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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1393)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Revenue	**663,855**	379,587	74.9%
Gross profit	**243,576**	88,468	175.3%
Loss before tax	**(67,574)**	(168,694)	(60.0%)
Loss and total comprehensive expense for the period	**(68,004)**	(170,870)	(60.2%)
EBITDA	**188,841**	74,794	152.5%
Basic loss per share *(RMB cents)*	**(3)**	(8)	(62.5%)

The board (the "**Board**") of directors (the "**Directors**") of Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2018 (the "**Review Period**"), together with the comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**663,855**	379,587
Cost of sales		**(420,279)**	(291,119)
Gross profit		**243,576**	88,468
Other income, gains and losses	*5*	**21,924**	65,432
Distribution expenses		**(58,969)**	(31,946)
Administrative expenses		**(64,341)**	(87,473)
Share of loss of a joint venture		**(9,287)**	–
Finance costs	*6*	**(200,477)**	(203,130)
Loss before tax		**(67,574)**	(168,649)
Income tax expenses	*7*	**(430)**	(2,221)
Loss and total comprehensive expense for the period	*8*	**(68,004)**	(170,870)
Loss and total comprehensive expense for the period attributable to:			
– Owners of the Company		**(68,004)**	(170,870)
– Non-controlling interests		**–**	–
		(68,004)	(170,870)
Loss per share	*10*		
Basic *(RMB cents)*		**(3)**	(8)
Diluted *(RMB cents)*		**(3)**	(8)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,194,716**	8,194,312
Prepaid lease payments		**25,551**	27,371
Interests in a joint venture		**1,563,516**	1,572,802
Available-for-sale investments		**18,000**	18,000
Long-term deposits		**61,743**	61,016
Restricted bank deposits		**15**	15
		9,863,541	9,873,516
CURRENT ASSETS			
Inventories		**54,769**	76,558
Bills and trade receivables	*11(a)*	**209,649**	91,472
Bills receivables discounted with recourse	*11(b)*	**–**	5,554
Other receivables and prepayments		**346,920**	340,635
Amount due from a joint venture		**43,035**	17,416
Pledged bank deposits		**843**	843
Bank and cash balances		**16,555**	22,554
		671,771	555,032
CURRENT LIABILITIES			
Bills and trade payables	*12*	**387,663**	398,085
Advances drawn on bills receivables discounted with recourse		**–**	5,554
Accruals and other payables		**1,626,649**	1,495,192
Tax payables		**31,758**	31,227
Senior notes		**1,300,071**	1,283,880
Bank and other borrowings		**5,936,883**	5,937,161
		9,283,024	9,151,099
NET CURRENT LIABILITIES		**(8,611,253)**	(8,596,067)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,252,288**	1,277,449

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**8,895**	8,296
Other long-term payables		**6,361**	6,361
Finance lease payables		**62,354**	20,110
Deferred tax liabilities		**8,025**	8,025
		85,635	42,792
NET ASSETS		**1,166,653**	1,234,657
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**939,233**	1,007,237
Equity attributable to owners of the Company		**1,136,739**	1,204,743
Non-controlling interests		**29,914**	29,914
TOTAL EQUITY		**1,166,653**	1,234,657

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 1306, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. In the opinion of the Directors, the Company's parent company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands and the ultimate holding company is Sarasin Trust Company Guernsey Limited, which is controlled by Mr. Xian Yang, the executive directors of the Company. The Company acts as investment holding company and its subsidiaries are engaged in coal 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 condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current interim period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards ("**IFRS**"), International Accounting Standards ("**IAS**"), and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current interim period.

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

3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**").

In preparing these condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities position of approximately RMB8,611 million as at 30 June 2018 and incurred loss of approximately RMB68.0 million for the six months ended 30 June 2018.

During the year ended 31 December 2015, 2016 and 2017, the Group has breach several loans covenants, including: (i) repayment of a short-term unsecured loan from a PRC bank which fell due in June 2015 of approximately RMB311 million; (ii) repayment of the outstanding principal and accrued interest of the US$400 million 8.625% senior notes due 2015 (the "**Notes**") of approximately USD191 million (equivalent to RMB1,300 million) which fell due on 4 November 2015 and (iii) repayment of a loan from a PRC bank which fell due on August 2016 with default interest payment of approximately RMB268 million. The aforesaid breaches constitute events of default under certain of the Group's loan facilities that contain cross-default provisions. In addition, certain other loan agreements of the Group provide that the lenders have the right to demand immediate repayment of any outstanding amount if the Group experiences material financial crises or other material adverse changes, the business of the Group deteriorates, or there occurs any event that could adversely affect lenders' interest or suggests the Group inability to repay any outstanding amount. Therefore, it is possible that the lenders to the Group could accelerate their loans as a result of breach of the other loans to the Group.

