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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01393)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited) (restated)	
Revenue from continuing operations	**327,965**	408,213	(19.7%)
Gross Profit from continuing operations	**50,441**	166,344	(69.7%)
Loss before taxation from continuing operations	**(1,129,702)**	(226,111)	399.6%
Loss and total comprehensive expense for the period	**(968,681)**	(268,207)	261.2%
Adjusted EBITDA from continuing operations	**68,616**	85,546	(19.8%)
Basic loss per share from continuing operations (RMB cents)	**(47)**	(12)	296.7%

The board of directors (the "Board") 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 2014 (the "Review Period"), together with the comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	*4*	**327,965**	408,213
Cost of sales		**(277,524)**	(241,869)
Gross profit		**50,441**	166,344
Other income, gains and losses	*5*	**(704,429)**	98,209
Distribution expenses		**(31,862)**	(52,636)
Administrative expenses		**(157,408)**	(178,671)
Net gain on held-for-trading investments		**–**	498
Share of losses of associates		**(1,137)**	(745)
Share of losses of joint ventures		**(10,833)**	–
Finance costs	*6*	**(274,474)**	(259,110)
Loss before tax		**(1,129,702)**	(226,111)
Taxation	*7*	**161,021**	(18,334)
Loss for the period from continuing operations		**(968,681)**	(244,445)
Discontinued operation			
Loss for the period from discontinued operation	*8*	**–**	(23,762)
Loss and total comprehensive expense for the period	*9*	**(968,681)**	(268,207)
Loss and total comprehensive expense for the period attributable to owners of the Company:			
— from continuing operations		**(968,192)**	(245,479)
— from discontinued operation		**–**	(23,762)
		(968,192)	(269,241)
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests from continuing operations		**(489)**	1,034
		(968,681)	(268,207)

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
			(restated)
Loss per share	*11*		
From continuing and discontinued operations			
Basic *(RMB cents)*		**(47)**	(13)
Diluted *(RMB cents)*		**(47)**	(13)
From continuing operations			
Basic *(RMB cents)*		**(47)**	(12)
Diluted *(RMB cents)*		**(47)**	(12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	**30 June 2014 *RMB'000* (Unaudited)**	31 December 2013 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,178,673**	8,483,068
Prepaid lease payments		**86,667**	87,450
Intangible assets		**137,608**	140,123
Interest in joint ventures		**2,389,167**	2,400,000
Interest in associates		**42,150**	39,287
Available-for-sale investments		**118,702**	188,630
Long term deposits and other receivables		**307,743**	318,703
Pledged and restricted bank deposits		**714,660**	94,450
Deferred tax assets		**231,200**	69,307
		12,206,570	11,821,018
CURRENT ASSETS			
Inventories		**76,694**	133,037
Bills and trade receivables	*12(a)*	**432,772**	456,013
Bills receivables discounted with recourse	*12(b)*	**17,110**	90,000
Other receivables and prepayments		**637,275**	943,994
Amount due from a joint venture		**117,763**	111,115
Amounts due from related parties		**–**	38
Pledged and restricted bank deposits		**1,000,431**	919,348
Bank balances and cash		**193,659**	322,207
		2,475,704	2,975,752
Assets classified as held for sales		**–**	308,005
		2,475,704	3,283,757

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
CURRENT LIABILITIES			
Bills and trade payables	*13*	**357,179**	368,732
Advances drawn on bills receivables discounted with recourse		**17,110**	90,000
Other payables and accrued expenses		**444,751**	437,696
Amounts due to related parties		**3,274**	2,472
Amount due to a non-controlling shareholder		**14,765**	14,765
Tax payables		**28,792**	40,804
Convertible loan notes		**7,283**	–
Senior notes		**2,351,404**	2,322,661
Bank and other borrowings — due within one year		**2,425,940**	3,007,898
		5,650,498	6,285,028
Liabilities associated with assets classified as held for sales		**–**	64
		5,650,498	6,285,092
NET CURRENT LIABILITIES		**(3,174,794)**	(3,001,335)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,031,776**	8,819,683
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**5,821,832**	6,784,034
Equity attributable to owners of the Company		**6,019,338**	6,981,540
Non-controlling interests		**35,908**	36,397
TOTAL EQUITY		**6,055,246**	7,017,937
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**16,340**	16,095
Other long term payables		**37,680**	71,880
Deferred tax liabilities		**127,155**	127,155
Bank and other borrowings — due after one year		**2,795,355**	1,579,542
Convertible loan notes		**–**	7,074
		2,976,530	1,801,746
		9,031,776	8,819,683

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 (the "Company) was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and principal place of business of the Company is Room 3702, 37th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, 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 together with its subsidiaries are hereafter collectively referred to as the Group. The Company acts as investment holding company and its subsidiaries are engaged in mining and sale of raw coal and clean coal.

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

2. BASIS OF PREPARATION

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

In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately RMB3,174,794,000 and the Group incurred a loss of approximately RMB968,681,000. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately RMB427,379,000 as disclosed in note 14.

The directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future, taking into consideration of presently available unutilised banking facilities of approximately RMB4,875 million which are repayable after twelve months from drawn down date. In addition, the Group is currently focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal, the management of the Group expects certain mines will complete the merger and consolidation and resume production in the second half of 2014. The management of the Group is also implementing active cost-saving measures to improve its operating cash flows and financial position.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to International Financial Reporting Standards ("IFRSs").

- Amendments to IFRS 10, IFRS 12 and IFRS 27 *Investment entities*;
- Amendments to IAS 32 *Offsetting financial assets and financial liabilities*;
- Amendments to IAS 36 *Recoverable amount disclosures for non-financial assets*;
- Amendments to IAS 39 *Novation of derivatives and continuation of hedge accounting*; and
- IFRIC-INT 21 *Levies*.

The application of the above new interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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 in its continuing operations are comprised of: (i) coal mining and (ii) others. 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 clean coal and its by-products
Others — Manufacture and sales of alloy pig iron and others

An operating segment regarding manufacture and sales of coke and its by-product was discontinued during the year ended 31 December 2013. The segment information reported below does not include any amounts relating to the discontinued operation, which are disclosed in note 8.

Segments revenues and results

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

	Six months ended 30 June 2014 (unaudited)		
	Coal mining	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
REVENUE			
External	**327,405**	**560**	**327,965**
RESULTS			
Segment profit	**(712,049)**	**226**	**(711,823)**
Other income, gains and losses			**25,973**
Administrative expenses			**(157,408)**
Share of losses of joint ventures			**(10,833)**
Share of losses of associates			**(1,137)**
Finance costs			**(274,474)**
Loss before tax			**(1,129,702)**

	Six months ended 30 June 2013 (unaudited)		
	Coal mining	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
REVENUE			
External	406,457	1,756	408,213
RESULTS			
Segment profit	113,196	512	113,708
Other income, gains and losses			98,209
Administrative expenses			(178,671)
Net gain on held-for-trading investments			498
Share of losses of associates			(745)
Finance costs			(259,110)
Loss before tax			(226,111)

Segment profit represents profit earned by each segment without allocation of certain other income, gains and losses, administrative expenses, finance costs, net gain on held-for-trading investments, share of losses of joint ventures and share of losses of associates. 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	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest income	**21,031**	10,925
Gain on disposal of available-for-sale investments	**36,358**	–
Gain on disposal of subsidiaries	**1,476**	–
Exchange (loss) gain	**(29,633)**	85,095
(Loss) gain on disposal of property, plant and equipment	**(9,867)**	302
Impairment loss recognised on trade receivables	**(20,853)**	–
Impairment loss recognised in respect of property, plant and equipment *(Note)*	**(709,549)**	–
Others	**6,608**	1,887
	(704,429)	98,209

Note:

The Group is negotiating with the relevant government authorities of the People's Republic of China (the "PRC") in relation to the mines merger and consolidation plans in respect of the Group's coal mines in Sichuan and Guizhou provinces, pursuant to which the Group considered that some of the identified mining structures, including those under construction, will no longer be used in the mining operations because of safety and environmental factors. Accordingly, an impairment loss of RMB57,249,000, RMB304,125,000 and RMB348,175,000 of buildings, mining structures and construction in progress has been recognised respectively in the condensed consolidated financial statements. However, the negotiations with the relevant government authorities of the PRC in relation to the process of finalising and completing the mines merger and consolidation have not been concluded and the Group has not obtained the mining licences granted by the relevant government authorities. The directors believe that the amount estimated in respect of the impairment is appropriate based on the currently available information obtained from the negotiations with the relevant government authorities. However, once these negotiations have been finalised, the ultimate recoverable amount of other relevant property, plant and equipment may be significantly lower than their carrying amount and this may have a consequential effect on the final amount of the impairment to be recognised in respect of the property, plant and equipment.

