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 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Revenue	**379,587**	144,502	162.7%
Gross profit/(loss)	**88,468**	(12,120)	830.0%
Loss before tax	**(168,694)**	(420,984)	(60.0%)
Loss and total comprehensive expense for the period	**(170,870)**	(420,986)	(59.4%)
EBITDA	**74,794**	(191,846)	139.0%
Basic loss per share *(RMB cents)*	**(8)**	(21)	(61.9%)

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 2017 (the "Review Period"), together with the comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**379,587**	144,502
Cost of sales		**(291,119)**	(156,622)
Gross profit/(loss)		**88,468**	(12,120)
Other income, gains and losses	*5*	**65,432**	(32,147)
Distribution expenses		**(31,946)**	(22,947)
Administrative expenses		**(87,473)**	(154,745)
Finance costs	*6*	**(203,130)**	(199,025)
Loss before tax		**(168,649)**	(420,984)
Taxation	*7*	**(2,221)**	(2)
Loss and total comprehensive expense for the period		**(170,870)**	(420,986)
Loss and total comprehensive expense for the period attributable to owners of the Company		**(170,870)**	(420,806)
Loss and total comprehensive expense attributable to non-controlling interests		**–**	(180)
		(170,870)	(420,986)
Loss per share	*10*		
Basic *(RMB cents)*		**(8)**	(21)
Diluted *(RMB cents)*		**(8)**	(21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,357,133**	8,306,986
Prepaid lease payments		**25,653**	25,704
Interest in joint ventures		**2,078,528**	2,078,528
Available-for-sale investments		**25,778**	25,778
Long term deposits		**61,865**	59,601
Restricted bank deposits		**28**	31
		10,548,985	10,496,628
CURRENT ASSETS			
Inventories		**81,732**	47,889
Bills and trade receivables	*11(a)*	**154,784**	90,671
Bills receivables discounted with recourse	*11(b)*	**8,000**	–
Other receivables and prepayments		**364,237**	471,505
Amount due from a joint venture		**29,480**	27,123
Pledged and restricted bank deposits		**817**	1,276
Bank balances and cash		**8,696**	22,176
		647,746	660,640
CURRENT LIABILITIES			
Bills and trade payables	*12*	**560,213**	307,324
Advances drawn on bills receivables discounted with recourse		**8,000**	–
Other payables and accrued expenses		**1,131,832**	1,254,979
Amount due to an associate		**–**	–
Tax payables		**51,601**	46,410
Senior notes		**1,331,076**	1,363,025
Bank and other borrowings – due within one year		**5,938,620**	5,834,460
		9,021,342	8,806,198
NET CURRENT LIABILITIES		**(8,373,596)**	(8,145,558)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,175,389**	2,351,070

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**1,911,229**	2,082,099
Equity attributable to owners of the Company		**2,108,735**	2,279,605
Non-controlling interests		**32,807**	32,807
TOTAL EQUITY		**2,141,542**	2,312,412
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**7,758**	7,412
Other long term payables		**6,005**	6,361
Finance lease payable		**12,059**	16,860
Deferred tax liabilities		**8,025**	8,025
		33,847	38,658
		2,175,389	2,351,070

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. 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 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 2017. 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 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 the Group's current liabilities position of approximately RMB8,374 million as at 30 June 2017 and incurred loss of approximately RMB170.9 million for the six months ended 30 June 2017.

During the year ended 31 December 2015, 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; and (ii) repayment of senior notes due 2015 (the "Notes") of approximately USD191 million (equivalent to RMB1,259 million) which fell due on 4 November 2015. 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 8.625% 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 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 Board expects to finalise the formal documentation by November 2017 to seeking approval in shareholders' meeting.

The substantive hearing of the Winding Up Petition has been adjourned to 17 November 2017 before a Judge of the Court of First Instance of the High Court.

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 Company;

(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 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 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: (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 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 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)**

	Six months ended 30 June 2016 (unaudited)		
	Coal mining	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
REVENUE			
External	144,502	–	144,502
RESULTS			
Segment losses	(26,022)	–	(26,022)
Other income, gains and losses			(41,192)
Administrative expenses			(154,745)
Finance costs			(199,025)
Loss before tax			(420,984)

Segment profit (losses) represents profit (losses) incurred by each segment without allocation of other income, gains and losses, administrative expenses 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	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**449**	14,854
Government grant	**18,413**	9,045
Exchange gain (loss)	**31,566**	(56,778)
Loss on disposal of property, plant and equipment	**–**	446
Reversal of impairment of inventory	**8,654**	–
Others	**6,350**	286
	65,432	(32,147)

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**201,675**	192,601
– advances drawn on bills receivables discounted	**1,455**	6,424
	203,130	199,025
Less: Interest capitalised in construction in progress	**–**	–
	203,130	199,025

7. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**2,221**	2
Deferred tax	**–**	–
	2,221	2

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	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting) the following items:		
Release of prepaid lease payments	**961**	1,455
Provision for restoration and environmental costs	**346**	257
Depreciation of property, plant and equipment	**39,006**	28,401
Directors' remunerations	**1,297**	1,559
Salaries and other benefits	**124,566**	64,364
Retirement benefits scheme contribution	**1,601**	2,952
Total staff costs	**127,464**	68,875

9. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2017 and 2016 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	
	2017	2016
	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	**(170,870)**	(420,806)

	Six months ended 30 June	
	2017	2016
	'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 2017 and 2016 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 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0 – 90 days	**89,643**	8,978
91 – 120 days	**18,566**	39,818
121 – 180 days	**17,166**	25,430
181 – 365 days	**29,409**	16,445
	154,784	90,671

(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 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 90 days	**8,000**	–

12. BILLS AND TRADE PAYABLES

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0 – 90 days	**81,477**	112,773
91 – 180 days	**329,279**	18,622
181 – 365 days	**78,348**	20,184
Over 365 days	**71,109**	155,745
	560,213	307,324

13. CAPITAL COMMITMENTS

	30 June 2017	31 December 2016
	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	**283,100**	320,594
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	**152,518**	135,171

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Review Period, revenue of the Group recorded approximately RMB379.6 million, representing a significant increase of approximately 162.7%, as compared with approximately RMB144.5 million in the corresponding period in 2016.

During the Review Period, the Company experienced an increase in revenue from recovered coal market. Accordingly, more raw coal has been despatched and sold in Sichuan and Guizhou provinces in order to speed up the inventory turnover and the collection of sales proceeds. The sales volume of clean coal amounted to approximately 156,600 tonnes as compared to approximately 102,300 tonnes in the corresponding period in 2016, representing an increase of 53.1%. The average selling price (net of value added tax) of clean coal amounted to approximately RMB1,021.9 per tonne as compared to approximately RMB513.0 per tonne in the corresponding period in 2016, representing an increase of approximately 99.2%. Besides, the revenue from sales of raw coal increased to approximately RMB191.0 million as compared to approximately RMB82.0 million in the corresponding period in 2016, representing an increase of 132.9%, resulting from 19.9% increase in sales volume of approximately 362,100 tonnes to 434,000 tonnes and 94.3% increase in average selling price from approximately RMB226.4 per tonne to RMB439.9 per tonne.

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 2016:

	Six months ended 30 June					
	2017			2016		
	Turnover *RMB'000*	**Sales Volume** *(thousand Tones)*	**Average Selling Price** *(RMB/ Tonne)*	Turnover *RMB'000*	Sales Volume *(thousand Tones)*	Average selling price *(RMB/ Tonne)*
Principal products						
Clean coal	**159,995**	**156.6**	**1,021.9**	52,510	102.3	513.0
By-products						
High-ash thermal coal	**21,338**	**83.6**	**255.4**	9,910	76.9	128.9
Other products						
Raw coal	**190,955**	**434.0**	**439.9**	81,979	362.1	226.4
Magnetic iron powder	**–**	**–**	**–**	–	–	–
Others	**7,299**			103		
Other products total	**198,254**			82,082		
Total turnover	**379,587**			144,502		

Cost of sales

Cost of sales for the Review Period was approximately RMB291.1 million, representing an increase of approximately RMB134.5 million, or approximately 85.9%, as compared with approximately RMB156.6 million in the corresponding period in 2016. During the Review Period, the Company still led a low production level under the coal mines consolidation in Sichuan and Guizhou provinces, production volume of raw coal increased from approximately 633,000 tonnes in the corresponding period in 2016 to approximately 851,000 tonnes during the period, representing an increase of approximately 34.4%.

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			
	2017	**2017**	2016	2016
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Panzhihua	**235**	**76**	214	82
Guihou	**616**	**94**	419	31
	851	**170**	633	113
Purchase volume	**53**	**25**	–	–

Material, fuel and power costs for the Review Period were approximately RMB118.2 million, representing an increase of approximately RMB49.2 million, or approximately 71.3%, as compared with approximately RMB69.0 million in corresponding period in 2016. The increase was basically in line with the increase in production volume and also attributable to the purchase of raw coal and clean coal of approximately RMB19.7 million and RMB15.7 million respectively during the Review Period.

Staff costs for the Review Period were approximately RMB107.3 million, representing an increase of approximately RMB49.1 million, or approximately 84.4%, as compared with approximately RMB58.2 million in corresponding period of 2016. The increase was in line with the increase in production volume of raw coal and the increased headcount employed in those productive mines during the Review Period.

Depreciation and amortization for the Review Period were approximately RMB30.7 million, representing an increase of approximately RMB8.7 million, or approximately 39.5%, as compared with approximately RMB22.0 million in corresponding period of 2016. The increase was in line with the increase in production volume of raw coal in the Review Period.

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

	Six months ended 30 June	
	2017	2016
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**246**	226
Depreciation and amortisation	**36**	35
Total production cost	**282**	261
Average cost of clean coal	**726**	645
Purchase cost of clean coal	**641**	–

Gross profit

As a result of the foregoing, the gross profit for the Review Period was approximately RMB88.5 million, representing a significant increase of approximately RMB100.6 million or approximately 831.4%, as compared with gross loss of approximately RMB12.1 million in corresponding period in 2016. The gross profit margin during the Review Period was approximately 23.3% as compared with approximately -8.4% in corresponding period in 2016.

Other income, gains and losses

During the Review Period, the Group recorded an aggregate gain of approximately RMB65.4 million, representing a sharp increase of approximately RMB97.5 million, as compared to an aggregate loss of approximately RMB32.1 million in the corresponding period in 2016. The increase was mainly attributable to the increase in government grant of approximately RMB9.4 million, increase in exchange gain of approximately RMB88.4 million and reversal of impairment of inventory of approximately RMB8.7 million respectively.

Distribution expenses

Distribution expenses for the Review Period were approximately RMB31.9 million, representing an increase of approximately RMB9.0 million or approximately 39.3%, as compared to approximately RMB22.9 million in corresponding period of 2016. 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 during the Review Period were approximately RMB87.5 million, representing a decrease of approximately RMB67.2 million or approximately 43.4%, as compared to approximately RMB154.7 million in corresponding period in 2016. The decrease was mainly attributable to the compensation and restoration costs of approximately RMB103.0 million payable to contractors in relation to the closure of coal mines under the consolidation in corresponding period of 2016 but off set by an increase in professional and office expenses of approximately RMB33.0 million.

Finance costs

Finance costs for the Review Period amounted to approximately RMB203.1 million, representing a slight increase of approximately RMB4.1 million or approximately 2.1%, as compared with approximately RMB199.0 million in corresponding period in 2016. The increase was mainly attributable to an increase of interest expenses on bank borrowings of approximately RMB9.1 million but offset by a decrease of interest expenses on bills receivables discounted of approximately RMB4.9 million.

Taxation

Taxation for the Review Period amounted to approximately RMB2 million, representing tax provision of PRC Enterprise Income Tax ("EIT") 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 RMB170.9 million, representing a decrease of approximately RMB249.9 million or approximately 59.4%, as compared with approximately RMB420.8 million in corresponding period in 2016.

EBITDA

The following table illustrates the Group's adjusted EBITDA for the respective periods. The Group's EBITDA margin was 19.7% for the Review Period as compared with -132.4% in corresponding period in 2016.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Loss for the period	**(170,870)**	(420,986)
Finance costs	**203,130**	199,025
Taxation	**2,221**	2
Depreciation and amortization	**40,313**	30,113
EBITDA	**74,794**	(191,846)

Liquidity, financial resources and capital structure

As at 30 June 2017, the Group incurred net current liabilities of approximately RMB8,374 million as compared to approximately RMB8,146 million at 31 December 2016.

As at 30 June 2017, the bank balances and cash of the Group amounted to approximately RMB9 million (as at 31 December 2016: approximately RMB22 million).

As at 30 June 2017, the total bank and other borrowings payable within one year of the Group were approximately RMB5,939 million (as at 31 December 2016: approximately RMB5,834 million). As at 30 June 2016, 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 2017 was 64.9% (as at 31 December 2016: 64.5%).

Restructuring

(a) On 30 October 2015, the Company announced that it would not be in a position to pay the principal amount of, or the accrued but unpaid interest on, the US$400 million 8.625% senior notes due 2015 (the "Notes") on the maturity date, i.e. 4 November 2015. The aggregate amount due and payable to the holders of the Notes (the "Holders") amounted to approximately US$190.6 million. On the same day, the Company announced that it had appointed UBS AG Hong Kong Branch as financial advisor to the Company for the purposes of providing advice with respect to the potential restructuring of the Notes.

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

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

(d) On 19 January 2016, the Company received a winding up petition (the "Winding Up Petition") filed by a bondholder of the Notes with the High Court of Hong Kong (the "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 PRC banks (the "Onshore Lending Banks"). Following initial discussion with Onshore Lending Banks, a creditors committee of the Onshore 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 20 July 2017, the substantive hearing of the Winding Up Petition has been adjourned to 17 November 2017 before a Judge of the Court of First Instance of the High Court.

Pledge of Assets of the Group

As at 30 June 2017, the Group pledged its property, plant and equipment, bank deposits and bill receivables in an aggregate amount of approximately RMB3,096 million (as at 31 December 2016: approximately RMB3,204 million) to banks for credit facilities.

As at 30 June 2017, the director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB2,800 million (as at 31 December 2016: approximately RMB2,800 million).

Employees

As at 30 June 2017, the Group maintained an aggregate of 4,901 employees as compared with 3,856 employees at 31 December 2016. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB127.5 million (corresponding period in 2016: approximately RMB68.9 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$0.8 million and HK$0.1 million.

Significant Investment Held

The Group had invested in unlisted equity investments of RMB25.8 million representing 15% and 1.24% equity interest in two entities established in the PRC respectively. The principal activities of the investees are manufacturing of mining machinery, provision of trading coal products services, manufacture of lithium salt products 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

(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 31 March 2017) in consultation with counsel's diaries.

(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 Industry Co., Ltd. ("Sichuan Hidili"), a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The 2016 Plaintiff claims 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 the 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 claims 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 2017, the Group did not have any material contingent liabilities.

Outlook

During the Review Period, the Company was benefited from the recovered coal market, increase in both production volume and revenue led to a turnaround from gross loss of approximately RMB12.1 million and negative EBITDA of approximately RMB191.8 million in the corresponding period in 2016 to gross profit of approximately RMB88.5 million and positive EBITDA of approximately RMB74.8 million. The Directors believe that the rising production capacity in the second half 2017 will continue to contribute operating profit and cash flow to the Company.

Going through over year of negotiations with onshore and offshore creditors, the Company, the Steering Committee and the Onshore Creditors Committee have entered into a term sheet in relation to the proposed restructuring 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. Recently, the Company is working closely with the onshore and offshore creditors together with the professionals to finalise 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 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 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 of directors
Hidili Industry International Development Limited
Xian Yang
Chairman

Hong Kong
31 August 2017

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