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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1393)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited)	
Revenue	**570,651**	663,855	(14.0%)
Gross profit	**160,196**	243,576	(34.2%)
Loss before tax	**(125,737)**	(67,574)	86.1%
Loss and total comprehensive expense for the period	**(125,675)**	(68,004)	84.8%
EBITDA	**125,248**	188,841	(33.7%)
Basic loss per share *(RMB cents)*	**(6)**	(3)	100%

The board (the "**Board**") of directors (the "**Directors**") of Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019 (the "**Review Period**"), together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**570,651**	663,855
Cost of sales		**(410,455)**	(420,279)
Gross profit		**160,196**	243,576
Other income, gains and losses	*5*	**25,087**	21,924
Distribution expenses		**(44,381)**	(58,969)
Administrative expenses		**(53,660)**	(64,341)
Share of loss of a joint venture		**(15,031)**	(9,287)
Finance costs	*6*	**(197,948)**	(200,477)
Loss before tax		**(125,737)**	(67,574)
Income tax credit/(expense)	*7*	**62**	(430)
Loss and total comprehensive expense for the period		**(125,675)**	(68,004)
Loss and total comprehensive expense for the period attributable to:			
– Owners of the Company		**(130,783)**	(68,004)
– Non-controlling interests		**5,108**	–
		(125,675)	(68,004)
Loss per share	*10*		
Basic *(RMB cents)*		**(6)**	(3)
Diluted *(RMB cents)*		**(6)**	(3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,181,253**	8,202,418
Prepaid lease payments		**27,218**	27,269
Interest in a joint venture		**1,543,031**	1,558,062
Equity investments at fair value through other comprehensive income		**18,000**	18,000
Long-term deposits		**61,743**	61,743
Restricted bank deposits		**2**	2
		9,831,247	9,867,494
CURRENT ASSETS			
Inventories		**77,815**	56,970
Bills and trade receivables	*11(a)*	**177,569**	167,421
Bills receivables discounted with recourse	*11(b)*	**5,000**	5,000
Other receivables and prepayments		**607,904**	481,085
Amount due from a joint venture		**59,078**	45,896
Pledged bank deposits		**841**	844
Bank and cash balances		**18,112**	11,166
		946,319	768,382
CURRENT LIABILITIES			
Bills and trade payables	*12*	**440,432**	403,990
Contract liabilities		**192,575**	243,011
Advances drawn on bills receivables discounted with recourse		**5,000**	5,000
Accruals and other payables		**2,122,058**	1,806,225
Tax payables		**29,422**	31,189
Senior notes		**1,350,784**	1,348,524
Bank and other borrowings		**5,902,798**	5,924,665
		10,043,069	9,762,604
NET CURRENT LIABILITIES		**(9,096,750)**	(8,994,222)
TOTAL ASSETS LESS CURRENT LIABILITIES		**734,497**	873,272

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Provision for restoration and environmental costs		**9,809**	9,350
Finance lease payables		**7,116**	20,675
Deferred tax liabilities		**8,025**	8,025
		24,950	38,050
NET ASSETS		**709,547**	835,222
CAPITAL AND RESERVES			
Share capital		**197,506**	197,506
Reserves		**462,948**	593,731
Equity attributable to owners of the Company		**660,454**	791,237
Non-controlling interests		**49,093**	43,985
TOTAL EQUITY		**709,547**	835,222

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Hidili Industry International Development Limited 恒鼎實業國際發展有限公司 was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office 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 sales of clean coal and its by-products.

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 2019. 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 (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 RMB9,097 million as at 30 June 2019 and incurred loss of approximately RMB126 million for the six months ended 30 June 2019.

