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## **E-COMMODITIES HOLDINGS LIMITED**

### **易大宗控股有限公司**

*(formerly known as “WINSWAY ENTERPRISES HOLDINGS LIMITED 永暉實業控股股份有限公司”)*

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock Code: 1733)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors (the “**Board**”) of E-Commodities Holdings Limited (formerly known as “Winsway Enterprises Holdings Limited 永暉實業控股股份有限公司”) (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to the “**Group**”) for the six months ended 30 June 2016 together with comparative figures for the corresponding period ended 30 June 2015.

### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group from continuing operations for the six months ended 30 June 2016 was HK\$4,703 million.
- Profit for the six months ended 30 June 2016 was HK\$2,000 million.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 was HK\$2,002 million.
- Basic and diluted earnings per share for the six months ended 30 June 2016 was HK\$2.384.
- No dividend was declared for the six months ended 30 June 2016.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**for the six months ended 30 June 2016 — unaudited**  
*(Expressed in Hong Kong dollars)*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	2015
		<b>\$'000</b>	<b>\$'000</b>
<b>Continuing operations:</b>			
Revenue	4	4,703,187	3,396,322
Cost of sales		<u>(4,436,179)</u>	<u>(3,281,656)</u>
<b>Gross profit</b>		<b>267,008</b>	114,666
Other revenue		<b>12,874</b>	1,552
Distribution costs		<b>(59,253)</b>	(17,392)
Administrative expenses		<b>(123,489)</b>	(322,147)
Other operating (expenses)/income, net		<b>(7,734)</b>	4,595
Impairment of non-current assets		<u>–</u>	<u>(1,214,785)</u>
<b>Profit/(loss) from operating activities</b>		<b>89,406</b>	<b>(1,433,511)</b>
Finance income		<b>10,054</b>	36,808
Finance costs		<u>(125,633)</u>	<u>(185,391)</u>
Net finance costs		<b>(115,579)</b>	<b>(148,583)</b>
Gain on debt restructuring	15	<b>2,027,191</b>	–
Share of profit/(loss) of an associate		<u>744</u>	<u>(163)</u>
<b>Profit/(loss) before taxation from continuing operations</b>		<b>2,001,762</b>	<b>(1,582,257)</b>
Income tax	5	<u>(1,906)</u>	834
<b>Profit/(loss) from continuing operations</b>		<b>1,999,856</b>	<b>(1,581,423)</b>
<b>Discontinued operation:</b>			
Loss from discontinued operation, net of tax		<u>–</u>	<u>(201,467)</u>
<b>Profit/(loss) for the period</b>		<b><u>1,999,856</u></b>	<b><u>(1,782,890)</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**  
**for the six months ended 30 June 2016 — unaudited**  
*(Expressed in Hong Kong dollars)*

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Attributable to:</b>			
<b>Equity shareholders of the Company:</b>			
Profit/(loss) for the period from continuing operations		<b>2,001,925</b>	(1,359,984)
Loss for the period from discontinued operation		<u>—</u>	<u>(129,756)</u>
Profit/(loss) for the period attributable to equity shareholders of the Company		<u><b>2,001,925</b></u>	<u>(1,489,740)</u>
<b>Non-controlling interests:</b>			
Loss for the period from continuing operations		<b>(2,069)</b>	(221,439)
Loss for the period from discontinued operation		<u>—</u>	<u>(71,711)</u>
Loss for the period attributable to non-controlling interests		<u><b>(2,069)</b></u>	<u>(293,150)</u>
<b>Profit/(loss) for the period</b>		<u><b>1,999,856</b></u>	<u>(1,782,890)</u>
<b>Earnings/(loss) per share (2015: restated)</b>			
— Basic and diluted ( <i>HK\$</i> )	6	<u><b>2.384</b></u>	<u>(2.266)</u>
<b>Earnings/(loss) per share — continuing operations (2015: restated)</b>			
— Basic and diluted ( <i>HK\$</i> )	6	<u><b>2.384</b></u>	<u>(2.068)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**for the six months ended 30 June 2016 — unaudited**

*(Expressed in Hong Kong dollars)*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit/(loss) for the period</b>	<b>1,999,856</b>	<b>(1,782,890)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	<u>(27,996)</u>	<u>(6,875)</u>
<b>Total comprehensive income for the period</b>	<b><u>1,971,860</u></b>	<b><u>(1,789,765)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>1,974,024</b>	<b>(1,494,752)</b>
Non-controlling interests	<u>(2,164)</u>	<u>(295,013)</u>
<b>Total comprehensive income for the period</b>	<b><u>1,971,860</u></b>	<b><u>(1,789,765)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 30 June 2016 — unaudited**  
*(Expressed in Hong Kong dollars)*

		At 30 June 2016 \$'000	At 31 December 2015 \$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment, net	7	195,931	225,333
Construction in progress		–	–
Lease prepayments		489,106	502,523
Intangible assets		4,920	4,816
Interest in an associate		18,133	16,320
Other investments in equity securities	8	122,591	125,065
Other non-current assets	9	–	–
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>830,681</b>	874,057
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories	10	258,765	184,785
Trade and other receivables	11	1,629,042	886,434
Restricted bank deposits		99,534	499,104
Cash and cash equivalents	12	174,855	259,574
Trading securities		74	613
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,162,270</b>	1,830,510
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Secured bank and other loans	13	1,324,004	1,073,197
Trade and other payables	14	542,412	756,502
Senior notes	15	–	2,388,573
Income tax payable		39,705	38,002
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>1,906,121</b>	4,256,274
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets/(liabilities)</b>		<b>256,149</b>	(2,425,764)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets less current liabilities</b>		<b>1,086,830</b>	(1,551,707)
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**at 30 June 2016 — unaudited**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	At <b>30 June</b> <b>2016</b> \$'000	At 31 December 2015 \$'000
<b>Non-current liabilities</b>			
Secured bank and other loans	13	<b>9,360</b>	27,453
Deferred income		<b>139,814</b>	144,008
<b>Total non-current liabilities</b>		<b>149,174</b>	171,461
<b>NET ASSETS/(LIABILITIES)</b>		<b>937,656</b>	(1,723,168)
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>5,550,144</b>	4,992,337
Reserves	16	<b>(4,477,957)</b>	(6,583,138)
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,072,187</b>	(1,590,801)
<b>Non-controlling interests</b>		<b>(134,531)</b>	(132,367)
<b>TOTAL EQUITY</b>		<b>937,656</b>	(1,723,168)

## NOTES TO THE FINANCIAL INFORMATION

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 CORPORATE INFORMATION

E-Commodities Holdings Limited (formerly known as “**Winsway Enterprises Holdings Limited**”) (the “**Company**”) was incorporated in the British Virgin Islands (“**BVI**”) on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). The Company changed the name to E-Commodities Holdings Limited with effect from 23 August 2016. The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the processing and trading of coking coal and other products and rendering of logistics services. In addition, the Group was engaged in the development of coal mills and production of coking coal, which was classified as discontinued operation of the Group on 27 June 2014, and the disposal of such discontinued operation was completed on 2 September 2015.

### 2 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 31 August 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. A disclaimer of opinion was expressed in the auditors’ report dated 22 April 2016 on those consolidated financial statements because of the potential interaction of the uncertainties related to going concern and their possible effect on the consolidated financial statements and the limitation of scope in respect of impairment of other investments in equity securities and loan due from a third party.

The Group recorded net losses over the past few years as a result of the continuing depression of the coking coal market. For the six months ended 30 June 2016, the coking coal market has seen signs of recovery and the Group recorded a profit from continuing operations before interest on senior notes and gain on debt restructuring (see note 15), of \$49,517,000. Nevertheless, the Group suffered a net cash outflow of \$736,740,000 in respect of operating activities for the six months ended 30 June 2016.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections were based on management's estimation of cash inflows/outflows including revenue from processing and trading of coking coal and other products and rendering of logistics services, gross margin, operating expenses, capital expenditures, finance costs and working capital requirements. The assumptions and estimation are based on the Group's business performance during the six months ended 30 June 2016, management's expectations of the coking coal market development, and the success of the cost cutting strategies implemented. The cash flow projections cover a period of not less than twelve months from the end of the reporting period.

In preparing the cash flow projections, management assumed that the recovery in the coking coal market during the six months ended 30 June 2016 would continue and on that basis, developed assumptions relating to the coal selling prices, fluctuations in coal procurement prices and sales volumes. However, these assumptions are subject to significant variation due to factors which are outside of the Group's control, as follows:

- The market price of coal is volatile and is affected by factors including international and domestic coking coal supply and demand, customers' demand level, global or regional political events and domestic coal related governmental policies, as well as a range of other market forces. Falls in prices as a gesture of global and domestic coal prices would have a material and adverse effect on the Group's financial condition and therefore on the achievability of the cash flow projections.
- The Group's business and prospects are heavily dependent on the demand for coking coal by steel makers and coke plants in the People's Republic of China (the "PRC"). The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminium, composites and plastics. A decrease in demand for coking coal by steel makers would have a material and adverse impact on the Group's business and therefore on the achievability of the cash flow projections.