The Group intended to pursue a consensual restructuring with the holders of the Notes (the "**Holders**") (the "**Debt Restructuring**") and a steering committee of Holders (the "**Steering Committee**") has been formed in December 2015. 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 against the Company for the outstanding principal and interest due to the bondholder under the Notes. On 11 March 2016, the Company provided Holders with the key indicative terms of a proposed restructuring of the Notes.

On 18 January 2017, the Company, the Steering Committee and a creditors committee of the onshore lending banks (the "**Lending Banks**") (the "**Onshore Creditors Committee**") have entered into a term sheet in relation to the proposed restructuring of the onshore and offshore indebtedness of the Company (the "**Termsheet**").

Regarding the execution of the Termsheet, the Holders and the Lending Banks have agreed to standstill and not take action against the Company until 31 March 2017 to allow all parties to formulate the formal documentation and thereafter extend the standstill in accordance with the terms of the formal documentation.

The hearing of the Amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed not earlier than April 2018.

In order to improve the Group's financial position, to provide liquidity and cash flows and sustain the Group as a going concern, the Group has been implemented a number of measures, including but not limited to:

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

(ii) The Group is negotiating with its lenders to restructure of their debt to equity;

(iii) The Group is looking for potential investor to invest to the Group;

(iv) The Group is looking for opportunity for disposal of certain assets of the Group.

In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, and the management is also implementing cost-saving measures to improve its operating cash flows and financial position.

On the basis that the Group can successfully complete the Debt Restructuring and certain measures as mentioned above to improve its operating results and cash flows, the Directors 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. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Information reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment focuses on the Group's business operations, which is the basis upon which the Group is organised.

The Group's reportable and operating segments under IFRS 8 are comprised of coal mining and others. The management identifies the Group's segments by the nature of the Group's operation.

Principal activities are as follows:

Coal mining – Production and sales of raw coal, clean coal and its by-products

Others – Manufacture and sales of magnetic powder, alloy pig iron and others

Segments revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:–

	Six months ended 30 June 2018 (unaudited)		
	Coal mining	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
REVENUE			
External	**663,855**	**–**	**663,855**
RESULTS			
Segment profit	**198,442**	**–**	**198,442**
Other income, gains and losses			**8,089**
Administrative expenses			**(64,341)**
Share of loss of a joint venture			**(9,287)**
Finance costs			**(200,477)**
Loss before tax			**(67,574)**

	Six months ended 30 June 2017 (unaudited)		
	Coal mining	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
REVENUE			
External	379,587	–	379,587
RESULTS			
Segment profit	83,589	–	83,589
Other income, gains and losses			38,365
Administrative expenses			(87,473)
Finance costs			(203,130)
Loss before tax			(168,649)

Segment profit represents profit incurred by each segment without allocation of other income, gains and losses, administrative expenses, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision maker (i.e. the executive directors of the Company) for the purpose of resource allocation and assessment of segment performance.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**276**	449
Government grant	**9,879**	18,413
Exchange (loss) gain	**(16,672)**	31,566
Reversal of impairment of inventory	**–**	8,654
Reversal of impairment of receivables	**3,956**	–
Written back of over-provision for other taxes	**20,353**	–
Others	**4,132**	6,350
	21,924	65,432

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**191,985**	201,675
– advances drawn on bills receivables discounted	**8,492**	1,455
	200,477	203,130

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**430**	2,221

The provision of EIT is based on a statutory rate of 25% of the assessable profit of the Group entities which recorded profit for the period as determined in accordance with the relevant income tax rules and regulations of the PRC.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging the following items:		
Release of prepaid lease payments	**1,820**	961
Provision for restoration and environmental costs	**599**	346
Depreciation of property, plant and equipment	**53,519**	39,006
Directors' remunerations	**1,039**	1,297
Salaries and other benefits	**190,908**	124,566
Retirement benefits scheme contribution	**1,926**	1,601
Total staff costs	**193,873**	127,464

9. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2018 and 2017 or since the end of the reporting period.