During the years ended 31 December 2015, 2016, 2017 and 2018, the Group has breached of several loans covenants, including: (i) repayment of a short-term unsecured loan from a PRC bank which fell due in June 2015 of approximately RMB311 million; (ii) repayment of the outstanding principal and accrued interest of the US$400 million 8.625% senior notes due 2015 (the "**Notes**") of approximately USD191 million (equivalent to RMB1,351 million) which fell due on 4 November 2015 and (iii) repayment of a short-term loan from a PRC bank which fell due on August 2016 with default interest of approximately RMB268. The aforesaid breaches constitute events of default under certain of the Group's loan facilities that contain cross-default provisions. In addition, certain other loan agreements of the Group provide that the lenders have the right to demand immediate repayment of any outstanding amount if the Group experiences material financial crises or other material adverse changes, the business of the Group deteriorates, or there occurs any event that could adversely affect lenders' interest or suggests the Group inability to repay any outstanding amount. Therefore, it is possible that the lenders to the Group could accelerate their loans as a result of breach of the other loans to the Group.

The Group intended to pursue a consensual restructuring with the holders of the Notes (the "**Holders**") (the "**Debt Restructuring**") and a steering committee of Holders (the "**Steering Committee**") has been formed in December 2015. On 19 January 2016, the Company received a winding up petition (the "**Winding Up Petition**") filed by a bondholder of the Notes with the High Court of Hong Kong against the Company for the outstanding principal and interest due to the bondholder under the Notes. On 11 March 2016, the Company provided Holders with the key indicative terms of a proposed restructuring of the Notes.

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

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

The hearing of the Amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed.

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

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

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

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

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

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

On the basis that the Group can successfully complete the Debt Restructuring and certain measures as mentioned above to improve its operating results and cash flows, the Directors of the Company believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

The Group's operation is solely derived from the production and sales of clean coal and its by-products. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies with the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

An analysis of the Group's revenue from its major products is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of coal and its by-products:		
Clean coal	**506,238**	286,746
Raw coal	**18,443**	328,239
Other products	**45,970**	48,870
Revenue from contracts with customers	**570,651**	663,855

Time of revenue recognition

All timing of revenue recognition is at a point of time for the six months ended 30 June 2019 and 2018.

Geographical information

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

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**666**	276
Government grant	**6,014**	9,879
Exchange loss	**(2,355)**	(16,672)
Reversal of impairment of receivables	**5,987**	3,956
Written back of over-provision for other taxes	**–**	20,353
Others	**14,775**	4,132
	25,087	21,924

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on borrowings wholly repayable within five years:		
– bank and other borrowings	**195,451**	191,985
– advances drawn on bills receivables discounted	**2,497**	8,492
	197,948	200,477

7. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**62**	(430)

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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging the following items:		
Release of prepaid lease payments	**51**	1,820
Provision for restoration and environmental costs	**459**	599
Depreciation of property, plant and equipment	**52,527**	53,519
Directors' remunerations	**1,023**	1,039
Salaries and other benefits	**212,876**	190,908
Retirement benefits scheme contribution	**5,507**	1,926
Total staff costs	**219,406**	193,873

9. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2019 and 2018 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	
	2019	2018
	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	**125,675**	68,004

	Six months ended 30 June	
	2019	2018
	'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 effect of all potential ordinary shares is anti-dilutive for the six months ended 30 June 2019 and 2018.

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**90,649**	34,180
91-120 days	**19,352**	1,000
121-180 days	**17,947**	250
181-365 days	**49,621**	131,991
	177,569	167,421

(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 recourse is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-90 days	**5,000**	5,000

12. BILLS AND TRADE PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Aged:		
0-90 days	**89,795**	79,323
91-180 days	**55,228**	37,939
181-365 days	**114,937**	86,470
Over 365 days	**180,472**	200,258
	440,432	403,990

13. CAPITAL COMMITMENTS

	30 June 2019	31 December 2018
	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	**401,893**	403,866
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	**67,560**	67,560

