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 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	**Change**
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Revenue	**396,484**	327,965	20.9%
Gross profit	**14,622**	50,441	(71.0%)
Loss before tax	**(386,308)**	(1,129,702)	65.8%
Loss and total comprehensive expense for the period	**(390,516)**	(968,681)	59.7%
Adjusted EBITDA	**(92,942)**	68,626	(235.4%)
Basic loss per share *(RMB cents)*	**(19)**	(47)	59.6%

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 2015 (the "Review Period"), together with the comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**396,484**	327,965
Cost of sales		**(381,862)**	(277,524)
Gross profit		**14,622**	50,441
Other income, gains and losses	*5*	**(33,568)**	(704,429)
Distribution expenses		**(19,649)**	(31,862)
Administrative expenses		**(107,020)**	(157,408)
Share of losses of associates		**(1,148)**	(1,137)
Share of losses of joint ventures		**(16,353)**	(10,833)
Finance costs	*6*	**(223,192)**	(274,474)
Loss before tax		**(386,308)**	(1,129,702)
Taxation	*7*	**(4,208)**	161,021
Loss and total comprehensive expense for the period	*8*	**(390,516)**	(968,681)
Loss and total comprehensive expense for the period attributable to owners of the Company		**(390,502)**	(968,192)
Loss and total comprehensive expense attributable to non-controlling interests		**(14)**	(489)
		(390,516)	(968,681)
Loss per share	*10*		
Basic *(RMB cents)*		**(19)**	(47)
Diluted *(RMB cents)*		**(19)**	(47)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,761,027**	8,399,929
Prepaid lease payments		**85,267**	85,881
Intangible assets		**132,579**	135,094
Interest in joint ventures		**2,352,634**	2,368,987
Interest in associates		**36,748**	40,896
Available-for-sale investments		**66,778**	73,778
Long term deposits		**274,008**	384,052
Pledged and restricted bank deposits		**213,812**	511,688
		11,922,853	12,000,305
CURRENT ASSETS			
Inventories		**141,576**	187,736
Bills and trade receivables	*11(a)*	**260,556**	286,742
Bills receivables discounted with recourse	*11(b)*	**–**	12,000
Other receivables and prepayments		**505,520**	727,223
Amount due from a joint venture		**33,978**	64,525
Pledged and restricted bank deposits		**859,119**	777,223
Bank balances and cash		**118,058**	32,767
		1,918,807	2,088,216
CURRENT LIABILITIES			
Bills and trade payables	*12*	**795,986**	586,757
Advances drawn on bills receivables discounted with recourse		**–**	12,000
Other payables and accrued expenses		**515,178**	550,634
Amount due to related parties		**3,692**	3,389
Amount due to a non-controlling shareholder		**14,765**	14,765
Amount due to an associate		**12,426**	12,282
Tax payables		**34,380**	35,352
Senior notes		**1,134,533**	1,131,844
Convertible loan notes		**–**	7,504
Bank and other borrowings — due within one year		**4,018,665**	3,181,508
		6,529,625	5,536,035
NET CURRENT LIABILITIES		**(4,610,818)**	(3,447,819)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,312,035**	8,552,486

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**4,976,571**	5,367,073
Equity attributable to owners of the Company		**5,174,077**	5,564,579
Non-controlling interests		**35,217**	35,231
TOTAL EQUITY		**5,209,294**	5,599,810
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**7,968**	7,735
Other long term payables		**28,260**	34,620
Deferred tax liabilities		**76,879**	76,879
Bank and other borrowings — due after one year		**1,989,634**	2,833,442
		2,102,741	2,952,676
		7,312,035	8,552,486

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 2015, the Group's current liabilities exceeded its current assets by approximately RMB4,610,818,000 and during the six months period ended 30 June 2015, the Group incurred loss of approximately RMB390,516,000. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately RMB350,764,000 as stated in note 13.

The directors have also taken note of the financial and liquidity issues the Group is currently facing as well as the measures being taken or contemplated to deal with them. These measures include, among others, (i) strengthening its operations of production and sales of clean coal through implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position, (ii) negotiations with various financial institutions for renewal of the existing borrowings upon their maturity and/or obtaining additional financing, and (iii) proposed assets disposal. The effectiveness of these measures cannot be presently determined because the completion of these transactions is subject to the coking coal market environment and the outcome of negotiations with the financial institutions for fund raising activities and potential buyers for assets disposal respectively. Nevertheless, the condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, 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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs").

Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle
Amendments to IAS 19	Defined benefit plans: Employee contributions

The application of the above 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 are comprised of: (i) coal mining, (ii) trading and (iii) 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 clean coal and its by-products
Trading — Trading of magnetic iron powder
Others — Manufacture and sales of 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 2015 (unaudited)			
	Coal mining	**Trading**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
REVENUE				
External	**207,612**	**188,872**	**–**	**396,484**
RESULTS				
Segment losses	**(41,416)**	**(9,336)**	**–**	**(50,752)**
Other income, gains and losses				**12,157**
Administrative expenses				**(107,020)**
Share of losses of associates				**(1,148)**
Share of losses of joint ventures				**(16,353)**
Finance costs				**(223,192)**
Loss before tax				**(386,308)**

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

Segment (losses) profit represents (losses) profit incurred by each segment without allocation of other income, gains and losses, administrative expenses, finance costs, share of losses of associates and share of losses of joint ventures. 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	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**19,438**	21,031
Government grant	**13,526**	405
Gain on disposal of available-for-sale investments	**–**	36,358
Gain on disposal of subsidiaries	**–**	1,476
Exchange gain (loss)	**83**	(29,633)
Loss on disposal of property, plant and equipment	**(2,248)**	(9,867)
Impairment loss recognised on trade receivables	**(2,057)**	(20,853)
Impairment loss recognised on other receivables	**(26,269)**	–
Impairment loss recognised in respect of property, plant and equipment	**(30,925)**	(709,549)
Impairment loss recognised on an available-for-sale investment	**(7,000)**	–
Others	**1,884**	6,203
	(33,568)	(704,429)

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
— bank and other borrowings	**191,761**	177,818
— advances drawn on bills receivables discounted	**2,222**	29,754
Interest expense on senior notes	**48,309**	100,408
Effective interest expense on convertible loan notes	**24**	256
	242,316	308,236
Less: Interest capitalised in construction in progress	**(19,124)**	(33,762)
	223,192	274,474

7. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**(4,208)**	(871)
Deferred tax	**–**	161,892
	(4,208)	161,021

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 the six months ended 30 June 2014.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets	**2,515**	2,515
Release of prepaid lease payments	**964**	634
Provision for restoration and environmental costs	**233**	245
Depreciation of property, plant and equipment	**35,770**	49,264
Directors' remunerations	**1,214**	1,307
Salaries and other benefits	**69,360**	84,361
Retirement benefits scheme contribution	**408**	846
Share-based payment expenses	**–**	5,990
Total staff costs	**70,982**	92,504

9. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2015 and 2014 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	
	2015	2014
	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	**(390,502)**	(968,192)

	Six months ended 30 June	
	2015	2014
	'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 2015 and 2014 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 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 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Aged:		
0–90 days	**173,924**	251,838
91–120 days	**378**	5,375
121–180 days	**48,655**	10,756
181–365 days	**37,400**	18,773
Over 365 days	**199**	–
	260,556	286,742

(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 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
0–90 days	**–**	7,000
91–120 days	**–**	5,000
	–	12,000

12. BILLS AND TRADE PAYABLES

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0–90 days	**327,838**	224,928
91–180 days	**13,259**	213,424
181–365 days	**333,670**	61,688
Over 365 days	**121,219**	86,717
	795,986	586,757

13. CAPITAL COMMITMENTS

	30 June 2015	31 December 2014
	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	**215,580**	264,624
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, is as follows:		
Commitment for the acquisition of property, plant and equipment	**135,184**	100,968

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Review Period, the Group recorded a revenue of approximately RMB396.5 million, representing an increase of approximately 20.9%, as compared with approximately RMB328.0 million in the corresponding period in 2014.

During the Review Period, limited raw coal production volume was contributed to further manufacture of clean coal for sales during the coal mines consolidation in Sichuan and Guizhou provinces. Also, the further slowdown in the demand from steel manufacturers led to the decrease in the average selling price. The sales volume of clean coal amounted to approximately 201,800 tonnes as compared to approximately 273,900 tonnes in the corresponding period in 2014, representing a decrease of 26.3%. The average selling price (net of value added tax) of clean coal amounted to approximately RMB748.8 per tonne as compared to approximately RMB863.3 per tonne in the corresponding period in 2014, representing a decrease of approximately 13.3%. Accordingly, the Company has commenced trading of magnetic iron powder of approximately RMB188.9 million in order to supplement its coking coal business.

The following table sets forth the Group's turnover, sales volume and average selling price by products during the Review Period, together with the comparative amounts for the corresponding period in 2014:

	Six months ended 30 June					
	2015			2014		
	Turnover	**Sales Volume**	**Average Selling Price**	Turnover	Sales Volume	Average selling price
	RMB'000	***(thousand Tonnes)***	***(RMB/ Tonne)***	*RMB'000*	*(thousand Tonnes)*	*(RMB/ Tonne)*
Principal products						
Clean coal	**151,104**	**201.8**	**748.8**	236,424	273.9	863.3
By-products						
High-ash thermal coal	**13,124**	**43.3**	**302.8**	24,449	97.2	251.6
Other products						
Raw coal	**38,001**	**113.1**	**336.0**	58,569	165.7	353.5
Magnetic iron powder	**188,872**	**365.9**	**516.1**	–	–	–
Others	**5,383**			8,523		
Other products total	**232,256**			67,092		
Total turnover	**396,484**			327,965		

Cost of sales

Cost of sales for the Review Period was approximately RMB381.9 million, representing an increase of approximately RMB104.4 million, or approximately 37.6%, as compared with approximately RMB277.5 million in the corresponding period in 2014. During the Review Period, production volume of raw coal reduced from approximately 618,000 tonnes in the corresponding period in 2014 to approximately 570,000 tonnes during the period, representing a decrease of approximately 7.8%, in relation to low production level maintained during the coal mines consolidation in Sichuan and Guizhou provinces.

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			
	2015	**2015**	2014	2014
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Sichuan	**120**	**48**	27	5
Guihou	**450**	**80**	591	158
	570	**128**	618	163
Purchase volume	**–**	**26**	–	113

Material, fuel and power costs for the Review Period were approximately RMB316.5 million, representing an increase of approximately RMB123.6 million, or approximately 64.1%, as compared with approximately RMB192.9 million in corresponding period in 2014. The increase was primarily attributable to the purchase of magnetic iron powder of approximately RMB188.8 million for trading purpose. The material, fuel and power costs of approximately RMB127.7 million relating to the mining business represented a decrease of 33.8% as compared to corresponding period in 2014. The decrease was primarily attributable to (i) the decrease of both production volume of raw coal and clean coal and (ii) the decrease in unit mining cost since less spending on materials, fuel and power consumptions but offset by the increase in clean coal production cost as more raw coal consumed during coal washing. Besides, approximately 26,000 tonnes of clean coal were purchased from outsiders for sales during the Review Period.

Staff costs for the Review Period were approximately RMB41.2 million, representing a decrease of approximately RMB2.4 million, or approximately 5.5%, as compared with approximately RMB43.6 million in corresponding period of 2014. The decrease was in line with the decrease in production volume of the Group's principle products during the Review Period.

Depreciation and amortization for the Review Period were approximately RMB17.0 million, maintaining at similar level in corresponding period of 2014.

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

	Six months ended 30 June	
	2015	2014
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**175**	213
Depreciation and amortisation	**31**	28
Total production cost	**207**	241
Average cost of clean coal	**667**	598
Purchase cost of clean coal	**750**	926

Gross profit

As a result of the foregoing, the gross profit for the Review Period was approximately RMB14.6 million, representing a significant decrease of approximately RMB35.8 million or approximately 71.0%, as compared with approximately RMB50.4 million in corresponding period in 2014. The gross profit margin during the Review Period was approximately 3.7% as compared with approximately 15.4% in corresponding period in 2014.

Other income, gains and losses

During the Review Period, the Group recorded an aggregate losses of approximately RMB33.6 million, representing a substantial decrease of approximately RMB670.8 million, as compared to of approximately RMB704.4 million in the corresponding period in 2014. The decrease in aggregate losses was mainly attributable to (i) the turnaround from exchange loss of approximately RMB29.6 million in the corresponding period in 2014 to exchange gain of approximately RMB83,000 during the period and (ii) the decrease in impairment loss recognised in respect of property, plant and equipment of approximately RMB678.6 million arising from the coal mine consolidation in Sichuan and Guizhou provinces but offset by the decrease in gain on disposal of available-for-sale investments of approximate RMB36.4 million.

Distribution expenses

Distribution expenses for the Review Period were approximately RMB19.6 million, representing a decrease of approximately RMB12.3 million or approximately 38.6%, as compared to approximately RMB31.9 million in corresponding period of 2014. The decrease was in line with the decrease in sales volume of the Group's principal products.

Administrative expenses

Administrative expenses during the Review Period were approximately RMB107.0 million, representing a decrease of approximately RMB50.4 million or approximately 32.0%, as compared to approximately RMB157.4 million in corresponding period in 2014. The decrease was mainly attributable to the cost saving in staff costs of approximately RMB22.7 million and legal and professional expenses of approximately RMB18.6 million respectively as a result of the reinforcement or structural reform and reduction of administrative expenses.

Finance costs

Finance costs for the Review Period amounted to approximately RMB223.2 million, representing a decrease of approximately RMB51.3 million or approximately 18.7%, as compared with approximately RMB274.5 million in corresponding period in 2014. The decrease was mainly attributable to (i) a decrease in interest payable to advances drawn on bills receivable discounted of approximately RMB27.5 million and (ii) a decrease in interest expenses on senior notes of approximately RMB52.1 million after the tender offer to purchase for cash of approximately 51.91% of the total aggregate principal amount of the outstanding notes in 2014 but set off with (i) a decrease of interest capitalised on construction in progress of approximately RMB14.6 million and (ii) an increase in interest payable to bank and other borrowings of approximately RMB13.9 million.

Taxation

Taxation for the Review Period amounted to approximately RMB4.2 million, representing tax provision of PRC Enterprise Income Tax ("EIT") of the Company. In the corresponding period in 2014, the Company recorded a tax debit of approximately RMB161.0 million, mainly representing a deferred tax debit of approximately RMB161.9 million mainly arising from the tax impact on the impairment of property, plant and equipment. For the current year EIT, the effective tax rate is considered to be not comparable as there was significant tax effect of tax losses not recognized resulting from loss incurred in certain subsidiaries of the Company.

Loss for the year

As a result of the foregoing, the loss attributable to the owners of the Company for the Review Period was approximately RMB390.5 million, representing a decrease of approximately RMB577.7 million or approximately 59.7%, as compared with approximately RMB968.2 million in corresponding period in 2014.

EBITDA

The following table illustrates the Group's adjusted EBITDA for the respective periods. The Group's EBITDA margin was -23.4% for the Review Period as compared with 20.9% in corresponding period in 2014.

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Loss for the period	**(390,516)**	(968,681)
Adjusted for:		
— Impairment on property, plant and equipment	**30,925**	709,549
	(359,591)	(259,132)
Finance costs	**223,192**	274,474
Taxation	**4,208**	871
Depreciation and amortization	**39,249**	52,413
Adjusted EBITDA	**(92,942)**	68,626

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

Liquidity, financial resources and capital structure

As at 30 June 2015, the Group incurred net current liabilities of approximately RMB4,611 million as compared to approximately RMB3,448 million at 31 December 2014.

During the Review Period, cashflow from operating activities maintained at low level as limited production volume contributed from the Company's coal mines in Sichuan and Guizhou provinces. The Group continued focusing on the integration of coal mines and strengthening its operations of production and sales of clean coal. The management of the Group has implemented active cost-saving and value-adding measures to cut down operating costs and improve cash flows and financial position. Besides, the Group are negotiating with various financial institutions for renewal of the existing borrowings upon their maturity and/or obtaining additional financing. Finally, the Group are actively approaching potential buyers for assets disposal.

As at 30 June 2015, the bank balances and cash of the Group amounted to approximately RMB118 million (as at 31 December 2014: approximately RMB33 million).

As at 30 June 2015, the total bank and other borrowings of the Group were approximately RMB6,008 million (as at 31 December 2014: approximately RMB6,015 million), of which approximately RMB4,019 million was repayable within one year (as at 31 December 2014: approximately RMB3,182 million). As at 30 June 2015, loan amounting to RMB1,887 million carries interest at fixed rate ranging from 6.90% to 12.00% per annum. The remaining loans carry interest at variable market rates ranging from 3.30% to 9.25% per annum.

The gearing ratio (calculate 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 2015 was 51.6% (as at 31 December 2014: 50.8%).

Pledge of Assets of the Group

As at 30 June 2015, the Group pledged its property, plant and equipment, bank deposits and bill receivables in an aggregate amount of approximately RMB4,343 million (as at 31 December 2014: approximately RMB4,745 million) to banks for credit facilities.

As at 30 June 2015, the director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB1,860 million (as at 31 December 2014: approximately RMB1,430 million).

Employees

As at 30 June 2015, the Group maintained an aggregate of 5,165 employees as compared with 5,153 employees at 31 December 2014. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB71.0 million (corresponding period in 2014: approximately RMB92.5 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 (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 exchange rate risk mainly arising from the foreign currency bank balances of approximately US$1.5 million and HK$1.2 million.

Significant Investment Held

The Group had invested in unlisted equity investments of RMB66.8 million representing 15%, 5% and 1.24% equity interest in three entities established in the PRC and 5% interest in a company incorporated in Laos respectively. The principal activities of the investees are manufacturing of mining machinery, provision of trading coal products services, manufacture of lithium salt products and mining of potassium chloride and manufacture of potassium fertilizer respectively.

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

As at 30 June 2015, the Group did not have any material contingent liabilities.

Business Review

During the Review Period, under the coal mine consolidation in Sichuan and Guizhou provinces, the Group's coal mines contributed low raw coal production capacity of approximately 570,000 tonnes as compared to approximately 618,000 tonnes in the corresponding period in 2014, representing decrease of 7.8%. Accordingly, it gave rise to the decrease in the Group's sales volume of clean coal from approximately 273,900 tonnes in the corresponding period in 2014 to 201,800 tonnes in the Review Period, representing a decrease of 26.3% . In addition, the average selling price of clean coal dropped from approximately RMB863.3 per tonne in corresponding period in 2014 to approximately RMB748.8 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 74.5% 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 RMB207 per tonne and RMB667 per tonne, respectively, as compared to approximately RMB241 per tonne and RMB598 per tonne, respectively, in the corresponding period of 2014. During the Review Period, the consumption of materials, fuel and power was improved and led to a decrease in the production cost of raw coal to approximately RMB207 per tonne. However, the decrease in washing yield brought up the production cost of clean coal to approximately RMB667 per tonne.

Outlook

In the first half of 2015, 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 committed to overcome difficulties by focusing on production and construction of coal mines. During the Review Period, the Company had nine consolidated core mines in Guizhou province, (i) one mine had entered into production under the requirement of the consolidation plan, (ii) four mines were allowed to undergo consolidation and production at the same time and (iii) the remaining four mines were under construction. In Sichuan province, the Company has five consolidated core mines, (i) two mines entered into production under the requirement of the consolidation plan, (ii) one mine entered into the trial run production and (iii) two mines were under construction.

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.

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 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 nonexecutive 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
31 August 2015

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.