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(68,004)**	(170,870)

	Six months ended 30 June	
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,045,598**	2,045,598

The computation of diluted loss per share for the six months ended 30 June 2018 and 2017 does not assume the conversion of the Company's convertible loan notes and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share.

11. BILLS AND TRADE RECEIVBLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(a) Bills and Trade Receivables

The Group generally allows an average credit period ranging from 90-120 days to its trade customers and the average credit period for bills receivables is ranging from 90-180 days.

The following is an analysis of trade receivables and bills receivables by age, net of allowances, presented based on the invoice date, which approximately respective revenue recognition dates is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**101,219**	90,972
91-120 days	**24,118**	498
121-180 days	**50,375**	2
181-365 days	**33,937**	–
	209,649	91,472

(b) Bills Receivables Discounted with Recourse

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-90 days	**–**	5,554

12. BILLS AND TRADE PAYABLES

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**44,335**	49,770
91-180 days	**37,953**	28,600
181-365 days	**154,394**	203,105
Over 365 days	**150,981**	116,610
	387,663	398,085

13. CAPITAL COMMITMENTS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**352,275**	383,096
The Group's share of the capital commitment made jointly with its joint venture, Yunnan Dongyuan Hidili Coal Industry Company Limited, is as follows:		
Commitments for the acquisition of property, plant and equipment	**119,761**	135,171

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Review Period, revenue of the Group recorded approximately RMB663.9 million, representing a significant increase of approximately 74.9%, as compared with approximately RMB379.6 million in the corresponding period in 2017. The increase was primarily attributable to the increase in both sales volumes and average selling prices (net of value added tax) of clean coal and raw coal. The sales volume recorded for clean coal for the Review Period amounted to approximately 270,300 tonnes as compared to approximately 156,600 tonnes in the corresponding period in 2017, representing an increase of approximately 72.6%. The average selling price for the Review Period for clean coal increased from RMB1,021.9 per tonne in the corresponding period in 2017 to RMB1,060.8 per tonne, representing an increase of 3.8%. On the other hand, sales of raw coal continued to be a major contribution to the Company's revenue and amounted to approximately RMB328.2 million, representing an increase of approximately 71.8% as compared to approximate RMB191.0 million in the corresponding period in 2017.

The following table sets forth the Group's revenue contribution, sales volume and average selling price by products for the Review Period, together with the comparative amounts for the corresponding period in 2017:

	Six months ended 30 June					
	2018			2017		
	Turnover *RMB'000*	**Sales Volume** *('000 Tonnes)*	**Average Selling Price** *(RMB/ Tonne)*	Turnover *RMB'000*	Sales Volume *('000 Tonnes)*	Average Selling Price *(RMB/ Tonne)*
Principal products						
Clean coal	**286,746**	**270.3**	**1,060.8**	159,995	156.6	1,021.9
Raw coal	**328,239**	**728.9**	**450.3**	190,955	434.0	439.9
Principal Products total	**614,985**			350,950		
By-products						
High-ash thermal coal	**48,782**	**247.2**	**197.4**	21,338	83.6	255.4
Other products						
Others	**88**			7,299		
Total turnover	**663,855**			379,587		

Cost of sales

Cost of sales for the Review Period was approximately RMB420.3 million, representing an increase of approximately RMB129.2 million, or approximately 44.4%, as compared with approximately RMB291.1 million in the corresponding period in 2017. During the Review Period, the Company's raw coal production capacity in Guizhou province has gradually released. Production volume of raw coal and clean coal increased from approximately 851,000 tonnes and 170,000 tonnes in the corresponding period in 2017 to approximately 1,285,000 tonnes and 285,000 tonnes respectively during the Review Period, representing an increase of approximately 51.0% and 67.6% respectively.

The following table illustrates the production volume of the principal products in Sichuan and Guizhou provinces and the purchase volume of principal products for the respective period.

	Six months ended 30 June			
	2018	**2018**	2017	2017
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Panzhihua	**239**	**73**	235	76
Guizhou	**1,046**	**212**	616	94
	1,285	**285**	851	170
Purchase volume	**72**	**–**	53	25

Material, fuel and power costs for the Review Period were approximately RMB151.9 million, representing an increase of approximately RMB33.7 million, or approximately 28.5%, as compared with approximately RMB118.2 million in corresponding period in 2017. The increase was basically in line with the increase in production volume of raw coal and clean coal.