The directors are of the opinion that, assuming the cash flow projections can be achieved, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

Accordingly, the directors are of the opinion that it is appropriate to prepare this interim financial information on the going concern basis. This interim financial information does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

### **3 CHANGES IN ACCOUNTING POLICIES**

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvement to IFRSs 2012–2014 Cycle*
- Amendments to IAS 1, *Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



## Annual Improvements to IFRSs 2012–2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

## 4 REVENUE AND SEGMENT REPORTING

### (i) Revenue

The Group is principally engaged in the processing and trading of coking coal and other products and the rendering of logistics services. Revenue represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts, and revenue from rendering of logistics services. The amount of each significant category of revenue is as follows:

#### Continuing operations

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Coking coal	4,151,012	3,040,528
Thermal coal	2,955	49,302
Coal related products	763	16,382
Petrochemical products	410,234	146,391
Steel	82,360	–
Coke	–	95,314
Rendering of logistics services	42,374	45,952
Others	13,489	2,453
	<u>4,703,187</u>	<u>3,396,322</u>

## (ii) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Processing and trading of coking coal and other products: this segment manages and operates coal processing plants and generates income from processing and trading of coking coal and other products to external customers.
- Development of coal mills and production of coking coal and related products (classified as a discontinued operation: this segment acquires, explores and develops coal mills and produces coal from the mills. On 1 March 2012, the Group acquired Grande Cache Coal Corporation (“GCC”), a Canadian company developing coal mills and producing coking coal and related products from the mills. On 2 September 2015, the Group disposed of 42.74% equity interest in GCC and Grand Cache Coal LP (“GCC LP”), which were ceased to be subsidiaries of the Group. The Group ceased operating business in this segment following the completion of disposal of GCC and GCC LP.
- Logistics services: this segment constructs, manages and operates logistics parks and generates income from rendering of logistics services to external customers within the PRC.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in an associate. Segment liabilities include trade and other payables, deferred income and secured bank and other loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of coal products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit/(loss) is “adjusted EBITDA” i.e. “adjusted earnings/(loss) before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets and reversal/(provision) for impairment losses on trade and other receivables.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 is set out below.

**For the six months ended 30 June**

	Processing and trading of coking coal and other products		Development of coal mills and production of coking coal and related products (Discontinued operation)		Logistics services		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	4,660,813	3,350,370	-	203,391	42,374	45,952	4,703,187	3,599,713
Inter-segment revenue	-	-	-	52,641	1,340	750	1,340	53,391
<b>Reportable segment revenue</b>	<b>4,660,813</b>	<b>3,350,370</b>	<b>-</b>	<b>256,032</b>	<b>43,714</b>	<b>46,702</b>	<b>4,704,527</b>	<b>3,653,104</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>48,808</b>	<b>(15,380)</b>	<b>-</b>	<b>(61,989)</b>	<b>1,382</b>	<b>1,250</b>	<b>50,190</b>	<b>(76,119)</b>
Interest income	10,010	30,202	-	-	44	2	10,054	30,204
Interest expense	(110,956)	(144,668)	-	(147,645)	(4,025)	(3)	(114,981)	(292,316)
Depreciation and amortisation for the period	(17,655)	(30,667)	-	-	(1,172)	(10,642)	(18,827)	(41,309)
Reversal/(provision) for impairment losses on trade and other receivables	60,656	(153,521)	-	-	(2,613)	(9,766)	58,043	(163,287)
Impairment of non-current assets	-	(734,448)	-	(81,872)	-	(480,337)	-	(1,296,657)
Shares of profit/(loss) of an associate	-	-	-	-	744	(163)	744	(163)
Additions to non-current segment assets during the period	2,455	14,020	-	460	162	1,232	2,617	15,712

	Processing and trading of coking coal and other products		Development of coal mills and production of coking coal and related products (Discontinued operation)		Logistics services		Total	
	At	At	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	3,188,859	2,991,968	-	-	156,520	161,677	3,345,379	3,153,645
Reportable segment liabilities	1,901,300	4,364,086	-	-	484,851	491,045	2,386,151	4,855,131

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

**For the six months ended 30 June**

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>4,704,527</b>	3,653,104
Elimination of inter-segment transactions	<b>(1,340)</b>	(53,391)
Elimination of discontinued operation	–	(203,391)
	<u>4,703,187</u>	<u>3,396,322</u>
<b>Profit/(loss)</b>		
Reportable segment profit/(loss)	<b>50,190</b>	(76,119)
Depreciation and amortisation	<b>(18,827)</b>	(41,309)
Impairment of non-current assets	–	(1,214,785)
Reversal/(provision) for impairment losses on trade and other receivables	<b>58,043</b>	(163,287)
Share of profit/(loss) of an associate	<b>744</b>	(163)
Gain on debt restructuring	<b>2,027,191</b>	–
Net finance costs	<b>(115,579)</b>	(148,583)
Elimination of discontinued operation	–	61,989
	<u>2,001,762</u>	<u>(1,582,257)</u>
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>3,345,379</b>	3,153,645
Interest in an associate	<b>18,133</b>	16,320
Elimination of inter-segment receivables	<b>(370,561)</b>	(465,398)
	<u>2,992,951</u>	<u>2,704,567</u>
<b>Liabilities</b>		
Reportable segment liabilities	<b>2,386,151</b>	4,855,131
Current income tax liabilities	<b>39,705</b>	38,002
Elimination of inter-segment payables	<b>(370,561)</b>	(465,398)
	<u>2,055,295</u>	<u>4,427,735</u>

(c) *Geographic information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

**For the six months ended 30 June**

	<b>Revenues from external customers</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
The PRC (including Hong Kong and Macau)	<b>4,591,854</b>	2,925,899
Canada	–	203,391
Elimination of discontinued operation	–	(203,391)
	–	–
India	<b>111,333</b>	–
Korea	–	347,525
Japan	–	122,898
	<b>4,703,187</b>	<b>3,396,322</b>
	<b>Specified non-current assets</b>	
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
The PRC (including Hong Kong and Macau)	<b>830,358</b>	873,668
Other countries	<b>323</b>	389
	<b>830,681</b>	<b>874,057</b>

## 5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
<i>Continuing operations:</i>		
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the period	991	–
<b>Current tax — Outside of Hong Kong</b>		
Provision for the period	574	1,236
Under/(over)-provision in respect of prior years	341	(2,070)
	<u>1,906</u>	<u>(834)</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the period.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

The provision for PRC current income tax is based on a statutory rate of 25% (2015: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 6 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to equity shareholders of the Company of \$2,001,925,000 (six months ended 30 June 2015: loss attributable to equity shareholders of the Company of \$1,489,740,000) and the weighted average number of ordinary shares of 839,893,000 (six months ended 30 June 2015 (restated): 657,564,000 shares) in issue during the six months ended 30 June 2016, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2016 '000	2015 '000 (Restated <sup>#</sup> )
Issued ordinary shares at 1 January	3,773,199	3,773,199
Share consolidation ( <i>note 16(b)(i)</i> )	(3,584,539)	(3,584,539)
Effect of shares issued under rights issue (including issuance of anti-dilution shares) ( <i>note 16(b)(ii)</i> )	199,026	–
Effect of bonus element on shares issued under rights issue	427,964	469,213
Effect of scheme shares issued under debt restructuring ( <i>note 16(b)(iii)</i> )	24,878	–
Effect of shares held by the employee share trusts*	(635)	(309)
Weighted average number of ordinary shares (basic) as at 30 June	<u>839,893</u>	<u>657,564</u>

# Comparative figures for the weighted average number of ordinary shares for the six months ended 30 June 2015 have been adjusted retrospectively for the effect of the share consolidation and rights issue made during the six months ended 30 June 2016.

\* The shares held by the employee share trusts are regarded as treasury shares.

**(b) Diluted earnings/(loss) per share**

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016.

For the six months ended 30 June 2015, basic and diluted loss per share are the same as the effect of the potential ordinary shares outstanding was anti-dilutive.

**7 PROPERTY, PLANT AND EQUIPMENT, NET**

**(a) Acquisitions and disposals**

During the six months ended 30 June 2016, the Group has acquired items of property, plant and equipment in the amount of \$2,617,000 (six months ended 30 June 2015: \$199,000). Items of property, plant and equipment with a net book value of \$13,201,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: \$3,635,000), resulting in a loss on disposal of \$3,048,000 (six months ended 30 June 2015: gain on disposal of \$1,424,000).