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Review Period, revenue of the Group recorded approximately RMB570.7 million, representing a decrease of approximately 14.0%, as compared with approximately RMB663.9 million in the corresponding period in 2018. The decrease was primarily attributable to the decrease in both sales volume of raw coal and average selling prices (net of value added tax) of clean coal and raw coal. During the Review Period, sales of raw coal was no longer to be a major contribution to the Company's revenue and the revenue therefrom decreased from approximately RMB328.3 million in the corresponding period in 2018 to only approximately RMB18.4 million during the period, representing a significant decrease of 94.4% with the drop of sales volume from approximately 730,200 tonnes to approximately 49,100 tonnes and decrease in average selling price from approximately RMB449.6 per tonne to approximately RMB375.8 per tonne. While the revenue from sales of clean coal increased from approximately RMB286.7 million in the corresponding period in 2018 to approximately RMB506.2 million, representing an increase of 76.6%, resulting from an increase of sales volume from 270,300 tonnes to 489,400 tonnes, representing an increase of 81.1% but offset by a decrease of average selling price from RMB1,060.8 per tonne to RMB1,034.4 per tonne, representing a decrease of 2.5%.

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 2018:

	Six months ended 30 June					
	2019			2018		
	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 product						
Clean coal	**506,238**	**489.4**	**1,034.4**	286,746	270.3	1,060.8
By-products						
High-ash thermal coal	**41,257**	**228.8**	**180.3**	48,782	247.2	197.4
Other products						
Raw coal	**18,443**	**49.1**	**375.8**	328,327	730.2	449.6
Others	**4,713**			–		
Other products total	**23,156**			328,327		
Total turnover	**570,651**			663,855		

Cost of sales

Cost of sales for the Review Period was approximately RMB410.5 million, representing a slight decrease of approximately RMB9.8 million, or approximately 2.3%, as compared with approximately RMB420.3 million in the corresponding period in 2018. During the Review Period, the Company's raw coal production capacity in Guizhou province has gradually released. Production volume of raw coal and clean coal increased from approximately 1,285,000 tonnes and 285,000 tonnes in the corresponding period in 2018 to approximately 1,324,000 tonnes and 515,000 tonnes respectively during the Review Period, representing an increase of approximately 3.0% and 80.7% respectively.

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

	Six months ended 30 June			
	2019	**2019**	2018	2018
	Raw coal	**Clean coal**	Raw coal	Clean coal
	('000 tonnes)	***('000 tonnes)***	*('000 tonnes)*	*('000 tonnes)*
Production volume				
Panzhihua	**178**	**77**	239	73
Guizhou	**1,146**	**438**	1,046	212
	1,324	**515**	1,285	285
Purchase volume	**–**	**–**	72	–

Material, fuel and power costs for the Review Period were approximately RMB108.7 million, representing a decrease of approximately RMB43.2 million, or approximately 28.4%, as compared with approximately RMB151.9 million in corresponding period in 2018. During the Review Period, there was no purchase of raw coal or clean coal from outside suppliers and the increase in production volume led to economy of scale and resulting in better utilization of raw material during the period.

Staff costs for the Review Period were approximately RMB187.8 million, representing an increase of approximately RMB19.8 million, or approximately 11.8%, as compared with approximately RMB168.0 million in corresponding period of 2018. The increase was in line with the increase in production volume of raw coal and clean coal. Besides, more staff was engaged in the mining and processing activities in Guizhou province.

Depreciation and amortization for the Review Period were approximately RMB53.3 million, representing an increase of approximately RMB6.8 million, or approximately 14.6%, as compared with approximately RMB46.5 million in corresponding period of 2018. The increase was in line with the increase in production volume of raw coal and clean coal in the Review Period.

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

	Six months ended 30 June	
	2019	2018
	RMB per tonne	*RMB per tonne*
Coal mining		
Cash cost	**246**	238
Depreciation and amortization	**36**	36
Total production cost	**282**	274
Purchase cost of raw coal	**–**	225
Average cost of clean coal	**722**	730

Gross profit

As a result of the foregoing, the gross profit for the Review Period was approximately RMB160.2 million, representing a decrease of approximately RMB83.4 million or approximately 34.2%, as compared with approximately RMB243.6 million in corresponding period in 2018. The gross profit margin during the Review Period was approximately 28.1% as compared with approximately 36.7% in corresponding period in 2018.