Staff costs for the Review Period were approximately RMB168.0 million, representing an increase of approximately RMB60.7 million, or approximately 56.6%, as compared with approximately RMB107.3 million in the corresponding period of 2017. The increase was in line with the increase in production volume of raw coal and number of staff employed in productive mines during the Review Period.

Depreciation and amortisation for the Review Period were approximately RMB46.5 million, representing an increase of approximately RMB15.8 million, or approximately 51.5%, as compared with approximately RMB30.7 million in the corresponding period of 2017. The increase was in line with the increase in production volume of raw coal in the Review Period.

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

	Six months ended 30 June	
	2018	2017
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**238**	246
Depreciation and amortisation	**36**	36
Total production cost	**274**	282
Purchase cost of raw coal	**225**	372
Average cost of clean coal	**730**	726
Purchase cost of clean coal	**–**	641

Gross profit

As a result of the foregoing, the gross profit for the Review Period was approximately RMB243.6 million, representing a significant increase of approximately RMB155.1 million or approximately 175.3%, as compared with approximately RMB88.5 million in the corresponding period in 2017. The gross profit margin during the Review Period was approximately 36.7% as compared with approximately 23.3% in the corresponding period in 2017.

Other income, gains and losses

During the Review Period, the Group recorded an aggregate gain of approximately RMB21.9 million, representing a decrease of approximately RMB43.5 million, as compared to approximately RMB65.4 million in the corresponding period in 2017. The decrease was mainly attributable to: (i) decrease in government grant of approximately RMB8.5 million, (ii) decrease in reversal of impairment of inventory and receivables of approximately RMB4.7 million and (iii) turnaround of an exchange gain in the corresponding period in 2017 of approximately RMB31.6 million to an exchange loss of the Review Period of approximately of RMB16.7 million but offset by written back of over-provision for other taxes of approximately RMB20.4 million.

Distribution expenses

Distribution expenses for the Review Period were approximately RMB59.0 million, representing an increase of approximately RMB27.1 million or approximately 85.0%, as compared to approximately RMB31.9 million in the corresponding period of 2017. The increase was mainly attributable to the increase in transportation expenses in relation to the shipment of raw coal and clean coal.

Administrative expenses

Administrative expenses for the Review Period were approximately RMB64.3 million, representing a decrease of approximately RMB23.2 million or approximately 26.5%, as compared to approximately RMB87.5 million in the corresponding period in 2017. The decrease was mainly attributable to the decrease in administrative and office expenses of approximately RMB12.9 million.

Finance costs

Finance costs for the Review Period amounted to approximately RMB200.5 million, representing a slight decrease of approximately RMB2.6 million or approximately 1.3%, as compared with approximately RMB203.1 million in the corresponding period in 2017. The decrease was mainly attributable to the decrease in interest expenses on bank borrowings of approximately RMB9.7 million but offset by the increase in interest expenses on advances drawn on bills receivables discounted of approximately RMB7.0 million.

Income tax expenses

Income tax expenses for the Review Period amounted to approximately RMB0.4 million, representing tax provision of EIT of the Company.

Loss for the period

As a result of the foregoing, the loss attributable to the owners of the Company for the Review Period was approximately RMB68.0 million, representing a decrease of approximately RMB102.9 million or approximately 60.2%, as compared with approximately RMB170.9 million in the corresponding period in 2017.

Earnings before interest, taxes, depreciation and amortisation ("EDITDA")

The following table illustrates the Group's EBITDA for the respective periods. The Group's EBITDA margin was approximately 28.4% for the Review Period as compared with approximately 19.7% in the corresponding period in 2017.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Loss for the period	**(68,004)**	(170,870)
Finance costs	**200,477**	203,130
Income tax expenses	**430**	2,221
Depreciation and amortisation	**55,938**	40,313
EBITDA	**188,841**	74,794

Liquidity, financial resources and capital structure

As at 30 June 2018, the Group incurred net current liabilities of approximately RMB8,611 million as compared to approximately RMB8,596 million as at 31 December 2017.

As at 30 June 2018, the bank and cash balances of the Group amounted to approximately RMB17 million (as at 31 December 2017: approximately RMB23 million).

As at 30 June 2018, the total bank and other borrowings payable within one year of the Group were approximately RMB5,937 million (as at 31 December 2017: approximately RMB5,937 million). As at 30 June 2018, loan amounting to approximately RMB3,204 million carries interest at fixed rate ranging from 3.00% to 11.50% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 5.70% per annum.

The gearing ratio (calculated as the aggregate of total bank and other borrowings and senior notes divided by total assets) of the Group as at 30 June 2018 was 68.7% (as at 31 December 2017: 69.2%).

Restructuring

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

(b) On 14 December 2015, following initial discussions with certain Holders, a 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 the Winding Up Petition filed by a bondholder of the Notes with the High Court of Hong Kong (the "**Court**") against the Company for the outstanding principal and interest due to the bondholder under the Notes.

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

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

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

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

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

(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 not earlier than April 2018.

Pledge of Assets of the Group

As at 30 June 2018, the Group pledged its property, plant and equipment, bank deposits and bill receivables in an aggregate amount of approximately RMB3,540 million (as at 31 December 2017: approximately RMB3,544 million) to banks for credit facilities.

As at 30 June 2018, the director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,287 million (as at 31 December 2017: approximately RMB4,287 million).

Employees

As at 30 June 2018, the Group maintained an aggregate of 6,029 employees as compared with 4,916 employees at 31 December 2017. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB193.9 million (corresponding period in 2017: approximately RMB127.5 million).

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

Risk in Foreign Exchange

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. However, during the Review Period, the Group was exposed to exchange rate risk mainly arising from the foreign currency bank balances of approximately US$0.8 million and HK$0.4 million.

Significant Investment Held

The Group had invested in unlisted equity investments of RMB18.0 million representing 15% equity interest in an entity established in the PRC. The principal activities of the investee are manufacturing of mining machinery and provision of trading coal products services.

Material Acquisition and Disposal

During the Review Period, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Contingent Liabilities

(a) On 19 January 2016, the Company received a Winding Up Petition filed by a bondholder of the Notes with the Court against the Company for the outstanding principal and interest due to the bondholder under the Notes. The hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed not earlier than April 2018.

(b) 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.

(c) 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 Company's legal advisor, it is not practical to assess the outcome of the cases at this stage, accordingly, no provision was made in the consolidated financial statements.

Save as disclosed above, as at 30 June 2018, the Group did not have any material contingent liabilities.

Outlook

During the Review Period, as the coal mines originally affected by the coal mine consolidation in Sichuan province and Guizhou province gradually resumed normal production, the Company saw a sign of recovery. The production volume of raw coal increased to approximately 1,285,000 tonnes, representing an increase of approximately 51.0% as compared with 851,000 tonnes in the corresponding period in 2017. Meanwhile, the turnover of the Group also increased to approximately RMB663.9 million, an increase of approximately 74.9% as compared with approximately RMB379.6 million in the corresponding period in 2017, which was due to the increase in the sales volumes and average selling prices of principal products. As a result, a gross profit of approximately RMB243.6 million was recorded and EBITDA of approximately RMB188.4 million was achieved. The Company believes that the gradually increasing production capacity of its coal mines will help to further reduce its operating cost and strengthen its working capital.

In respect of debt restructuring, the Company, the Steering Committee and the Onshore Creditors Committee continued to negotiate based on the framework of the Termsheet in relation to the proposed restructuring entered into on 18 January 2017. Basically, certain outstanding Notes, onshore debts and other payables will be converted into newly issued ordinary shares of the Company. The remaining balances of the indebtedness will be extended to a further terms of three to five years. Currently, the Company is working closely with the onshore and offshore creditors together with the professionals to strive to finalise the detailed terms of the debt restructuring as soon as possible, and prepare the formal documentation for approval in shareholders' meeting. Upon the completion of the restructuring, the Company believes that it will have a healthy financial position and sustainable cashflow for operation and development.

OTHER INFORMATION

Audit committee

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

As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Mr. Sung Wing Sum (Chairman), Mr. Huang Rongsheng and Ms. Xu Manzhen.

The audit committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the Review Period.

Corporate governance

The Board is of the view that the Company has complied with the code provisions set out in the Code during the Review Period. The Directors are aware of any information that reasonably reveals that there is any non-compliance with or derivation from the Code by the Company any time during the Review Period.

Model code for securities transactions by directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 set out in the Model Code throughout the Review Period.

Purchase, sales or redemption of listed securities of the Company

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

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

Hong Kong, 31 August 2018

As at the date of this announcement, the executive Directors are Mr. Xian Yang (Chairman), Mr. Sun Jiankun and Mr. Zhuang Xianwei and the independent non-executive Directors are Mr. Huang Rongsheng, Mr. Sung Wing Sum and Ms. Xu Manzhen.