**(b) Impairment loss**

No impairment loss for property, plant and equipment has been charged to the consolidated statement of profit or loss for the current period (six months ended 30 June 2015: \$633,314,000).

(c) As at 30 June 2016, property ownership certificates of certain properties of the Group with an aggregate net book value of \$320,000 (31 December 2015: \$326,000) are yet to be obtained.

(d) As at 30 June 2016, property, plant and equipment of the Group of \$157,023,000 (31 December 2015: \$173,895,000) have been pledged as collateral for the Group's borrowings.

**8 OTHER INVESTMENTS IN EQUITY SECURITIES**

	At <b>30 June</b> <b>2016</b> \$'000	At 31 December 2015 \$'000
Other investments in equity securities	<b>368,291</b>	375,721
Less: impairment losses	<b>(245,700)</b>	(250,656)
	<b><u>122,591</u></b>	<u>125,065</u>

Other investments in equity securities represent the Group's equity interests in third party companies engaged in railway logistics, ports management and coal storage business. As at 30 June 2016, the Group holds equity interests in a range of 1%–15% in these companies.

In 2015, an impairment loss of \$250,656,000 to fully write down the carrying amount of the Group's investments in equity securities of certain of these companies was charged to the consolidated statement of profit or loss due to the unsatisfactory operating performance of these companies. The impairment was provided based on a fair value valuation on the respective investments in the equity securities performed by an independent appraiser using discounted cash flows method based on cash flow projections taking into account the transportation price and volume assumptions and source data provided by the management of the investees. The expected net cash flows were discounted using a risk adjusted pre-tax discount rate of 12.36%. As a full impairment provision has already been provided for these companies during the year ended 31 December 2015, no further loss incurred by these companies during the six months ended 30 June 2016 was taken up in the Company's consolidated financial statements and changes during the current period represented effect of exchange rate changes.

## 9 OTHER NON-CURRENT ASSETS

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Loan to a third party ( <i>note (i)</i> )	-	-
Advance payments for equipment purchase and construction in progress ( <i>note (ii)</i> )	-	-
	<u>-</u>	<u>-</u>

- (i) In 2009, the Company agreed to provide a loan to Moveday Enterprises Limited (“**Moveday**”) to purchase additional vehicles to meet with the increasing volume of coal procured by the Group in Mongolia, and Moveday agreed to use the trucks purchased through financing provided by the Company for the provision of transportation services to the Group during the term of the agreement. Pursuant to a loan agreement entered into on 10 April 2010 (as subsequently amended by a supplemental deed on 15 September 2010) and the strategic alliance agreement, the Company agreed to lend Moveday up to US\$40 million solely for the purpose of purchasing vehicles for transporting coal purchased by the Group in Mongolia. The loan to Moveday was provided on an unsecured basis, at an interest rate of LIBOR plus 3% and repayable over five years in equal annual installments of US\$8 million, commencing from 18 months after the receipt of the loan (being 31 December 2012) by Moveday, with interest payable semi-annually in arrears. The entire loan amount was fully drawn down in 2010. As Moveday is a third party and the loan to Moveday is an unsecured loan, the Group does not have an interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended).

In 2013, the Group entered into another supplemental agreement with Moveday to modify the repayment terms of the remaining outstanding principal of US\$32 million. Pursuant to the supplemental agreement, the remaining outstanding principal was repayable on 31 December from 2013 to 2015 with an amount of US\$4 million plus a floating repayment amount. The floating repayment amount was calculated based on the volume of coals transported (maximum of 12 million tonnes) by Moveday for the Group and up to US\$6 million during each year. Apart from the repayment terms, all the other terms of the loan were not changed and Moveday was obliged to repay the entire outstanding principal on or before 31 December 2016.

In October 2015, Moveday informed the Group that they could not repay the outstanding principal and interest as scheduled in the above-mentioned supplemental agreement due to the financial difficulty encountered. On 22 January 2016, the Group and Moveday mutually agreed that the outstanding loan principal of US\$4,888,000 (equivalent to approximately \$37,886,000) and interest of US\$359,000 (equivalent to approximately \$2,787,000) which were due as at 31 December 2015 were offset against the Group's payables in connection with coking coal transportation service provided by Moveday. Apart from the offsetting arrangement, all the other terms of the loan were not changed and Moveday was obliged to repay the entire outstanding principal on or before 31 December 2016.



For the year ended 31 December 2015, the Group made an impairment provision of \$120,189,000 against the remaining outstanding loan balance as at 31 December 2015 (exclusive of the loan principal of US\$4,888,000 (equivalent to approximately \$37,886,000) to be offset against the Group's payables as described above) based on the communication with management of Moveday about the adverse financial and operating circumstances of Moveday in 2015.

During the four months ended 30 April 2016, the Group has incurred \$47.1 million (30 June 2015: \$20.2 million) for coking coal transportation services provided by Moveday. On 30 April 2016, the transportation agreement entered into by the Group and Moveday expired and the Group determined not to renew such agreement and engaged another third party company to provide such transportation services to the Group (it is the Company's understanding that the third party company may use Moveday as sub-contractor for transportation of the Group's coking coal at its discretion). As at 30 June 2016, the outstanding loan balance is US\$15.5 million (31 December 2015: US\$20.4 million). The Group continues to pursue recovery of the outstanding loan balance but given the circumstances considers it appropriate to continue to fully provide against the remaining outstanding loan balance.

- (ii) For the year ended 31 December 2015, the Group provided full impairment of \$22,307,000 for all advance payments for equipment purchase and construction in progress in relation to the coal processing plants and logistic park facilities which have ceased construction.

## 10 INVENTORIES

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Coking coal	199,891	143,291
Thermal coal	18,266	6,957
Coal related products	7,366	864
Petrochemical products	23,544	22,698
Others	16,996	19,099
	<u>266,063</u>	<u>192,909</u>
Less: write-down of inventories	(7,298)	(8,124)
	<u><u>258,765</u></u>	<u><u>184,785</u></u>

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Carrying amount of inventories sold	4,390,826	3,239,687
Write-down of inventories	7,298	9,109
	<u><u>4,398,124</u></u>	<u><u>3,248,796</u></u>

Coking coal inventories of 125,000 tonnes with carrying amount of \$52,442,000 have been pledged as collateral for the Group's borrowings (see note 13).

## 11 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Trade receivables	383,408	211,566
Bills receivable	636,726	261,505
Receivables from import agents	45,891	9,916
Less: allowance for doubtful debts	(29,243)	(58,870)
	<u>1,036,782</u>	<u>424,117</u>
Loan to a third party company (note 9(i))	–	37,886
Prepayments to suppliers	331,573	111,082
Derivative financial instruments*	–	31,760
Deposits and other receivables	393,639	442,957
Less: allowance for doubtful debts	(132,952)	(161,368)
	<u>1,629,042</u>	<u>886,434</u>

\* As at 31 December 2015, derivative financial instruments represented fair value of foreign exchange forward contracts and commodity futures contracts entered into by the Group.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

The credit terms for trade debtors are generally within 90 days. The credit terms for receivables from import agents can be as long as one year, which are comparable to the credit terms for payables to import agents as granted to the Group. Bills receivable are normally due within 180 days to 360 days from the date of issuing.

At 30 June 2016, trade and bills receivables of the Group of \$586,071,000 (31 December 2015: \$230,365,000) have been pledged as collateral for the Group's borrowings (see note 13).

### (a) Ageing analysis

Included in trade receivables, bills receivable and receivables from import agents are trade debtors with the ageing analysis, based on the invoice date and net of allowance for bad debt, as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Less than 3 months	872,876	109,642
More than 3 months but less than 6 months	78,569	168,056
More than 6 months but less than 1 year	85,337	133,940
More than 1 year	–	12,479
	<u>1,036,782</u>	<u>424,117</u>

**(b) Impairment of trade receivables, bills receivable and receivables from import agents**

Impairment losses in respect of trade receivables, bills receivable and receivables from import agents are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables, bills receivable and receivables from import agents.

The movement in the allowance for doubtful debts during the period is as follows:

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
At 1 January	<b>58,870</b>	56,526
Impairment loss recognised	<b>6,336</b>	–
Reversal of impairment loss	<b>(35,963)</b>	(4,590)
	<hr/>	<hr/>
At 30 June	<b>29,243</b>	51,936
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2016, the Group's trade receivables, bills receivable and receivables from import agents of \$34,508,000 (31 December 2015: \$71,044,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of \$29,243,000 (31 December 2015: \$58,870,000) were recognised.