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**177,818**	193,494
— advances drawn on bills receivables discounted	**29,754**	17,169
Interest expense on senior notes	**100,408**	107,201
Effective interest expense on convertible loan notes	**256**	6,620
	308,236	324,484
Less: Interest capitalised in construction in progress	**(33,762)**	(65,374)
	274,474	259,110

7. TAXATION

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**(871)**	(18,692)
Deferred tax	**161,892**	358
	161,021	(18,334)

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.

Deferred tax credit recognised during the six months ended 30 June 2014 represents deferred tax assets recognised in respect of impairment of property, plant and equipment during current period.

8. DISCONTINUED OPERATION

During the year ended 31 December 2013, the coking plant of 攀枝花市恒鼎煤焦化有限公司 (Panzhihua City Hidili Coke Company Limited*), a wholly-owned subsidiary of the Company, had been listed by the Ministry of Industry and Information Technology of the PRC as one of the first batch of enterprises with obsolete industrial production capability. Since the capital investments for improving of the technology for coking machineries is high, the management of the Company considered it is not worth to further invest in the coking business. Accordingly, the management of the Company decided to abandon the coking operation and wrote off all of the coking machineries of Panzhihua City Hidili Coke Company Limited. Accordingly, the Group's coking business ceased operations during the year ended 31 December 2013 and is presented as discontinued operation.

9. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period for continuing operations has been arrived at after charging:		
Amortisation of intangible assets	**2,515**	1,900
Release of prepaid lease payments	**634**	50
Provision for restoration and environmental costs	**245**	327
Depreciation of property, plant and equipment	**49,264**	50,239
Directors' remunerations	**1,307**	1,494
Salaries and other benefits	**84,361**	106,048
Retirement benefits scheme contribution	**846**	7,576
Share-based payment expenses	**5,990**	26,602
Total staff costs	**92,504**	141,720

10. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2014 and 2013 or since the end of the reporting period.

11. LOSS PER SHARE

From continuing and discontinued operations

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	
	2014	2013
	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	**(968,192)**	(269,241)

	Six months ended 30 June	
	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,045,598**	2,071,619

From continuing operations

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	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	**(968,192)**	(269,241)
Less: Loss for the period from discontinued operation	**–**	(23,762)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(968,192)**	(245,479)

From discontinued operation

Basic and diluted loss per share for the discontinued operation for the period ended 30 June 2013 was RMB1 cent per share, which was based on the loss for the period from the discontinued operation of RMB23,762,000 and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the six months ended 30 June 2014 and 2013 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.

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

(a) Bills and trade receivables

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

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 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Aged:		
0–90 days	**328,400**	302,968
91–120 days	**28,423**	25,036
121–180 days	**11,377**	14,627
181–365 days	**35,318**	74,913
Over 365 days	**29,254**	38,469
	432,772	456,013

During the period ended 30 June 2014, the Group made an allowance of RMB20,853,000 in respect of the trade receivables related to the coal mining business, which was past due over 1 year at the reporting date with long age and slow repayment history in respect of certain customers. The directors of the Company considered the related receivables from these customers may not be collected in full and specific allowance is made.

(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 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
0–90 days	**15,910**	90,000
91–180 days	**1,200**	–
	17,110	90,000

13. BILLS AND TRADE PAYABLES

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

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Aged:		
0–90 days	**97,237**	202,485
91–180 days	**121,852**	44,530
181–365 days	**66,858**	40,136
Over 365 days	**71,232**	81,581
	357,179	368,732

14. CAPITAL COMMITMENTS

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**308,514**	346,446

The Group's share of the capital commitment made jointly with other joint ventures relating to its joint venture, Yunnan Dongyuan Hidili, Coal Industry Company Limited ("Yunnan Hidili"), is as follows:

Commitments for the acquisition of property, plant and equipment	**118,865**	108,804

EXTRACT OF REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on the Group's condensed consolidated financial statements for the period ended 30 June 2014.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without qualifying our review conclusion, we draw attention to note 2 to the condensed consolidated financial statements which indicates that, as at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately RMB3,174,794,000 and the Group incurred a loss of approximately RMB968,681,000 for the six-month period then ended. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately RMB427 million as disclosed in note 14 to the condensed consolidated financial statements. The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future upon implementation of those measures as disclosed in note 2 to the condensed consolidated financial statements. However, 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.