Other income, gains and losses

During the Review Period, the Group recorded an aggregate gain of approximately RMB25.1 million, representing an increase of approximately RMB3.2 million, as compared to approximately RMB21.9 million in the corresponding period in 2018. The increase was mainly attributable to the decrease in exchange loss of approximately RMB14.3 million but offset by the written back of over-provision for other taxes incurred in the corresponding period in 2018 of approximately RMB20.4 million.

Distribution expenses

Distribution expenses for the Review Period were approximately RMB44.4 million, representing a decrease of approximately RMB14.6 million or approximately 24.7%, as compared to approximately RMB59.0 million in corresponding period of 2018. The decrease was mainly attributable to the decrease in transportation expenses in relation to the shipment of raw coal.

Administrative expenses

Administrative expenses during the Review Period were approximately RMB53.7 million, representing a decrease of approximately RMB10.6 million or approximately 16.5%, as compared to approximately RMB64.3 million in corresponding period in 2018. The decrease was mainly attributable to the decrease in administrative and office expenses of approximately RMB8.0 million.

Finance costs

Finance costs for the Review Period amounted to approximately RMB197.9 million, representing a slight decrease of approximately RMB2.4 million or approximately 1.2%, as compared with approximately RMB200.5 million in corresponding period in 2018. The decrease was mainly attributable to the decrease in interest expenses on advances drawn on bills receivables discounted of approximately RMB6.0 million but offset by increase in interest expenses on bank borrowings of approximately RMB3.5 million.

Income tax credit/(expense)

Taxation for the Review Period amounted to approximately RMB0.1 million, representing tax credit of PRC EIT of the Company.

Loss for the period

As a result of the foregoing, the loss attributable to the owners of the Company for the Review Period was approximately RMB130.8 million, representing an increase of approximately RMB62.8 million or approximately 92.4%, as compared with approximately RMB68.0 million in corresponding period in 2018.

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

The following table illustrates the Group's EBITDA for the respective periods. The Group's EBITDA margin was 21.9% for the Review Period as compared with 28.4% in corresponding period in 2018.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Loss for the period	**(125,675)**	(68,004)
Finance costs	**197,948**	200,477
Income tax (credit)/expense	**(62)**	430
Depreciation and amortization	**53,037**	55,938
EBITDA	**125,248**	188,841

Liquidity, financial resources and capital structure

As at 30 June 2019, the Group incurred net current liabilities of approximately RMB9,097 million as compared to approximately RMB8,994 million at 31 December 2018.

As at 30 June 2019, the bank and cash balances of the Group amounted to approximately RMB18 million (as at 31 December 2018: approximately RMB11 million).

As at 30 June 2019, the total bank and other borrowings payable within one year of the Group were approximately RMB5,903 million (as at 31 December 2018: approximately RMB5,925 million). As at 30 June 2019, loan amounting to RMB3,203 million carries interest at fixed rate ranging from 3.00% to 11.50% per annum. The remaining loans carry interest at variable market rates ranging from 3.68% to 5.70% per annum.

The gearing ratio (calculate as the aggregate of total bank and other borrowings and senior notes divided by total assets) of the Group as at 30 June 2019 was 67.3% (as at 31 December 2018: 68.4%).

Restructuring

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

(b) On 14 December 2015, following initial discussions with certain Holders, the Steering Committee was formed.

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

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

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

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

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

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

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

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

(k) On 17 November 2017, the hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed.

(l) Negotiations with the creditors are still in progress and no definitive agreement has been reached as at the date hereby.

Pledge of Assets of the Group

As at 30 June 2019, the Group pledged its property, plant and equipment, bank deposits and bill receivables in an aggregate amount of approximately RMB3,661 million (as at 31 December 2018: approximately RMB3,661 million) to banks for credit facilities.