The reversal of impairment loss represented trade receivables impaired in prior years for which the amounts have been recovered by the Group during the six months ended 30 June 2016 and 2015.

**(c) Trade debtors and bills receivable that are not impaired**

The ageing analysis of trade receivables, bills receivable and receivables from import agents that are neither individually nor collectively considered to be impaired is as follows:

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Neither past due nor impaired	<b>1,030,301</b>	318,826
Less than 3 months past due	<b>1,216</b>	27,088
More than 3 months but less than 12 months past due	<b>–</b>	66,029
	<hr/>	<hr/>
	<b>1,031,517</b>	411,943
	<hr/> <hr/>	<hr/> <hr/>

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**(d) Impairment of other receivables**

The movement in the allowance for doubtful debts during the period is as follows:

	<b>2016</b> <b>\$'000</b>	2015 <b>\$'000</b>
At 1 January	<b>161,368</b>	11,210
Impairment loss recognised	–	167,877
Reversal of impairment loss	<b>(28,416)</b>	–
	<hr/>	<hr/>
At 30 June	<b>132,952</b>	179,087
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2016, included in the impairment loss are impaired value added tax (“VAT”) recoverable of \$116,308,000 (31 December 2015: \$144,079,000) that have been accumulated to date in certain subsidiaries of the Group which can be deductible from VAT on future sales made. The directors of the Company are of the opinion that the recoverability of such amount after commercial production is remote due to the volatile future prospects of the coking coal business.

The reversal of impairment loss represented VAT recoverable impaired in prior year which have been utilised by the Group during the six months ended 30 June 2016.

**12 CASH AND CASH EQUIVALENT**

	<b>At</b> <b>30 June</b> <b>2016</b> <b>\$'000</b>	At 31 December 2015 <b>\$'000</b>
Cash at bank and in hand	<b>174,855</b>	259,574
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2016, cash and cash equivalents of \$110,263,000 (31 December 2015: \$191,617,000) was held by the entities of the Group in Renminbi (“RMB”) in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
US\$	<u>26,454</u>	<u>13,708</u>
RMB	<u>8,593</u>	<u>3,867</u>
Euro	<u>4</u>	<u>4</u>
HK\$	<u>3,724</u>	<u>3,080</u>
Singapore Dollars	<u>910</u>	<u>3,475</u>
Great Britain Pounds	<u>11</u>	<u>12</u>

### 13 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Bank loans	1,280,480	1,100,650
Other loan	<u>52,884</u>	<u>–</u>
	<u>1,333,364</u>	<u>1,100,650</u>

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Short-term loans and current portion of long-term loans	1,324,004	1,073,197
Long-term loans	<u>9,360</u>	<u>27,453</u>
	<u>1,333,364</u>	<u>1,100,650</u>

(b) The secured bank and other loans are repayable as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 1 year	1,324,004	1,073,197
After 1 year but within 2 years	9,360	27,453
	<u>1,333,364</u>	<u>1,100,650</u>

Other loan represented \$52,884,000 (31 December 2015: \$nil) of borrowing entered into by the Group with a third party company in the form of a sale and buyback arrangement. Pursuant to the arrangement, on 17 June 2016, one of the Group's subsidiaries namely Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("IM Haotong") entered into a transaction with that third party company to sell coking coal at a price of RMB557/tonne (equivalent to approximately \$652/tonne) with an amount of \$81,461,000 to that third party company with a transfer of right to coking coal inventories of 125,000 tonnes thereto. At the same time, another subsidiary of the Group namely Longkou Winsway Energy Co., Ltd. ("Longkou Winsway") entered into a transaction with that third party company to purchase the same quantity of coking coal at a price of RMB568/tonne (equivalent to approximately \$665/tonne) with an amount of \$83,070,000 from that third party company with a term of 45 days to be settled on 1 August 2016 and the right to the corresponding coking coal inventories will be transferred back to the Group upon settlement. As of 30 June 2016, as part of the sale and buyback arrangement, an amount of \$52,884,000 has been received by IM Haotong from that third party company, and the transaction has been accounted for by the Group as a loan provided to the Group and interest expense of \$428,000 has been charged to the Company's consolidated statement of profit or loss for the six months ended 30 June 2016.

At 30 June 2016, bank loans amounting to \$28,295,000 (31 December 2015: \$205,932,000) have been secured by bank deposits placed in banks with an aggregate carrying value of \$27,927,000 (31 December 2015: \$201,280,000).

At 30 June 2016, bank loans amounting to \$586,071,000 (31 December 2015: \$138,980,000) have been secured by bills receivables with an aggregate carrying value of \$586,071,000 (31 December 2015: \$122,941,000).

At 30 June 2016, bank loans amounting to \$666,114,000 (31 December 2015: \$673,891,000) have been secured by land use rights and property, plant and equipment with an aggregate carrying value of \$535,671,000 (31 December 2015: \$553,567,000).

At 30 June 2016, bank loans amounting to \$nil (31 December 2015: \$81,847,000) have been secured by trade and bills receivables land use rights and property, plant and equipment with an aggregate carrying value of \$nil (31 December 2015: \$114,834,000).

## 14 TRADE AND OTHER PAYABLES

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Trade and bills payables	228,664	242,055
Payables to import agents	1,285	8,737
Amounts due to related parties	–	383
Prepayments from customers	63,046	34,284
Payables in connection with construction projects	74,543	103,593
Payables for purchase of equipment	3,765	2,323
Others	171,109	365,127
	<u>542,412</u>	<u>756,502</u>

As of the end of the reporting period, the ageing analysis of trade and bills payables and payables to import agents (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 3 months	153,348	106,116
More than 3 months but less than 6 months	14,237	132,084
More than 6 months but less than 1 year	57,758	8,778
More than 1 year	4,606	3,814
	<u>229,949</u>	<u>250,792</u>

Trade and bills payables and payables to import agents are expected to be settled within one year or are repayable on demand. The maturity analysis of these payables is as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Due within 1 month or on demand	91,371	164,315
Due after 1 month but within 3 months	85,136	–
Due after 3 months but within 6 months	53,442	86,477
	<u>229,949</u>	<u>250,792</u>

At 30 June 2016, bills payable amounting to \$71,304,000 (31 December 2015: \$159,597,000) have been secured by deposits placed in banks with an aggregate carrying value of \$71,410,000 (31 December 2015: \$158,093,000).

At 30 June 2016, bills payable amounting to \$4,212,000 (31 December 2015: \$nil) have been secured by bills receivables with an aggregate carrying value of \$4,212,000 (31 December 2015: \$nil).

## 15 SENIOR NOTES

	<b>30 June 2016 \$'000</b>	31 December 2015 \$'000
Senior notes due in 2016	–	2,388,573

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US\$500,000,000 (“**Senior Notes**”) and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears. During the year ended 31 December 2012 and 2013, the Group repurchased Senior Notes in an aggregate principal amount of US\$190,690,000 in the open market. The outstanding Senior Notes with principal amount of US\$309,310,000 matured on 8 April 2016.

During the year ended 31 December 2015, the Group did not make the scheduled interest payments of US\$13.15 million in relation to the Senior Notes which fell due on each of 8 April 2015 and 8 October 2015, respectively (“**Interest Payment**”). The Group has defaulted on outstanding Senior Notes amounting to US\$309,310,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the Interest Payment under the terms of the indenture, as amended and supplemented.

On 25 November 2015, the Company, certain of its subsidiaries and certain of the holders of the Senior Notes (“**Bondholders**”) entered into a restructuring support agreement (“**Restructuring Support Agreement**”), pursuant to which such Bondholders agreed to support the proposed restructuring of the outstanding Senior Notes (“**Debt Restructuring**”) to be implemented through schemes of arrangement under section 179A of the Business Companies Act of the British Virgin Islands (2004) (“**BVI Scheme**”) and sections 673 and 674 of the Companies Ordinance (Cap. 622) (as amended) as applicable in Hong Kong (“**Hong Kong Scheme**”) (collectively “**Schemes**”).

The Debt Restructuring was consisted of a redemption of the outstanding Senior Notes and Interest Payments and all accrued, scheduled interest payments up to the date of the settlement at a discount, with Bondholders accepting a combination of (i) cash consideration of US\$50 million minus a consent fee in a total amount equal to 2% of the outstanding principal and accrued but unpaid interest in respect of the Senior Notes as at the date of the Restructuring Support Agreement (“**Consent Fee**”), and a success fee payable to Houlihan Lokey (China) Limited (“**Houlihan Lokey**”) which was appointed to act as the financial advisor to the Bondholders (“**Cash Consideration**”); (ii) new ordinary shares of the Company allotted and issued to the Bondholders representing not less than 18.75% of the total issued shares on a fully diluted basis upon completion of the Debt Restructuring (“**Scheme Shares**”); and (iii) certain contingent value rights (“**CVRs**”) which would give rise to a one-off payment of US\$10 million to the Bondholders upon the occurrence of a triggering event that is the Company’s adjusted profit before taxation in any of the 5 years from the issue date of the CVRs exceeding US\$100 million (“**Triggering Event**”).

The Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue (“**Rights Issue**”) (see note 16(b)(ii)).

On 23 June 2016, all Scheme Conditions (as defined in the prospectus published by the Company on 31 May 2016 (“**Prospectus**”)) were satisfied and the Debt Restructuring became effective.

As disclosed in note 16(b)(ii), on 28 June 2016, a total number of 322,706,001 Initial Scheme Shares (as defined in note 16(b)(ii)) were allotted and issued to the Initial Bondholders (as defined in note 16(b)(ii)) and the remaining 243,273,777 Scheme Shares will be allotted and issued to the Participating Bondholders (as defined in note 16(b)(ii)) on the final distribution date, which is expected to be on 7 October 2016 (“**Final Distribution Date**”).



At the Debt Restructuring effective date on 23 June 2016, the carrying value of the Senior Notes including accrued interest was amounted to approximately \$2,721,014,000. The fair value of the consideration to settle the Senior Notes was cash consideration of US\$50 million (equivalent to approximately \$388,194,000) and the fair value of 565,979,778 Scheme Shares of approximately \$305,629,000 based on the closing price of the Company's shares as traded in The Stock Exchange of Hong Kong Limited on 23 June 2016 of \$0.54 per share. The excess of carrying value of the Senior Notes over the fair value of the consideration to settle the Senior Notes, amounting to approximately \$2,027,191,000, has been recognised by the Group as a gain on Debt Restructuring of Senior Notes and credited to profit or loss for the six months ended 30 June 2016. There were no Senior Notes outstanding as at 30 June 2016.

The directors of the Company are of the opinion that the fair value of the CVRs is considered to be immaterial for further disclosure due to the probability of the occurrence of the Triggering Event is remote.

For the six months ended 30 June 2016, interest on the Senior Notes of \$76,852,000 and expenses incurred in relation to the Debt Restructuring of \$65,181,000 (as included in Administrative expenses) have been charged to the profit or loss.

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the interim period

There is no interim dividend declared attributable to the six months ended 30 June 2016 (six months ended 30 June 2015: \$nil).

#### (ii) There is no dividends payable to equity shareholders of the Company attributable to previous financial year, approved and paid during the six months ended 30 June 2016 (six months ended 30 June 2015: \$nil).

### (b) Share capital

	At 30 June 2016 No. of shares '000	At 31 December 2015 No. of shares '000
<b>Authorised:</b>		
Ordinary shares with no par value	<u>6,000,000</u>	<u>6,000,000</u>

	2016		2015	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<b>Ordinary shares, issued and fully paid:</b>				
Existing shares at 1 January	3,773,199	4,992,337	3,773,199	4,992,337
Share consolidation ( <i>note i</i> )	(3,584,539)	–	–	–
Rights Shares issued under rights issue ( <i>note ii</i> )	565,980	383,546	–	–
Anti-dilution Shares issued under rights issue ( <i>note ii</i> )	968,114	–	–	–
Scheme Shares issued under Debt Restructuring ( <i>note iii</i> )	322,706	174,261	–	–
At 30 June 2016/31 December 2015	<u>2,045,460</u>	<u>5,550,144</u>	<u>3,773,199</u>	<u>4,992,337</u>

Notes:

(i) *Share consolidation*

Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 16 May 2016, the share consolidation of every twenty issued ordinary shares of the Company into one ordinary share of the Company (the “Consolidated Share”) became effective on 18 May 2016.

(ii) *Shares issued under rights issue*

As disclosed in note 15, the Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue (“Rights Issue”) which was on the basis of three rights shares (“Rights Shares”) for every one Consolidated Share held on the record date at the subscription price of \$0.69 per rights share. As a mechanism to counter the dilutive effect of the issue of the Scheme Shares under the Debt Restructuring, three anti-dilution shares will be issued for no further consideration for each Rights Share subscribed (“Anti-dilution Shares”).

As stated in the Prospectus as updated by the supplemented announcement dated 24 August 2016, the Scheme Shares would be distributed on two separate dates under the terms of the Schemes:

- (a) on 28 June 2016 (“**Initial Distribution Date**”), a proportion of the Scheme Shares would be distributed among all Bondholders that have submitted a claim in the Schemes by the initial scheme consideration deadline on 17 May 2016 (the “Initial Bondholders”); and
- (b) On 7 October 2016 (“**Final Distribution Date**”), the remainder of the Scheme Shares will be distributed among those Bondholders that have submitted a claim in the Schemes by 23 September 2016 (including the Initial Bondholders) (the “Participating Bondholders”).

The Anti-dilution Shares to be issued and allotted on the Initial Distribution Date (“**Initial Anti-dilution Shares**”) would be allotted and issued in the same proportion to the total Anti-dilution Shares as the Scheme Shares to be issued and allotted on the Initial Distribution Date (“**Initial Scheme Shares**”) bear to the total number of Scheme Shares.

On 28 June 2016, a total number of 565,979,778 Rights Shares have been allotted and issued at the subscription price of \$0.69 per Rights Share for net proceeds of \$383,546,000 which has been credited to share capital account, and a total number of 322,706,001 Initial Scheme Shares have been allotted and issued to the Initial Bondholders in accordance with the terms of the Schemes on the Initial Distribution Date. Accordingly, 968,114,195 Initial Anti-dilution Shares (of a total number of 1,697,939,334 Anti-dilution Shares) has been allotted and issued for distribution on the Initial Distribution Date to qualifying shareholders allotted and issued Rights Shares. The remaining 729,825,139 Anti-dilution Shares will be allotted and issued to the qualifying shareholders allotted and issued Rights Shares on the Final Distribution Date when the remaining 243,273,777 Scheme Shares will be allotted and issued to Participating Bondholders.

(iii) *Scheme Shares issued under Debt Restructuring*

As disclosed in note (ii), on 28 June 2016, a total number of 322,706,001 Initial Scheme Shares have been allotted and issued to the Initial Bondholders in accordance with the terms of the Schemes on the Initial Distribution Date. In accordance with relevant Business Companies Act of the British Virgin Islands, the cumulative fair value recognised on the effective date of the Debt Restructuring of \$174,261,000 has been transferred from scheme shares reserve account to share capital account.

**(c) Equity settled share-based transactions**

The Company has a share option scheme (the “2014 Scheme”) which was adopted on 22 July 2014 (the “2014 Adoption Date”) whereby the directors of the Company are authorised, at their direction, to invite employees of the Group including directors of any company of the Group, to take up options at \$1 consideration to subscribe for shares of the Company. The options will vest every six months over a period of four years commencing from 1 October 2014 (the “2014 Initial Vesting Date”) in equal portions (12.5% each) on the first day of each six-month period after the 2014 Initial Vesting Date and are exercisable during the relevant period to the extent the share options have vested until 5 years commencing from the date of grant at a fixed subscription price. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

- (1) The number of options granted to directors and management in 2014 are 46,000,000 and 65,400,000 respectively, whereby all options are settled by physical delivery of shares.
- (2) The number and weighted average exercise prices of share options are as follows:

	<b>2016</b>	
	<b>Weighted average exercise price</b>	<b>Number of options</b>
Outstanding at 1 January	<b>\$0.420</b>	<b>36,525,000</b>
Exercised during the period	<b>\$0.420</b>	–
Expired during the period	<b>\$0.420</b>	<b>(36,525,000)</b>
Forfeited during the period	<b>\$0.420</b>	–
	<hr/>	<hr/>
Outstanding at 30 June	–	–
	<hr/>	<hr/>
Exercisable at 30 June	–	–
	<hr/>	<hr/>

On 1 March 2016, all the outstanding options under the 2014 Scheme were cancelled by the Company, in accordance with the terms which stipulated in 2014 Scheme that the board of directors of the Company may at any time terminate this 2014 Scheme.

## EXTRACT OF REVIEW REPORT

The below sections set out an extract of the report by KPMG, the auditor of the Company, regarding the interim financial report of the Group for the six months ended 30 June 2016.

### **Basis for Qualified Conclusion**

#### *(a) Impairment of other investments in equity securities*

As disclosed in note 12 to the interim financial report, as of 30 June 2016, the Group continues to make a full impairment provision of \$245,700,000 (31 December 2015: \$250,656,000) against the Group's investments in certain of these companies, having taken into account the investees' poor financial performance since 2015, worsening of financial results during the six months ended 30 June 2016, and other indicators of impairment. We qualified our auditor's report dated 22 April 2016 on the Group's financial statements for the year ended 31 December 2015 in respect of a limitation in the scope of our audit relating to this impairment loss provision. Given the inherent limitations in the scope of our review, which is by definition substantially less than an audit, we continue to be unable to reach a conclusion as to whether the directors' judgement in this matter is appropriate and therefore whether the amount of this impairment loss provision is, or is not, in accordance with the applicable accounting framework.

Any decrease in the impairment losses recognised against other investments in equity securities would affect the net assets of the Group as at 30 June 2016 and could also affect the Group's profit for the six months then ended, opening balance of accumulated losses as at 1 January 2016 and net liabilities as at 31 December 2015 and the related disclosures in the interim financial report.

#### *(b) Impairment of loan due from a third party*

As disclosed in note 13 to the interim financial report, as at 30 June 2016, the Group had an outstanding loan due from Moveday Enterprises Limited ("Moveday") of US\$15.5 million (equivalent to approximately \$120,316,000) (31 December 2015: US\$20.4 million (equivalent to approximately \$158,075,000)). As at 30 June 2016, the Group continues to make an impairment provision of \$120,316,000 (31 December 2015: \$120,189,000) having taken into account information about the adverse financial and operating circumstances of Moveday since 2015, and lack of significant improvement over its financial and operating circumstances during the six months ended 30 June 2016, but not the possibility of any recovery that may be achieved in future through re-negotiation of the terms of the loan or alternative forms of settlement in kind. We qualified our auditor's report dated 22 April 2016 on the Group's financial statements for the year ended 31 December 2015 in respect of a limitation in the scope of our audit relating to this impairment loss provision. Given the inherent limitations in the scope of our review, which is by definition substantially less than an audit, we continue to be unable to reach a conclusion as to whether the directors' judgement in this matter is appropriate and therefore whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework.

Any decrease in the impairment losses recognised against this loan balance due from Moveday would affect the net assets of the Group as at 30 June 2016 and could also affect the Group's profit for the six months then ended, opening balance of accumulated losses as at 1 January 2016 and net liabilities as at 31 December 2015, and the related disclosures in the interim financial report.

### **Qualified Conclusion**

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

### **Emphasis of Matter**

Without further qualifying our conclusion, we draw attention to note 2 to the interim financial report which describes that the Group has a net cash outflow of \$736,740,000 in respect of operating activities for the six months ended 30 June 2016. These conditions, along with other matters as set forth in note 2 to the interim financial report, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the validity of which depends upon the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. The interim financial report does not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **I. FINANCIAL HIGHLIGHTS**

In the first half of 2016, the Group recorded consolidated revenue of HK\$4,703 million, mainly derived from 7.14 million tonnes of coal sales, and 148,000 tonnes of petrochemical products sales. Amongst coal sales, 5.36 million tonnes were seaborne coal, 1.76 million tonnes were Mongolian coking coal, 19,000 tonnes were Mongolian thermal coal. While in the corresponding period of 2015, consolidated revenue from continuing operations of HK\$3,396 million, mainly derived from 4.31 million tonnes of coal sales, of which 3.83 million tonnes were seaborne coal, 0.24 million tonnes were Mongolian coking coal, 0.17 million tonnes were Mongolian thermal coal and 0.07 million tonnes were self-produced coal.

For the first half of 2016, the Group achieved a gross profit of HK\$267 million compared to a gross profit of HK\$115 million during the same period of last year. The profit was mainly generated by trading of seaborne coal and Mongolian coking coal products.

Overall, the Group incurred a consolidated net profit of HK\$2,000 million during the first half of 2016 compared to a net loss of HK\$1,783 million during the first half of 2015, the significant generated profit mainly came from a gain of HK\$2,027 million from the Debt Restructuring (as defined below), the commodity market rebound and continued efforts in cost cutting as well as greater business volume. Without considering the financial impact from the gain on Debt Restructuring, professional expenses incurred for the Debt Restructuring as well as the interest payment in connection with the Senior Notes (as defined below), the net profit generated from operational activities is HK\$115 million.

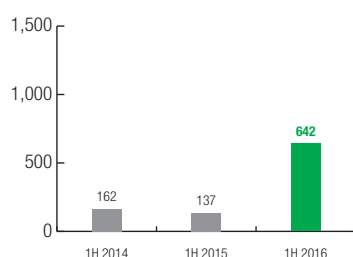
	<b>Amount</b> (HK\$'million)
Net profit:	2,000
Excluding:	
Gain on Debt Restructuring	(2,027)
Professional expenses	65
Bond interest	77
Adjusted net profit	115

## II. MONGOLIAN COAL PROCUREMENT

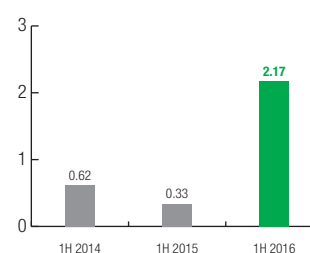
In the first half of 2016, the Group procured a total of 2.17 million tonnes of Mongolian coal, a sharp increase from the 0.33 million tonnes procured during the same period last year. With coal price picking up in the first half of 2016, Mongolian coal has some advantages compared to domestic coal and seaborne coal, so that the Company has adjusted its marketing strategy and procured more Mongolian coal.

Over 90% of the Mongolian coal procurement is from East Taven Tolgoi on account of the Company having signed an offtake agreement to buy 65% of its annual production.

**Mongolian Coal Procurement Amount** (in HK\$ million)



**Mongolian Coal Procurement Volume** (MT)



## III. SEABORNE COAL PROCUREMENT

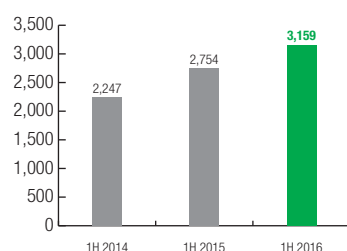
In the first half of 2016, the Group's seaborne procurement volume was approximately 5.36 million tonnes, a 40.68% increase over the 3.81 million tonnes procured during the first half of 2015. The increase stemmed principally from an improvement in the overall market leading to greater demand for the Company's products.

In the first half of 2016, the amount of coal procured from the top 5 seaborne coal suppliers was worth HK\$1,660 million, which accounted for 52.55% of the total seaborne coal procurement.

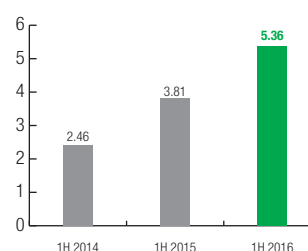
### The Group's Top 5 Seaborne Coal Suppliers

Name	Amount (HK\$' Million)
BHP Billiton	442
Peabody Energy	388
Rio Tinto Group	295
Yancoal	271
Anglo American	264
	<hr/>
Total	<u><u>1,660</u></u>

**Seaborne Coal Procurement Amount** (in HK\$ million)



**Seaborne Coal Procurement Volume** (MT)



## IV. OUR CUSTOMERS

The coal market improved, although with a degree of volatility, in the first half of 2016, the Group managed to expand into the market, benefiting from the Group's extensive reach of logistics infrastructure in northern and coastal regions of China as well as its strong sales and marketing teams' performance. Our top 5 customers accounted for 49.1% of the total sales for the first half of 2016 as compared to 59.81% attributable to the top 5 customers for the same period last year.

### The Group's Top 5 Customers

Name	Location	Amount (HK\$' Million)
Liu Steel Group	Guangxi	813
Jiujiang Group	Hebei	574
Baotou Steel	Inner Mongolia	476
Bao Steel	Shanghai	244
Anshan Steel	Liaoning	202
		<hr/>
Total		<u><u>2,309</u></u>

## V. FINANCIAL REVIEW

### a. Sales

In the first half of 2016, our revenue was HK\$4,703 million, a 38.49% increase from the same period last year.

#### *Continuing Operations*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Coking coal	<b>4,151,012</b>	3,040,528
Thermal coal	<b>2,955</b>	49,302
Coal related products	<b>763</b>	16,382
Petrochemical products	<b>410,234</b>	146,391
Steel	<b>82,360</b>	–
Coke	–	95,314
Rendering of logistics services	<b>42,374</b>	45,952
Others	<b>13,489</b>	2,453
	<b>4,703,187</b>	3,396,322

In terms of volume, the Company sold 7.14 million tonnes of coal, compared to 4.31 million tonnes during the same period last year. In terms of price, the Company's realised average selling price decreased from HK\$716 per tonne during the first half of 2015 to HK\$582 per tonne during the first half of 2016. The decrease was mainly from the lower seaborne coal selling price realized during the first half of 2016. Coking coal prices touched a recent year low in the first quarter of 2016, and then rebounded in the second quarter of 2016.

	<b>Six months ended</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Total sales</b>	<b>Average</b>	<b>Total sales</b>	<b>Average</b>
	<b>volume</b>	<b>selling price</b>	<b>volume</b>	<b>selling price</b>
		<i>(per tonne)</i>		<i>(per tonne)</i>
	<i>(tonnes)</i>	<i>(HK\$)</i>	<i>(tonnes)</i>	<i>(HK\$)</i>
Mongolian coal	<b>1,785,266</b>	<b>495</b>	409,051	475
Seaborne coal	<b>5,358,181</b>	<b>610</b>	3,829,169	740
Self-produced coal	–	–	76,752	814
Total	<b>7,143,447</b>	<b>582</b>	4,314,972	716



**b. Cost of Goods Sold (“COGS”)**

The Group incurred COGS from continuing operations of HK\$4,436 million during the first half of 2016 compared to HK\$3,282 million in the first half of 2015.

	Six months ended			
	2016	Average	2015	Average
	Total	purchase	Total	purchase
	purchase	price	purchase	price
	volume	(per tonne)	volume	(per tonne)
	(tonnes)	(HK\$)	(tonnes)	(HK\$)
Mongolian coal	2,166,194	296	334,244	410
Seaborne coal	5,355,761	590	3,808,386	723
Total	<u>7,521,955</u>	<u>505</u>	<u>4,142,630</u>	698

**c. Gross Profit**

For the first half of 2016, the Group achieved a gross profit of HK\$267 million compared to a gross profit of HK\$115 million during the same period last year. The profit margin increased significantly because the market condition improved in the first half of 2016. Management was also very cautious in managing inventory risk and very prudent in conducting transactions.

**d. Distribution Expenses**

Distribution costs represented fees and charges incurred for importing coal into the PRC and related logistics and transportation costs. Distribution costs increased from HK\$17 million for the six months ended 30 June 2015 to HK\$59 million for the six months ended 30 June 2016, due to the recovery of the coking coal market in the PRC which resulting in the increased purchases of coking coal of the Group that was sourced from Mongolia.

**e. Administrative Expenses**

Administrative expenses decreased from HK\$322 million in the first half of 2015 to HK\$123 million in the corresponding period in 2016. Without considering the one-off third-party professional expenses for the Debt Restructuring of HK\$65 million, the operational administrative expenses were HK\$257 million. Besides, the impairment of accounts and other receivables of HK\$58 million during the first half year of 2016 were reversed, while in the same period of 2015, HK\$163 million impairment loss was recognised in respect of accounts and other receivables.

**f. Net Finance Costs**

During the first half of 2016, net finance costs decreased to HK\$116 million, compared to HK\$149 million of net finance costs from continuing operations during the same period of 2015.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Interest income	<b>(10,054)</b>	(30,204)
Fair value change of derivative financial instruments	<b>–</b>	(6,604)
Finance income	<b>(10,054)</b>	(36,808)
Interest on secured bank and other loans	<b>28,176</b>	26,254
Interest on discounted bills receivable	<b>9,953</b>	3,298
Interest on Senior Notes	<b>76,852</b>	115,119
Total interest expense	<b>114,981</b>	144,671
Bank charges	<b>79</b>	4,061
Foreign exchange loss, net	<b>4,953</b>	36,659
Fair value change of derivative financial instruments	<b>5,620</b>	–
Finance costs	<b>125,633</b>	185,391
Net finance costs	<b>115,579</b>	148,583

#### **g. Net Loss and Loss per Share**

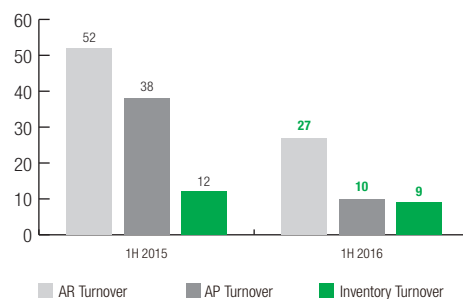
The Group achieved a net profit of HK\$2,000 million in the first half of 2016, compared to a HK\$1,783 million loss in the first half of 2015.

Basic and diluted earnings per share is HK\$2.384 for the first half of 2016 compared to a loss per share of HK\$2.266 (restated) for the first half of 2015.

#### **h. Working Capital**

Our accounts receivable turnover days, accounts payable turnover days and inventory turnover days for the first half of 2016 were 27 days, 10 days, and 9 days, respectively. The cash conversion days were 26 days, which was at the same level compared to the same period of last year.

##### **Working Capital**



**i. Property, Plant and Equipment (“PP&E”)**

The amount of property, plant and equipment was HK\$196 million at the end of June 2016, representing a 12.89% decrease over the amount at 31 December 2015 (HK\$225 million).

**j. Senior Notes**

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US\$500,000,000 (“**Senior Notes**”) and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears. During the year ended 31 December 2012 and 2013, the Group repurchased Senior Notes in an aggregate principal amount of US\$190,690,000 in the open market. The outstanding Senior Notes with principal amount of US\$309,310,000 matured on 8 April 2016.

During the year ended 31 December 2015, the Group did not make the scheduled interest payments of US\$13.15 million in relation to the Senior Notes which fell due on each of 8 April 2015 and 8 October 2015, respectively (“**Interest Payment**”). The Group has defaulted on outstanding Senior Notes amounting to US\$309,310,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the Interest Payment under the terms of the indenture, as amended and supplemented.

On 25 November 2015, the Company, certain of its subsidiaries and certain of the holders of the Senior Notes (“**Bondholders**”) entered into a restructuring support agreement (“**Restructuring Support Agreement**”), pursuant to which such Bondholders agreed to support the proposed restructuring of the outstanding Senior Notes (“**Debt Restructuring**”) to be implemented through schemes of arrangement under section 179A of the Business Companies Act of the British Virgin Islands (2004) (“**BVI Scheme**”) and sections 673 and 674 of the Companies Ordinance (Cap. 622) (as amended) as applicable in Hong Kong (“**Hong Kong Scheme**”) (collectively “**Schemes**”).

The Debt Restructuring consisted of a redemption of the outstanding Senior Notes and Interest Payments and all accrued, scheduled interest payments up to the date of the settlement at a discount, with Bondholders accepting a combination of (i) cash consideration of US\$50 million minus a consent fee in a total amount equal to 2% of the outstanding principal and accrued but unpaid interest in respect of the Senior Notes as at the date of the Restructuring Support Agreement (“**Consent Fee**”), and a success fee payable to Houlihan Lokey (“**Cash Consideration**”); (ii) new ordinary shares of the Company allotted and issued to the Bondholders representing not less than 18.75% of the total issued shares on a fully diluted basis upon completion of the Debt Restructuring (“**Scheme Shares**”); and (iii) certain contingent value rights (“**CVRs**”) which would give rise to a one-off payment of US\$10 million to the Bondholders upon the occurrence of a triggering event that is the Company’s adjusted profit before taxation in any of the 5 years from the issue date of the CVRs exceeding US\$100 million (“**Triggering Event**”).

The Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue (“**Rights Issue**”).

On 23 June 2016, all Scheme Conditions (as defined in the prospectus published by the Company on 31 May 2016 (“**Prospectus**”)) were satisfied and the Debt Restructuring became effective.

On 28 June 2016, a total number of 322,706,001 Initial Scheme Shares were allotted and issued to the initial Bondholders and the remaining 243,273,777 Scheme Shares will be allotted and issued to the Participating Bondholders on the final distribution date, which is expected to be on 7 October 2016. (“**Final Distribution Date**”).

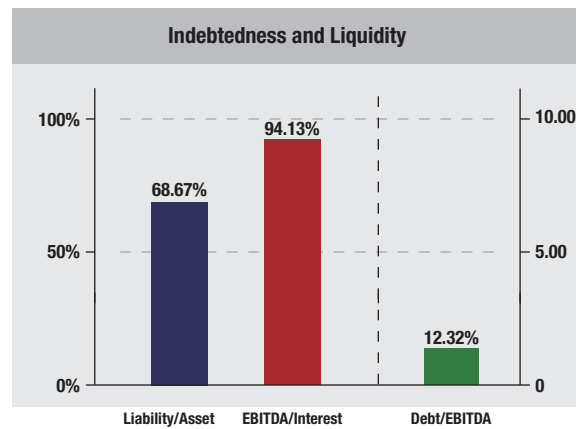
At the Debt Restructuring effective date on 23 June 2016, the carrying value of the Senior Notes including accrued interest amounted to approximately \$2,721,014,000. The fair value of the consideration to settle the Senior Notes was cash consideration of US\$50 million (equivalent to approximately \$388,194,000) and the fair value of 565,979,778 Scheme Shares of approximately \$305,629,000 based on the closing price of the Company’s shares as traded in The Stock Exchange of Hong Kong Limited on 23 June 2016 of \$0.54 per share. The excess of carrying value of the Senior Notes over the fair value of the consideration to settle the Senior Notes, amounting to approximately \$2,027,191,000, has been recognised by the Group as a gain on Debt Restructuring of Senior Notes and credited to profit or loss for the six months ended 30 June 2016. There were no Senior Notes outstanding as at 30 June 2016.

The directors of the Company are of the opinion that the fair value of the CVRs is considered to be immaterial for further disclosure due to the probability of the occurrence of the Triggering Event being remote.

For the six months ended 30 June 2016, interest on the Senior Notes of \$76,852,000 and expenses incurred in relation to the Debt Restructuring of \$65,181,000 (as included in Administrative expenses) have been charged to the profit or loss.

#### **k. Indebtedness and Liquidity**

As of 30 June 2016, our secured bank and other loans totaled HK\$1,333 million, an increase of 21.07% from the amount at the end of 2015 (HK\$1,101 million). The range of interest rates per annum for bank loans for the first half of 2016 varied from 2.87% to 5.225%, compared with a range from 1.63% to 5.35% during 2015. The Group’s gearing ratio calculated on the basis of the Group’s total liabilities divided by its total assets as of 30 June 2016 was 68.67% compared to 163.71% as of 31 December 2015.



## **l. Pledge of Assets**

At 30 June 2016, bank loans amounting to HK\$28,295,000 (31 December 2015: HK\$205,932,000) have been secured by bank deposits placed in banks with an aggregate carrying value of HK\$27,927,000 (31 December 2015: HK\$201,280,000).

At 30 June 2016, bank loans amounting to HK\$586,071,000 (31 December 2015: HK\$138,980,000) have been secured by trade and bills receivables with an aggregate carrying value of HK\$586,071,000 (31 December 2015: HK\$122,941,000).

At 30 June 2016, bank loans amounting to HK\$666,114,000 (31 December 2015: HK\$673,891,000) have been secured by land use rights and property, plant and equipment with an aggregate carrying value of HK\$535,671,000 (31 December 2015: HK\$553,567,000).

At 30 June 2016, bank loans amounting to HK\$nil (31 December 2015: HK\$81,847,000) have been secured by trade and bills receivables land use rights and property, plant and equipment with an aggregate carrying value of HK\$nil (31 December 2015: HK\$114,834,000).

At 30 June 2016, other loans amounting to HK\$52,884,000 (31 December 2015: HK\$nil) were secured by inventories with an aggregate carrying value of HK\$52,442,000 (31 December 2015: HK\$nil).

## **m. Cash Flow**

In the first half of 2016, our operating cash outflow was HK\$737 million compared to HK\$845 million cash outflow during the same period last year. As the coal market picked up and the Company engaged in more Mongolian coal transactions, more funding was needed because the Company made advance payment for the purchase of Mongolian coal.

In the first half of 2016, the Group received a cash inflow from investing activities of HK\$458 million compared to HK\$93 million cash outflow during the first half of 2015. The cash inflow from investing activities was generated mainly from the release of a cash deposit for financial products and for the issuance of letters of credit.

The Group had a cash inflow from financing activities of HK\$196 million during the first half of 2016 compared to a HK\$510 million cash inflow from financing activities during the first half of 2015. The difference is mainly due to decrease of net proceeds from bank and other loans.

## VI. EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

Approximately 75% of the Group's turnover in the first half of 2016 were denominated in United States Dollars ("US dollars") and the remaining 25% in RMB. The Group's cost of coal purchased, accounting for over 96% of the total cost of sales in the first half of 2016, and some of our operating expenses were denominated in US dollars. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as RMB is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in exchange rates may lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

## VII. HUMAN RESOURCES

### Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in each different job position. Strictly following the PRC Labor Law and Labor Contract Law, the Group signed formal employment contracts with all employees and pays all mandatory social insurances schemes to the full amount. In Hong Kong, the Group participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

Due to unfavourable operating performance, the Group reduced headcount by about 4% in the first half of 2016. As at 30 June 2016, the Group had 185 full-time employees (excluding 453 dispatch staff in the PRC subsidiaries). Detailed figures by category of employees are as follows:

<b>Functions</b>	<b>No. of Employee</b>	<b>Percentage</b>
Management, administration & finance	89	48%
Front-line production & production support & maintenance	40	22%
Sales & marketing	32	17%
Others (incl. projects, CP, transportation)	24	13%
Total	185	100%

### *Employee Education Overview*

<b>Qualifications</b>	<b>No. of employee</b>	<b>Percentage</b>
Master & above	40	22%
Bachelor	65	35%
Diploma	47	25%
Middle-school (secondary school) & below	33	18%
Total	<u>185</u>	<u>100%</u>

### *Training Overview*

Training is key to the Company to improve the employees' working capabilities and management skills. For the six months ended 30 June 2016, the Company held various internal and external training programs amounting to 612 training hours in total, and 137 employees participated in these programs.

### *Training Overview*

<b>Training Courses</b>	<b>No. of hours</b>	<b>No. of participants</b>
Safety	194	96
Management and leadership	386	154
Operation excellence	32	16
Total	<u>612</u>	<u>266</u>

## **VIII. HEALTH, SAFETY AND ENVIRONMENT**

We place great importance on the health and safety of our employees, and clearly recognize the importance of environmental protection. LTIFR, FTIR and TRCF are the keys to measure how we deliver our promises.

In the first half of 2016, the Company achieved “zero accident”, comparing to 1.14 LTIFR in 2015. No environmental accidents or occupational health accidents occurred in the first half of 2016. Some plants were temporarily idle or half shutdown due to the depressed market, but the Company paid close attention to enhancing the safety awareness of the employees by safety training and examinations.

## **IX. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.



## **X. INTERIM DIVIDEND**

No dividend was declared for the six months ended 30 June 2016.

## **XI. SIGNIFICANT EVENTS AFFECTING THE GROUP AFTER 30 JUNE 2016**

On 11 July 2016, the Board proposed to change the name of the Company from “Winsway Enterprises Holdings Limited 永暉實業控股股份有限公司” to “E-Commodities Holdings Limited 易大宗控股有限公司” (“**Change of Company Name**”) to reflect the changed company strategy as the Group started to upgrade its business from traditional bulk commodities trading, such as the trading of seaborne coal, Mongolian coal, and petrochemical products, to an integrated supply chain services platform. At the extraordinary general meeting of the Company held on 1 August 2016, the proposed special resolutions in connection with the Change of Company Name were duly passed by the shareholders of the Company. The effective date of the Change of Company Name was 23 August 2016, and Company’s stock short name is expected to be changed in due course. For further details on the Change of Company Name, please refer to the Company’s announcements dated 11 July 2016, 1 August 2016 and 31 August 2016 and the Company’s circular dated 11 July 2016.

On 18 July 2016, there were changes made to the Board and Mr. Wang Wengang was appointed as an executive Director, Mr. Guo Lisheng was appointed as a non-executive Director and Mr. Gao Zhikai was appointed as an independent non-executive Director. On the same day, Ms. Cao was appointed as the Chairman of the Company, Mr. Wang Wengang was appointed as the Chief Executive Officer of the Company and Mr. Li Yongqiang as the Chief Financial Officer of the Company. For further details on the changes to the Board after 30 June 2016, please refer to the Company’s announcement dated 18 July 2016.

## **XII. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the six months ended 30 June 2016, the Company complied with the code provisions (“**Code Provisions**”) under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the “**CG Code**”). The Company fully complied with all the Code Provisions throughout the six months ended 30 June 2016.

## **XIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code throughout the first half of 2016.



#### **XIV. REVIEW OF INTERIM RESULTS**

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2016.

#### **XV. DISCLOSURE OF INFORMATION ON THE HONG KONG STOCK EXCHANGE'S WEBSITE**

This interim results announcement is published on the websites of the Company ([www.winsway.com](http://www.winsway.com)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2016 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

By Order of the Board  
**E-Commodities Holdings Limited**  
**CAO Xinyi**  
*Chairman*

Hong Kong, 31 August 2016

*As at the date of this announcement, the executive Directors of the Company are Ms. Cao Xinyi, Mr. Wang Wengang, Ms. Zhu Hongchan and Mr. Wang Yaxu, the non-executive Director of the Company is Mr. Guo Lisheng and the independent non-executive Directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.*