In addition, as disclosed in note 5 to the condensed consolidated financial statements, the Group is negotiating with the relevant government authorities of the People's Republic of China (the "PRC") in relation to the mines merger and consolidation plans in respect of the Group's coal mines in Sichuan and Guizhou provinces, pursuant to which the Group considered that some of the identified mining structures, including those under construction, will no longer be used in the mining operations because of safety and environmental factors. Accordingly, an impairment loss of RMB709,549,000 in respect of property, plant and equipment has been recognised in the condensed consolidated financial statements. However, the negotiations with the relevant government authorities of the PRC in relation to the process of finalising and completing the mines merger and consolidation have not been concluded and the Group has not obtained the mining licences granted by the relevant government authorities. Accordingly, once these negotiations have been finalised, the ultimate recoverable amount of other relevant property, plant and equipment may be significantly lower than their carrying amount and this may have a consequential effect on the final amount of the impairment to be recognised in respect of the property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue from continuing operations

During the Review Period, revenue from continuing operations of the Group recorded approximately RMB328.0 million, representing a decrease of approximately 19.6%, as compared with approximately RMB408.2 million in the corresponding period in 2013. The decrease was primarily attributable to the decrease in both sales volume and average selling price of clean coal. During the Review Period, the sales volume of clean coal amounted to approximately 273,900 tonnes as compared to approximately 308,400 tonnes in the corresponding period in 2013, representing a decrease of 11.2%. The average selling price (net of value added tax) of clean coal amounted to approximately RMB863.3 per tonne as compared to approximately RMB1,058.7 per tonne in the corresponding period in 2013, representing a decrease of approximately 18.5%.

During the consolidation of coal mines in Sichuan and Guizhou provinces in the PRC, limited raw coal production volume was contributed to further manufacture of clean coal for sales and led to decrease of sales volume of clean coal and its by-products accordingly. Further, the slowdown in the demand from steel manufacturers led to the decrease in the average selling price.

The following table sets out the Group's revenue contribution, sales volume and average selling price by products during the Review Period, together with the comparative amounts for the corresponding period in 2013:

	Six months ended 30 June					
	2014			2013		
	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 product						
Clean coal	**236,424**	**273.9**	**863.3**	326,460	308.4	1,058.7
By-product						
High-ash thermal coal	**24,449**	**97.2**	**251.6**	49,673	228.8	217.1
Other products						
Raw coal	**58,569**	**165.7**	**353.5**	30,324	97.2	312.0
Others	**8,523**			1,756		
Other products total	**67,092**			32,080		
Total turnover	**327,965**			408,213		

Cost of sales from continuing operations

Cost of sales from continuing operations during the Review Period was approximately RMB277.5 million, representing an increase of approximately RMB35.6 million, or approximately 14.7%, as compared with approximately RMB241.9 million in the corresponding period in 2013. During the Review Period, the production volume of raw coal reduced from approximately 785,000 tonnes in the corresponding period in 2013 to approximately 618,000 tonnes during the Review Period, representing a decrease of approximately 21.3% in relation to a low production level maintained during the consolidation of coal mines in Sichuan and Guizhou provinces in the PRC.

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

	Six months ended 30 June			
	2014	**2014**	2013	2013
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**27**	**5**	2	1
Guizhou	**591**	**158**	755	157
Yunnan	**–**	**–**	28	89
	618	**163**	785	247
Purchase volume	**–**	**113**	–	67

Material, fuel and power costs during the Review Period were approximately RMB192.9 million, representing an increase of approximately RMB68.3 million, or approximately 54.8%, as compared with approximately RMB124.6 million in corresponding period in 2013. Although the production volume of raw coal decreased by approximately 21.3%, the unit mining cost still maintained at a high level as spending on materials, fuel and power consumptions continued to share among low level of production. Besides, approximately 113,000 tonnes of clean coal were purchased from outsiders for sales during the Review Period.

Staff costs during the Review Period were approximately RMB43.6 million, representing a decrease of approximately RMB15.1 million, or approximately 25.7%, as compared with approximately RMB58.7 million in the corresponding period of 2013. The decrease was in line with the decrease in the production volume of the Group's principle products during the Review Period.

Depreciation and amortisation during the Review Period were approximately RMB17.0 million, representing a decrease of approximately RMB13.8 million, or approximately 44.8%, as compared with approximately RMB30.8 million in corresponding period of 2013. The decrease was mainly attributable to the decrease in amortisation of mining right resulted from the low raw coal production volume. However, the depreciation and amortisation of mining assets shared among the raw coal production volume was relatively high.

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

	Six months ended 30 June	
	2014	2013
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**213**	220
Depreciation and amortisation	**28**	38
Total production cost	**241**	258
Average cost of clean coal	**598**	642
Purchase cost of clean coal	**926**	1,066

Gross profit from continuing operations

As a result of the foregoing, the gross profit from continuing operations during the Review Period was approximately RMB50.4 million, representing a significant decrease of approximately RMB115.9 million or approximately 69.7%, as compared with approximately RMB166.3 million in corresponding period in 2013. The gross profit margin during the Review Period was approximately 15.4% as compared with approximately 40.7% in the corresponding period in 2013.

Other income, gains and losses from continuing operations

During the Review Period, the Group recorded an aggregate losses of approximately RMB704.4 million, representing a substantial decrease of approximately RMB802.6 million, as compared to aggregate gains of approximately RMB98.2 million in the corresponding period in 2013. The decrease was mainly attributable to (i) the turnaround from an exchange gain of approximately RMB85.1 million in the corresponding period in 2013 to an exchange loss of approximately RMB29.6 million during the period, (ii) an impairment loss recognised on trade receivables of approximately RMB20.9 million and (iii) an impairment loss recognised in respect of property, plant and equipment of approximately RMB709.5 million during the coal mine consolidation in Sichuan and Guizhou provinces in the PRC.

Distribution expenses from continuing operations

Distribution expenses from continuing operations during the Review Period were approximately RMB31.9 million, representing a decrease of approximately RMB20.7 million or approximately 39.4%, as compared to approximately RMB52.6 million in the corresponding period of 2013. The decrease was in line with the decrease in sales volume of the Group's principal products.

Administrative expenses from continuing operations

Administrative expenses from continuing operations during the Review Period were approximately RMB157.4 million, representing a decrease of approximately RMB21.2 million or approximately 11.9%, as compared to approximately RMB178.7 million in the corresponding period in 2013. The decrease was mainly attributable to the cost saving in staff costs of approximately RMB24.7 million after the closure of coking plant and disposal of Yunnan mining operation in 2013.

Finance costs from continuing operations

Finance costs from continuing operations for the Review Period amounted to approximately RMB274.5 million, representing a slight increase of approximately RMB15.4 million or approximately 5.9%, as compared with approximately RMB259.1 million in the corresponding period in 2013. The increase was mainly attributable to a decrease in interest capitalised on construction in progress of approximately RMB31.7 after the disposal of Yunnan mining operation in 2013 but set off with a decrease in interest payable of approximately RMB16.3 million.

Taxation from continuing operations

During the Review Period, the Company recorded a material tax credit from continuing operations of approximately RMB161.0 million, representing a decrease of approximately RMB179.3 million as compared with tax provision of approximately RMB18.3 million in the corresponding period in 2013. The amount of income tax expense represented PRC Enterprise Income Tax ("EIT") of approximately RMB0.9 million and deferred tax credit of approximately RMB161.9 million mainly arising from the tax impact on the impairment of property, plant and equipment. For the current period EIT, the effective tax rate is considered to be not comparable as there was significant tax effect of tax losses not recognised resulting from loss incurred in certain subsidiaries of the Company.

Loss for the period from continuing operations

As a result of the foregoing, the loss attributable to the owners of the Company from continuing operations during the Review Period was approximately RMB968.2 million, representing a significant increase of approximately RMB722.7 million or approximately 294.4%, as compared with loss of approximately RMB245.5 million in the corresponding period in 2013.

Adjusted EDITDA from continuing operations

The following table illustrates the Group's adjusted EBITDA from continuing operations for the respective periods. The Group's EBITDA margin was 20.9% during the Review Period as compared with 21.0% in the corresponding period in 2013.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Loss for the period from continuing operations	**(968,681)**	(244,445)
Adjusted for:		
— Impairment on property, plant and equipment	**709,539**	–
	(259,142)	(244,445)
Finance costs	**274,474**	259,110
Taxation	**871**	18,692
Depreciation and amortisation	**52,413**	52,189
Adjusted EBITDA	**68,616**	85,546

Note: Taxation mentioned above only considers provision for EIT for the respective periods for the calculation of adjusted EBITDA.

Liquidity, financial resources and capital structure

As at 30 June 2014, the Group incurred net current liabilities of approximately RMB3,175 million as compared to approximately RMB3,001 million at 31 December 2013.

During the Review Period, cash flows from operating activities maintained at low level due to a limited production volume from the Company's coal mines in Sichuan and Guizhou provinces in the PRC. 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 of the Group is also implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position. The Group will further improve its financial position in providing liquidity and cash flows by implementing a number of measures, including but not limited to, raising further medium to long term banking facilities and rolling over short term banking facilities to medium term when they fall due.

As at 30 June 2014, the bank balances and cash of the Group amounted to approximately RMB194 million (as at 31 December 2013: approximately RMB322 million).

As at 30 June 2014, the total bank and other borrowings of the Group were approximately RMB5,221 million (as at 31 December 2013: approximately RMB4,587 million), of which approximately RMB2,795 million was repayable within one year (as at 31 December 2013: approximately RMB1,580 million). As at 30 June 2014, loan amounting to RMB1,745 million carries interest at fixed rate ranging from 2.55% to 9.25% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 9% per annum.

The gearing ratio (calculated as the aggregate of total bank and other borrowings, convertible loan notes and senior notes divided by total assets) of the Group as at 30 June 2014 was 51.6% (as at 31 December 2013: 45.8%).

Pledge of Assets of the Group

As at 30 June 2014, the Group pledged assets in an aggregate amount of approximately RMB3,535 million (as at 31 December 2013: approximately RMB2,449 million) to banks for credit facilities.

As at 30 June 2014, the director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB658 million (as at 31 December 2013: approximately RMB1,233 million).

Employees

As at 30 June 2014, the Group maintained an aggregate of 5,234 employees as compared with 5,839 employees at 31 December 2013. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) were approximately RMB92.5 million (corresponding period in 2013: approximately RMB141.7 million). The decrease mainly attributable to the closure of coking plant and the disposal of Yunnan mining operation in 2013.

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 (the "Directors") of the Company consider that the Group's risk in foreign exchange is insignificant. However, during the Review Period, the Group was exposed to an exchange rate risk mainly arising from the foreign currency bank balances of approximately US$4.6 million and HK$2.4 million.

Significant Investment Held

The Group had invested in unlisted equity investments of RMB118.7 million representing 15%, 5%, 5% and 1.24% equity interest in four entities respectively. The principal activities of the investees are manufacturing of mining machinery, mining of potassium chloride and manufacturing of potassic fertilizer, coking coal trading information centre and manufacture of lithium salt products, respectively.

Material Acquisition and Disposal

On 6 January 2014, 攀枝花恒鼎礦業有限公司 (Panzhihau Hidili Mining Company Limited*) ("Panzhihua Hidili"), an indirect wholly-owned subsidiary of the Company, entered into the conditional agreement with Mr. Kong Dexing 孔德興 ("Mr. Kong") and Ms. Wang Chaohui 王朝會 ("Ms. Wang"), independent third parties of the Company, pursuant to which the parties conditionally agreed to acquire 100% equity interest in 攀枝花市會興工貿有限責任公司 (Panzhihau Huixing Industry and Commercial Company Limited*), the company engaging in coal mining in Zhangjiawan Coal Mine located in Renhe District, Panzhihua City, Sichuan province, by Panzhihua Hidili from Mr. Kong and Ms. Wang at an aggregate consideration of RMB110 million.

On 6 January 2014, Panzhihua Hidili entered into the conditional agreement with 攀枝花市綠環工貿有限責任公司 (Panzhihua City Luhuan Industry and Commercial Company Limited*) ("Panzhihua Luhuan"), a company incorporated in the PRC with limited liability, pursuant to which the parties conditionally agreed to the acquisition of the mining right and mining structure of the coal mine located at Renhe District, Panzhihua City, Sichuan Province, the PRC by Panzhihua Hidili from Panzhihua Luhuan at a consideration of RMB48 million.

Saved as disclosed above, there was no other material acquisition or disposal of subsidiaries and associated companies by the Group.

Contingent Liabilities

On 28 January 2013, Blackrock Japan Co., Limited (the "First Plaintiff") and Blackrock (Singapore) Limited (the "Second Plaintiff") (collectively known as the "Plaintiffs"), commenced legal proceedings against the Company in the High Court of Hong Kong Special Administrative Region Court of First Instance (the "Action").

The First Plaintiff is the investment manager of two high yield bond funds (the "Funds") in January 2010. It delegated the investment management of the Funds to the Second Plaintiff. The Funds were the holders of certain bonds issued by the Company (the "Bonds"). Under the terms of the Bonds, the Funds were entitled to require the Company to redeem some or all of the Bonds on 19 January 2013. Instead of issuing redemption notices on 18 and 19 December 2012, it is alleged that the Plaintiffs had issued by mistake notices (the "Notices") electing to convert the Bonds into Shares. The Plaintiffs asserted that the Company knew or ought to have known that the Notices were issued by mistake and therefore are void, or alternatively are voidable in equity, and are of no legal effect.

A statement of claim was served on the Company on 25 February 2013 and the Company served the defence on 29 April 2013. On 24 June 2013, the Plaintiffs indicated they would seek to amend their statement of claim, and also seek to resolve the dispute by way of mediation. The Action resumed on 12 November 2013.

An amended writ of summons and amended statement of claim was served on the Company on 9 December 2013. The Company filed an amended defence on 7 January 2014.

Saved as disclosed above, as at 30 June 2014, the Group did not have any other material contingent liabilities.

Business Review

During the Review Period, during the coal mine consolidation in Sichuan and Guizhou provinces in the PRC, the Group's coal mines contributed low raw coal production volume of approximately 618,000 tonnes as compared to approximately 785,000 tonnes in the corresponding period in 2013, representing decrease of 21.3%. Accordingly, it gave rise to the decrease in the Group's sales volume of clean coal from approximately 308,400 tonnes in the corresponding period in 2013 to 273,900 tonnes during the Review Period, representing a decrease of 11.2%. In addition, the average selling price of clean coal dropped from approximately RMB1,058.7 per tonne in the corresponding period in 2013 to approximately RMB863.3 per tonne during the Review Period regarding the weak market demand from steel manufacturers.

As regards customers, the large stated-owned steel manufacturers continued to maintain significant customer portfolio of the Group. Top five largest customers contributed to approximately 62.4% of total revenue. However, considering the weak demand in the steel industry, the steel manufacturers tend to lengthen the credit period which will result in a longer receivable turnover. The Group will try to launch an effective credit control policy to speed up the turnover and to avoid any bad and doubtful debts.

During the Review Period, the average production cost of raw coal and clean coal maintained at a high level of approximately RMB241 per tonne and RMB598 per tonne, respectively, as compared to approximately RMB258 per tonne and RMB642 per tonne, respectively, in the corresponding period of 2013. The average production cost maintained at high level mainly resulted from high sharing of materials, fuel and power and depreciation among low production level, and high absorption of operating costs in washing plants due to low utilization.

Outlook

In the first half of 2014, downward pressure on domestic economy, arduous situation in coal industry and coal prices lingering at low level continued to put the Company into a difficult business environment. However, the Company has been committed to overcome difficulties by focusing on production and construction of coal mines. During the Review Period, the Company has nine consolidated core mines in Guizhou province, (i) one mine entered into production in the second quarter, (ii) four mines are allowed to undergo consolidation and production at the same time and the number of coal mines in production increased to five and (iii) the remaining four mines were under construction. In Sichuan province, the Company has five consolidated core mines which have been issued the notice for resumption of production.

During the Review Period, our emphasis on reinforcement of structural reform and reduction of administrative expenses has achieved prominent results. In future, the Company will focus on strengthening capital management, enhancing capital utilization, tightening mining technologies management, increasing production and construction efficiency, stepping up our efforts in management of production costs and selling expenses, strictly controlling its cost and expenses as well as reinforcing its system formulation, so as to ensure the management of all tasks will be effectively implemented.

In the event that the environment for our coal production becoming more favorable, production volume will increase and costs will drop, the Company believes our operations in the second half of the year will turn positive as compared with that in the first half of the year.

OTHER INFORMATION

Audit committee

An audit committee was established on 25 August 2007 in compliance with Rule 3.21 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and 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. Chan Chi Hing (Chairman), Mr. Chen Limin and Mr. Huang Rongsheng.

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 of directors
Hidili Industry International Development Limited
Xian Yang
Chairman

Hong Kong
7 August 2014

As at the date hereof, the executive Directors are Mr. Xian Yang (Chairman), Mr. Sun Jiankun and the independent non-executive Directors are Mr. Chan Chi Hing, Mr. Chen Limin and Mr. Huang Rongsheng.

* *for identification purposes only*