As at 30 June 2019, the director of the Company, Mr. Xian Yang, guaranteed the bank borrowings of approximately RMB4,875 million (as at 31 December 2018: approximately RMB4,875 million).

Employees

As at 30 June 2019, the Group maintained an aggregate of 7,400 employees as compared with 5,888 employees at 31 December 2018. During the Review Period, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB219 million (corresponding period in 2019: approximately RMB194 million).

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

Risk in Foreign Exchange

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. However, during the Review Period, the Group was exposed to exchange rate risk mainly arising from the foreign currency bank balances of approximately US$0.8 million and HK$0.1 million.

Significant Investment Held

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

Material Acquisition and Disposal

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

Contingent Liabilities

(a) On 19 January 2016, the Company received a Winding Up Petition filed by a bondholder of the Notes with the Court against the Company for the outstanding principal and interest due to the bondholder under the Notes. The hearing of the amended Winding Up Petition has been adjourned for substantive argument to a date to be fixed.

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

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

(c) Both of Sichuan Haohang and Sichuan Hidili received the 2017 Writ issued by the Higher People's Court of Sichuan Province of the People's Republic of China (四川省高級人民法院) on 1 June 2017.

Pursuant to the 2017 Writ, Chengdu Branch of Shanghai Pudong Development Bank ("**2017 Plaintiff**") filed a civil complaint against (i) Sichuan Haohang, (ii) Sichuan Hidili, (iii) Liupanshui Hidili and (iv) Hidili China in respect of a loan agreement dispute case. The 2017 Plaintiff claimed against Sichuan Haohang and Sichuan Hidili for relief, among others, the outstanding principal amount as of 25 August 2016 and the default interest payment (calculated as at 18 April 2017) of approximately RMB134 million and RMB134 million respectively under the Agreement of Establishing Bank Promissory Note Business entered into between the 2017 Plaintiff and Sichuan Haohang and Sichuan Hidili on 25 February 2016 where Liupanshui Hidili pledged certain assets and mining rights and Hidili China acted as guarantor.

As the opinion of 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 2019, the Group did not have any material contingent liabilities.

Outlook

During the Review Period, as the coal mines affected by the coal mine consolidation in Sichuan province and Guizhou province gradually resumed normal production, the Company saw a sign of recovery. Its production volume of raw coal increased to approximately 1,324,000 tonnes, an increase of approximately 3.0% as compared with 1,285,000 tonnes in the corresponding period in 2018. Meanwhile, the Group has changed its sales mix and focused on sales of clean coal, the turnover slightly decreased to approximately RMB570.7 million, representing a decrease of approximately 14.0% as compared with approximately RMB663.9 million in the corresponding period in 2018. As a result, a gross profit of approximately RMB160.2 million was recorded and EBITDA of approximately RMB125.2 million was achieved. The Company believes that the gradually increasing production capacity of its coal mines will help to further reduce its operating cost and strengthen its working capital.

In respect of debt restructuring, the Company, the Steering Committee and the Onshore Creditors Committee continued to negotiate based on the framework of the Termsheet in relation to the proposed restructuring entered into on 18 January 2017. Basically, certain outstanding Notes, onshore debts and other payables will be converted into newly issued ordinary shares of the Company. The remaining balances of the indebtedness will be extended to a further terms of three to five years. Currently, the Company is working closely with the onshore and offshore creditors together with the professionals to strive to finalise the detailed terms of the debt restructuring as soon as possible, and prepare the formal documentation for approval in shareholders' meeting. The Company expects the debt restructuring can be formally kicked off in the second half of 2019. Upon the completion of the restructuring, the Company believes that it will have a healthy financial position and sustainable cashflow for operation and development.

OTHER INFORMATION

Audit committee

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

As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy (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
23 August 2019

As at the date hereof, the executive Directors are Mr. Xian Yang (Chairman), Mr. Sun Jiankun and Mr. Zhuang Xianwei and the independent non-executive Directors are Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen.