehabilitation paid to the local government is limited because the counterparties are government bodies. The credit risk on the amount due from a joint venture is limited as there is no history of default.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 240 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year or repayable on demand RMB'000	**Between 1 and 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**
2022				
Bills and trade payables	**774,240**	**–**	**–**	**774,240**
Advance drawn on bills receivables discounted with recourse	**346,557**	**–**	**–**	**346,557**
Accruals and other payables	**3,044,845**	**289,980**	**–**	**3,334,825**
Senior notes	**1,368,448**	**–**	**–**	**1,368,448**
Bank and other borrowings	**356,405**	**5,716,612**	**–**	**6,073,017**
Lease liabilities	**29,796**	**17,801**	**4,400**	**51,997**
	5,920,291	**6,024,393**	**4,400**	**11,949,084**

	Less than 1 year or repayable on demand RMB'000	Between 1 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2021				
Bills and trade payables	897,374	–	–	897,374
Advance drawn on bills receivables discounted with recourse	–	–	–	–
Accruals and other payables	2,679,689	289,980	–	2,969,669
Senior notes	1,252,737	–	–	1,252,737
Bank and other borrowings	208,296	6,185,274	–	6,393,570
Lease liabilities	31,892	18,848	13,200	63,940
	5,069,988	6,494,102	13,200	11,577,290

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk related to fixed-rate bank and other borrowings and senior notes. The Group is also exposed to cash flow interest rate risk related to variable-rate bank borrowings and bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2021: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of variable-rate bank balances had been 50 basis points(2021:50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit (2021: profit) would increase/decrease (2021: increase/decrease) by RMB395,000(2021:RMB73,000).

If interest rates of variable-rate bank borrowings had been 50 basis points(2021:50 basis points)higher/lower and all other variables were held constant, the Group's post-tax profit (2021: profit) would decrease/increase (2021: decrease/increase) by RMB147,000(2021:RMB162,000).

CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2022

	2022 **RMB'000**	2021 RMB'000
Financial assets		
Equity investments at fair value through other comprehensive income	**5,500**	–
Financial assets at fair value through profit or loss	**5,344**	–
Financial assets at amortised cost (including cash and cash equivalents)	**1,844,430**	722,788
Financial liabilities		
Financial liabilities at amortised cost	**11,044,087**	10,973,573

FAIR VALUE

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs : unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(A) DISCLOSURES OF LEVEL IN FAIR VALUE HIERARCHY AT 31 DECEMBER:

Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	**–**	**–**	**5,500**	**5,500**
Financial assets at fair value through profit or loss				
Listed securities options	**5,344**	**–**	**–**	**5,344**

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	–	–	–	–
Financial assets at fair value through profit or loss				
Listed securities options	–	–	–	–

7. FAIR VALUE MEASUREMENTS *(Continued)*

(B) RECONCILIATION OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BASED ON LEVEL 3:

	Equity investments at fair value through other comprehensive income RMB'000
At 1 January 2022	**–**
Purchases	**5,500**
At 31 December 2022	**5,500**
Note (i) Include gains or losses for assets held at end of reporting period	–

The total gains or losses recognised in other comprehensive income are presented in changes in fair value of equity investments at fair value through other comprehensive income.

(C) DISCLOSURE OF VALUATION PROCESS USED BY THE GROUP AND VALUATION TECHNIQUES AND INPUTS USED IN FAIR VALUE MEASUREMENTS AT 31 DECEMBER 2022:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group has a team that manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least twice every year, the team would use valuation techniques to determine the fair value of the Group's level 3 financial instruments. External valuation experts will be involved when necessary.

7. FAIR VALUE MEASUREMENTS *(Continued)*

(C) DISCLOSURE OF VALUATION PROCESS USED BY THE GROUP AND VALUATION TECHNIQUES AND INPUTS USED IN FAIR VALUE MEASUREMENTS AT 31 DECEMBER 2022: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2022 RMB'000
Equity investments at fair value through other comprehensive income					
Private equity investments	Discounted cash flow	Discount rate	N/A	Decrease	5,500
		Discount for lack of marketabilities			
	Market comparable companies	Discount for lack of marketabilities			

8. 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 set out in note 4. 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:

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

Disaggregation of revenue from contracts with customers:

TIME OF REVENUE RECOGNITION

All timing of revenue recognition is at a point of time for the years ended 31 December 2022 and 2021.

GEOGRAPHICAL INFORMATION

All of the Group's turnover are derived from the operation in the PRC and all the customers of the Group are located in the PRC. In addition, all of the Group's non-current assets are located in the PRC. Therefore, no geographical information is presented.

8. 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:

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

1 Revenue from sales of clean coal.

2 Revenue from sales of raw coal.

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

SALES OF COAL PRODUCTS

The Group's revenue is solely derived from the production and sales of clean coal and its by-products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 90 to 120 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

9. OTHER INCOME

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

Note 1: The amounts represent subsidies received from government for closures of certain coal mines. There are no conditions attached to the subsidies granted to the Group and the assets of these closed mines were fully impaired in previous years.

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

10. OTHER GAINS AND LOSSES

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

11. FINANCE COSTS

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

12. INCOME TAX EXPENSE/(CREDIT)

	2022 **RMB'000**	2021 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**16,537**	–
Overprovision in prior years	**–**	(9,708)
	16,537	(9,708)
Deferred taxation (Note 36)	**62,300**	(62,300)
Income tax expense/(credit) for the year	**78,837**	(72,008)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2022 and 2021.

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

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong (2021: Nil).

12. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

The taxation for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**616,168**	572,431
Tax at applicable tax rate of 25% (2021: 25%)	**154,042**	143,108
Tax effect of losses of a joint venture	**10,420**	14,287
Tax effect of income not taxable and expenses not deductible for tax purpose	**10,153**	1,823
Tax effect of utilisation of tax losses not previously recognised	**(158,078)**	(159,218)
Utilisation/(recognition) of tax losses previously not recognised	**62,300**	(62,300)
Overprovision for prior year	**–**	(9,708)
Income tax expense/(credit) for the year	**78,837**	(72,008)

13. PROFIT FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Salaries and other benefits (including directors' remuneration)	**1,019,538**	704,840
Retirement benefits scheme contribution	**23,987**	13,695
Total staff costs	**1,043,525**	718,535
Auditor's remuneration	**2,947**	2,862
Provision for restoration and environmental costs	**1,444**	1,154
Depreciation and amortisation of property, plant and equipment	**353,087**	157,321
Depreciation of right-of-use assets	**18,407**	13,086
Cost of inventories sold	**2,498,828**	1,510,107

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 6 (2021: 6) directors were as follows:

(A) DETAILS OF DIRECTORS' REMUNERATION PAID OR PAYABLE BY THE GROUP TO THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS:

	2022 RMB'000	2021 RMB'000
Directors:		
Fees	**600**	600
Basic salaries and allowances	**2,125**	2,101
Retirement benefit scheme contributions	**79**	33
	2,804	2,734

For the year ended 31 December 2022

	Directors' fee RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Xian Yang	–	1,460	30	1,490
Sun Jiankun (CEO)	–	320	35	355
Zhuang Xianwei	–	345	14	359
Independent non-executive directors				
Huang Rongsheng	200	–	–	200
Xu Manzhen	200	–	–	200
Chan Shiu Yuen Sammy	200	–	–	200
	600	2,125	79	2,804

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

(A) DETAILS OF DIRECTORS' REMUNERATION PAID OR PAYABLE BY THE GROUP TO THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS: *(Continued)*

For the year ended 31 December 2021

	Directors' fee RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Xian Yang	–	1,419	11	1,430
Sun Jiankun (CEO)	–	341	11	352
Zhuang Xianwei	–	341	11	352
Independent non-executive directors				
Huang Rongsheng	200	–	–	200
Xu Manzhen	200	–	–	200
Chan Shiu Yuen Sammy	200	–	–	200
	600	2,101	33	2,734

(B) FIVE HIGHEST EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year ended 31 December 2022, two (2021: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the three (2021: two) individuals were as follows:

	2022 RMB'000	2021 RMB'000
Basic salaries and allowances	**2,007**	1,270
Retirement benefit scheme contributions	**30**	30
	2,037	1,300

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

(B) FIVE HIGHEST EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

No director waived any emolument during the year 2022 and 2021.

15. DIVIDENDS

No dividend was proposed for the years ended 31 December 2022 and 2021 or since the end of the reporting period.

16. 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:

PROFIT

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

NUMBER OF SHARES

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures and mining rights RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office and electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2021	650,927	8,611,744	1,040,769	50,508	32,874	1,124,879	11,511,701
Additions	14,429	255,691	369,665	5,822	4,846	44,759	695,212
Transfer	7,097	321,165	(73,457)	12,641	9,710	(277,156)	–
Disposals	(6,753)	(88,415)	(37,130)	(2,645)	(2,385)	–	(137,328)
At 31 December 2021	**665,700**	**9,100,185**	**1,299,847**	**66,326**	**45,045**	**892,482**	**12,069,585**
Additions	**538**	**24,869**	**360,906**	**15,553**	**6,611**	**13,509**	**421,986**
Transfer	**11,380**	**16,159**	**3,626**	**(762)**	**10**	**(30,413)**	**–**
Disposals	**(26,845)**	**–**	**(229,672)**	**(19,634)**	**(13,681)**	**(222)**	**(290,054)**
At 31 December 2022	**650,773**	**9,141,213**	**1,434,707**	**61,483**	**37,985**	**875,356**	**12,201,517**
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 January 2021	211,917	1,359,059	459,388	41,962	27,200	875,356	2,974,882
Provided for the year	14,684	79,393	55,888	3,524	3,832	–	157,321
Transfer	8,985	22,095	(39,882)	5,924	2,878	–	–
Eliminated on disposals	(1,976)	(13,079)	(23,405)	(2,311)	(1,967)	–	(42,738)
At 31 December 2021	**233,610**	**1,447,468**	**451,989**	**49,099**	**31,943**	**875,356**	**3,089,465**
Provided for the year	**23,229**	**140,335**	**166,978**	**8,258**	**14,287**	**–**	**353,087**
Eliminated on disposals	**(5,492)**	**–**	**(115,787)**	**(17,059)**	**(12,718)**	**–**	**(151,056)**
At 31 December 2022	**251,347**	**1,587,803**	**503,180**	**40,298**	**33,512**	**875,356**	**3,291,496**
CARRYING AMOUNTS							
At 31 December 2022	**399,426**	**7,553,410**	**931,527**	**21,185**	**4,473**	**–**	**8,910,021**
At 31 December 2021	432,090	7,652,717	847,858	17,227	13,102	17,126	8,980,120

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than mining structures and mining rights as well as construction in progress:

Buildings	Over the shorter of the terms of the relevant lease or 15 to 35 years
Machinery	3 to 15 years
Motor vehicles, office and electronic equipment	4 to 10 years
Mining structures and mining rights	Units of production method over the total proven and probable reserves of the coal mines.

The buildings are situated on the land use rights as disclosed in note 18 and amortised over the shorter of the terms of the relevant lease or 15 to 35 years.

The mining structures and mining rights include the main and auxiliary mine shafts and underground tunnels. The mining rights have average legal lives of 10 to 15 years but in the opinion of the directors of the Company, the Group will be able to renew the mining rights without incurring significant costs.

The construction in progress comprises mainly the main and auxiliary mine shafts and underground tunnels in the course of construction.

Depreciation and amortisation are provided to write off the cost of the mining structures and mining rights using the units of production method over the total proven and probable reserves of the coal mine.

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 31 December 2022 of RMB7,553,410,000 (2021: RMB7,669,843,000), 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.

18. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2022 **RMB'000**	2021 RMB'000
At 31 December:		
– Land and buildings	**23,089**	49,428
– Machinery	**64,753**	78,926
	87,842	128,354
The maturity analysis, based on undisconuted cash flows, of the Group's lease liabilities is as follows		
– Less than 1 year	**29,796**	31,892
– Between 1 and 2 years	**4,601**	5,497
– Between 2 and 5 years	**13,200**	13,351
– Over 5 years	**4,400**	13,200
	51,997	63,940
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	**12,481**	7,160
– Machinery	**5,926**	5,926
	18,407	13,086
Lease interests	**1,467**	4,489
Total cash outflow for leases	**12,589**	13,739
Additions to right-of-use assets	**1,864**	6,565

The Group leases various land and buildings and machinery. Lease agreements are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

19. INTERESTS IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Cost of investments in a joint venture – unlisted	**2,400,000**	2,400,000
Share of post-acquisition losses	**(1,057,597)**	(1,015,919)
	1,342,403	1,384,081

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Place of incorporation and operations	Proportion of ownership interest and voting power held by the Group 2022	2021	Principal activity
雲南東源恒鼎煤業有限公司 Yunnan Hidili	The PRC	**50%**	50%	Coal mining

19. INTERESTS IN A JOINT VENTURE *(Continued)*

Name of Yunnan Hidili's subsidiaries	Place of incorporation and operation	Proportion of ownership interest and voting power held by Yunnan Hidili 2022	2021	Principal activity
富源縣大河青坪煤業有限公司 Translated as Fuyuan Country Dahe Qingping Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣錦泰煤業有限公司 Translated as Fuyuan County Jintai Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣坤源煤業有限公司 Translated as Fuyuan County Kunyuan Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣通和煤業有限公司 Translated as Fuyuan County Tonghe Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣祥達煤礦有限公司 Translated as Fuyuan County Xiangda Coal Mine Co., Ltd.	The PRC	**100%**	100%	Coal mining
雲南恒隆煤業有限公司 Translated as Yunnan Henglong Coal Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
雲南恒鼎實業有限公司 Translated as Yunnan Hidili Industry Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣茂盛選煤有限責任公司 Translated as Fuyuan County Maosheng Coal Preparing Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣富德選煤有限公司 Translated as Fuyuan County Fude Coal Washing Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源縣鈺源煤業有限責任公司 Translated as Fuyuan Country Yuyuan Coal Washing Co., Ltd.	The PRC	**100%**	100%	Coal mining
富源東源恒鼎煤焦有限公司 Translated as Fuyuan Dongyuan Hidili Coal Coke Co., Ltd.	The PRC	**100%**	100%	Coking

19. INTERESTS IN A JOINT VENTURE *(Continued)*

All subsidiaries of a joint venture are engaged in coal washing and sales of raw and clean coal in Yunnan. The Group held these joint venture's subsidiaries to maintain mining exposure in Yunnan Province.

Consolidated financial information in respect of Yunnan Hidili and its subsidiaries is set out below. The summarised financial information below represents amounts shown in Yunnan Hidili's consolidated financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in Yunnan Hidili's consolidated financial statements.

	2022 **RMB'000**	2021 RMB'000
Current assets	**71,902**	98,904
Non-current assets	**3,423,247**	3,244,074
Current liabilities	**1,191,005**	1,338,329
Non-current liabilities	**473,034**	90,184
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**3,140**	7,743
Current financial liabilities (excluding trade and other payables and provisions)	**386,790**	479,007
Non-current financial liabilities (excluding trade and other payables and provisions)	**399,685**	16,835

19. INTERESTS IN A JOINT VENTURE *(Continued)*

	Year ended 31.12.2022 RMB'000	Year ended 31.12.2021 RMB'000
Revenue	**46,596**	90,959
Loss and other comprehensive expense for the year	**(83,356)**	(114,296)
The above loss and other comprehensive expense for the year include the following:		
Depreciation and amortisation	**(21,611)**	(20,023)
Interest income	**4,094**	3,581
Interest expense	**(26,866)**	(37,099)
Income tax credit	**–**	144

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Yunnan Hidili recognised in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net assets of Yunnan Hidili	**1,831,110**	1,914,465
Proportion of the Group's ownership interest in Yunnan Hidili	**50%**	50%
Effect of fair value adjustments at acquisition on Mining Right and Structure	**426,848**	426,848
Carrying amount of the Groups' interest in Yunnan Hidili	**1,342,403**	1,384,081

There is no significant restriction on transferring the funds to the Group.

20. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity securities, at fair value		
Unlisted securities	**5,500**	–

Note:

(i) Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

21. LONG-TERM DEPOSITS

	2022 RMB'000	2021 RMB'000
Deposits for environmental rehabilitation paid to the local government	**14,259**	14,259

Deposits for environmental rehabilitation paid to the local government in the PRC carried interest at market rate determined by local government. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. They are not expected to be refunded within the next twelve months.

22. INVENTORIES

	2022 RMB'000	2021 RMB'000
Coal products	**96,211**	129,078
Auxiliary materials and spare parts	**178,399**	180,948
	274,610	310,026

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Financial assets at fair value through profit or loss		
Listed securities options	**5,344**	–

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

The Group's trading terms with customers are mainly on credit. 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. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

(A) BILLS AND TRADE RECEIVABLES

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

The aged analysis of trade receivables, net of allowances presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates is as follows:

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

Before accepting any new customer, the Group will assess credit worthiness by customer. As the customers are mainly the renowned steel manufacturer, therefore based on the past history, the eventual collectability of the receivables neither past due nor impaired is expected.

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

(A) BILLS AND TRADE RECEIVABLES *(Continued)*

Movement in loss allowance

	2022 **RMB'000**	2021 RMB'000
Balance at beginning of the year	**323,734**	298,848
Loss allowance during the year	**3,085**	24,886
Amounts written off	**(198,235)**	–
Balance at end of the year	**128,584**	323,734

Loss allowance of RMB128,584,000 (2021: RMB323,734,000) included individually impaired trade receivables who have severe financial difficulties or long aged trade receivables. The Group does not hold any collateral over these balances.

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all bills and trade receivables. To measure the expected credit losses, bills and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**1-60 days past due**	**61-240 days past due**	**Over 240 days past due**	**Total**
At 31 December 2022					
Weighted average expected loss rate	**0%**	**N/A**	**0%**	**60%**	**12%**
Receivable amount (RMB'000)	**842,442**	**–**	**30,334**	**209,495**	**1,082,271**
Loss allowance (RMB'000)	**1,999**	**–**	**34**	**126,551**	**128,584**
At 31 December 2021					
Weighted average expected loss rate	0%	0%	N/A	100%	42%
Receivable amount (RMB'000)	406,277	42,448	–	323,734	772,459
Loss allowance (RMB'000)	–	–	–	323,734	323,734

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

(B) BILLS RECEIVABLES DISCOUNTED WITH FULL RECOURSE

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

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

25. OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Advances and deposit paid for suppliers	**580,849**	502,548
Prepayments for acquisition of property, plant and equipment	**155,922**	–
Prepayments	**5,496**	9,059
Staff advances	**40,676**	25,664
Other deposits	**35,267**	10,891
Other loan (note)	**30,000**	–
Receivables from disposal of coal mines	**–**	35,000
Deposits paid for acquisition of a factory	**53,000**	30,000
Deposits paid for government	**2,163**	5,158
Others	**18,374**	19,907
	921,747	638,227

Note: The amount represents a loan to an independent third party, secured by 58.42% shareholding of an unlisted private company in PRC, interest-free and repayable on 31 December 2023.

26. AMOUNTS DUE FROM A JOINT VENTURE

Name of joint venture	**2022** **RMB'000**	2021 RMB'000
Yunnan Hidili (note)	**237,329**	142,779

The amount is repayable on demand and expected to receive within one year.

All above balances are unsecured and interest free. The directors of the Group consider that there has not been a significant change in credit quality of these related parties and there is no recent history of default. The Group does not hold any collateral over the balances.

27. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK AND CASH BALANCES

Pledged bank deposits amounting to RMB821,000 (2021: RMB820,000) are used to secure the bills payable and bank borrowings which are repayable within one year. Accordingly, the pledged bank deposits are classified as current assets.

Bank and cash balances comprise cash held by the Group with the original maturity of three months or less.

The average effective interest rate of the pledged and restricted bank deposits and bank balances as at 31 December 2022 is 0.01% (2021: 0.39%) per annum.

As at 31 December 2022, the pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to RMB78,269,000 (2021: RMB14,456,000). Conversion of RMB into foreign currencies is subjected to the PRC's Foreign Exchange Control Regulations.

28. BILLS AND TRADE PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(A) BILLS AND TRADE PAYABLES

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

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

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

(B) ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2022	2021
Effective interest rate	**2.62%**	N/A

29. CONTRACT LIABILITIES

	As at 31 December		As at 1 January
	2022	2021	2021
	RMB'000	RMB'000	RMB'000
Contract liabilities	**111,901**	135,319	278,413

	As at 31 December		As at 1 January
	2022	2021	2021
	RMB'000	RMB'000	RMB'000
Contract receivables (included in bills and trade receivables)	**991,537**	453,775	126,183

Transaction prices allocated to performance obligations unsatisfied at end of years and expected to be recognised as revenue in:

	2022	2021
	RMB'000	RMB'000
2022	**N/A**	135,319
2023	**111,901**	–

	2022	2021
	RMB'000	RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**135,319**	278,413

29. CONTRACT LIABILITIES *(Continued)*

SIGNIFICANT CHANGES IN CONTRACT LIABILITIES DURING THE YEAR

	2022 **RMB'000**	2021 RMB'000
Increase due to operations in the year	**111,901**	135,319
Transfer of contract liabilities to revenue	**(135,319)**	(278,413)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

30. ACCRUALS AND OTHER PAYABLES

	2022 **RMB'000**	2021 RMB'000
Accrued wages and welfare	**242,470**	160,347
Accrued expenses	**385,686**	175,189
Interest payables	**2,026,916**	1,846,875
Payables for acquisition of property, plant and equipment	**412,461**	459,323
Others	**267,292**	327,935
	3,334,825	2,969,669

Reallocated to:

	2022 **RMB'000**	2021 RMB'000
Current liabilities	**3,044,845**	2,679,689
Non-current liabilities	**289,980**	289,980
	3,334,825	2,969,669

31. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Bank loans		
– Secured	**5,716,612**	5,853,793

The bank borrowings are repayable as follows:

	2022 RMB'000	2021 RMB'000
Bank borrowings		
On demand or within one year	**5,716,612**	5,853,793
Less: amount due within one year shown under current liabilities (Note)	**(5,716,612)**	(5,853,793)
Amount due after one year	**–**	–

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above bank loans of RMB5,716,612,000 (2021: RMB5,853,793,000) is not repayable within one year pursuant to the scheduled repayment dates set out in the loan agreements but the loan agreements contain a repayable on demand clause.

An analysis of the carrying amounts of the borrowings by nature and currency is as follows:

	2022 RMB'000	2021 RMB'000
At variable rates in USD	**29,395**	32,359
At fixed rates in RMB	**5,687,217**	5,821,434
	5,716,612	5,853,793

31. BANK BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2022	2021
Effective interest rates:		
Fixed-rate bank borrowings	**3.00%**	3.00%
Variable-rate bank borrowings	**3.51%**	4.00%

32. SHARE CAPITAL

	Number of shares (in thousand)		**Amount HK$'000**		**Equivalent to RMB'000**	
	2022	2021	**2022**	2021	**2022**	2021
Ordinary shares of HK$0.1 each						
Authorised:						
At 1 January 2021, 31 December 2021 and 31 December 2022	**10,000,000**	10,000,000	**1,000,000**	1,000,000		
Issued and fully paid:						
At 1 January 2021, 31 December 2021 and 31 December 2022	**2,045,598**	2,045,598	**204,560**	204,560	**197,506**	197,506

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings and senior notes net of cash and cash equivalents and equity attributable to owners of the company, comprised share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the new shares issues as well as the issue of new debt or the redemption of the existing debt.

33. RESERVES

(A) GROUP

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(B) COMPANY

	Share Premium RMB'000	Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	2,935,794	687,768	(3,571,764)	51,798
Profit for the year	–	–	645,145	645,145
At 31 December 2021 and 1 January 2022	2,935,794	687,768	(2,926,619)	696,943
Profit for the year	–	–	536,683	536,683
At 31 December 2022	**2,935,794**	**687,768**	**(2,389,936)**	**1,233,626**

(C) NATURE AND PURPOSE OF RESERVES

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory surplus reserve

According to the Articles of Association of the Company's subsidiaries incorporated/registered in the PRC, these companies are required to make an appropriation of 10% of their profit after taxation each year, as shown in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital of the relevant subsidiaries. According to the provision of the Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation of the relevant subsidiaries.

33. RESERVES *(Continued)*

(C) NATURE AND PURPOSE OF RESERVES *(Continued)*

(b) Future development fund

Pursuant to the relevant regulations in the PRC, the Company's subsidiaries registered in the PRC are required to make a transfer to future development fund based on a fixed amount per tonne of raw coal mine (net of usage). The fund can only be used for the future development of the coal mining business of the relevant PRC subsidiaries and is not available for distribution to shareholders.

(c) Special reserve

The special reserve represents the aggregate amount of the capital of the subsidiaries which were acquired by the Company upon the group reorganisation in 2007 less the consideration payable to the shareholders and the amount contributed by a shareholder for waive of the balance due to him.

34. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	RMB'000
At 1 January 2021	11,443
Provision for the year	1,154
At 31 December 2021	12,597
Provision for the year	1,444
At 31 December 2022	14,041

Mining activities may result in land subsidence and damage to the environment of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to restore the mining areas back to certain acceptable conditions.

The provision for the restoration and environmental clean up costs has been determined by management based on their past experience with reference to the coal produced each year to the coal reserve and the unit restoration costs governed by respective regulation and best estimate of future expenditure by discounting the expected expenditures to their net present value at market rate. The amounts provided in relation to restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

35. LEASE LIABILITIES

	Group		Group	
	Minimum lease payments 2022 RMB'000	**Present value of minimum lease payments 2022 RMB'000**	Minimum lease payments 2021 RMB'000	Present value of minimum lease payments 2021 RMB'000
Within one year	**29,796**	**28,136**	31,892	30,479
In the second to fifth years, inclusive	**17,801**	**15,258**	18,848	14,760
After five years	**4,400**	**4,244**	13,200	12,005
	51,997	**47,638**	63,940	57,244
Less: Future finance charges	**(4,359)**	**N/A**	(6,696)	N/A
Present value of lease obligations	**47,638**		57,244	
Less: Amount due for settlement within 12 months (show under current liabilities)		**(28,136)**		(30,479)
Amount due for settlement after 12 months		**19,502**		26,765

At 31 December 2022, the average effective borrowing rate was 3.2% (2021: 4.9%) and 4.9%-9.2% (2021:6.4%-9.5%) for lease. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

36. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax asset and liabilities provided by the Group and movements thereon during the current and prior reporting periods:

	2022 **RMB'000**	2021 RMB'000
Deferred tax assets	**–**	62,300
Deferred tax liabilities	**(8,025)**	(8,025)

	Deferred tax assets **Tax losses** RMB'000	**Deferred tax liabilities** **Fair value adjustment on property, plant and equipment at acquisition** RMB'000
At 1 January 2021	–	(8,025)
Credit to profit of loss for the year	62,300	–
At 31 December 2021 and 1 January 2022	62,300	(8,025)
Charge to profit of loss for the year	(62,300)	–
At 31 December 2022	–	(8,025)

Note:

At the end of the reporting period, the Group has unused tax losses of approximately RMB80,630,000 (2021: RMB137,151,000) available for offseting against future profits. All these tax losses will expire during 2023 to 2027(2021: 2022 to 2026). No deferred tax asset has been recognised in respect of such losses (2021: RMB62,300,000). No deferred tax asset has been recognised in respect of the remaining RMB80,630,000 (2021: RMB74,851,000) due to the unpredictability of future profit streams.

37. SENIOR NOTES

On 28 October 2010, the Company issued guaranteed senior fixed rate notes at par with aggregate nominal value of US$400,000,000 which carry fixed interest of 8.625% per annum (interest payable semi-annually in arrear) and will be fully repayable by 4 November 2015 (the "Senior Note").

The Senior Notes were listed on the Singapore Exchange Securities Trading Limited. They were secured on the capital stock of, and guaranteed by, certain of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The guarantees are effectively subordinated to secure obligations of each guarantor, to the extent of the value of assets serving as security.

At any time on or after 4 November 2013, the Company may redeem the Senior Note in whole or in part at the pre-determined redemption prices. The fair value of the redemption right was insignificant as at 31 December 2014 and 2015.

On 17 September 2014, the Group proposed amendments to restrictive covenants and certain events of default of the Senior Note and became operative on 22 October 2014.

At the mature date of the Senior Note on 4 November 2015, the Company failed to repay outstanding principal amount of the Senior Note and accrued interest thereon. Following several discussions with certain Senior Note holders, there is no agreement on the Debt Restructuring up to the date of this report and negotiations are still undergoing.

On 19 January 2016, the Company received a winding up petition (the "Winding Up Petition") filed by a bondholder of the Senior Note with the High Court of Hong Kong (the "Court") against the Company for the outstanding principal and interest due to the bondholder under the Senior Note. On 25 July 2022, the Winding Up Petition was dismissed.

The Company and the Steering Committee entered into two termsheets on 18 January 2017 and on 13 July 2020 respectively, pursuant to which the parties agreed to the key commercial terms for the swap of the Senior Note into the newly issued ordinary shares of the Company with and option to participate in a share placement programme to be conducted by the Company. On 30 April 2021, the Company and the Steering Committee further entered into an amended and restated termsheet to amend certain timelines and fees of the debt restructuring.

On 1 November 2021, the Company, the subsidiary guarantors and the Steering Committee entered into a restructuring support agreement, pursuant to which they have agreed to support and facilitate the debt restructuring.

On 24 May 2022, the scheme of arrangement between the Company and the scheme creditors (the "Scheme") was approved in the creditors meeting and subsequently sanctioned by the Court on 6 June 2022 and was finally approved by the shareholders of the Company in an extraordinary general meeting held on 30 January 2023.

The Group implements debt restructuring which was effective at 31 March 2023, involving (1) the scheme; (2) issue of preferred shares to certain PRC Leading Banks; and (3) settlement agreements with Onshore Operating Creditors. It is expected that the results of debt restructuring will be successful to reduce the Group's current liabilities and increase the Group's equity.

38. CAPITAL COMMITMENTS

	2022 **RMB'000**	2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment	**532,094**	526,316

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Yunnan Hidili, is as follows:

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

39. PLEDGE OF ASSETS

At the end of respective reporting period, the Group pledged the following assets to secure bank and other borrowings of the Group:

	2022 **RMB'000**	2021 RMB'000
Property, plant and equipment	**4,219,179**	3,831,811
Bank deposits	**821**	820
	4,220,000	3,832,631

40. RELATED PARTY TRANSACTIONS

(A) DURING THE YEAR, THE GROUP ENTERED INTO THE FOLLOWING TRANSACTIONS WITH RELATED PARTIES:

Name of Company/person	Relationship	Nature of transaction	2022 RMB'000	2021 RMB'000
Mr. Xian Jilun	Father of Mr. Xian Yang	Rental payable by the Group	**600**	600

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

(B) THE REMUNERATION OF DIRECTORS AND OTHER MEMBERS OF KEY MANAGEMENT DURING THE YEAR WAS AS FOLLOWS:

	2022 RMB'000	2021 RMB'000
Short-term benefits	**4,732**	3,971
Post-employment benefits	**109**	63
	4,841	4,034

41. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Eligible employees of the Group to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 16% of the local standard basic salaries.

As at 31 December 2022 and 2021, the Group had no significant obligation apart from the contribution as stated above.

42. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2023, the Company has successfully implemented the Restructuring and discharged all the obligations under the Notes with effect from the Restructuring Effective Date.

43. CONTINGENT LIABILITIES

(a) Hidili China, a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the 2016 Writ issued by the Higher People's Court of Guangdong Province of the People's Republic of China (廣東省高級人民法院) on 15 April 2016.

Pursuant to the 2016 Writ, China Merchants Bank, Shenzhen Chegongmiao Branch ("2016 Plaintiff") filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. ("Liupanshui Hidili"), a wholly owned subsidiary of the Company. (iii) Panxian Xileqing Coal Industry Co., Ltd. ("Panxian Xileqing"), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili, a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The 2016 Plaintiff claimed against Hidili China for relief, among others, the outstanding principal amount and the default interest payment of approximately RMB576 million as of 20 January 2016 under the security agreement entered into between 2016 Plaintiff and Hidili China on 13 January 2013 where Liupanshui Hidili and Panxian Xileqing acted as guarantors and Liupanshui Hidili, Panxian Xileqing and Sichuan Hidili pledged certain assets and mining rights.

(b) Both of Sichuan Haohang and Sichuan Hidili received the 2017 Writ issued by the Higher People'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 advised by the legal advisor of the Company, it is not practical to assess the outcome of the cases at this stage, accordingly, no provision was made in the consolidated financial statements.

Save as disclosed above, as at 31 December 2022 and 2021, the Group did not have any material contingent liabilities.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of operations/ incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Hidili Investment Holding Limited	British Virgin Islands	HKD1,250,000	100%	–	Investment holding
Sichuan Hidili Industry Co. Ltd.[(1)]	The PRC	RMB1,800,000,000	–	100%	Manufacture and sale of clean coal
Panzhihua Yanjiang Industry Co. Ltd.[(1)]	The PRC	RMB7,812,500	–	100%	Coal mining and development
Liupanshui Hidili Industry Co., Ltd.[(1)]	The PRC	RMB2,000,000,000	–	100%	Mine holding and development
Panxian Panyi Coal Preparation Co., Ltd.[(2)]	The PRC	RMB15,000,000	–	70%	Clean coal washing
Hidili (China) Coal Distribution Co., Ltd.[(2)]	The PRC	RMB1,310,933,000	–	100%	Sale of coal and coal products

Notes:

(1) Sino-foreign owned enterprise established in the PRC.

(2) Domestic enterprise established in the PRC.

The above companies are limited liabilities companies.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

45. FINANCIAL INFORMATION OF THE COMPANY

STATEMENT OF FINANCIAL POSITION

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,211**	1,211
Amounts due from subsidiaries	**2,855,967**	2,227,411
	2,857,178	2,228,622
CURRENT ASSET		
Other receivables	**28,316**	1,354
Bank and cash balances	**3,189**	6,634
	31,505	7,988
CURRENT LIABILITIES		
Accruals and other payables	**59,708**	50,689
Senior notes	**1,368,448**	1,252,737
Bank borrowings	**29,395**	38,735
	1,457,551	1,342,161
NET CURRENT LIABILITIES	**(1,426,046)**	(1,334,173)
NET ASSETS	**1,431,132**	894,449
CAPITAL AND RESERVES		
Share capital	**197,506**	197,506
Reserves	**1,233,626**	696,943
	1,431,132	894,449

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Company changes in liabilities arising from financing activities during the year:

	Interest paybles for bank and other borrowings RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2021	1,683,880	5,885,344	59,929	7,629,153
Changes in cash flows	(83,427)	(30,623)	(13,739)	(127,789)
Non-cash changes				
– addition	–	–	6,565	6,565
– unrealised exchange gains	–	(928)	–	(928)
– interest charged	246,422	–	4,489	250,911
At 31 December 2021 and 1 January 2022	1,846,875	5,853,793	57,244	7,757,912
Changes in cash flows	(65,003)	(141,770)	(12,589)	(219,362)
Non-cash changes				
– addition	–	–	1,864	1,864
– unrealised exchange gains	–	4,589	19	4,608
– interest charged	245,044	–	1,467	246,511
– Rent concession	–	–	(367)	(367)
At 31 December 2022	2,026,916	5,716,612	47,638	7,791,166

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2023.

FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**4,284,259**	2,839,738	1,348,556	1,194,557	1,072,199
Profit/(loss) attributable to owners of the Company	**536,683**	645,145	(270,190)	(253,743)	(413,506)

	2021	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**10,360,025**	10,569,114	10,129,964	9,965,112	9,867,494
Current assets	**2,856,129**	1,560,162	1,123,127	992,748	768,382
Current liabilities	**(11,424,471)**	(10,869,105)	(10,927,058)	(10,362,239)	(9,762,604)
Non-current liabilities	**(331,548)**	(337,367)	(47,668)	(47,681)	(38,050)
Total equity	**1,460,135**	922,804	278,365	547,940	835,222
Minority interests	**(29,003)**	(28,355)	(29,061)	(28,446)	(43,985)
Equity attributable to owners of the Company	**1,431,132**	894,449	249,304	519,494	791,237

Hidili 恒鼎

Hidili Industry International Development Limited