WINSWAY®

WINSWAY COKING COAL HOLDINGS LIMITED
永暉焦煤股份有限公司

(Incorporated in the British Virgin Islands with limited liability)
Stock Code: 1733

2013 Annual Report

年報

WINSWAY®

永暉焦煤股份有限公司
WINSWAY COKING COAL HOLDINGS LIMITED

Content

Chairman and CEO's Statement

On behalf of the board of directors (the "Board") of Winsway Coking Coal Holdings Limited, I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

The global coking coal market has been trending downwards since 2012. In face of surging production capacity, coal demand has experienced a much slower growth due to economic restructuring in China. A plethora of coal supply means Winsway's business lines were severely challenged, and the Company incurred a second year of loss following that of 2012.

Winsway entered into the coking coal industry back in 2005. As a Mongolian coking coal importer, it quickly realised that the lack of logistic infrastructure was the bottleneck for importing primary resources from Mongolia, and thus set up cross-border facilities in several strategic locations on the Sino-Mongolian border. Together with a growing market and the first-mover advantage, the Company recorded significant profits and grew rapidly from 2008 to 2011. In the second half of 2011, the Company started to look for upstream resources with funds of approximately US$1 billion raised from its IPO in 2010 and Senior Notes issued in 2011. In 2012, the Company acquired GCC together with Marubeni Corp., which manifested the Winsway's intention to complement its logistic infrastructures with a stable source of resources supply, such topdown integration would allow Winsway to operate with higher efficiency and to expand its market share. However, given the general deterioration of global economy and sharp decrease of coking coal prices since 2012, all miners and mining-related logistic service providers, including Winsway, suffered substantial losses. Such a market downturn was beyond our expectation, and despite the Group's effort in lowering GCC's unit cost of sales from HK$1,406 per tonne to HK$1,131 per tonne, we recorded losses for a second year following 2012.

Looking back, Winsway has made several observations regarding its current business models: 1) the information asymmetry, which was essential in generating trading profits, has basically disappeared given the ever-growing transparency in information exchange; 2) the economic restructuring in China means that the skyrocketing consumption of energy and resources has become a story of the past (this can be evidenced by today's vast inventory of coking coal, thermal coal, iron ore, and other commodities).

Looking forward, Winsway is developing its strategic plan to refocus on the core logistics business by maximizing the utilization of its logistics facilities. The Company is looking for opportunities to change its role from a mine operator to a mine equity holder in order to free the Group from intense capital demand but still secure a marketing right over coal supply. The Board has begun a process to review strategic alternatives available to the Company with respect to its 60% interest in GCC.

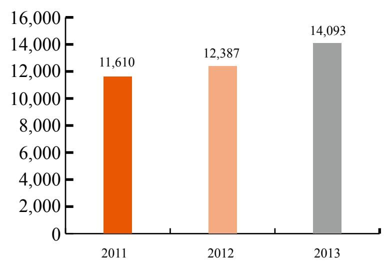
In the meantime, Winsway plans to evolve its role to become more of a service provider through a platform to provide a total supply chain solution to the greater market involving small and medium sized customers engaged in bulk commodity trading. Such a platform will be positioned to become a public platform that will base its service centers in major land to land ports and seaborne ports. With our possession of logistic infrastructures, storage facilities, expertise in trading and specialised experience in the industry, Winsway will seek to become a one-stop service center by providing integrated services proposition. Through implementing the abovementioned changes, Winsway will strive to enhance the utilization and profitability from its well-established logistics facilities. The Group will exercise care and diligence in identifying new sources of funding and selecting funding mechanism to grow the abovementioned activities.

The Board and the management of Winsway will always adhere to the principle of protecting creditors' interests and maximising shareholders' interests by acting proactively to regain profitability in a timely manner. Finally, on behalf of the Company, I would like to extend my gratitude to the efforts of all the staff of Winsway in the past year. I hope Winsway's employees will join their efforts together and create greater value in 2014.

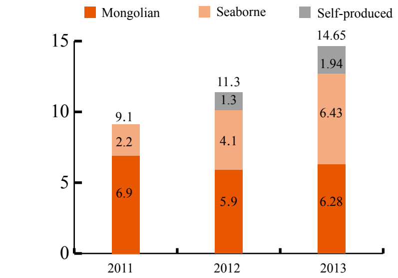
Wang Xingchun
Chairman and CEO
Winsway Coking Coal Holdings Limited

Financial Highlights

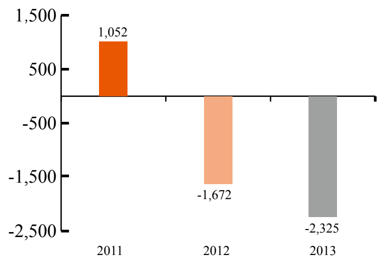
Total Revenue *(HKD in millions)*



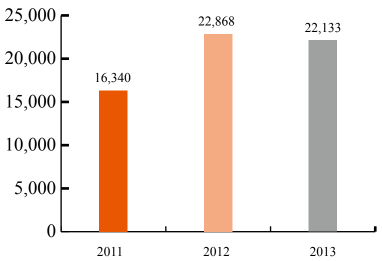
Total Sales Volume *(million tonnes)*



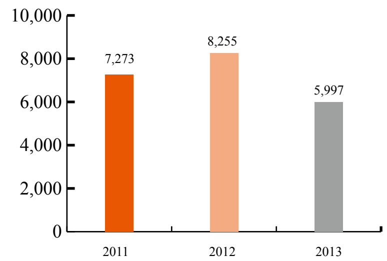
Net profit *(HKD in millions)*



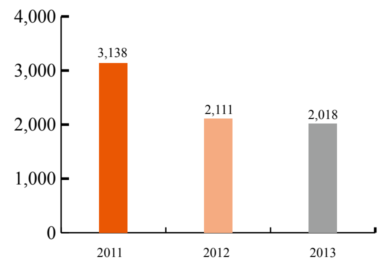
Total Asset *(HKD in millions)*



Total Equity *(HKD in millions)*



Cash Balance *(HKD in millions)*



Management Discussion and Analysis of Financial Conditions And Operating Results

The following discussion and analysis should be read in conjunction with the Group's financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

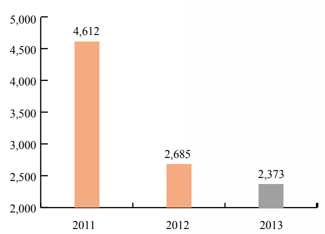
I. OVERVIEW

The year of 2013 remained challenging for the Group. The cyclical downturn in the coal industry has extended throughout the year. Over-production and lack of liquidity in the steel industry mean that individual customers are only keeping minimal level of coal inventory and buying less coal. With over-supply and lower-than-expected demand, coal prices have been driven down to a three-year low, and coal prices below marginal supply cost results in that our subsidiary, GCC LP, is also experiencing cashflow difficulties. Overall, the Group has recorded a net loss of HK$2,325 million for the year ended 31 December 2013, which represents a 39.06% increase from 2012's net loss (restated HK$1,672 million), out of which, HK$ 958 million is attributed to the impairment loss relating to GCC LP.

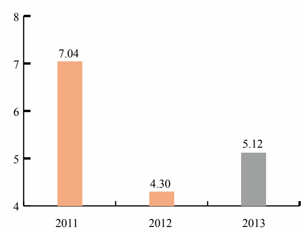
II. PROCUREMENT

In 2013, we procured a total of 5.12 million tonnes of Mongolian coal, a 19.07% increase from the volume procured in 2012 (4.30 million tonnes). With this increase in procurement volume, the Group managed to maintain its business operation in many strategically important ports, railway, and logistic parks. The Group believes that these assets would bring value to the Group and significantly increase the Group's market share once the coal sector is recovered.

Mongolian Coal Procurement Amount *(In HKD Millions)*



Mongolian Coal Procurement Volume *(MT)*



Top Mongolian Suppliers

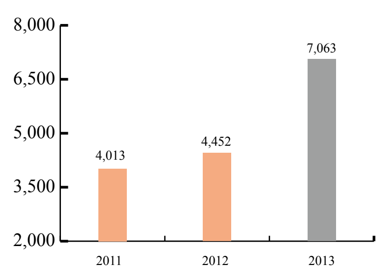
Suppliers	Description	Amount *(HK$ million)*
Mongolian Mining Corporation ("MMC")	Coal	839
Moveday Enterprises Limited ("Moveday")	Coal	541
SouthGobi Sands LLC ("SouthGobi")	Coal	313
Erdenes Tavan Tolgoi Co. ("ETT")	Coal	155

Note: Coal purchased from Moveday was mined by Tavan Tolgoi Corporation. Moveday also provided transportation services amounting to HK$303 million to Winsway in 2013. The Company has a well-diversified base of Mongolian coal suppliers.

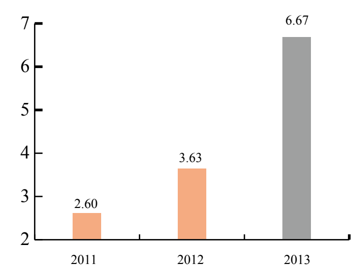
In 2013, the Group procured 6.67 million tonnes of seaborne coal, which represents an 83.75% increase over the volume procured in 2012 (3.63 million tonnes). The increase in our seaborne coal procurement was largely due to a shift in strategy: in 2013, the Group concentrated on lower margin back to back trades to increase turnover.

In terms of top seaborne coal suppliers, the Group procured coal worth of HK$1,413 million, HK$1,098 million, and HK$540 million from Yancoal Australia, BHP Billiton Marketing AG, and Peabody (Burton Coal) PTY LTD respectively. Together with MMC and Moveday, these suppliers constitute the top 5 suppliers for the Group in the year 2013.

Seaborne Coal Procurement Amount *(In HKD Millions)*



Seaborne Coal Procurement Volume *(MT)*



III. OUR CUSTOMERS

Our top 5 customers accounted for 27.65% of our total sales in 2013, whereas the same ratio was 33.09% in 2012. The less concentrated customer base is a reflection of the dampened demand from individual steel mills. The Group, on the other hand, reached out to more clients in order to increase the overall sales volume. In 2013, no individual client accounted for more than 10% of the Company's total turnover. The Group top 5 customers in terms of sales amount is listed below:

Name	Location	Amount *(HK$ million)*
Jiujiang Group	Hebei	927
Anshan Steel	Liaoning	916
Rizhao Xingyujia	Shandong	715
Shenhua Group	Beijing	691
Baotou Steel *(Note)*	Inner Mongolia	648

Note: The Company's sales to Top Seed International in 2013 were erroneously stated as HK$856 million in the annual results announcement of the Company dated 26 March 2014, but were in fact HK$567 million, making Top Seed International the sixth largest customer (instead of the third largest) of the Company for the year 2013.

IV. MINING OPERATIONS

GCC has kept operation in No.8 Surface Mine and No.12 SB2 Underground Mine in 2013, and total ROM Coal production in 2013 was 2.40 mt.

The production in No.8 Surface mine was conducted in North Pit and West Extension Pit area. A footwall in North Pit was blasted and stripped away this year to avoid sliding. No.8 Mine operated for all 12 months in 2013 and produced ROM coal of 1.23 mt.

No.12SB2 mine is the underground mine currently operating at GCC. It uses Room and Pillar mining technique. Current production is in no.7/8 coal seam, which is projected to be depleted early 2015, and after which the production will be moved to no.4 coal seam. Overall, No.12 SB2 mine operated for all 12 months in 2013 and produced ROM coal of 1.17 mt.

The Coal Handling and Processing Plant (CHPP) did not undergo any major upgrades in 2013. It operated for all 12 months in 2013 and has processed 2.35 mt tonnes of ROM coal. Some pond coal from tailing ponds was recycled this year and was blended with clean coal. The blended coal was marketed as a type of product and met relevant contractual requirements for quality.

Overall, ROM coal production for 2013 is summarised as below:

	Production Volume *(‘000 tonnes)*
Surface Mine	
Mine 8	
Raw Coal Mined — Metallurgical *(ROM)*	1,232
Underground Mine	
Mine 12SB2	
Raw Coal Mined — Metallurgical *(ROM)*	1,172
Total	**2,404**

For the year ended 31 December 2013, the Company’s subsidiary, GCC, has newly signed 30 contracts worth of around HK$184 million in total. These contracts were signed for purposes such as mine development and equipment purchases. GCC has already made payments of around HK$93 million for contracts that were signed in 2013, and of around HK$107 million that were signed before 2013. As of 31 December 2013, GCC’s outstanding committed capital expenditure to contractors amounts to approximately HK$72 million.

V. MINE DEVELOPMENT

In 2013, GCC finished Mesa Dump Phase II preparation where is used for waste dump for West Extension of No.8 Surface Mine. GCC also finished 1030 Pond to collect water from Mesa Phase II and West Extension Pit.

The development for 4 portals for 4 Seam at No.12SB2 was started in October 2013 but idled for December since winter came, and will be resumed in early summer. The underground mine 12SA mine development is in the design stage. Additional exploration and geotechnical boreholes were drilled in 2013, and mining licence application is being prepared.

Save as disclosed herein, GCC has not conducted other developments for the operation since the market downturn from 2012.

VI. RESOURCES AND RESERVES

The Group commissioned an independent technical consultant, Norwest Corporation, to update reserves and resources of GCC as of 31 Decemebr 2013 in accordance with the Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The main changes are the addition of 9D mine, conversion of 12SA from surface mining operation in 2012 report to underground operation, and adjust the 8 mine quantities based on mining progress. The following is the summary of GCC resource and reserve as of 31 December 2013.

(i) Coal Resources

Coal resource models are generated from the drillhole information through the use of cross sections and/or seam surface interpretation. Computer software has been used to translate the geologic geometry interpretations into 3D block models. The qualified person ("QP") for reserves and resources has verified the interpretation of these elements. These models form the basis of the resource numbers reported in this document. The coal resources are subdivided into categories based on Assurance of Existence using GSC Paper 88-21 and reported using the equivalent mineral resource categories specified in NI 43-101.

The coal resources with an effective date of December 31, 2013 are shown in Table 1-1 and Table 1-2 below. As no new information has been generated for the No.16, No.12 North and No. 2 mining areas since the resources were compiled in the 2012 Technical Report, and no production has occurred, these estimates have been carried over. The No.7 underground mine was completed in 2011.

This summary does not include resources from Highwall Mining, and mines include No. 1, No. 5 and No. 11 and other potential mining areas within GCC's leased land.

Table 1-1 Coal Resources, Measured and Indicated

	Measured (Mt)	Indicated (Mt)	Total (Mt)	Ash (%)	FSI
Surface Mining Area [(2)]					
No. 2 area	61.4	23.2	84.6	12.4	4.5
No. 8 area	37.1	7.5	44.6	23.2	5
No. 9 area	38.2	70.6	108.8	22.2	5
No. 12 South B2 area [(3)]	2.6	1.0	3.6	13.9	3.0
No. 12 North area	39.1	15.6	54.7	16.6	3.5
No. 16 area	56.0	20.2	76.2	13.9	3.5
Total Surface Areas	**234.4**	**138.1**	**372.5**		
Underground Area [(4)]					
No. 9 area	108.2	33.6	141.8	21.9	5
No. 12 South B2 area	3.9	6.2	10.2	13.9	3
No. 12 South A area	24.4	37.5	61.9	14.8	4
Total Underground Areas	**136.6**	**77.3**	**213.9**		
Grande Total	**371.0**	**215.4**	**586.4**		

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM).

(2) Surface mining resources estimated by GCC based on a 20:1 strip ratio cut-off and a 45 pit wall angle.

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out.

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50 m. Maximum underground extraction angle 30°; 20 m buffer from faulting, 50 m buffer from highwalls.

(5) Coal resources are inclusive of the coal reserves.

(6) The resource estimates are effective December 31, 2013 and have been prepared under supervision of Brian Klappstein, P. Geol., a Qualified Person under NI 43-101.

(7) Rounding as required by reporting guidelines may result in apparent summation differences.

Table 1-2 Summary of Inferred In-Place Coal Resources

	Inferred *(Mt)*	Ash *(%)*	FSI
Surface Mining Area (2)			
No. 2 area	6.3	23.2	5
No. 8 area	0.7	24.4	5
No. 9 area	27.5	20.5	5
No. 12 South B2 area (3)	0.5	17.9	4
No. 12 North area	2.2	21.2	3
No. 16 area	15.9	15.3	4
Total Surface Areas	**53.1**		
Underground Area (4)			
No. 9D area	20.1	20.1	5
No. 12 South B2 area	0		
No. 12 South A area	6.8	16.0	4
Total Underground Areas	**26.9**		
Grand Total	**80.0**		

Notes:

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM).

(2) Surface mining resources estimated by GCC based on a 20:1 strip ratio cut-off and a 45 pit wall angle.

(3) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out.

(4) Underground resource estimated by GCC staff. Minimum depth of cover approx. 50 m. Maximum underground extraction angle 30°; 20 m buffer from faulting, 50 m buffer from highwalls.

(5) Coal resources are inclusive of the coal reserves.

(6) The resource estimates are effective December 31, 2013 and have been prepared under supervision of Brian Klappstein, P. Geol., a Qualified Person under NI 43-101.

(7) Rounding as required by reporting guidelines may result in apparent summation differences.

(ii) Coal Reserves

To convert coal resources to coal reserves, a number of economic and technical factors must be applied. These include but are not limited to the following:

- An estimate for the long term price of metallurgical coal in the domestic and international market place; in the case of this report, CAD180 per tonne has been used, based on recently published benchmark prices;
- Operating costs associated with open pit mining, underground mining, transporting and processing the coal at the mine site;
- Overhead costs associated with marketing and transporting the finished coal product to customers;
- Overhead costs associated with administrative and technical functions relative to running a mine;
- Geotechnical parameters governing the orientation of the pit slopes, haul roads, waste dumps and other parameters associated with water flow and climate;
- Estimates for the recovery of coal and addition of dilution material during the mining and coal handling process (resulting in the Run-of-Mine estimate);
- Estimate for the recovery of coal from processing - approximately 70% - resulting in the Clean or Saleable estimate.

Using these and other factors, GCC engineers and their consultants used mining software to produce economic mine designs at the Grande Cache operation. The QP have reviewed these procedures and parameters and determined that the mine designs are valid.

The parameters used for the mine designs are based on previous operating experience and the most recent geotechnical investigations.

The QP for surface mining has determined that the assumptions previously used for the design of the No. 16, No. 12 North and No. 2 pits are still appropriate because no mining activity occured in these areas; consequently, the reported reserves for these areas have not changed.

The completion of an updated pit design based on revised economic analysis for the No. 8 along with production in 2013 resulted in a revised reserve estimate for this area. No. 12 B2 underground production in 2013 reduces the reported reserve from this area.

The No. 9 Area has been added to the reserves based on the existing exploration data base in this area of drill holes and adits dating between 1969 and 1997. All new geological models and mine designs were created to define this new reserve.

The coal reserves with the effective date of December 31, 2013 are summarised in Table 2-1 and Table 2-2 below:

Table 2-1 Summary of Proven and Probable Run-of-Mine Reserves

	Proven *(Mt)*	**Probable** *(Mt)*	**Total** *(Mt)*
Surface Mining Areas			
No. 2 Area	15.7	1.2	16.9
No. 8 Area	13.4	0.4	13.8
No. 9 Area	13.5	11.2	24.7
No. 12 North Area	31.3	12.2	43.5
No. 16 Area	19.7	9.6	29.4
Total Surface Mining	**93.6**	**34.6**	**128.3**
Underground Areas			
No. 9 Area	59.8	3.7	63.5
No. 12 South B2 Area	2.7	1.5	4.3
No. 12 South A Area	6.7	14.3	21.0
Total Underground Mining	**69.3**	**19.5**	**88.8**
Grand Total	**162.9**	**54.1**	**217.1**

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).
(2) Average ROM coal quality for reserves is reported in section 7.2 of Technical Report under the respective mining areas.
(3) Planned surface pits only.
(4) Underground ROM estimates include a mining recoveries ranging from 44% to 62%, which are inherent to multi-seam room-and-pillar operations.
(5) Both underground and surface mineable estimates include allowance for loss and dilution and are supported by mining designs as described in section 16.0 of Technical Report.
(6) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports.
(7) The reserve estimates are effective December 31, 2013 and have been prepared under the supervision of Brian Klappstein, P. Geol., a Qualified Person under NI 43-101.
(8) Rounding as required by reporting guidelines may result in apparent summation differences.

Table 2-2 Summary of Proven and Probable Saleable Coal Reserves

	Proven *(Mt)*	Probable *(Mt)*	Total *(Mt)*
Surface Mining Areas			
No. 2 Area	10.6	0.8	11.4
No. 8 Area	9.5	0.2	9.7
No. 9 Area	10.4	8.3	18.8
No. 12 North Area	22.2	8.9	31.1
No. 16 Area	14.4	7.0	21.4
Total Surface Mining	**67.1**	**25.2**	**92.4**
Underground Areas			
No. 9 Area	41.4	2.6	44.0
No. 12 South B2 Area	2.0	1.1	3.0
No. 12 South A Area	4.6	9.8	14.3
Total Underground Mining	**48.0**	**13.4**	**61.4**
Grand Total	**115.1**	**38.6**	**153.8**

Notes:

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).
(2) Total coal will be marketed as hard coking coal.
(3) Planned surface pits only.
(4) Saleable coal from Table 2-2 considers a yield of 69% based on the historic average plant yield from No.7 mine and No. 12 South B2 mines.
(5) Plant yield for the surface mineable coal varies in relation to the ROM ash content:
Plant Yield = (ROM Ash%-Plant Reject Ash%)/(Clean Coal Ash%-Plant Reject Ash%), where Plant Reject Ash = 55% to 63% depending on mine area and seam and Clean Coal Ash = 8.5%
(6) Saleable (Clean) coal reserves are a subset of and not additive to Run-of-Mine reserves.
(7) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports.
(8) The reserve estimates are effective 31 December 2013 and have been prepared under the supervision of Brian Klappstein, P. Geol., a Qualified Person under NI 43-101.
(9) Rounding as required by reporting guidelines may result in apparent summation differences.

The resource and reserve changes are mainly from:

(1) Mining operation in No.8 Surface Mine and No.12 SB2 underground Mine in 2013 resulted in reserve changes

(2) Mining design change in No.12SA Mine from original Surface to Underground

(3) New No.9 Mine includes No.9D underground and No.9 Surface

The mining design for No.12SA mine has been changed from surface to underground by Room and Pillar mining technique by Norwest Corporation in 2013, which increased reserves and extended its life of mine. The No. 12 South A Area was originally designed in 2011 as a surface operation to complete recovery of a coal reserve left un-mined by the previous operator. The geologic modeling and mining feasibility study performed by GCC and Norwest geologists in 2013 indicated preferable economics by underground mining this area. Subsequently, GCC contracted Norwest to design an underground mine plan for No.12 South A. The No. 12 South A underground operation will replace the No. 12 South B2 operation and ensure continuous coal availability and quality of underground coal. The No. 12 South A will be a Room and Pillar Mine utilizing continuous miners; projected production capacity is 1.2 mtpa ROM base. It is planned to be connected by roadways from 4 Seam of No. 12 South B2 Mine through a thrust fault, and share the surface facilities of the current 7/8 Seam underground operation and pending 4 Seam operation at No.12 South B2. An application to amend the mine permit and mine licence to cover No.12 South A underground is projected to be submitted in 2014.

Geologists from Geoprog Consulting and GCC Technical Service Department built a geologic model for No.9 Mine which was partially mined in south part by both underground and surface methods back to 1970s to 1997 by the previous mine owner Smoking River Coal. The model of No.9 Mine is based on some historic 500 borehole logs, geologic data and geologic findings via historical production. The geologic model of the No. 9D Mine within GCC's coal lease boundary covers over 90 km^2. Pre-feasibility Study for mining has been conducted in this No.9 Mine area, over 70 km^2, by both surface and underground consulting firms. No.9D Underground Mine Conceptual Feasibility Study was conducted by China Shenyang Design Research and Institute and reviewed and finalized by Norwest Corporation for the NI43-101 report.

- *No.9D Underground Mine*

  The northern part of No. 9D underground area is proposed to be by longwall operation. Room and pillar potential exists in a smaller area in the middle of the No. 9 Area, but requires additional exploration to bring these resources into the "indicated" category. The No. 9D Area is designed primarily as a fully mechanised longwall retreat mining system. The No. 9D Mine is planned to begin development in 2018 with first coal production in 2020 and longwall operations in 2022. The No. 9D Mine contains sufficient longwall reserves in the 10 Seam and 4 Seam to support a 36 year mine life.

  GCC is planning an exploration program to gain a better understanding of the coal quality, geotechnical properties, methane content and hydrologic conditions in the area planned for underground mining. Based upon the information collected from the exploration program, an engineering study is planned to be conducted to bring pre-feasibility Study level by Norwest.

- *No. 9 Surface Area*

  The No. 9 Surface mining area is in proximity to the former mined-out No. 9A, No. 9B, No. 9G and No. 9H underground operations and No. 9 West Extension, North Limb and Barrett pits. It is the potential replacement for the No. 8 Surface operation. The No. 9 Surface operation is projected to be mined by the current fleet by shovels and trucks for stripping. Raw coal from No. 9 Surface operation can be hauled to current ROM coal Pad by truck or it could be fed to the Smoky River process plant by the same proposed belt system which carries clean coal from the proposed Sheep Creek process plant. Either way raw coal will be processed at the current coal processing plant.

VII. EXPLORATION

After the Company acquired GCC together with Marubeni in 2012, GCC has conducted yearly drilling programs in several areas. Thirteen (13) core holes and four (4) air rotary holes were completed in 2013 in the No. 12 South A Area and No. 8 Area respectively, which have not been included in the resource and reserve estimates due to the time constraints of model updating.

GCC Drilling Summary

Location	Year	No. of Holes	Total Metres
No. 8 Area	2012	37	3,130
	2013	4	175
No. 12 South A	2013	13	2,518
Total GCC Drilling 2012–2013		**54**	**5,823**

(i) *No. 8 Area Drilling*

The 2013 drilling program in No.8 Area focused on confirming coal seam position and thickness. A summary of all drilling in this area is presented in the table below:

Year	Core		Rotary		Totals	
	#	*m*	#	*m*	#	*m*
2012	1	101	36	3,029	37	3,130
2013	—	—	4	175	4	175
Grand Total	**1**	**101**	**40**	**3,204**	**41**	**3,305**

(ii) *No. 12 South A Drilling*

The 2013 drilling program in No. 12 South A Area focused on collecting geotechnical samples to assess roof and floor rock conditions. A summary of all drilling in this area is presented in the table below:

Year	Core		Rotary		Totals	
	#	*m*	#	*m*	#	*m*
2013	**13**	**2,518**	—	—	**13**	**2,518**

(iii) Future Exploration Drilling

Exploration drilling in 2014 will primarily focus on the No. 2 Mine surface mining area, No. 8 Mine West and the northwestern extent of the No. 12 South B2 East Extension underground mining area.

Geotechnical and horizontal in-seam coring will also be required in 2014 to support design and mine license application for the proposed No. 7 highwall mining operations.

Future exploration work between 2015 and 2017 will focus primarily on resource development in the following areas:

- No. 9D Mine — Underground Mining Operation;
- No. 9 Mine West Extension — Surface Mining Operation;
- No. 2 Mine Muskeg Pit and Barrett South — Surface Mining Operation; and,
- No. 16 Mine — Surface Mining Operation

VIII. EXPENDITURES

Major projects run by GCC in 2013 are:

(1) 1030 Pond Construction
(2) No.4 Seam Portal Development for No.12 SB2 Mine
(3) Equipment Heavy Duty Maintenance
(4) Purchase of 2 new underground transportation vehicles, known as scoops, and refurbishing 4 others
(5) Washing plant sieve bent modifications
(6) 12SA mine engineering work, and highway overpass bridge rehabilitation

GCC also purchased some equipment to support the production in both surface and underground, the list of equipment is set out in table of this section.

Expenditure to all projects in 2013 is $93 million as summarised below:

Projects	Status	2013 Expenditure *HKD'000*	Remark
8 North Service Truck	In process	1,091	New Equipment
Used Fire Truck for site	Finished	228	New Equipment
830E Light Weight Dump Bodies	In process	2,190	New Equipment
Skid Steer 242B3	In process	368	New Equipment
Power Module for #1344 Haul Truck	In process	3,937	New Equipment
777 Coal Dump Bodies (4) units	In process	5,320	New Equipment
60 Ft Knuckle Boom manlift	In process	531	New Equipment
CAMS for Reject Haul	In process	14	New Equipment
Northern Trailer - 8 trailer units	In process	3,541	New Equipment
1*ZX870LC5 backhoe replacing 2*PC600 for coal seam	In process	6,761	New Equipment
sub-total		23,981	
Methane Gas Investigation (GCC Incident No. OP-12-91	Finished	145	Mine Service study
Cadomin Dump Instrumentation Program	In process	91	Mine Service Study
No.9 Mine Underground Pre-FSR by Shenyang Design Institute	In process	240	Mine Service Study
sub-total		476	
DST Model 35-S Permissible Diesel Scoop & Sandvick LHD Repower	In process	11,435	Equipment Maintenance
sub-total		11,435	
No.12 South B2 UG 4Seam Portal Dev-Phase 1A	In process	19,967	Mine Development
No. 12 South B2 UG 4 Seam Portal Dev Phase 1B	In process	5,185	Mine Development
2013-8 Mine-North Pit Footwall Project	In process	4,049	Mine Development

Projects	Status	2013 Expenditure *HKD'000*	Remark
sub-total		29,201	
2013 Exploration Drilling Program-No. 12SA Area	In process	6,701	Exploration
sub-total		6,701	
Storm Drainage Ditches, Decants and Setting Ponds	In process	837	Mine Infrastructure
1030 Pond Remediation&Mitigation	In process	6,132	Mine Infrastructure
Pond 1030 Construction	In process	8,011	Mine Infrastructure
1030 Pond Remediation and Mitigation	Finished	114	Mine Infrastructure
Repair BF80757 Overpass Bridge over Highway 40	In process	2,492	Mine Infrastructure
sub-total		17,586	
Spiral feed desliming project	In process	3,456	Plant Maintenance
sub-total		3,456	
		92,836	

Some equipment and projects will have continuous payment obligations in 2014 or beyond.

IX. FINANCIAL OVERVIEW

(i) Sales

In 2013, our sales revenue was HK$14,093 million, a 13.77% increase over 2012's turnover of HK$12,387 million. Amid weak coking coal market, the Group lowered its profit margin target in exchange for higher turnover.

	Year ended 31 December		
	2011	2012	**2013**
	HK$'000	*HK$'000*	***HK$'000***
Turnover			
Mongolian coal	7,249,444	5,419,774	**4,706,957**
Seaborne coal	3,776,550	5,239,075	**6,975,326**
Self-produced coal	—	1,680,497	**2,043,395**
Others	584,419	48,059	**367,568**
Total	11,610,413	12,387,405	**14,093,246**

In terms of volume, the Group sold a total of 14.65 million tonnes of coal, which includes 6.28 million tonnes of Mongolian coal, 6.43 million tonnes of seaborne coal, and 1.94 million tonnes of self-produced coal. The increase in the Group's trading volume manifested its determination to maintain market share despite the weak coal market, and higher volumes also ensure that the Group's infrastructure and logistic-related assets are well maintained and utilised.

A detailed breakdown of the Group's sales volume and average selling price is shown below:

	Year ended 31 December					
	2011		2012		**2013**	
	Total sales volume *(tonnes)*	Average selling price *(HK$/tonne)*	Total sales volume *(tonnes)*	Average selling price *(HK$/tonne)*	**Total sales volume *(tonnes)***	**Average selling price *(HK$/tonne)***
Mongolian coal	6,918,383	1,048	5,895,441	919	**6,275,173**	**750**
Seaborne coal	2,170,995	1,740	4,080,637	1,284	**6,428,698**	**1,085**
Self-produced coal	—	—	1,332,285	1,261	**1,942,882**	**1,052**
Total	9,089,378	1,213	11,308,363	1,091	**14,646,753**	**937**

(ii) Cost of Goods Sold ("COGS")

The increase of COGS in 2013 was primarily due to increased sales volume. COGS primarily consists of the purchase price, transportation costs of Mongolian coal from the Sino-Mongolian border to our washing plants, washing-related costs, as well as the production cost of GCC mines.

In 2013 the average purchase price of Mongolian coal decreased 25.76%, from HK$625 per tonne in 2012 to HK$464 per tonne, and the average purchase price of seaborne coal also decreased by 13.63%, from HK$1,225 in 2012 to HK$1,058 per tonne in 2013.

Procurement

	Year ended 31 December					
	2011		2012		**2013**	
	Total purchase volume *(tonnes)*	Average purchase price *(HK$/tonne)*	Total purchase volume *(tonnes)*	Average purchase price *(HK$/tonne)*	**Total purchase volume** ***(tonnes)***	**Average purchase price** ***(HK$/tonne)***
Mongolian coal	7,043,057	655	4,298,203	625	**5,118,287**	**464**
Seaborne coal	2,599,308	1,544	3,633,990	1,225	**6,674,078**	**1,058**
Total	9,642,365	894	7,932,193	900	**11,792,365**	**800**

The cost of sales of GCC was determined by strip ratio, production level, coal haul volume, and washing yield. In 2013, the Group has made considerable amount of effort to push down the production cost at GCC. The cost of sales in GCC on a per tonne basis decreased 19.56% from HK$1,406 to HK$1,131. The per-tonne GCC cost of sales is calculated on the basis of dividing total cost of sales by sales volume, clean coal, raw coal and pond coal all included in the sales volume.

Breakdown for the cost of sales (per tonne) of GCC

	Year ended 31 December 2012 *(HK$)* (Restated)	**Year ended 31 December 2013** ***(HK$)***
Cost of product sold	925	**673**
Distribution costs	217	**228**
Depreciation and depletion	264	**230**
	1,406	**1,131**

(iii) Gross Loss

The Group recorded a gross loss of HK$464 million in 2013, compared to a gross loss of HK$133 million (restated) recorded in 2012. Despite the Group's effort to lower production cost at GCC and to focus on back to back trading, the growing gross loss as a percentage of sales realised by the Group simply reflected the decrease in coking coal prices and the overall bearish sentiment in the industry throughout 2013.

(iv) Administrative Expenses

In the midst of cyclical downturns and a weak market, the Group has tried its very best to reduce discretionary spending and all administrative-related expenses. Administrative expenses were HK$458 million in 2013, which represents a 23.79% drop if compared to HK$601 million of administrative expenses incurred in 2012. On the other hand, administrative expenses as a percentage of revenue was only 3.25% in 2013, about 32.99% down from the same figure in 2012, which was 4.85%.

(v) Net Finance Income/Costs

The Company launched during the second half of 2013 a Tender Offer to buy back its Senior Notes in the open market. After the deal was closed in October, the Company recognised in its accounts a one-off finance income of HK$592 million related to gain on redemption of Senior Notes for the year ended 31 December 2013 (2012: HK$56 million). Taking into account these gains, the Group recorded in total a net finance income of HK$16 million in 2013, compared to net finance costs of HK$627 million in 2012. In 2013, our subsidiary GCC contributed net finance costs of HK$257 million to the Group's total finance-related expenses.

	2012 *HK$'000*	**2013** ***HK$'000***
Interest income	(88,809)	**(123,338)**
Gain on redemption of Senior Notes	(55,601)	**(592,495)**
Foreign exchange gain, net	(42,422)	**(145,857)**
Finance income	(186,832)	**(861,690)**
Interest on secured bank loans wholly repayable within five years	303,357	**338,657**
Interest on discounted bills	122,714	**162,414**
Interest on Senior Notes	328,769	**301,905**
Interest on finance lease obligations	37,724	**20,553**
Less: interest expense capitalised into construction in progress	(8,739)	**—**
Total interest expense	783,825	**823,529**
Bank charges	27,916	**37,581**
Fair value change of derivative financial instruments	2,215	**(15,794)**
Finance costs	813,956	**845,316**
Net finance (income)/costs	627,124	**(16,374)**

(vi) Net Loss and Loss per share

Net loss totaled HK$2,325 million in 2013, a 39.06% increase from net loss incurred in 2012 (restated: HK$1,672 million). Net loss per share (diluted) was HK$0.474 for 2013, compared to HK$0.395 loss per share (diluted) (restated) incurred in 2012.

(vii) Property, Plant and Equipment ("PPE")

The aggregate value of fixed assets and construction in progress was HK$4,411 million at the end of 2013, a 0.59% decrease from the aggregate value of HK$4,437 million (restated) at the end of 2012. The Group was prudent in making capital expenditures and has managed to save costs related to equipment maintenance. However, due to unfavorable outlook in the coal industry, an impairment loss of HK$148 million was recorded for the year ended 31 December 2013. The impairment loss was provided based on value in use calculations of relevant assets of the Group's coal processing facilities located in Longkou, Yingkou and Ejinaqi of the PRC respectively. These facilities were constructed and have been out in use since 2011 and 2012, and the carrying value of relevant facilities (before impairment) is HK$309,951,000 (exclusive of land use rights and buildings) in the consolidated financial statements of the Group as at 31 December 2013. The value in use calculations for impairment purposes is prepared by the management using forecasts and assumptions as they consider reasonable under current market circumstances. The impairment reflects the unfavorable future prospects of the coking coal business and low utilization of relevant processing facilities.

The key parameters and assumptions used in the estimation of value in use at 31 December 2013 are as follows:

- Discount rate: discount rate of 10.17% (pre-tax rate of 11.27%) was applied to the future cash flows. This discount rate is derived from the Company's WACC, with appropriate adjustments made to reflect the risk specific to relevant assets;

- Utilization rate of the coal processing facilities (except Ejinaqi (note)): 10%-35%;

- Gross profit margin (except Ejinaqi (note)):2%-6%;

Note: the equipment of Ejinaqi coal processing facilities has become obsolete and management have provided full impairment on the carrying value except for the residual value estimated to be recovered through scrap sales.

(viii) GCC related impairment

- *GCC impairment — Goodwill*

  When the Company acquired GCC in 2012, a goodwill was recognized in the Group's consolidated statement of financial positions. In 2013, GCC management has assessed the goodwill given the weakened coal market, and has concluded that an impairment loss of HK$460 million, representing the whole amounts of outstanding goodwill, should be impaired.

- *GCC impairment — Mining rights*

  In 2013, the Group also recorded an impairment loss of HK$498 million against its intangible assets comprised mainly of 18 mining licenses held by GCC. The amount of impairment loss was determined using the same value in use model that GCC's management used for the assessment of goodwill, and assumptions about selling prices are based on external forecasts, whereas forecasts of operating costs are based on detailed mine plans which take into account all relevant characteristics of the coal seam. The Group also engaged Norwest to issue an updated NI43-101 report to update reserves and resources situation at GCC, and these updated numbers were taken into account in the model as well. Overall, the management considers such an impairment loss charged against GCC's intangible assets a fair reflection of the current market trends and managerial and operational situations at GCC. A discount rate of 8.5% was adopted in the financial forecast model.

Regarding the impairment, the management has obtained support from external third party consultants using forecasts and assumptions as they consider reasonable under current market circumstances. The impairment reflects the unfavorable future prospects of the coking coal business and the continuous losses incurred by GCC during the recent two years.

The key parameters and assumptions used in the estimation of value in use at 31 December 2013 are as follows:

- *Life of mine*

  Life of mine is estimated to be 34 years (until 2047) based on long-term mining plans and latest reserve information.

- *Coal selling price*

  the prices are building on past experience of the industry and consistent with external sources. The short-term coal prices are estimated with reference to median price forecasts of benchmark Australian hard coking coal ("BAHCC") gathered by Bloomberg from investment bank analysts. The long-term coal prices are estimated with reference to the price forecast of BAHCC made by an external industry consultant Wood Mackenzie. The prices from these external sources are appropriately discounted to reflect the quality difference between GCC's coking coal and BAHCC. The short-term coal price assumptions for the next five years range from US$120 to US$172 per tonne. The estimated long-term coal prices, adjusted for the place of delivery, beyond the fifth year of US$175 to US$202 and US$66 per tonne for hard coking coal and thermal coal respectively have been used to estimate future revenues. GCC's average coking coal selling price for 2013 is US$120 per tonne.

- *Production volume*

  Estimated production volumes are based on detailed life-of-mine plans and take intoaccount development plans for the mines agreed by management as part of the long-termplanning process. The annual production volume of coking coal during the forecast periods ranges from 1.5 million tonnes to 4.5 million tonnes with a total of 110 million tonnes. GCC's production volume of coking coal for 2013 is 1.9 million tonnes.

- *Costs*

  Costs are estimated over the life-of-mine consistent with mining plans and with reference to historical cost information. The unit cash operating cost(including production cost and distribution cost) during the forecast periods range from US$91 to 131 per tonne. GCC's unit cash operating cost for 2013 is US$131 per tonne.

- *Discount rate*

  A discount rate of 8.50% (pre-tax rate of 8.80%)is applied to the future cash flows. This discount rate is derived from GCC's weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to GCC.

(ix) Inventory & Inventory Impairment

At the end of 2013, the Group held in inventory HK$1,231 million worth of coal products, HK$20 million worth of coal related products, and HK$112 million worth of low value consumables and spare parts. In terms of tonnage, the Group held in inventory 195 thousand tonnes of seaborne coal, 1,553 thousand tonnes of Mongolian coal, and 774 thousand tonnes of self-produced coal.

Overall, the Group held inventory of HK$1,363 million at the end of 2013, this represents a 44.23% drop from its 2012 end value of HK$2,444 million. This decrease in inventory is consistent with the Group's mid to long-term strategy of inventory-cutting in this weak coal market.

As of 31 December 2013, HK$250 million of inventories provision was recorded by the Group against its inventory to reflect its net realisable value at year end 2013.

(x) Senior Note Buyback

The Company launched on 21 August 2013 a Tender Offer to buy back its 8.5% Senior Notes from the open market. To cater to different investment needs, the Company has structured the Tender Offer with three options that allow investors to: 1) receive 45 cents in cash in return for every $1 of bonds tendered, plus 2.5 cents in cash as consent payment (and agree to certain amendments to the indenture); or 2) receive 35 cents in cash and retain 25 cents notional value of bonds for every $1 dollar tendered, plus 2.5 cents in cash as consent payment; or 3) receive 2.5 cents in cash as consent payment only.

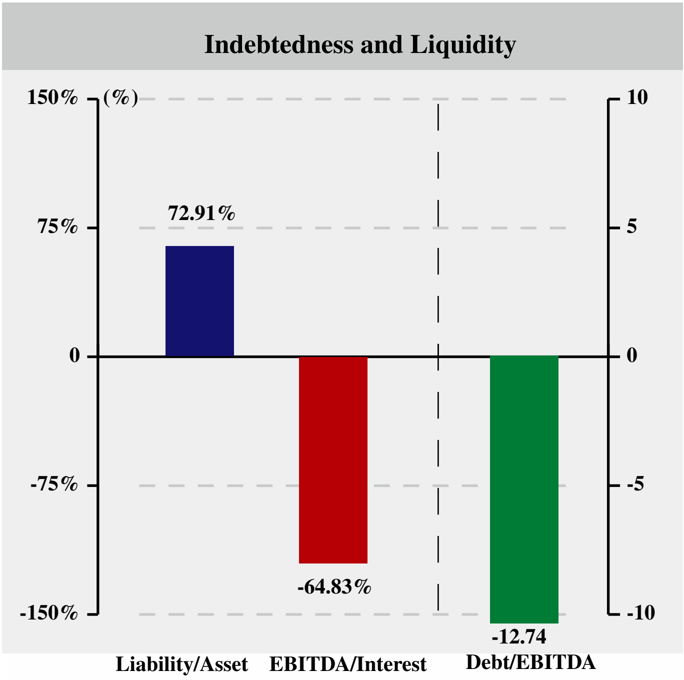
During the year ended 31 December 2013, the Company repurchased Senior Notes in aggregate principal amount of US$153 million with a cash consideration of US$74 million in the open market, and received consents from holders of the Senior Notes with a consent payment of US$4 million to certain amendments ("Amendments") to the indenture, dated as of 8 April 2011 ("Indenture"), among the Company, the Subsidiary Guarantors (as defined in the Indenture) and Deutsche Bank Trust Company Americas, as trustee.

The Amendments eliminated substantially all of the restrictive covenants and certain events of default contained in the Indenture. The consent payment is amortised over the remaining term of the outstanding Senior Notes.

	The Group	
	2012	**2013**
	HK$'000	***HK$'000***
Senior notes due in 2016	3,521,004	**2,337,010**

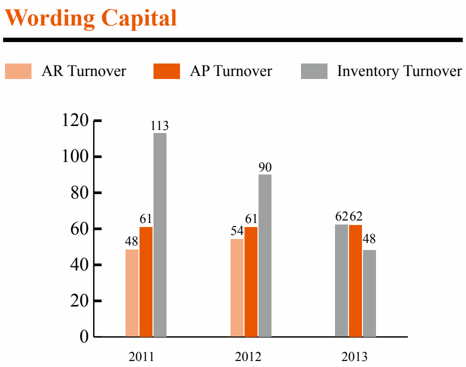
(xi) Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of 2013 was HK$4,159 million, this represents only a slight decrease of 1.82% compared to bank loans of HK$4,236 million that the Group held at the end of 2012. Interest rates on these loans range from 1.78% to 7.68% per annum, whereas the range in 2012 was from 1.59% to 8.28%. As of 31 December 2013, the Group has untapped credit line of HK$2,395 million in total. The Group's gearing ratio at the end of 2013 was 72.91%, compared to 63.90% (restated) at the end of 2012. The Group calculates gearing ratio on the basis of total liabilities divided by total assets.



(xii) Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 62 days, 62 days, and 48 days respectively in 2013. As a result, the overall cash conversion cycle was approximately 48 days in 2013, which was 35 days shorter than the Group's cash conversion cycle realised in 2012.



(xiii) Contingent Liabilities

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, subsidiaries deemed immaterial and those falling under the definition of Unrestricted Subsidiaries under the Senior Notes (Winsway Coking Coal Holdings S.a.r.l, 0925165 B.C. Ltd., Grande Cache Coal Corporation and GCC LP), have provided guarantees for the Senior Notes issued in April 2011. The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Senior Notes.

(xiv) Pledge of Assets

At 31 December 2013, bank loans amounting to HK$450,710,000 (2012: HK$105,061,000) were secured by bank deposits placed in banks with an aggregate carrying value of HK$420,156,000 (2012: HK$108,323,000).

At 31 December 2013, bank loans amounting to HK$485,160,000 (2012: HK$997,665,000) were secured by trade and bills receivables with an aggregate carrying value of HK$489,542,000 (2012: HK$1,059,635,000).

At 31 December 2013, bank loans amounting to HK$67,411,000 (2012: HK$65,365,000) were secured by land use rights with an aggregate carrying value of HK$27,010,000 (2012: HK$26,758,000).

At 31 December 2013, bank loans amounting to HK$Nil (31 December 2012: HK$81,906,000) were secured by both bank deposits and trade receivables with an aggregate carrying value of HK$Nil (31 December 2012: HK$4,390,000) and HK$Nil (31 December 2012: HK$77,902,000) respectively.

At 31 December 2013, bank loans amounting to HK$15,877,000 (2012: HK$17,620,000) were secured by property, plant and equipment with an aggregate carrying value of HK$18,196,000 (2012: HK$20,650,000).

At 31 December 2013, bank loans amounting to HK$3,139,733,000 (31 December 2012: HK$2,968,114,000) were secured by total assets of GCC with an aggregate carrying value of HK$9,546,800,000 (31 December 2012 (restated): HK$10,218,162,000).

X. RISK FACTORS

The operation of the Group involves certain risks, some of which are beyond our control. The risks set out below are those that Winsway currently believes may materially affect its performance and/or financial condition. However, this should not be taken as an exhaustive list as there may be additional risks and uncertainties not currently known to Winsway, or those which are currently deemed to be immaterial, may become material in the future which may adversely affect Winsway's business, results of operations, financial condition and prospects.

a. Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond our control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces. Sustained downward movements in coal market prices, as recorded in the year 2013, have materially affected the Group's business. The combined effects of any or all of these factors on coal prices are impossible for us to predict, there can be no assurance that global and domestic coal prices will not continue to fall or rebound to a profitable level, which would have material and adverse effect on our financial condition.

b. Dependence Upon the Steel Industry

Our business and prospects are heavily dependent on the demand for coking coal by steel makers and coke plants in China. 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 aluminum, composites and plastics. In the year 2013, the Chinese steel mills cut down their production as steel prices continued to decline under a weak domestic and international economic environment. Such significant reduction in the demand for steel products reduced the demand for metallurgical coal, which had a material adverse effect on the Group's performance. The continuance of a weak demand for metallurgical coal by the steel industry will affect the average selling prices of coking coal products, which will have material adverse effect on the Group.

c. Exposure to exchange rate fluctuations

Over 50% of the Group's turnover in 2013 was denominated in Renminbi. Over 95% of the Group's cost of coal purchased, and some of our operating expenses was 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 Renminbi is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in the exchange rate 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.

d. Uncertainty associated with the legal system in Mongolia

The Mongolian legal system shares several of the qualitative characteristics typically found in a developing country. Many of its laws are still evolving. The legal system in Mongolia has inherent uncertainties that could limit the legal protections available to us. Although our Group does not currently have any direct operation in Mongolia, our business is strongly connected to, and places significant reliance on, operations in Mongolia. We rely on our major suppliers in Mongolia to supply coal to us and third-party transportation companies to deliver coal to us. There can be no assurance that future political and economic conditions in Mongolia will not result in the Mongolian Government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, environmental protection, labour relations, repatriation of income, return of capital, investment agreements, income tax laws, royalty regulation, government incentive and other areas, each of which may materially and adversely affect our or our suppliers' ability to undertake exploration and development activities in the manner currently contemplated. Similarly, any restrictions imposed, or Mongolian Government charges levied or raised (including royalty fees), under Mongolian law on the export of coal could materially harm our operations and competitiveness.

e. Exploration, Development and Operating Risks

The Group's exploration for and development of coal deposits involves significant risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few sites that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of coal disclosed by the Group will be available to extract. All mining operations are inherently uncertain and coal exploration is speculative in nature, there can be no assurance that any coal discovered will result in an increase in the Group's coal resource base.

Establishment of a coal reserve and development of a coal mine does not assure a profit on the investment or recovery of costs. In addition, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological, geotechnical and mechanical conditions. While the Group endeavours to maximize production rates of our mines over time through diligent mine supervision and effective maintenance, production delays from normal field operating conditions cannot be eliminated and these could adversely affect revenue and cash flow levels of the Group's mining operations to varying degrees.

The Group's mining operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of coal. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Group's business, financial condition and results of the Group's mining operations.

f. Reserve and Resource Estimates

The Group's reported coal reserves and resources are only estimates. While the Group has commissioned independent technical consultant to produce reports on the Group's coal reserves and resources, no assurance can be given that the estimated coal reserves and resources in such reports will be recovered or that they will be recovered at the rates estimated. Coal reserve and resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Coal reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of coal, as well as increased production costs or reduced recovery rates, may render certain coal reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the coal reserves and resources, such as the need for subsequent development of ore bodies and the processing of new or different ore grades, may adversely affect the Group's profitability in any particular accounting period.

g. **Additional Funding Requirements**

The Group's mining operations of GCC may require substantial funds for future exploration, development, production and acquisition of coal reserves. No assurance can be given that the Group will be able to raise or provide the additional funding that may be required for such activities, should such funding not be fully generated from existing cash and internally generated cash flow. Coal prices, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. There is no assurance that additional financing would be available on terms acceptable to the Group or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations.

The Board has begun a process to review strategic alternatives available to the Company with respect to its 60% interest in GCC. The Company cautions shareholders that there is no assurance that the review will result in any specific transaction and no firm timetable has been set for the completion of this process.

h. **Governmental Regulations and Processing Licences and Permits**

The activities of the Group's mining operations are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local First Nations and Aboriginal populations. The Group's mining activities are also subject to various laws and regulations relating to the protection of the environment. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Group's mining operations. Further, the mining licences and permits issued in respect of the Group's mining projects and mines may be subject to conditions which, if not satisfied, may lead to the revocation of such licences. In the event of revocation, the value of the Group's investments in such projects may substantially decline.

i. **Environmental Regulation and Liability**

The Group's mining activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in the Province of Alberta, including Canadian federal legislation. Such regulations typically cover a wide variety of matters including, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances that may exist on or under any of its properties or that may be produced as a result of its operations. Compliance with these environmental regulations may impose further financial burdens on the Group.

j. **Changes in Legislation**

There can be no assurance that income tax laws, royalty regulations and governmental incentive programs relating to the mining industry in Canada will not be changed in a manner which adversely affects the Group's mining operations.

XI. FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2013.

XII. HUMAN RESOURCES

Employee Overview

The Group has maintained a performance-oriented compensation system that balances each individual position's internal and external value. The Group also signs formal employment contracts with all employees and participates in all required social security schemes following applicable regional and/or national laws and regulations.

As of 31 December 2013, there were 1,180 full-time employees in the Group (excluding 701 dispatch staff from domestic subsidiaries). Detailed breakdown of employee categories is as follows:

Functions	No. of Employee	Percentage
Management, Administration & Finance	286	24.2%
Front-line Production & Production Support & Maintenance	253	21.4%
Sales & Marketing	36	3.1%
Mining(a)	572	48.5%
Others (incl. Projects, CP, Transportation)	33	2.8%
Total	1,180	100%

(a) *Breakdown of Mining related personnel*

Functions	No. of Employees	Percentage
Head Office (Calgary) *(Note 1)*	30	5%
Mine Site Management, Supervision, Technical and Administrative	125	22%
Underground Mining Operations (Union)	130	23%
Contract Underground Mining Operations	46	8%
Surface Mining Operations (Union)	112	20%
Maintenance (Union)	48	8%
Coal Process Plant Operations & Maintenance and Site Care (Union)	81	14%
Total	572	100%

Note 1. The head office count includes 8 superintendents at the Mine Site.

Note 2. The total number of union employees is 371.

Employee Education Overview

Qualifications	No. of employee	Percentage
Master & above	63	5.3%
Bachelor	190	16.1%
Diploma	382	32.4%
Middle-School (Secondary School) & below	545	46.2%
Total	1,180	100%

Training Overview

The Company considers training an invaluable process to provide employees with information, new skills, and/or professional development opportunities. As of 31 December 2013, the Company has held various training programs totaling 7,200 hours, and over 1,170 attendances have participated in these programs.

The Company also holds an orientation program for newly admitted employees. The program covers modulars such as, among other things introduction to corporate culture, brief of Company regulations, understanding of safety and operational guidelines.

The Company has also sponsored professional training programs such as EMBA program, Chartered Professional Accountant program, Hong Kong Chartered Secretary program, et cetera to employees and management staff and different levels.

	2013		2012	
Training Courses	**No. of hours**	**No. of attendances**	No. of hours	No. of attendances
Safety	4,397	665	2,195	411
Management and leadership	395	30	2,011	255
New staff Orientation	1,040	268	604	40
Operation Excellence	1,369	207	21,650	1,004
Total	7,201	1,170	26,460	1,710

XIII. HEALTH, SAFETY AND ENVIRONMENT

Overview

We value the health and safety of our employees and the importance of protecting the environment. The lost time injury frequency rate ("LTIFR") is a key measure of how we are delivering against our commitment. The LTIFR, a ratio of the number of lost-time injuries per million hours works, was 2.46 for the Company (excluding GCC) and 2.02 for GCC in 2013.

No serious safety and environmental accidents were reported in 2013.

(i) Logistical & Trading Business

In 2013, the focus of HSE of Winsway was placed on: (1) improving staff's safety awareness; (2) safety production standardization; (3) improving front-line staff's abilities of response to accidents in a comprehensive way with the ability of site emergency response as the focus; and (4) perfecting the HSE responsibility system and creating a responsibility network.

Improvement of staff's safety awareness: The Company has formulated the safety training plan and courseware development plan, organised and carried out training as well as the evaluation of training effects, developed 1 set of safety training courseware at corporate level, 1 set of training courseware at department level and 5 sets of training courseware at team level; and improved the safety training files and trained 448 persons; training hours: 3,737 hours.

Construction of safety standardization: The safety standardization, i.e., management standardization, site standardization and operation standardization, was first carried out with Yiteng Coal Washing Plant as the pilot and passed acceptance in 2013. The washing plant has reached or exceeded industrial standards in terms of all audit contents, and appropriate laws and regulations are adapted to the internal standards of the washing plant.

Enhancement of emergency response capability: The analysis of and study on HSE management system as well as the assessment of emergency response capability lay a good foundation for the establishment of a dynamic safety management system, which includes 1 comprehensive contingency plan, 6 special contingency plans (e.g. fire control, food poisoning, etc.) and 9 modules of site disposal and increase of emergency tasks (e.g. evacuation, fire fighting, dealing with problems arising from an accident, etc.). The assorting, improvement and drill of contingency plans have made plans at all levels connected more closely and improved the applicability and operability of contingency plans.

Construction of HSE Responsibility System: decomposing safety responsibility as key performance indicators pursuant to the task requirements of the Company with the annual HSE objectives and indicators as the carriers and guiding various companies in decomposing the responsibility system layer by layer; various companies have signed up to 41 letters of responsibility with the functional departments and subordinates of the Company, realizing full coverage over the Company and front-line positions, and the "one position with double responsibilities" network has been preliminarily formed. The decomposition layer by layer and deployment of safety responsibility has promoted the realization of annual overall safety and environmental protection objectives.

Performance of accident indicators of safety production (inclusive of occupational health)

No.	Name of indicator	Unit of measurement	Number of incidences 2011	2012	**2013**	**Target for 2013**
Production safety management (including occupational health)						
1	Fatal accident in safety production	Person	0	0	**0**	**0**
2	Severe accident in safety production	Person	5	4	**0**	**4**
3	Minor accident		8	7	**3**	**≤15**
4	Large and above accident of equipment in safety production		0	0	**0**	**0**
5	Accident of explosion of pressure vessel (inclusive of boiler) in safety production		0	0	**0**	**0**
6	Confirmed occupational disease cases (inclusive of occupational poisoning)	Person	0	0	**0**	**0**
Fire safety management						
7	Accident of fire and explosion of inflammable materials in safety production		0	0	**1**	**0**
Public health safety management						
8	General and above food poisoning accident		0	0	**0**	**0**
9	Outbreak of A and B infectious diseases		0	0	**0**	**0**
Traffic safety management						
10	General and above traffic safety accident		0	0	**0**	**0**
	Total		13	11	**4**	**≤19**

(ii) Mining Business

(a) Safety

Grande Cache Coal LP ("GCC"), the Company's subsidiary operating the mining business, is committed to and responsible for providing and maintaining a safe and healthy work environment. Working together we share an obligation with all employees to protect health and promote safety in all areas of the mine.

Regrettably, we experienced a spike in our lost time injury rate (LTIFR) during the first 2 months of 2013. As a result, the yearly LTIFR was not reduced as expected. However, the effective safety intervention programs implemented in 2013 have significantly reduced the LTIFR and serious incident rates for the last three quarters of the year. Actually, by early 2014 GCC has achieved a new record of 318 days without a lost time (LTI).

(b) The Environment

In response to the increased LTIFR during the first 2 months of 2013, GCC moved into action to reverse the wrong safety trend. A Memorandum was released by the President and CEO of GCC in February, calling for immediate action by everyone to correct the poor safety performance. The senior leadership, along with the front line supervisors completed various safety discussions with all crews and workers to improve our safety in the mine site. An emphasis on the responsibility and importance of the front line supervisors was placed on the safety management structure.

In March 2013, GCC finalised all the components of a site wide "Safety Call to Action Program" which was implemented in April. This 3-day program included mandatory third party Industrial Leadership training (Canscott), two GCC site specific training supplements titled "The Role of Leadership in Safety" and "Corrective Action in Safety". By the end of May all staff and hourly employees acknowledged and signed a written contract which defined GCC's expectations for individual safety responsibilities.

The newly developed "Safety Infraction Discipline Flow Chart" and the "Sliding Consequence Scale for Unsafe Behaviors" helped the workers understand and appreciate their individual responsibilities in achieving workplace safety. As a result of the "Safety Call to Action Program," GCC has experienced a significant reduction in probable high ranked safety incidents.

GCC continues to be committed to maintaining a level of competence for Advanced and Standard First Aid, Mine Rescue certification and our Emergency Loss Prevention Attendants (ELPA) on the mine site. Trained Surface and UG Mine Rescue Teams, and our ELPA's are in place at all times to respond to all emergencies.

The Surface Mine Rescue Team participated in the annual Surface Mine Rescue Competition held just outside of Edmonton, Alberta, in a town named Spruce Grove on June 21-22, 2013. GCC team competed against eleven other teams from across Alberta and won the third place trophy in the Fire Fighting event.

The Underground Mine Rescue Team participated in the 11th Bi-Annual National Western Regional Mine Rescue competition in Fernie British Columbia on September 5-7, 2013. GCC had 1 team competing against nine other teams from Western Canada and the North Western United States. The GCC team won 1st place in the Obstacle with Recovery and 2nd place in the Donning and Briefing.

In November 12-14, 2013, GCC successfully completed its first Internal Health and Safety Audit with a score of 82%. GCC is partnered with the Alberta Construction Safety Association (ACSA) and we are mandated to complete an internal maintenance audit every year for 2 years to remain certified. GCC received its Certificate of Recognition (COR) in December 2012 and will be required to complete an external audit in 2015 to retain COR.

In order to avoid the safety incident increase experienced in early 2013, GCC completed a "Safety Reset" in November with the majority of supervisory staff concerning the "Safety Call to Action Program" delivered back in April of 2013, with additional emphasis on winter safety.

During 2013, GCC also developed a design change management program together with a training of "Coal Mining 101", a program to educate the fundamentals and requirements concerning regulatory compliance in mining operations. A centralised reporting and communication protocol has also been introduced to streamline the interaction with the regulators.

Currently GCC is working with Partnerships of Injury Reduction and Alberta Construction Safety Association (ACSA) to improve our safety system. An action plan was generated in Dec and will be completed in July 2014. Currently GCC has planned for the following Safety and Environment activities for 2014:

- Complete "Near Miss Report" training and initiate mandatory near miss reporting for all workers and staff effective Mar 01. Current Ratio objective is 30 near miss reports per incident, 30:1.
- Develop a Health & Safety package to be distributed to all supervisors on site by end April.
- Conduct internal training for the "Workers Role in Safety" by end May.
- Develop a mentoring program for all supervisors on site by end May.
- Conduct Re-Orientation for all employees with over 3 year's service by end June.
- Complete the annual re-training for all personnel on the Emergency Response Plan by end June.
- Conduct incident trending studies for each department on a monthly basis.
- Complete the identified Job Hazard Analysis and required Safe Work Practice/ Procedures by end July.
- Environmental Pond Project with the completion of 1.026 intermediate and Saddle West Intermediate by end August.
- Conduct "Winter Driving Safety" by end October.
- Conduct the site wide Internal Safety Audit by end November.

Grande Cache Coal Safety Statistics 2012-2013

	2012	**2013**
Incident Listing		
Near Miss	486	**360**
First Aids	127	**125**
GCC Medical Aids	78	**22**
LTI	11	**11**
TRI	66	**48**
WHS Notifiable	17	**16**
WHS Reportable	0	**4**
AENV Reportable	57	**25**
Stats		
LTI Frequency	1.55	**2.02**
LTI Severity	14.68	**67.33***
TRI Frequency	9.32	**8.83**
Lost Time		
Days Lost	104	**366***
Modified Work		
Hours	13,964	**12,951**
Days	1,361	**1,179**
Total Employees		
GCC Employees	646	**493**
Man Hours Worked	1,461,843	**1,087,178**

* Both higher LTI severity and higher days lost were due to a spike in these two measurements during the first two months of 2013. GCC's new CEO has quickly rectified associated problems when appointed in March, allowing GCC to achieve a new record of 318 days without a lost time (LTI) in 2013.

GCC will plan, assess, construct, operate and decommission its facilities in an environmentally responsible and sustainable manner.

There was a significant reduction in environment reportable incidents in 2013 compared with the previous year. However in June 2013, GCC reported an uncontrolled release of mine wastewater from the Mesa 1030 Pond located within the 8 Mine open pit operation. GCC immediately responded to the incident by developing a well engineered plan to mitigate the effects of the release including the construction of Pond 1030, sediment flow controls and in stream monitoring. GCC implemented all controls by January 2014.

XIV. INVESTOR RELATIONS

The Company is committed to upholding an interactive and transparent investor relationship strategy to enhance the knowledge and understanding of the investment community with respect to the Company's corporate background, strategy, development, operational progress and financial performance, such that public investors will be able to make well-informed decisions on their investments.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wang Xingchun (王興春), aged 50, is the founder of our Company and the Chairman of the Board and Chief Executive Officer of our Company. He was appointed as our Director on 17 September 2007. He is also a director of a number of our subsidiaries. He is responsible for formulating the overall business development strategies for our Company and communication with key suppliers and customers of our Group. Mr. Wang has over 20 years of international commodities business and management experience, as well as 16 years of experience in the development of cross-border logistics infrastructure and its operations. In 1990, Mr. Wang worked as an agent at Hong Kong Management Service (Chemicals) Limited, a company incorporated in Hong Kong which belonged to the Landmark Chemicals Group of companies engaging in international chemical product trading. In 1995, Mr. Wang, through his wholly-owned entity, Goldliq, invested in and acted as the Vice Chairman of Manzhouli Haitie Yonghui, a company which owns and operates the transshipping facilities at the Manzhouli Railway Port neighbouring Russia through which Manzhouli Haitie Yonghui engages in the storage and cross border transportation of oil and petrochemical products. Mr. Wang also founded Winsway Macao in 1995. Mr. Wang studied mechanical manufacturing at the Beijing Open University from 1984 and obtained a diploma in 1987.

Zhu Hongchan (朱紅嬋), aged 39, is an executive Director and a Vice President of our Company. Ms. Zhu was appointed as a Director on 18 June 2010. She joined Winsway Group in 1995 and has worked in the Chemical Trading and Sales departments of our parent group where she accumulated extensive experience in the value-adding operations of energy resources and commodities, and which has enabled Ms. Zhu to successfully lead and manage the sales team of our Group in implementing our Group's sales and future growth strategies. Ms. Zhu became a Vice President of our Group in October 2008 and is responsible for the management of the procurement of coal and sales activities. Ms. Zhu is also a director of our subsidiary, Beijing Winsway. Ms. Zhu graduated from the Beijing University of Chemical Technology in 1995 with a bachelor's degree in Management Engineering.

Yasuhisa Yamamoto, aged 54, is an executive Director of our Company. He joined Winsway Group in 2007 and was then responsible for its petroleum operations. He was appointed as a Director on 18 June 2010. Mr. Yamamoto is now responsible for the procurement of seaborne coal. Prior to joining our Group, Mr. Yamamoto worked at the Tokyo, Beijing, London and Hong Kong offices of Marubeni Corporation, a company engaged in the trading of textiles, pulp and paper, chemicals, energy, metals, mineral resources and transportation machinery in the global market, since 1982. Mr. Yamamoto has extensive experience in trading, corporate governance, subsidiaries' affiliations and risk management. Mr. Yamamoto obtained a Bachelor of Laws degree from Kobe University in 1982.

Ma Li (馬麗), aged 43, an executive Director of our Company. She was appointed as a Director of the Company on 1 April 2013 and was responsible for the treasury functions and internal administration of our Group. Ms. Ma joined Winsway Group in 1998, where she was mainly responsible for internal administration and treasury functions. She then became an employee of our Group in 2007 upon our establishment. She previously worked at the rare earth research centre of Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co., Ltd as an assistant engineer from 1991 to 1995. She graduated from Baotou College of Iron & Steel with a bachelor's degree in Metallurgy in 1991. Ms. Ma also obtained a Master of Engineering degree in 1998 and a Master of Business Administration degree in 2006 from the University of Science and Technology Beijing.

Mr. Wang Changqing (汪常青), aged 53, is the President and CEO of Grande Cache Coal LP ("GCC"), a material subsidiary of the Group, a post he has held since January 2013. He is also appointed as a Director and the Executive Vice President of the Group with effect from 30 December 2013. Prior to joining the Company, Mr. Wang was with Suncor Energy Inc. (the largest oil and gas company in Canada) as the Director of Engineering, Major Projects, as a result of the merger with Petro-Canada Inc. in 2009. Before joining Petro-Canada Inc. in 2006, Mr. Wang served for over 8 years in various positions including engineering/project manager, chief engineer and manger of the civil/structural/architectural Department at Bantrel Corporation, a subsidiary of Bechtel Corporation.

Mr. Wang graduated from the Southwest Jiaotong University, China, with a Bachelor's Degree in Railway Engineering in 1982. He later obtained his Ph.D. in Civil Engineering from the University of Calgary, Canada, in 1994. Mr. Wang is currently a registered professional engineer in Canada, and is a technical committee member of Canadian Standards on concrete materials, testing, construction and structure design. He is also a board director of the Coal Association of Canada.

NON-EXECUTIVE DIRECTORS

Mr. Daniel J. Miller, aged 49, was appointed as a non-executive Director on 16 January 2013 to replace Mr. Delbert Lee Lobb, Jr., who resigned on the same date. Mr. Miller has more than 15 years of experience in the banking and finance industry specializing in mining and metals. He has extensive experience in mergers and acquisitions and financing transactions involving mining clients. Mr. Miller is currently the Vice President of Peabody COALTRADE Asia Private Ltd., the Singapore trading office of Peabody. Previously he was a Managing Director in Standard Chartered Bank's Strategic Client Coverage Group, Mining and Metals, Singapore. From 1996 to 2006, Mr. Miller was a Director in Citigroup's Metals & Mining Group, New York. From 1994 to 1996, Mr. Miller worked as a financial analyst at the Equity Research Department of Goldman Sachs & Co., New York, covering metals and mining companies. Mr. Miller graduated from Princeton University, the United States, with a Bachelor's Degree in Germanic Languages and Literatures in 1988, and from Stanford University, the United States, with a Master's Degree in German Studies in 1994.

Liu Qingchun (劉青春), aged 48, was re-appointed as a non-executive Director on 7 September, 2013. He has more than ten years of experience in international trading and business management in the iron and steel industry. He has held a number of senior management positions in China Minmetals Corporation since 1997. Mr. Liu currently acts as a director of the Raw Material and Steel Business Centre of China Minmetals Corporation, a director and the Deputy General Manager of China Minmetals H.K. (Holding) Limited, the Managing Director of Minmetals Cheerglory Limited and a director of Beijing Newglory International Ltd.. Mr. Liu is also a director of Coppermine, one of our pre-ipo investors and a non-executive Director of IRC Limited, a company listed on the Hong Kong Stock Exchange. He was previously the General Manager of the Coke Division and a supervisor of Minmetals Development Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Liu obtained a Master of Business Administration degree from Saint Mary's University in Canada in 1999 and a bachelor's degree in International Economics Law from Shanghai Institute of Foreign Trade in 1989.

Lu Chuan (呂川), aged 44, was re-appointed as a non-executive Director on 7 September, 2013. He has extensive experience in business administration, finance and investment. He previously worked in Nonfemet Finance Shenzhen Corporation Ltd. for a number of years and is currently working in Silver Grant, one of our Shareholders and a company listed on the Hong Kong Stock Exchange (Stock Code: 171), as Assistant General Manager and is mainly responsible for its operations relating to financial asset investments. He also acted as a non- executive director of China Ground Source Energy Limited (stock code: 8128), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange from September 2008 to March 2009. Mr. Lu graduated from the Wuhan University of Technology with a bachelor's degree in Nautical Mechanical Engineering in 1991 and from Huazhong University of Science and Technology with a master's degree and a doctorate degree both in Management Science and Engineering Studies in 1997 and 2006, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

James Bedford Downing III (also known as James Downing), aged 59, joined our Group as an independent non-executive Director on 18 June 2010. Mr. Downing is currently a Senior Advisor to Lansdowne Capital Limited, a London-based independent corporate finance advisory and private investment firm with a focus on basic industries, building materials and distribution sectors. He is also currently the Non-Executive Chairman of Nuada Medical Group Ltd, a UK-based private sector medical services company. From 2001 to 2003, Mr. Downing acted as the Deputy Head of JPMorgan Chase & Co.'s European Investment Banking group and prior to the merger of J.P. Morgan & Co. with Chase Manhattan Bank in 2000 he was Head of European Global Mergers & Acquisitions at Chase Manhattan. From 1994 to 1997, Mr. Downing was Managing Director and Head of the European Strategic Advisory Group of Lehman Brothers. From 1989 to 1994, Mr. Downing was a Managing Director at Wasserstein Perella, a corporate finance advisory firm specialising in merger and acquisition advisory work. In 1982, Mr. Downing joined the New York Office of First Boston Corporation in its investment banking division and transferred to the London Office of First Boston in 1987 as a Vice President where he worked until 1989. From 1976 to 1980, Mr. Downing worked at the New York Office of Manufacturers Hanover Trust Company (which subsequently became part of JPMorgan Chase & Co.). In addition to his banking and finance experience, Mr. Downing is the founder and Chairman of London Youth Rowing, a London-based sports initiative involving thousands of young people in schools and youth clubs in inner city areas of high economic and social deprivation. Mr. Downing obtained a Master of Business Administration degree from the Yale School of Management of Yale University in 1982 and a Bachelor of Science degree from Rensselaer Polytechnic Institute in 1976.

Ng Yuk Keung (吳育強), aged 49, was appointed as an independent non-executive Director on 18 June 2010. Mr. Ng is currently an executive director and the chief financial officer of Kingsoft Corporation Limited (stock code: 03888), a company listed on the Hong Kong Stock Exchange. Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001–2003, Mr. Ng was the Chief Financial Officer of International School of Beijing, an academic institution in Beijing, China. He subsequently joined Australian Business Lawyers, a law firm in Australia in 2003 and was later appointed as a consultant in 2004 responsible for advising on accounting matters. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (stock code: 0438), a company listed on the Hong Kong Stock Exchange. From 2006 to 2010, Mr. Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited. From 2010 to 2012, Mr. Ng was an executive director and the chief financial officer of China NT Pharma Group Company Limited (Stock Code: 3888), a company listed on the Hong Kong Stock Exchange. From February 2007 to October 2011, Mr. Ng was the independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (stock code: 3833), a company listed on the Hong Kong Stock Exchange. Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and a master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Set out below are the current appointments in other listed companies on the Hong Kong Stock Exchange which Mr. Ng has undertaken:

Position	Name of the listed company	Stock Code
Honorary adviser	China Huiyuan Juice Group Limited	1886
Independent non-executive director	Sany Heavy Equipment International Holdings Company Limited	631
Independent non-executive director	Beijing Capital Land Limited	2868
Independent non-executive director	Zhongsheng Group Holdings Limited	881

Wang Wenfu (王文福) aged 47, was appointed as an independent non-executive Director of our Company on 20 August 2010. Mr. Wang has extensive experience in the mining industry, with international business development, cross-border mergers and acquisitions, business network establishment and international trading expertise. Before Mr. Wang joined our Group as an independent non-executive Director in 2010, he worked for Aluminum Corporation of China Ltd. ("CHALCO"), a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange since 2004, and was mainly responsible for the development of CHALCO's overseas business, cross border mergers and acquisitions, foreign investment and risk management. He also acted as the President of Chinalco Overseas Holding Ltd., Director and President of Chalco Hong Kong Ltd., Chairman of Chalco Australia Pty. Ltd. and Chief Representative of CHALCO's operations in Vietnam and Indonesia. Mr. Wang graduated from the Department of Linguistics of Kunming University of Science and Technology in 1987. He also obtained a Master of Business Administration degree from Monash University in 1995 and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002.

George Jay Hambro, aged 39, was appointed as an independent non-executive Director of our Company on 20 August 2010 and is a member of the Audit and Health, Safety & Environment (HSE) Committee's. He began his career as a metals and mining project financier at NM Rothschild & Sons and then as a Manager of the mining investment banking team at HSBC. In 2002 he joined what is now Petropavlovsk plc. and was subsequently appointed CEO of Aricom plc. Following the acquisition of Aricom by Petropavlovsk in 2009, he became the CIO there, a role he relinquished in 2010 to become Executive Chairman of IRC Ltd (HK: 1029). Mr Hambro is a Fellow of the Institute of Materials, Minerals and Mining and holds a Bachelor of Arts in Business Management from Newcastle University.

SENIOR MANAGEMENT

Di Jingmin (邸京敏), aged 42, is a Vice President responsible for human resources management and information center of our Group. Ms. Di joined Winsway Group in 1995, where she was mainly responsible for investment management. She then became an employee of our Group in 2007 upon our establishment. She is also a director of our subsidiary, Inner Mongolia Haotong, and a Vice President of Beijing Winsway. She graduated from Beijing University of Chemical Technology with a bachelor's degree in management engineering in 1995. Ms. Di also obtained a Master of Laws degree from the Chinese Academy of Social Sciences in 2009.

Xu Changmao (徐昌茂), aged 47, is a Vice President responsible for internal audit and supervision management of our Group, as well as legal and compliance matters management. Mr. Xu joined Winsway Group in 1994, where he was mainly responsible for supervision and internal audit. He then became an employee of our Group in 2007 upon our establishment. He also acted as the supervisor of a number of our subsidiaries. Mr. Xu obtained a bachelor's degree in Engineering Management from the School of Management of Jilin University of Technology (now known as Jilin University) in 1987. He graduated as a research student of the Faculty of Industrial Engineering and Management of Beijing University of Chemical Technology in 1990 and obtained a master's degree in economics from the Chinese Academy of Social Sciences in the same year.

Liao Min (廖敏), aged 51, is a Vice President of our group, and also a director of our subsidiary. Grand Cache, mainly in charge of suppliers management and coal transportation management. Ms. Liao joined Winsway Group in July 2011. Prior to joining Winsway, Ms. Liao worked in Shell (China) Limited, first served in Shell Gas & Power, Clean Coal department, and then worked in Contract & Procurement department. From 1980 to 2006, Ms. Liao worked with a number of well-known companies, including John Brown Engineering Co., Beijing, China, China Huanqiu Chemical Engineering Corp, Hendee Enterprises Inc. Houston, Texas, and JV of CNOOC and Shell Petrochemicals Company Limited (CSPC). Ms. Liao graduated from the Beijing University of Chemical Technology, Chemical Engineering Department.

Wang Yaxu (王雅旭), aged 42, is a vice president for fixed assets management of our Group. Mr. Wang joined Winsway Group in 1995, where he was mainly responsible for financial management. He then became an employee of our Group in 2007 upon our establishment. He is responsible for the accounting and the financial management of our Group. He is also a director of two of our subsidiaries, Inner Mongolia Haotong and Yingkou Haotong and a supervisor of a subsidiary, Nantong Haotong. He studied industrial management and engineering at and graduated from Beijing University of Chemical Technology in 1995.

Mr. Li Jianlou, aged 52, is a Vice President of our Company who is responsible for the management on coals transportation, operation technologies, and production equipments procurement. Mr. Li joined Winsway Group in 1992 and became an employee of our Company in 2007 upon our establishment. Mr. Li is also a Board Director and Chairman of the joint venture companies established together by our Company and railway authorities. In 2012, Mr. Li obtained a Master of Business Administration Degree from Beijing Jiaotong University.

COMPANY SECRETARY

Cao Xinyi (曹欣怡), aged 31, is the Chief Financial Officer and the secretary to our Board. Before joining our Group in 2009, Ms. Cao worked at PricewaterhouseCoopers from 2005 to 2009. She graduated from the City University of Hong Kong with a bachelor's degree in Business Administration in 2005. Ms. Cao is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and furthering shareholders' interests. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company throughout the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Board adopted the CG Code set out in Appendix 14 of the Listing Rules as its own set of corporate governance guidelines, with the additional requirement of at least 7 days' prior notice for board meetings other than regular board meetings (for which at least 14 days' notice is required) to give all Directors greater opportunity to attend.

In the opinion of the Board, the Company has complied with the code provisions ("**Code Provisions**") under the CG Code throughout the year ended 31 December 2013 save for the deviation from the Code Provision A.2.1 which requires that the roles of chairman and chief executive officer to be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

CODE PROVISION A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Xingchun is the Chairman of the Board and Chief Executive Officer of the Company. With extensive experience in the coking coal industry, Mr. Wang is responsible for the Group's overall strategic planning and the management of the Company's business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises five executive Directors (including Mr. Wang), three non-executive Directors and four independent non-executive Directors and therefore has a strong element of independence in its composition.

THE BOARD

The Board is the decision-making body of the Company. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles. The Board has given clear directions to the senior management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Board consists of twelve Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors. The Board considers that it has maintained a balanced composition of executive directors and non-executive directors (including independent non-executive directors). The three non-executive Directors and four independent non-executive Directors participate actively in the formulation of the Company's policies and seek to represent the interests of the Shareholders as a whole. As at the date of this report, the composition of the Board is as follows:

Executive Directors
Mr. Wang Xingchun *(Chairman and Chief Executive Officer)*
Ms. Zhu Hongchan
Mr. Yasuhisa Yamamoto
Ms. Ma Li
Mr. Wang Changqing

Non-executive Directors
Mr. Daniel J. Miller
Mr. Liu Qingchun
Mr. Lu Chuan

Independent non-executive Directors
Mr. James Downing
Mr. Ng Yuk Keung
Mr. Wang Wenfu
Mr. George Jay Hambro

During the year ended 31 December 2013, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, the number of which must represent at least one-third of its Board, with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

Biographical details of the Directors and senior management of the Company are set out in the section headed "**Profile of Directors and Senior Management**" on pages 37 to 43 of this annual report.

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. There was no material financial, business, family or other relevant relationship among members of the Board.

During 2013, 5 full board meetings and 1 general meeting were held. The following is the attendance record of the board meeting held by the Board during 2013:

Name of Director	Attendance/ Number of general meetings attended	Attendance/ Number of board meetings attended
Executive Directors		
Wang Xingchun	1/1	5/5
Zhu Hongchan	0/1	5/5
Yasuhisa Yamamoto	1/1	5/5
Apolonius Struijk (resigned on 1 April 2013) *(Note 2)*	0/1	2/5
Ma Li (appointed on 1 April 2013)	0/1	3/5
Cui Yong (resigned on 30 December 2013) *(Note 3)*	0/1	4/5
Wang Chang Qing (appointed on 30 December 2013)	0/0	0/0
Non-executive Directors		
Daniel J. Miller *(Note 1)*	1/1	5/5
Liu Qingchun	0/1	5/5
Lu Chuan	0/1	5/5
Independent non-executive Directors		
James Downing	0/1	5/5
Ng Yuk Keung	0/1	5/5
Wang Wenfu	0/1	5/5
George Jay Hambro	0/1	5/5

Note 1: Mr. Delbert Lee Lobb, Jr. resigned as a non-executive Director on 16 January 2013 and was replaced by Mr. Daniel J. Miller, who was appointed on the same day. For further details, please refer to the Company's announcement dated 17 January 2013.

Note 2: Mr. Aplonius Struijk, resigned as an executive Director on 1 April 2013 and was replaced by Ms. Ma Li, who was appointed on the same day. For further details, please refer to the Company's announcement dated 1 April 2013.

Note 3: Mr. Cui Yong, resigned as an executive Director on 30 December 2013 and was replaced by Mr. Wang Chang Qing, who was appointed on the same day. For further details, please refer to the Company's announcement dated 30 December 2013.

Sufficient notice convening the board meeting was given to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the board meeting and have access to the secretary to the Board to ensure that all Board procedures and all applicable rules and regulations were followed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The secretary to the Board is responsible for keeping minutes for the board meetings.

Each of Mr. Wang Xingchun, Mr. Yasuhisa Yamamoto and Ms Zhu Hongchan has entered into service agreement with the Company to renew their term as executive Director for three years commencing on 7 September 2013. Ms. Ma Li has entered into a service contract with the Company for a term of three years commencing on 28 June 2013. Mr. Wang Chang Qing has entered into a service contract with the Company for an initial term commencing from 30 December 2013 until the next following annual general meeting of the Company and he will be subject to re-election at that meeting in accordance with the Memorandum and Articles. Each of Mr. Liu Qingchun and Mr. Lu Chuan has signed a letter of appointment with the Company to renew their term as non-executive Directors for three years commencing on 7 September 2013. Mr. Daniel J. Miller, a non-executive Director, has signed a letter of appointment with the Company for a term of three years commencing on 28 June 2013. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for term not exceeding 3 years until 31 May 2016 and commencing from the commencement date set out in their respective letter of appointment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The four independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

The participation of the independent non-executive Directors in the Board brings independent judgment on the issues relating to the Group's strategy, conflicts of interest, connected transactions and management process in order to ensure that the interests of all Shareholders have been duly considered.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of 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 the Directors of the Company, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Memorandum and Articles, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be disclosed in a timely manner to the Shareholders by announcement and shall include in such announcement the reasons given by the Director for his/her resignation.

On 16 January 2013, Mr. Delbert Lee Lobb, Jr., who is the Chief Operations Officer - Americas of Peabody Energy Corporation, resigned as a non-executive Director in order to focus on his other business commitments. On the same day, Mr. Daniel J. Miller was appointed as a non-executive Director for an initial term commencing from 16 January 2013 until the annual general meeting of the Company held on 27 June 2013 at which he was re-elected. For further details, please refer to the announcement of the Company dated 17 January 2013.

On 1 April 2013, Mr. Apolonius Struijk, resigned as an executive Director to pursue outside interests. On the same day, Ms. Ma Li was appointed as an executive Director for an initial term commencing from 1 April 2013 until the annual general meeting of the Company held on 27 June 2013 at which she was re-elected. For further details, please refer to the announcement of the Company dated 1 April 2013.

On 30 December 2013, Mr. Cui Yong, resigned as an executive Director to pursue other work and business operation of the Company. On the same day, Mr. Wang Chang Qing was appointed as an executive Director for an initial term commencing from 30 December 2013 until the next following annual general meeting of the Company at which he will be subject to re-election. For further details, please refer to the announcement of the Company dated 30 December 2013.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code on 7 September 2010. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The audit committee currently comprises the four independent non-executive Directors, Ng Yuk Keung (Chairman), George Jay Hambro, Wang Wenfu and James Downing.

For the year ended 31 December 2013, the audit committee has held 3 meetings, at which members of audit committee reviewed and discussed with the external auditors the Group's financial statements for the year ended 31 December 2013, and are of the opinion that such statements have complied with the applicable accounting standards, the Hong Kong Stock Exchange and legal requirements, and that adequate disclosure has been made.

The attendance records of the audit committee for the year ended 31 December 2013 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Ng Yuk Keung	3/3
Mr. George Jay Hambro	3/3
Mr. Wang Wenfu	3/3
Mr. James Downing	3/3

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the fees paid/payable in respect of audit and non-audit services provided by KPMG, the Group's external auditors, are set out below:

Service	Sum *(HK$ '000)*
Audit services	6,259
Non-audit services — tax services	111
	6,370

The audit committee is responsible for making recommendations to the Board as to the appointment, re- appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Company provided each newly appointed Director with formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities from time to time. The Company will arrange training and professional development for Directors as and when necessary. Individual Directors also participated in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials.

During the year ended 31 December 2013, the Directors confirmed that they have participated in training and continuous professional development activities and a summary is provided as follows:

Name of Director	Type of continuous professional development programmes
Executive Directors	
Wang Xingchun	1,2,3
Zhu Hongchan	1,2,3
Yasuhisa Yamamoto	1,2,3
Apolonius Struijk (resigned on 1 April 2013)	1,2,3
Ma Li (appointed on 1 April 2013)	1,2,3
Cui Yong (resigned on 30 December 2013)	1,2,3
Wang Chang Qing (appointed on 30 December 2013)	—
Non-executive Directors	
Daniel J. Miller	1,2,3
Liu Qingchun	1,2,3
Lu Chuan	1,2,3
Independent non-executive Directors	
James Downing	1,2,3
Ng Yuk Keung	1,2,3
Wang Wenfu	1,2,3
George Jay Hambro	1,2,3

Notes:

1. Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.

2. Attending seminars/training workshops offered by external professionals and/or experts.

3. Internal group discussions on updates relating to general economy, business trend, corporate governance, directors' duties and the latest development of the Listing Rules and other applicable regulatory requirements.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited accounts. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the audit committee and the Board and respond to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with IFRS. In addition, the financial statements include applicable disclosure required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of the external auditors of the Company on the financial statements of the Group is set out in the independent auditors' report on pages 70 to 71 of this annual report.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 7 September 2010 with written terms of reference in compliance the CG Code. The remuneration committee currently comprises two independent non-executive Directors, Wang Wenfu (Chairman) and James Downing, and one independent non-executive Director, Ng Yuk Keung. The primary duties of the remuneration committee are to review and formulate remuneration policies for the Directors and senior management, to make recommendations on the remuneration package of the Directors and senior management and to evaluate and make recommendations on employee benefit arrangements.

The remuneration committee held 2 meetings during the year ended 31 December 2013, at which the members of the committee reviewed the remuneration of the Directors and senior management with reference to their duties, responsibilities, experience, qualifications and performance. No Director took part in any discussion about his/her own remuneration.

The attendance records of the remuneration committee for the year ended 31 December 2013 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Wang Wenfu	2/2
Mr. James Downing	2/2
Mr. Apolonius Struijk *(Note)*	1/2
Mr. Ng Yuk Keung *(Note)*	1/2

Note: Mr. Ng Yuk Keung was appointed as a member of the remuneration committee in place of Mr. Apolonius Struijk, who ceased to be a director of the Company with effect from 1 April 2013.

Details of the Directors' remuneration are set out in note 9 to the financial statements.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company established a nomination and corporate governance committee on 7 September 2010 with written terms of reference as recommended under the CG Code. The nomination and corporate governance committee comprises two independent non-executive Directors, James Downing (Chairman) and Ng Yuk Keung, and one executive Director, Yasuhisa Yamamoto. The primary function of the nomination and corporate governance committee is to formulate and implement the nomination policy laid down by the Board to oversee the composition, structure and evaluation of the Board and its committees and to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies.

The nomination and corporate governance committee held 3 meeting during the year ended 31 December 2013, at which the members of the committee reviewed and discussed the composition and structure of the Board and also evaluated the performance of the Board and its committees.

The attendance records of the remuneration committee for the year ended 31 December 2013 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. James Downing	3/3
Mr. Ng Yuk Keung	3/3
Mr. Yasuhisa Yamamoto	3/3

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

The Company established a health and safety and environmental committee on 7 September 2010 with written terms of reference. The health and safety and environmental committee comprises one non-executive Director, Daniel J. Miller (Chairman), one independent non-executive Director, George Jay Hambro and two executive Directors, Yasuhisa Yamamoto, Ma Li. The primary function of the health and safety and environmental committee is to advise and assist the Board with respect to health, safety and environmental matters.

The health and safety and environmental committee held 3 meetings during the year ended 31 December 2013, at which the members of the committee reviewed and discussed health and safety strategy and implementation plan of the Company.

The attendance records of the health and safety and environmental committee for the year ended 31 December 2013 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Daniel J. Miller	3/3
Mr. Yasuhisa Yamamoto	3/3
Mr. Apolonius Struijk *(Note)*	1/3
Ms. Ma Li *(Note)*	2/3
Mr. George Jay Hamro *(Note)*	2/3

Note: Ms. Ma Li was appointed as a member of the health and safety and environmental committee in place of Mr. Apolonius Struijk, who ceased to be a director of the Company with effect from 1 April 2013. Mr. George Jay Hambro was appointed as a member of the health and safety and environmental committee as well with effect from 1 April 2013.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records, and to ensure execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. During the year ended 31 December 2013, the Board carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of the business. The system can only provide reasonable but not absolute assurance against misstatements or losses. For the year ended 31 December 2013, the Board considers that the Company's internal control system was adequate and effective and that the Company complied with the CG Code with respect to its internal controls.

COMPANY SECRETARY

Ms. Cao Xinyi, the company secretary and the chief financial officer of the Company, supports the Board and each of the Board Committees by ensuring good information flow and that policies and procedures of the Board and the relevant Board committees are followed. Ms. Cao advises the Board on governance matters and facilitates the induction and professional development of Directors. As the company secretary, Ms. Cao also plays an essential role in the relationship between the Company and its Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

In compliance with Rule 3.29 of the Listing Rules, Ms. Cao confirmed that she has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

CONVENING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

According to the Articles of Association, Shareholders who request for the convening of an extraordinary general meeting shall comply with the following procedures:

- General meetings may be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued Shares which carries the right of voting at general meetings of the Company.

- General meetings may also be convened on the written requisition of any one Shareholder which is recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company.

- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them bythe Company.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnels by mail to the Company's principal place of business in Hong Kong at the following address:

Suite 4602A, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The company secretary and relevant personnels shall, on a regular basis, report the Shareholder's enquiries and concerns to the Board and/or relevant Board committees of the Company and where appropriate, respond to such enquiries.

Report of the Directors

Dear Shareholders,

The board of directors of Winsway Coking Coal Holdings Limited is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 prepared in accordance with IFRS.

PRINCIPAL ACTIVITIES

The Company was incorporated in the British Virgin Islands as a limited liability company on 17 September 2007. The Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 11 October 2010.

The Group principally engages in supplying coking coal into China, the world's largest and fastest-growing coking coal consuming market, providing services to its suppliers and customers through its integrated platform comprising logistics parks, coal processing plants, and road and railway transportation capabilities,. After the acquisition of GCC, a Canadian coal company, in conjunction with Marubeni on 1 March 2012, the Group also engages in the production of coking coal. Details of the Company's principal subsidiaries as at 31 December 2013 are set out in note 19 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on pages 72 in this annual report.

An analysis of the Group's performance for the year is set out in pages 5 to 36 of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 78 of this annual report.

As at 31 December 2013, the reserves available for distribution to the Shareholders of the Company in accordance with the Articles of Association were HK$2,708,123,000 (31 December 2012: HK$3,725,535,000).

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out if the Directors are satisfied, on reasonable grounds, that, immediately after the payment of the dividends, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. Regulations in the PRC currently permit distribution by way of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from June 4th 2014 (Wednesday) to June 6th 2014 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, June 3rd, 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 170 of this annual report. The results for the financial year ended 31 December 2009, and the assets, liabilities and non-controlling interests as at 31 December 2009 in the summary have been extracted from the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2013 are set out in note 14 to the financial statements set out in this annual report.

SHARE CAPITAL

The Company's Shares are without par value. Details of the movements in number of authorised and issued Shares of the Company during 2013 are set out in note 36 to the financial statements set out in this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 28 to the financial statements set out in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Most of the Group's products are sold to steel makers and coke plants in China. For the year ended 31 December 2013, sales to the Group's five largest customers accounted for 27.65% of the total revenue of the Group, and sales to the largest customer included therein accounted for 6.58%.

For the year ended 31 December 2013, the Group has acquired Mongolian coal totaling HK$2,373 million and seaborne coal amounting to HK$7,063 million. The procurement from the top four Mongolian coal suppliers of the Group accounted for 77.88% of the total amount of procurement of the Group, in particular, the procurement from the largest Mongolian coal supplier accounted for 35.36%. The procurement from the top three seaborne coal suppliers of the Group accounted for 43.20% of the total amount of procurement of seaborne coal of the Group, of which the procurement from the largest seaborne coal supplier accounted for 20.00%.

At no time during the year had the Directors, their associates or any Shareholder (who to the knowledge of the Directors own(s) more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SENIOR NOTES

In April 2011, the Company issued US$500 million of Senior Notes with a coupon rate of 8.5% per annum. The Senior Notes will be due in 2016 and are currently listed on the Singapore Exchange Securities Trading Limited. Proceeds from the Senior Notes issuance have provided or are expected to provide sufficient funding for the acquisition of railway wagons and other transportation vehicles, the investment in railway infrastructure and upstream resources and other general corporate purposes.

Details of movements in relation to the Senior Notes for the year ended 31 December 2013 are set out in note 29 to the financial statements set out in this annual report.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors of the Company during the year and up to the date of this annual report are as follows:

Name	Position
Executive Director	
Wang Xingchun	Chairman of the Board and Chief Executive Officer
Zhu Hongchan	Executive Director
Yasuhisa Yamamoto	Executive Director
Apolonius Struijk (resigned on 1 April 2013)	Executive Director
Ma Li (appointed on 1 April 2013)	Executive Director
Cui Yong (resigned on 30 December 2013)	Executive Director
Wang Changqing (appointed on 30 December 2013)	Executive Director
Non-executive Director	
Delbert Lee Lobb, Jr. (resigned on 16 January 2013)	Non-executive Director
Daniel J. Miller (appointed on 16 January 2013)	Non-executive Director
Liu Qingchun	Non-executive Director
Lu Chuan	Non-executive Director
Independent Non-executive Director	
James Downing	Independent Non-executive Director
Ng Yuk Keung	Independent Non-executive Director
Wang Wenfu	Independent Non-executive Director
George Jay Hambro	Independent Non-executive Director

Biographical details of the current Directors and the senior management of the Company are set out in the section headed "**Profile of Directors and Senior Management**" on pages 37 to 43 in this annual report.

In accordance with Articles 14.18 of the Articles of Association Messrs. Wang Changqing, James Downing, George Jay Hambro, Liu Qingchun and Lu Chuan will retire, and being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Xingchun, Mr. Yasuhisa Yamamoto and Ms Zhu Hongchan has entered into service agreement with the Company to renew their term as executive Director for three years commencing on 7 September 2013. Ms. Ma Li has entered into a service contract with the Company for a term of three years commencing on 28 June 2013. Mr. Wang Chang Qing has entered into a service contract with the Company for an initial term commencing from 30 December 2013 until the next following annual general meeting of the Company and he will be subject to re-election at that meeting in accordance with the Memorandum and Articles. Each of Mr. Liu Qingchun and Mr. Lu Chuan has signed a letter of appointment with the Company to renew their term as non-executive Directors for three years commencing on 7 September 2013. Mr. Daniel J. Miller, a non-executive Director, has signed a letter of appointment with the Company for a term of three years commencing on 28 June 2013. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for term not exceeding 3 years until 31 May 2016 and commencing from the commencement date set out in their respective letter of appointment.

None of the Directors who are proposed for re-election at the forthcoming AGM has entered any service agreements with the Company or any other member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONTINUING CONNECTED TRANSACTIONS

During the year 2013, the Group had the following transactions with Beijing Winsway Investment and Marubeni, which are connected persons of the Company under the Listing Rules:

(A) Lease agreement entered into between Beijing Winsway Investment Management Co., Ltd. ("Beijing Winsway") and Beijing Winsway Investment Co., Ltd. ("Beijing Winsway Investment");

(B) Agreement for purchase of products by the Group from Marubeni Group ("Marubeni Master Supply Agreement"); and

(C) Agreement for sales of products by the Group to Marubeni Group ("Winsway Master Supply Agreement").

Category I — Continuing Connected Transaction Exempted from Independent Shareholders' Approval

(A) — Lease agreement entered into between Beijing Winsway and Beijing Winsway Investment

Beijing Winsway Investment Management Co., Ltd ("Beijing Winsway"), an indirectly wholly-owned subsidiary of the Company, has been leasing a portion of 1st Basement Floor and 1st to 4th Floors, 10 Hongda Zhong Road, Beijing Development Area, Beijing, the PRC, plus 10 car parking spaces (the "Premises") from Beijing Winsway Investment Co., Ltd. (Beijing Winsway Investment), a company indirectly owned by Mr. Wang Xingchun, the chairman of the board of directors, Chief Executive Officer and the ultimate controlling shareholder of the Company, since 1 July 2008 for use as office premises.

On 9 July 2012, Beijing Winsway as tenant and Beijing Winsway Investment as Landlord entered into a lease agreement in respect of the lease of Premises for a term of one year from 1 July 2012 to 30 June 2013 (the "New Tenancy Agreement 1") upon the expiry of the old lease agreement dated 16 June 2011. The annual rental payable (excluding utility charges and other outgoings) transaction from 1 July 2012 to 30 June 2013 based on the is RMB6,127,898.80.

On 20 August 2013, Beijing Winsway as tenant and Beijing Winsway Investment as Landlord entered into a renewed lease agreement in respect of the lease of Premises for a term of 30 months from 1 July 2013 to 31 December 2015 (the "New Tenancy Agreement 2") upon the expiry of the New Tenancy Agreement 1 dated 9 July 2012. The 30-months rental payable (excluding utility charges and other outgoings) of this transaction from 1 July 2013 to 31 December 2015 is RMB15,361,414.80. (New Tenancy Agreement 1 and New Tenancy Agreement 2 collectively, the "New Tenancy Agreement.")

For the period from 1 January 2013 to 31 December 2013, the lease expenses incurred by the Group under the New Tenancy Agreement were RMB 6,136,232.36 (equivalent to approximately HK$7,681,335.67).

Category II — Non-exempted Continuing Connected Transactions

Following the completion of the acquisition of GCC, GCC became an indirect subsidiary of the Company held through 1629835 Alberta Ltd. (the "**JV Co.**"), a company incorporated in the Province of Alberta, Canada with limited liability which is indirectly owned as to 60% by the Company and 40% by Marubeni. By virtue of the indirect 40% interest in the JV Co., Marubeni is a substantial shareholder of JV Co. and hence a connected person of the Company at the subsidiary level. Immediately prior to the establishment of JV Co., the Group and GCC had been supplying certain products to the Marubeni Group under their then respective supply arrangement to satisfy the needs of the Marubeni Group for different types of coal, and the Group had been purchasing certain products from the Marubeni Group under the then purchasing arrangement to secure the supply of seaborne coal.

(B) — Agreement for purchase of Products by the Group from Marubeni Group ("Marubeni Master Supply Agreement")

On 2 March 2012, the Company and Marubeni entered in to the Marubeni Master Supply Agreement for a term commencing on 1 March 2012 and expiring on 31 December 2014, subject to renewal by agreement between the parties upon compliance with the Listing Rules, pursuant to which the relevant member(s) of the Group may from time to time during the term purchase the products in accordance with the terms thereof (the "**Marubeni Products**") from the relevant member(s) of the Marubeni Group. It is expected that the total value of the Marubeni Products to be supplied by the Marubeni Group to the Group for the relevant financial year/period during the term of Marubeni Master Supply Agreement will not exceed the amounts set out below (the "**Purchase Annual Caps**"):

Relevant financial year/period during the term of the Marubeni Master Supply Agreement	Purchase Annual Caps
1 March 2012 – 31 December 2012	HK$1,364 million
1 January 2013 to 31 December 2013	HK$1,801 million
1 January 2014 to 31 December 2014	HK$1,981 million

The Purchase Annual Caps were arrived at based upon (a) the estimated volume of Marubeni Products required by the Group, taking into account the projected growth in the demand of the Marubeni Products in line with the general growth in the Group's business in the next three years; and (b) the prevailing market prices of such Marubeni Products.

During the period from 1 January 2013 to 31 December 2013, the Company procured Marubeni products amounting to approximately HK$330 million from Marubeni Group pursuant to the Marubeni Master Supply Agreement.

(C) — Agreement for sale of Products by the Group from Marubeni Group ("Winsway Master Supply Agreement")

On 2 March 2012, the Company and Marubeni entered in to the Winsway Master Supply Agreement for a term that deemed to have commenced on 1 March 2012 and shall expire on 31 December 2014, subject to renewal by agreement between the parties upon compliance with the Listing Rules, pursuant to which the relevant member(s) of the Marubeni Group may from time to time during the term purchase the products in accordance with the terms thereof (the "**Winsway Products**") from the relevant member(s) of the Group. It is expected that the total value of the Winsway Products to be supplied by the Group to the Marubeni Group for the relevant financial year/period during the term of Winsway Master Supply Agreement will not exceed the amounts set out below (the "**Supply Annual Caps**"):

Relevant financial year/period during the term of the Marubeni Master Supply Agreement	**Supply Annual Caps**
1 March 2012 – 31 December 2012	HK$1,588 million
1 January 2013 to 31 December 2013	HK$3,095 million
1 January 2014 to 31 December 2014	HK$3,673 million

The Supply Annual Caps were arrived at based upon (a) the estimated volume of Winsway Products to be supplied by the Group to the Marubeni Group, taking into account the increase in the estimated volume of the Winsway Products in line with the general growth in the Group's business in the next three years especially following the acquisition of GCC, and (b) the prevailing market prices of such Winsway Products.

From 1 January 2013 to 31 December 2013, Marubeni Group procured Winsway products amounting to approximately HK$202 million from the Company pursuant to Winsway Master Supply Agreement.

The independent non-executive Directors have reviewed each of the (i) New Tenancy Agreement, (ii) the Marubeni Master Supply Agreement and (iii) the Winsway Master Supply Agreement for the year ended 31 December 2013 (the "CCT Transactions") and confirm that the CCT Transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

(3) in accordance with each of the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Further, the Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the CCT Transactions set out above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, share-based incentive payments, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for executive Directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of the Directors are set out in note 9 to the financial statements set out in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of Directors	Name of corporation	Nature of interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in the corporation
Wang Xingchun[(1)]	The Company	Personal interest and interest of controlled corporation	1,852,484,109	49.10%
	Winsway Mongolian Transportation Pte. Ltd.	Beneficial owner	1	10%
Zhu Hongchan[(3)]	The Company	Personal interest	10,345,000	0.27%
Cui Yong[(2)]	The Company	Personal interest and interest of controlled corporation	34,232,000	0.90%
Yasuhisa Yamamoto[(4)]	The Company	Personal Interest	8,469,000	0.22%
Apolonius Struijk[(3)]	The Company	Personal interest	4,869,000	0.13%
Ma Li[(3)]	The Company	Personal Interest	8,276,000	0.22%
Liu Qingchun	The Company	Personal interest and interest of spouse	179,000	0.005%
James Downing	The Company	Personal interest	329,000	0.01%
George Jay Hambro	The Company	Personal interest	573,000	0.02%

Note:

(1) Mr. Wang indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 208,106,421 Shares and 1,627,043,688 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, Mr. Wang holds an option to subscribe for 17,334,000 Shares under the Pre-IPO Option Scheme.

(2) Mr. Cui Yong (resigned on 30 December 2013) holds the entire issued share capital of Ray Splendid Limited and is deemed to be interested in the 26,002,000 Shares held by Ray Splendid Limited. In addition, Mr. Cui holds an option to subscribe for 8,230,000 Shares under the Pre-IPO Option Scheme.

(3) Options to subscribe for 10,345,000 Shares, 8,115,000 Shares and 8,276,000 shares were held by Ms. Zhu Hongchan, Mr. Apolonius Struijk (resigned on 1 April 2013) and Ms. Ma Li respectively under the Pre-IPO Option Scheme. The option to subscribe 3,246,000 shares held by Mr. Apolonius Struijk lapsed since his resignation on 1 April 2013.

(4) Mr. Yasuhisa Yamamoto holds 400,000 Shares and an option to subscribe for 8,069,000 Shares under the Pre-IPO Option Scheme.

Save as disclosed above, as at 31 December 2013, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to be Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to sections 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

SHARE-BASED INCENTIVE SCHEMES

Share Options

The Company adopted the Pre-IPO Option Scheme before Listing to recognise the contribution of certain of the Directors and employees of the Company and of its parent company group whom the Board considers to have contributed to the growth of the Group and/or to the listing of the Shares of the Company on the Hong Kong Stock Exchange.

According to the rules of the Pre-IPO Option Scheme ("**Scheme Rules**"), the Pre-IPO Option Scheme shall be valid and effective for a period of 5 years from 30 June 2010 ("**Adoption Date**"). The subscription price for the Shares under the Pre-IPO Option Scheme is HK$1.677 per share. The total number of Shares which may be issued upon the exercise of all options to be granted under the Pre-IPO Option Scheme and other share option schemes of the Company shall not exceed 5% of the Shares in issue on a fully diluted basis as at the Adoption Date.

Options granted under the Pre-IPO Option Scheme will vest every three months over a period of five years commencing from 1 April 2010 ("**Initial Vesting Date**") in equal portions (5% each) on the first day of each three-month period (a "**Vesting Date**") after the Initial Vesting Date. Option vested may not be exercised until the date falling 12 months after the Initial Vesting Date, but may otherwise be exercised at any time during the period of five years from the Adoption Date, subject to certain exceptions set out in the Scheme Rules. An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part on or after (but not before) the relevant Vesting Date by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Pursuant to the Pre-IPO Option Scheme, out of the 107,945,000 Shares which may be issued upon the exercise of all the options granted under the Pre-IPO Option Scheme, options representing 52,093,000 Shares were granted to 5 executive Directors. A summary of the movements of the outstanding share options during the year ended 31 December 2013 were as follows:

Grantee	Options held as at 1 January 2013	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 31 December 2013
Directors				
Wang Xingchun	17,334,000	—	—	17,334,000
Zhu Hongchan	10,345,000	—	—	10,345,000
Cui Yong (resigned on 30 December 2013)	8,230,000	—	—	8,230,000
Yasuhisa Yamamoto	8,069,000	—	—	8,069,000
Apolonius Struijk (resigned on 1 April 2013)	8,115,000	—	3,246,000	4,869,000
Ma Li (appointed on 1 April 2013)	8,276,000	—	—	8,276,000
Others				
Employees	44,559,613	0	3,470,700	41,088,913
Total	**104,928,613**	**0**	**6,716,700**	**98,211,913**

Restricted Share Unit Scheme

Under the restricted share unit scheme ("**RSU Scheme**") approved and adopted by the shareholders in general meeting of the Company on 11 Jun 2012, the Company may grant restricted share unit awards ("**RSU Awards**") to directors (including executive directors, non-executive directors and independent non-executive directors), officers and full-time employees of the Company or any of its subsidiaries. An RSU Award gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

The purposes of the RSU Scheme are to retain and motivate its participants to make contributions to the long term growth and profits of the Group with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between the participants and the shareholders of the Company. The Board will select participants to receive RSU Awards under the RSU Scheme at its discretion.

During the year ended 31 December 2013, no RSU Awards were granted by the Company under the RSU Scheme.

On 31 December 2013, the Trustee of the scheme purchased an aggregate of 6,181,000 Shares through on-market purchases for the purposes of the RSU Scheme. For details, please refer to the announcement of the Company dated 2 January 2014.

Save as disclosed above, at no time during the year 2013 was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 December 2013, Shareholders who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Name of Corporation	Nature of interest	Aggregate number of Shares	Approximate percentage of interest in the corporation
Mr. Wang	The Company	Personal interest and interest of controlled corporation	1,852,484,109	49.10%
Winsway Group Holdings	The Company	Interest of controlled corporation	1,835,150,109	48.64%
Winsway Petroleum Holdings	The Company	Interest of controlled corporation	208,106,421	5.52%
Winsway International Petroleum & Chemicals	The Company	Beneficial owner	208,106,421	5.52%
Winsway Resources	The Company	Beneficial owner	1,627,043,688	43.12%
Peabody Energy	The Company	Beneficial owner	193,363,378	5.12%

Notes:

(1) Mr. Wang indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 208,106,421 Shares and 1,627,043,688 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, Mr. Wang holds an option to subscribe for 17,334,000 Shares under the Pre-IPO Option Scheme.

(2) Winsway Group Holdings indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and directly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 208,106,421 Shares and 1,627,043,688 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.

(3) Winsway Petroleum Holdings holds the entire issued share capital of Winsway International Petroleum & Chemicals and is deemed to be interested in the 208,106,421 Shares held by Winsway International Petroleum & Chemicals.

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance (as that term is used in Appendix 16 of the Listing Rules) in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance between the Company or any of its subsidiaries and a Controlling Shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

AUDIT COMMITTEE

The audit committee consists of four independent non-executive Directors, Ng Yuk Keung (Chairman), George Jay Hambro, Wang Wenfu and James Downing.

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 financial statements of the Group for the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Articles of Association or the BVI Business Companies Act 2004 under which the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2013.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2013, save as disclosed in the Corporate Governance Report in this annual report, the Company has complied with all the applicable code provisions as set out in the CG Code. For details of the corporate governance practice of the Company, please refer to the Corporate Governance Report on pages 44 to 53 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 39 to the financial statements set out in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 31 December 2013, the Company had a total of 3,773,198,693 Shares in issue.

During the year ended 31 December 2013, the Company repurchased an aggregate of US$153,190,000 in principal amount of the Senior Notes issued in April 2011 through a tender offer to purchase for cash commenced on 20 August 2013 for a total consideration of US$73,595,000.

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

UPDATE ON DIRECTORS' INFORMATION

On January 2013, Mr. Delbert Lee Lobb, Jr. resigned as a non-executive Director and was replaced by Mr. Daniel J. Miller, who as appointed on the same day. On 1 April 2013, Mr. Aplonius Struijk resigned as an executive Director and was replaced by Ms. Ma Li, who was appointed on the same day. On 30 December 2013, Mr. Cui Yong resigned as an executive Director and was replaced by Mr. Wang Changqing, who was appointed on the same day.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2013. A resolution will be proposed for approval by the Shareholders of the Company at the forthcoming AGM to re-appoint KPMG as auditors of the Company for the year ending 31 December 2014.

On behalf of the Board
Wang Xingchun
Chairman

26 March 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WINSWAY COKING COAL HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Winsway Coking Coal Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 72 to 165, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	Note	**2013 *$'000***	2012 *$'000* (Restated)
Turnover	4	**14,093,246**	12,387,405
Cost of sales		**(14,557,689)**	(12,520,378)
Gross loss		**(464,443)**	(132,973)
Other revenue	5	**32,707**	28,292
Distribution costs		**(213,828)**	(261,491)
Administrative expenses		**(457,950)**	(601,272)
Other operating income/(expenses), net	6	**251**	(11,576)
Impairment of non-current assets	7(c)	**(1,106,302)**	—
Loss from operating activities		**(2,209,565)**	(979,020)
Finance income	7(a)	**861,690**	186,832
Finance costs	7(a)	**(845,316)**	(813,956)
Net finance income/(costs)		**16,374**	(627,124)
Share of loss of a joint venture		**—**	(35,510)
Share of loss of an associate		**(140)**	—
Impairment of interest in a joint venture	21	**—**	(323,616)
Loss before taxation	7	**(2,193,331)**	(1,965,270)
Income tax	8	**(132,003)**	293,142
Loss for the year		**(2,325,334)**	(1,672,128)
Attributable to:			
Equity shareholders of the Company	11	**(1,789,385)**	(1,490,961)
Non-controlling interests		**(535,949)**	(181,167)
Loss for the year		**(2,325,334)**	(1,672,128)
Loss per share *(HK$)*	13		
— Basic and diluted		**(0.474)**	(0.395)

The notes on pages 81 to 165 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 36(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	**2013** **$'000**	2012 $'000 (Restated)
Loss for the year		**(2,325,334)**	(1,672,128)
Other comprehensive income for the year (after tax adjustments):	12		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**75,680**	33,845
Total comprehensive income for the year		**(2,249,654)**	(1,638,283)
Attributable to:			
Equity shareholders of the Company		**(1,715,471)**	(1,470,499)
Non-controlling interests		**(534,183)**	(167,784)
Total comprehensive income for the year		**(2,249,654)**	(1,638,283)

The notes on pages 81 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2013

(Expressed in Hong Kong dollars)

	Note	**2013**	2012
		$'000	*$'000*
			(Restated)
Non-current assets			
Property, plant and equipment, net	14	**3,852,235**	4,062,038
Construction in progress	15	**558,486**	375,014
Lease prepayments	16	**541,474**	450,559
Intangible assets	17	**6,124,798**	6,728,662
Goodwill	18	**—**	459,623
Interest in an associate	20	**14,843**	—
Interest in a joint venture	21	**—**	—
Other investments in equity securities	22	**400,369**	395,738
Other non-current assets	23	**206,969**	219,399
Deferred tax assets	34(b)	**286,845**	451,091
Total non-current assets		**11,986,019**	13,142,124
Current assets			
Inventories	24	**1,362,734**	2,444,261
Trade and other receivables	25	**4,616,224**	4,167,372
Assets held for sale		**—**	23,185
Restricted bank deposits	26	**2,150,026**	980,535
Cash and cash equivalents	27	**2,018,000**	2,110,823
Total current assets		**10,146,984**	9,726,176
Current liabilities			
Secured bank loans	28	**1,093,111**	1,783,606
Trade and other payables	33	**7,815,506**	4,816,347
Obligations under finance lease	31	**130,315**	152,332
Income tax payable	34(a)	**66,525**	83,646
Liabilities held for sale		**—**	63
Total current liabilities		**9,105,457**	6,835,994
Net current assets		**1,041,527**	2,890,182
Total assets less current liabilities		**13,027,546**	16,032,306

The notes on pages 81 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at 31 December 2013

(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000 (Restated)
Non-current liabilities			
Secured bank loans	28	**3,065,780**	2,452,125
Senior notes	29	**2,337,010**	3,521,004
Deferred income	30	**158,887**	162,857
Obligations under finance lease	31	**176,726**	271,463
Deferred tax liabilities	34(b)	**1,082,545**	1,146,560
Provisions	35	**209,873**	223,019
Total non-current liabilities		**7,030,821**	7,777,028
NET ASSETS		**5,996,725**	8,255,278
CAPITAL AND RESERVES			
Share capital	36(c)	**4,992,337**	4,992,337
Reserves	36(f)	**(983,102)**	733,126
Total equity attributable to equity shareholders of the Company		**4,009,235**	5,725,463
Non-controlling interests		**1,987,490**	2,529,815
TOTAL EQUITY		**5,996,725**	8,255,278

Approved and authorised for issue by the board of directors on 26 March 2014.

WANG XING CHUN)
) *Directors*
YASUHISA YAMAMOTO)

The notes on pages 81 to 165 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2013

(Expressed in Hong Kong dollars)

	Note	**2013** **$'000**	2012 $'000
Non-current assets			
Property, plant and equipment, net	14	**119**	182
Interests in subsidiaries	19	**6,246,298**	7,806,144
Other non-current assets	23	**—**	186,034
Total non-current assets		**6,246,417**	7,992,360
Current assets			
Trade and other receivables	25	**1,090**	71,226
Cash and cash equivalents	27	**30,209**	202,786
Total current assets		**31,299**	274,012
Current liabilities			
Trade and other payables	33	**1,232,413**	1,019,031
Income tax payable	34(a)	**170**	802
Total current liabilities		**1,232,583**	1,019,833
Net current liabilities		**1,201,284**	745,821
Total assets less current liabilities		**5,045,133**	7,246,539
Non-current liabilities			
Senior notes	29	**2,337,010**	3,521,004
Total non-current liabilities		**2,337,010**	3,521,004
NET ASSETS		**2,708,123**	3,725,535

The notes on pages 81 to 165 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (Continued)

at 31 December 2013

(Expressed in Hong Kong dollars)

	Note	**2013**	2012
		$'000	*$'000*
CAPITAL AND RESERVES	36(a)		
Share capital		**4,992,337**	4,992,337
Reserves		**(2,284,214)**	(1,266,802)
TOTAL EQUITY		**2,708,123**	3,725,535

Approved and authorised for issue by the board of directors on 26 March 2014.

	)	
WANG XING CHUN	)	
	)	*Directors*
YASUHISA YAMAMOTO	)	
	)	

The notes on pages 81 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	**Share capital** $'000 *(note 36(c))*	**Statutory reserve** $'000 *(note 36(f))*	**Employee share trusts** $'000 *(note 36(f))*	**Other reserve** $'000 *(note 36(f))*	**Exchange reserve** $'000 *(note 36(f))*	**Retained earnings** $'000	**Total** $'000	**Non-controlling interests** $'000	**Total equity** $'000
Balance at 1 January 2012		4,992,291	314,264	—	85,865	180,324	1,658,191	7,230,935	42,186	7,273,121
Exercise of share options granted under share option scheme		46	—	—	(21)	—	—	25	—	25
Contribution from non-controlling interests		—	—	—	—	—	—	—	2,655,413	2,655,413
Dividends declared and paid to the equity shareholders of the Company	36(b)	—	—	—	—	—	(60,371)	(60,371)	—	(60,371)
Equity settled share-based transactions		—	—	—	25,373	—	—	25,373	—	25,373
Total comprehensive income for the year (restated)		—	—	—	—	20,462	(1,490,961)	(1,470,499)	(167,784)	(1,638,283)
Appropriation to statutory reserve		—	5,046	—	—	—	(5,046)	—	—	—
Restated balance at 31 December 2012		4,992,337	319,310	—	111,217	200,786	101,813	5,725,463	2,529,815	8,255,278

		Attributable to equity shareholders of the Company								
	Note	**Share capital** $'000 *(note 36(c))*	**Statutory reserve** $'000 *(note 36(f))*	**Employee share trusts** $'000 *(note 36(f))*	**Other reserve** $'000 *(note 36(f))*	**Exchange reserve** $'000 *(note 36(f))*	**Retained earnings/ (accumulated loss)** $'000	**Total** $'000	**Non-controlling interests** $'000	**Total equity** $'000
Restated balance at 1 January 2013		4,992,337	319,310	—	111,217	200,786	101,813	5,725,463	2,529,815	8,255,278
Equity settled share-based transactions		—	—	—	2,243	—	—	2,243	—	2,243
Total comprehensive income for the year		—	—	—	—	73,914	(1,789,385)	(1,715,471)	(534,183)	(2,249,654)
Appropriation to statutory reserve		—	5,667	—	—	—	(5,667)	—	—	—
Contribution to employee share trusts	36(f)	—	—	(3,000)	—	—	—	(3,000)	—	(3,000)
Disposal of subsidiaries		—	—	—	—	—	—	—	(8,142)	(8,142)
Balance at 31 December 2013		4,992,337	324,977	(3,000)	113,460	274,700	(1,693,239)	4,009,235	1,987,490	5,996,725

The notes on pages 81 to 165 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	**2013** **$'000**	2012 $'000 (Restated)
Operating activities			
Loss before taxation		**(2,193,331)**	(1,965,270)
Adjustments for:			
Depreciation		**442,312**	366,251
Amortisation of lease prepayments		**11,152**	9,180
Amortisation of intangible assets		**115,932**	138,413
Interest income		**(123,338)**	(88,809)
Interest expense		**823,529**	783,825
Fair value change of derivative financial instruments		**(15,794)**	2,215
Equity settled share-based transactions		**2,243**	25,373
Loss on disposal of property, plant and equipment and intangible assets	6	**8,682**	6,947
Share of loss of a joint venture		**—**	35,510
Share of loss of an associate		**140**	—
Impairment of non-current assets		**1,106,302**	—
Impairment of interest in a joint venture		**—**	323,616
Transaction costs for the acquisition of Grande Cache Coal Corporation ("GCC")		**—**	62,042
Gain on redemption of senior notes		**(592,495)**	(55,601)
Gain on disposal of equity securities	6	**(485)**	(452)
Gain on disposal of subsidiaries	6	**(5,812)**	—
Foreign exchange gain, net		**(145,857)**	(42,422)
		(566,820)	(399,182)
Decrease in inventories		**1,081,527**	1,839,515
Increase in trade and other receivables		**(450,299)**	(191,373)
Increase in trade and other payables		**3,189,910**	204,649
Income tax paid		**(44,491)**	(148,369)
Net cash generated from operating activities		**3,209,827**	1,305,240

The notes on pages 81 to 165 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	Note	**2013**	2012
		$'000	*$'000*
			(Restated)
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		**(778,681)**	(769,437)
Government grants received		**66,067**	44,221
Proceeds from sales of property, plant and equipment and intangible assets		**10,889**	35,901
Acquisition of GCC, net of cash acquired		**—**	(6,753,176)
Payment of transaction costs for the acquisition of GCC, including transaction costs incurred by GCC prior to acquisition		**—**	(384,842)
Repayment of loan from a third party		**58,974**	62,056
Payment for investment in an associate		**(13,891)**	—
Interest received		**98,176**	92,878
(Increase)/decrease in restricted bank deposits		**(1,169,491)**	767,202
Proceeds from disposal of investment in equity securities		**6,494**	3,635
Proceeds from settlement of derivative financial instruments		**51,572**	—
Proceeds from disposal of subsidiaries		**27,954**	—
Net cash used in investing activities		**(1,641,937)**	(6,901,562)
Financing activities			
Proceeds from bank loans		**10,631,879**	12,601,925
Repayment of bank loans		**(10,727,879)**	(9,140,287)
Capital element of finance lease rentals paid		**(116,965)**	(99,422)
Interest paid		**(873,009)**	(723,961)
Contributions to employee share trusts		**(3,000)**	—
Dividends paid	36(b)	**—**	(60,371)
Payment for redemption of senior notes		**(600,824)**	(231,673)
Proceeds from exercise of share options		**—**	25
Contribution from non-controlling interests		**—**	2,214,445
Net cash (used in)/generated from financing activities		**(1,689,798)**	4,560,681
Net decrease in cash and cash equivalents		**(121,908)**	(1,035,641)
Cash and cash equivalents at 1 January	27(a)	**2,110,823**	3,137,752
Effect of foreign exchange rate changes		**29,085**	8,712
Cash and cash equivalents at 31 December	27(a)	**2,018,000**	2,110,823

The notes on pages 81 to 165 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Winsway Coking Coal 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 and its subsidiaries (together referred to as the "Group") are principally engaged in the processing and trading of coking coal and other products, development of coal mills and production of coking coal and rendering of logistics services.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interest in an associate and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Derivative financial instruments (see note 2(h))

Disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(y)).

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on these consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company and its principal subsidiaries. The Company's functional currency is United Stated dollars ("US$"). As the Company is a listed company in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

One of the Group's subsidiaries, namely Grande Cache Coal LP ("GCC LP") sustained a net loss from continuing operations before impairment losses for non-current assets, of $824,901,000 for the year ended 31 December 2013 and at 31 December 2013 GCC LP had net current liabilities of $1,012,812,000.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about GCC LP's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that GCC LP will be able to finance its future working capital and financing requirements in view of the measures including but not limited to capital contribution amounting to $725,030,000 by the shareholders of GCC LP in January 2014, minimising the capital expenditure of GCC LP in 2014 and refinancing the current portion of GCC LP's loans amounting to $445,890,000 so that the repayment of current loans will be satisfied when they fall due in 2014.

Accordingly, the directors are of the opinion that it is appropriate to consolidate GCC LP's financial statements in the Company's consolidated financial statements for the year ended 31 December 2013 on a going concern basis. Should GCC LP be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*
- IFRIC 20, *Stripping costs in the production phase of a surface mine*
- Annual Improvements to IFRSs 2009-2011 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended IFRSs are discussed below:

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies *(Continued)*

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 19, 20 and 21.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 37. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies *(Continued)*

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32. In respect of this amendment, the Group has provided those disclosures in note 38.

IFRIC 20, Stripping costs in the production phase of a surface mine

In surface mining operations, it is necessary to remove waste materials to gain access to mineral ore deposits. This waste removal activity is known as "stripping". During the development phase of the mine (before production begins), stripping costs are usually capitalised as part of the depreciable cost of building, developing and constructing the mine. Those capitalised costs are depreciated or amortised on a systematic basis, usually by using the units of production method, once production begins. A mining entity may continue to remove overburden and to incur stripping costs during the production phase of the mine.

On 1 January 2013, the Group adopted the new IFRIC interpretation IFRIC 20, *Stripping costs in the production phase of a surface mine*. IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of surface mining when two benefits accrue to the entity as a result of the stripping: useable mineralised material that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods.

As a result of the adoption of IFRIC 20, the Group changed its accounting policy with respect to production stripping costs, for which waste removal was previously accounted for as variable production costs and included in the cost of the inventory produced during the period in which the stripping costs were incurred. The Group now allocates the production stripping costs between the inventory produced and the stripping activity asset using an average strip ratio for the pit life. The stripping activity asset is depreciated on a systematic basis, over the expected useful life of the identified component of the mineralised body that becomes more accessible as a result of the stripping activity, on an units-of-production basis over the estimated recoverable mineral reserves that directly benefit from the stripping activity.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies *(Continued)*

IFRIC 20, Stripping costs in the production phase of a surface mine (Continued)

The adoption of this standard did not have an impact on the Group's financial position as at 1 January 2012 as the Group engaged in developing coal mills after its acquisition of GCC, a Canadian mining company, on 1 March 2012.

This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012 and the result for the year ended 31 December 2012 as follows:

	As previously reported *$'000*	Effect of adopting IFRIC 20 *$'000*	As restated *$'000*
Consolidated statement of profit or loss for the year ended 31 December 2012:			
Cost of sales	(12,806,100)	285,722	(12,520,378)
Income tax	336,000	(42,858)	293,142
Loss for the year	(1,914,992)	242,864	(1,672,128)
Basic and diluted loss per share *(HK$)*	(0.429)	0.034	(0.395)
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012:			
Total comprehensive income for the year	(1,880,971)	242,688	(1,638,283)
Consolidated statement of financial position as at 31 December 2012:			
Property, plant and equipment, net	3,776,522	285,516	4,062,038
Deferred tax liabilities	1,103,732	42,828	1,146,560
Net assets/Total equity	8,012,590	242,688	8,255,278
(Accumulated loss)/retained earnings	(26,762)	128,575	101,813
Consolidated cash flow statement for the year ended 31 December 2012:			
Net cash generated from operating activities	956,076	349,164	1,305,240
Net cash used in investing activities	(6,552,398)	(349,164)	(6,901,562)

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Since the Group considers that the restatement resulting from the adoption of IFRIC 20 has no impact on the opening financial position, no additional statement of financial position as at 1 January 2012 has been presented in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(y)).

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associate and joint venture are stated at cost less impairment losses (see note 2(m)).

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Other investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(v) (iii).

Investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in notes 2(v) (iii).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Exploration and evaluation expenditures

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditures include costs which are directly attributable to researching and analysing historic exploration data, conducting topographical, geological, geochemical and geophysical studies as well as exploratory drilling, trenching and sampling. In addition, costs incurred to prove the technical feasibility and commercial viability of resources found are included.

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets.

Once the technical feasibility and commercial viability of the extraction of proven and probable mineral reserves in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and reclassified to "Mineral assets" within property, plant and equipment. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(j) Property, plant and equipment

(i) Mineral assets

Mineral assets include the capitalised costs directly attributable to the development and construction of mines (including amounts transferred from exploration and evaluation assets), capitalised stripping costs and assets recognised for the restoration obligations of the mining operations (see note 2 (u) (iii)).

When proven and probable coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mineral assets.

Stripping costs incurred during the production phase of a surface mine are allocated between the inventory produced and the stripping activity asset using an average strip ratio for the pit life. The stripping activity asset is depreciated on a systematic basis, over the expected useful life of the identified component of the mineralised body that becomes more accessible as a result of the stripping activity, on an units-of-production basis over the estimated recoverable mineral reserves that directly benefit from the stripping activity.

Mineral assets are depreciated on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

Construction in progress represents other property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see note 2(m)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 20 years
Plant and machinery	3 to 20 years
Motor vehicles	4 to 5 years
Office and other equipment	2 to 10 years
Railway special assets	8 to 50 years

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Intangible assets

(i) Mining rights

The cost of mining rights acquired in a business combination is their fair value as at the date of acquisition. Following the initial recognition, mining rights are stated at cost less accumulated amortisation and impairment losses (see note 2(m)).

Mining rights are amortised on the units of production method utilising only proven and probable coal reserves in the depletion base.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Intangible assets *(Continued)*

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation with finite useful lives, and impairment losses (see note 2(m)). Amortisation is recognised in profit or loss on a straight-line basis over the assets' useful lives. The following other intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	10 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Leased assets *(Continued)*

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease (land use rights) is amortised on a straight-line basis over the period of the lease term.

(m) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Costs or fees incurred in relation to unsubstantial modification of the terms of interest-bearing borrowings adjust the carrying amount of interest-bearing borrowings and are amortised over the remaining term of the modified borrowing.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in relevant jurisdictions are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options and restricted share units granted to employees is recognised as an employee cost with a corresponding increase in the other reserve within equity. The fair value of share options is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of restricted share units is measured at grant date using the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options and restricted share units, the total estimated fair value of the options and restricted share units is spread over the vesting period, taking into account the probability that the options and restricted share units will vest.

During the vesting period, the number of share options and restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options and restricted share units that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount related to share options is recognised in the other reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained earnings). The equity amount related to restricted share units is recognised in other reserve until the restricted share units become vested and is transferred to employee share trusts (see note 36(f) (iv)).

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Income tax *(Continued)*

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(iii) Restoration provisions

The Group's obligations for restoration consist of spending estimates at its mines in accordance with the relevant rules and regulations in respective jurisdictions. The Group estimates its liabilities for final restoration and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final restoration and mine closure, which is included in the mineral assets. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of restoration activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the assets.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Translation of foreign currencies *(Continued)*

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Disposal group held for sale

A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current asset (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is included in a disposal group that is classified as held for sale, it is not depreciated or amortised.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of these financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these financial statements.

(i) Depreciation

Property, plant and equipment other than mineral assets are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Estimated recoverable reserves are used in determining the depreciation of mineral assets. This results in a depreciation charge that is proportional to the depletion of the anticipated remaining life of mine production. Each mineral asset's life, which is assessed annually, considers its physical life limitations and the present assessments of economically recoverable reserves of the mine property to which the asset relates. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditures. Changes are accounted for prospectively.

(ii) Mineral reserves estimates

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant mineral deposit. In addition, as prices and cost levels change from year to year, the estimate of mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated mineral reserve quantity (the denominator) and capitalised costs of mineral assets (the numerator). The capitalised costs of mineral assets are depreciated and amortised based on the units produced.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

(iii) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(iv) Mine decommissioning and restoration

The estimation of the liabilities for final restoration and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of restoration and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of restoration activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(v) Impairment of assets including goodwill

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value, which requires significant judgement relating to level of sale volume, selling price and amount of production costs.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

(v) Impairment of assets including goodwill *(Continued)*

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgement in determining the probability of insolvency or significant financial difficulties of the debtor.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(vi) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(vii) Impairment of interest in the joint venture and associate

In determining whether an interest in the joint venture and associate is impaired or the event previously causing impairment no longer exists, the Group has to exercise judgement in the area of impairment of assets relevant to the joint venture and associate (the "Relevant Assets") and others, particularly in assessing: (1) whether an event has occurred that may affect the value of Relevant Assets or such event affecting the value of Relevant Assets have not been in existence; (2) whether the carrying value of Relevant Assets can be supported by the net present value of future cash flows which are estimated based upon the continued use of the Relevant Assets or derecognising; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate; and (4) dividend policy of the joint venture and associate.

(viii) Allowance for diminution in value of inventories

If the costs of inventories fall below their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the products, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

(ix) Recognition of deferred tax assets

As explained in note 34, the Group recognises deferred tax assets in respect of accumulated tax losses and deductible temporary differences based on management's estimation of future taxable profits against which the accumulated tax losses and deductible temporary differences may be offset in the foreseeable future for each individual subsidiary. The Group has assumed that, based on current economic circumstances, its operations may generate sufficient taxable profits to utilise certain accumulated tax losses and deductible temporary differences in the foreseeable future. It is possible that certain assumptions adopted in the preparation of the profit forecasts for the Group's operations may not be indicative of future taxable profits. Any increase or decrease in the recognition of deferred tax assets would affect the Group's net asset value.

4 TURNOVER AND SEGMENT REPORTING

(i) Turnover

The Group is principally engaged in the processing and trading of coking coal and other products, the sale and production of coking coal from coal mills operated by the Group, and the rendering of logistics services. Turnover 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 recognised in turnover during the year is as follows:

	2013	2012
	$'000	*$'000*
Coking coal	**12,919,179**	11,681,255
Thermal coal	**177,117**	113,649
Coke	**68,257**	38,800
Coal related products	**629,382**	488,224
Iron ore	**217,409**	—
Rendering of logistics services	**43,979**	41,412
Others	**37,923**	24,065
	14,093,246	12,387,405

The Group's customer base is diversified and includes no customer (2012: one) with whom transactions have exceeded 10% of the Group revenues.

In 2012 revenue from sales of coking coal to the PRC based customer, including sales to entities which are known to the Group to be under common control with the customer, amounted to approximately $1,433 million.

Details of concentration of credit risk arising from the largest and the largest five customers are set out in note 37(a).

(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.

4 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(ii) Segment reporting *(Continued)*

- Development of coal mills and production of coking coal and related products: this segment acquires, explores and develops coal mills and produces coal from the mills. The Group acquired the equity interest in a joint venture developing coal mills (see note 21) and commenced its business in this segment during the year ended 31 December 2010. On 1 March 2012, the Group acquired GCC, a Canadian company developing coal mills and producing coking coal and related products from the mills.

- Logistics services: this segment constructs, manages and operates logistics parks and generates income from rendering of logistics services to external customers within the People's Republic of China ("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, goodwill and current assets with the exception of interests in an associate and deferred tax assets. Segment liabilities include trade and other payables, obligations under finance lease, provisions, deferred income and bank and other borrowings 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. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint venture. 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 (loss)/profit is "adjusted EBITDA" i.e. "adjusted (loss)/earnings 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.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales and the Group's share of the joint venture's revenue), 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.

4 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(ii) Segment reporting *(Continued)*

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

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 years ended 31 December 2013 and 2012 is set out below.

	Processing and trading of coking coal and other products		Development of coal mills and production of coking coal and related products		Logistics services		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
				(Restated)				(Restated)
Revenue from external customers	**13,275,763**	10,940,084	**773,504**	1,405,909	**43,979**	41,412	**14,093,246**	12,387,405
Inter-segment revenue	**—**	—	**1,106,210**	354,000	**24,864**	19,126	**1,131,074**	373,126
Reportable segment revenue	**13,275,763**	10,940,084	**1,879,714**	1,759,909	**68,843**	60,538	**15,224,320**	12,760,531
Reportable segment (loss)/profit (adjusted EBITDA)	**(396,158)**	(615,412)	**(144,318)**	104,388	**6,609**	10,338	**(533,867)**	(500,686)
Interest income	**120,737**	86,261	**1,911**	1,788	**690**	760	**123,338**	88,809
Interest expense	**(570,029)**	(569,842)	**(235,913)**	(207,054)	**(17,587)**	(6,929)	**(823,529)**	(783,825)
Depreciation and amortisation for the year	**(112,200)**	(108,298)	**(436,629)**	(389,893)	**(20,567)**	(15,653)	**(569,396)**	(513,844)
Impairment of non-current assets	**(148,328)**	—	**(957,974)**	—	**—**	—	**(1,106,302)**	—
Impairment of interest in a joint venture	**—**	—	**—**	(323,616)	**—**	—	**—**	(323,616)
Shares of loss of an associate	**—**	—	**—**	—	**(140)**	—	**(140)**	—
Reportable segment assets	**12,499,597**	11,650,744	**9,546,800**	10,577,836	**626,354**	586,883	**22,672,751**	22,815,463
Additions to non-current segment assets during the year	**107,523**	205,741	**453,857**	10,215,523	**54,554**	97,102	**615,934**	10,518,366
Reportable segment liabilities	**10,714,993**	9,404,767	**4,642,874**	3,993,991	**470,777**	382,312	**15,828,644**	13,781,070

4 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(ii) Segment reporting *(Continued)*

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

	2013	2012
	$'000	*$'000*
		(Restated)
Revenue		
Reportable segment revenue	**15,224,320**	12,760,531
Elimination of inter-segment revenue	**(1,131,074)**	(373,126)
Consolidated turnover	**14,093,246**	12,387,405
Loss		
Reportable segment loss	**(533,867)**	(500,686)
Depreciation and amortisation	**(569,396)**	(513,844)
Impairment of interest in a joint venture	**—**	(323,616)
Impairment of non-current assets	**(1,106,302)**	—
Shares of loss of an associate	**(140)**	—
Net finance income/(costs)	**16,374**	(627,124)
Consolidated loss before taxation	**(2,193,331)**	(1,965,270)
Assets		
Reportable segment assets	**22,672,751**	22,815,463
Deferred tax assets	**286,845**	451,091
Interest in an associate	**14,843**	—
Elimination of inter-segment receivables	**(841,436)**	(398,254)
Consolidated total assets	**22,133,003**	22,868,300
Liabilities		
Reportable segment liabilities	**15,828,644**	13,781,070
Current income tax liabilities	**66,525**	83,646
Deferred tax liabilities	**1,082,545**	1,146,560
Elimination of inter-segment payables	**(841,436)**	(398,254)
Consolidated total liabilities	**16,136,278**	14,613,022

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

(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 with the exception of deferred tax 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 goodwill, and the location of operations, in the case of interests in a joint venture and an associate.

	Revenues from external customers		Specified non-current assets	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
				(Restated)
The PRC (including Hong Kong and Macau)	**13,133,655**	10,700,900	**2,512,124**	2,565,852
Canada	**773,504**	1,405,909	**8,997,181**	9,937,149
Mongolia	**—**	504	**—**	—
Other countries	**186,087**	280,092	**189,869**	188,032
	14,093,246	12,387,405	**11,699,174**	12,691,033

5 OTHER REVENUE

	2013	2012
	$'000	*$'000*
Government grants	**21,919**	28,292
Others	**10,788**	—
	32,707	28,292

6 OTHER OPERATING INCOME/(EXPENSES), NET

	2013	2012
	$'000	*$'000*
Loss on disposal of property, plant and equipment and intangible assets	**(8,682)**	(6,947)
Gain on disposal of equity securities	**485**	452
Gain on disposal of subsidiaries	**5,812**	—
Others	**2,636**	(5,081)
	251	(11,576)

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after (crediting)/charging:

(a) Net finance (income)/costs

	2013	2012
	$'000	*$'000*
Interest income	**(123,338)**	(88,809)
Gain on redemption of Senior Notes *(note 29)*	**(592,495)**	(55,601)
Foreign exchange gain, net	**(145,857)**	(42,422)
Finance income	**(861,690)**	(186,832)
Interest on secured bank loans wholly repayable within five years	**338,657**	303,357
Interest on discounted bills	**162,414**	122,714
Interest on Senior Notes *(note 29)*	**301,905**	328,769
Interest on finance lease obligations	**20,553**	37,724
Less: interest expense capitalised into construction in progress	**—**	(8,739)
Total interest expense	**823,529**	783,825
Bank charges	**37,581**	27,916
Fair value change of derivative financial instruments	**(15,794)**	2,215
Finance costs	**845,316**	813,956
Net finance (income)/costs	**(16,374)**	627,124

The borrowing costs were capitalised at a rate of 6.00–8.28% per annum for the year ended 31 December 2012.

7 LOSS BEFORE TAXATION *(CONTINUED)*

(b) Staff costs#

	2013	2012
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**718,271**	758,139
Contributions to defined contribution retirement plan	**10,095**	18,516
Equity-settled share-based payment expenses *(note 32)*	**2,243**	25,373
	730,609	802,028

Staff costs included directors' remuneration (see note 9).

(c) Other items

	2013	2012
	$'000	*$'000*
		(Restated)
Amortisation#		
— leased assets	**11,152**	9,180
— intangible assets	**115,932**	138,413
	127,084	147,593
Depreciation#	**442,312**	366,251
Impairment losses		
— goodwill *(note 18)*	**459,813**	—
— plant and machinery *(note 14)*	**148,328**	—
— intangible assets *(note 17)*	**498,161**	—
	1,106,302	—
Operating lease charges, mainly relating to buildings	**32,590**	41,453
Auditors' remuneration		
— audit services	**6,259**	11,710
— tax services	**111**	541
	6,370	12,251
Cost of inventories#	**14,374,474**	12,471,638

Cost of inventories includes $532,689,000 (2012: $507,495,000) and $498,018,000 (2012: $317,464,000) for the year ended 31 December 2013 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Note	**2013** **$'000**	2012 $'000 (Restated)
Current tax — Hong Kong Profits Tax			
Provision for the year		**2,190**	—
Under-provision in respect of prior years		**1,519**	—
Current tax — Outside of Hong Kong			
Provision for the year		**18,589**	58,792
Under-provision in respect of prior years		**5,214**	—
Deferred tax			
Origination and reversal of temporary differences	34(b)	**104,491**	(351,934)
		132,003	(293,142)

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

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

The provision for PRC current income tax is based on a statutory rate of 25% (2012: 25%) of the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC.

The provision for Canada current income tax is based on a statutory rate of 25% (2012: 25%) of the assessable profits as determined in accordance with the relevant income tax rules and regulations of Canada.

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

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2013	2012
	$'000	*$'000*
		(Restated)
Loss before taxation	**(2,193,331)**	(1,965,270)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**(453,459)**	(400,027)
Tax effect of non-deductible expenses	**18,162**	39,544
Tax effect of deferred tax assets on unrealised profits	**—**	22,484
Tax effect of utilisation of previously unrecognised tax losses	**(7,826)**	(4,912)
Tax effect of unused tax losses and other temporary differences not recognised	**568,393**	49,769
Under-provision in respect of prior years	**6,733**	—
Actual tax expense/(credit)	**132,003**	(293,142)

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2013			
	Directors' fees	Salaries, allowances and benefits in kind	Equity settled share-based payments *(note)*	Total
	$'000	*$'000*	*$'000*	*$'000*
Executive directors				
Wang Xingchun	—	6,000	2,089	8,089
Cui Yong (resigned on 30 December 2013)	—	2,848	(1,072)	1,776
Zhu Hongchan	—	3,825	1,246	5,071
Yasuhisa Yamamoto	—	3,564	972	4,536
Apolonius Struijk (resigned on 1 April 2013)	—	4,848	(3,469)	1,379
Ma Li (appointed on 1 April 2013)	—	3,845	997	4,842
Wang Changqing (appointed on 30 December 2013)	—	2,517	—	2,517
Non-executive directors				
Liu Qingchun	—	—	—	—
Lu Chuan	—	—	—	—
Delbert Lee Lobb, Jr. (resigned on 16 January 2013)	—	—	—	—
Daniel J. Miller (appointed on 16 January 2013)	—	—	—	—
Independent non-executive directors				
James Downing	1,551	—	—	1,551
Ng Yuk Keung	1,551	—	—	1,551
Jay Hambro	1,551	—	—	1,551
Wang Wenfu	1,551	—	—	1,551
Total	6,204	27,447	763	34,414

9 DIRECTORS' REMUNERATION *(CONTINUED)*

	2012			
	Directors' fees	Salaries, allowances and benefits in kind	Equity settled share-based payments *(note)*	Total
	$'000	*$'000*	*$'000*	*$'000*
Executive directors				
Wang Xingchun	—	12,483	4,009	16,492
Cui Yong	—	2,956	1,904	4,860
Zhu Hongchan	—	6,989	2,392	9,381
Yasuhisa Yamamoto	—	6,710	1,866	8,576
Apolonius Struijk	—	6,710	1,877	8,587
Non-executive directors				
Cui Guiyong (resigned on 16 January 2012)	—	—	—	—
Liu Qingchun	—	—	—	—
Lu Chuan	—	—	—	—
Delbert Lee Lobb, Jr. (appointed on 16 January 2012)	—	—	—	—
Daniel J. Miller (appointed on 16 January 2013 and resigned on 16 January 2013)	—	—	—	—
Independent non-executive directors				
James Downing	1,551	—	—	1,551
Ng Yuk Keung	1,551	—	—	1,551
Jay Hambro	1,551	—	—	1,551
Wang Wenfu	1,551	—	—	1,551
Total	6,204	35,848	12,048	54,100

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under note 32.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2012: three) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2013, the aggregate of the emoluments in respect of the other one individual (2012: two) were as follow:

	2013	2012
	$'000	*$'000*
Salaries and other emoluments	**2,909**	13,988
Share-based payments	**1,006**	3,780
	3,915	17,768

During the year ended 31 December 2013, the emoluments of the one individual (2012: two individuals) with the highest emoluments were within the following bands:

	2013	2012
	Number of individuals	Number of individuals
$3,500,001 to $4,000,000	**1**	—
$8,500,001 to $9,000,000	**—**	2

11 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $1,017,949,000 (2012: $505,431,000) (note 36(a)) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 36(b).

12 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2013 (2012: Nil).

13 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of $1,789,385,000 (2012 (restated): $1,490,961,000) and the weighted average of 3,773,182,000 ordinary shares (2012: 3,773,199,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares (basic)

	2013	2012
	'000	*'000*
Issued ordinary shares at 1 January	**3,773,199**	3,773,184
Effect of exercise of share options	**—**	15
Effect of shares held by the employee share trusts	**(17)**	—
Weighted average number of ordinary shares (basic) as at 31 December	**3,773,182**	3,773,199

(b) Diluted loss per share

For the year ended 31 December 2013 and 2012, basic and diluted loss per share are the same as the effect of the potential ordinary shares outstanding is anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT, NET

(a) The Group

	Buildings $'000	Plant and machinery $'000	Mineral assets $'000	Railway special assets $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:							
At 1 January 2012	635,736	402,574	—	269,493	63,501	58,857	1,430,161
Acquisition of a subsidiary	169,853	2,268,694	860,423	—	—	—	3,298,970
Additions (restated)	9,615	1,350	422,166	15,743	40,833	5,548	495,255
Transferred from construction in progress *(note 15)*	89,120	60,298	17,347	22,665	—	1,653	191,083
Reclassification	16,242	(90,346)	—	—	73,771	333	—
Disposals	(6,755)	(2,884)	—	—	(5,863)	(7,854)	(23,356)
Reclassified to disposal group held for sale	—	—	—	—	(418)	(11)	(429)
Exchange adjustments	1,058	10,990	3,987	537	379	262	17,213
Restated at 31 December 2012	914,869	2,650,676	1,303,923	308,438	172,203	58,788	5,408,897
Restated at 1 January 2013	914,869	2,650,676	1,303,923	308,438	172,203	58,788	5,408,897
Additions	2,620	1,152	264,103	854	4,019	5,592	278,340
Transferred from construction in progress *(note 15)*	51,389	22,102	2,576	—	—	2,461	78,528
Disposals	(1,041)	(17,449)	—	—	(11,564)	(437)	(30,491)
Exchange adjustments	23,918	11,102	462	9,667	5,015	703	50,867
At 31 December 2013	991,755	2,667,583	1,571,064	318,959	169,673	67,107	5,786,141

14 PROPERTY, PLANT AND EQUIPMENT, NET *(CONTINUED)*

(a) The Group *(Continued)*

	Buildings $'000	Plant and machinery $'000	Mineral assets $'000	Railway special assets $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Accumulated depreciation and impairment losses:							
At 1 January 2012	40,997	51,000	—	366	24,664	20,630	137,657
Acquisition of a subsidiary	25,338	550,392	271,862	—	—	—	847,592
Charge for the year (restated)	40,479	190,128	84,083	6,823	30,634	14,104	366,251
Reclassification	2,420	(14,050)	—	—	12,626	(996)	—
Written back on disposal	(324)	(1,795)	—	—	(3,913)	(2,867)	(8,899)
Reclassified to disposal group held for sale	—	—	—	—	(109)	(4)	(113)
Exchange adjustments	219	2,683	1,300	21	119	29	4,371
Restated at 31 December 2012	109,129	778,358	357,245	7,210	64,021	30,896	1,346,859
Restated at 1 January 2013	109,129	778,358	357,245	7,210	64,021	30,896	1,346,859
Charge for the year	46,932	197,010	144,444	8,751	31,744	13,431	442,312
Impairment loss	—	148,328	—	—	—	—	148,328
Written back on disposal	(107)	(6,453)	—	—	(5,263)	(350)	(12,173)
Exchange adjustments	2,943	2,850	109	366	2,265	47	8,580
At 31 December 2013	158,897	1,120,093	501,798	16,327	92,767	44,024	1,933,906
Net book value:							
At 31 December 2013	832,858	1,547,490	1,069,266	302,632	76,906	23,083	3,852,235
Restated at 31 December 2012	805,740	1,872,318	946,678	301,228	108,182	27,892	4,062,038

At 31 December 2013, property, plant and equipment of the Group of $18,196,000 (2012: $20,650,000) have been pledged as collateral for the Group's borrowings (see note 28).

Impairment loss

An impairment loss of $148,328,000 for plant and machinery in respect of the Group's coal processing factories in the PRC has been charged to the consolidated statement of profit or loss for the current year due to the unfavourable future prospect of the coking coal business and low utilisation of these facilities. The impairment loss was provided based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. The cash flows are discounted using a pre-tax discount rate of 11.27% (2012: 10.92%). The discount rate used reflects specific risks relating to the relevant segments.

14 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(b) The Company

	Motor vehicles *$'000*	Office and other equipment *$'000*	Total *$'000*
Cost:			
At 1 January 2012	279	35	314
At 31 December 2012	279	35	314
At 1 January 2013	279	35	314
At 31 December 2013	279	35	314
Accumulated depreciation:			
At 1 January 2012	56	13	69
Charge for the year	56	7	63
At 31 December 2012	112	20	132
At 1 January 2013	112	20	132
Charge for the year	56	7	63
At 31 December 2013	168	27	195
Net book value:			
At 31 December 2013	111	8	119
At 31 December 2012	167	15	182

14 PROPERTY, PLANT AND EQUIPMENT, NET *(CONTINUED)*

(c) The analysis of net book value of properties

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
		(Restated)		
The PRC (including Hong Kong and Macau)	**1,186,776**	1,348,959	**119**	182
Canada	**2,664,763**	2,711,420	**—**	—
Other countries	**696**	1,659	**—**	—
Aggregate net book value	**3,852,235**	4,062,038	**119**	182

As at 31 December 2013, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $179,666,000 (2012: $234,307,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use of the above mentioned buildings.

(d) Fixed assets held under finance leases

The Group leases plant and machinery under finance leases expiring from 1 to 5 years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

During the year, additions to plant and machinery of the Group financed by new finance leases were $8,065,000 (2012: $606,000). At the end of the reporting period, the net book value of plant and machinery held under finance leases of the Group was $683,033,000 (2012: $731,949,000).

15 CONSTRUCTION IN PROGRESS

	The Group	
	2013	2012
	$'000	*$'000*
At 1 January	**375,014**	335,326
Acquisition of a subsidiary	**—**	19,588
Additions	**251,834**	213,130
Transferred to property, plant and equipment *(note 14)*	**(78,528)**	(191,083)
Reclassified to disposal group held for sale	**—**	(1,981)
Exchange adjustments	**10,166**	34
At 31 December	**558,486**	375,014

16 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	The Group	
	2013	2012
	$'000	*$'000*
Cost:		
At 1 January	**467,895**	370,222
Additions	**85,760**	118,868
Reclassified to disposal group held for sale	**—**	(21,639)
Exchange adjustments	**17,029**	444
At 31 December	**570,684**	467,895
Accumulated amortisation:		
At 1 January	**17,336**	8,880
Charge for the year	**11,152**	9,180
Reclassified to disposal group held for sale	**—**	(751)
Exchange adjustments	**722**	27
At 31 December	**29,210**	17,336
Net book value:		
At 31 December	**541,474**	450,559

Lease prepayments represent the net of payments for land use rights paid to the PRC authorities and the associated government grants received. The Group's land use rights are amortised on a straight-line basis over the operating lease periods of 50 years. The associated government grants are recognised as deduction of lease prepayment amortisation charge for the year over the lease periods of the relevant lease prepayments.

At 31 December 2013, land use rights with a total carrying amount of $27,010,000 (2012: $26,758,000) have been pledged as collateral for the Group's borrowings (see note 28).

17 INTANGIBLE ASSETS

The Group

	Mining rights *$'000*	Software *$'000*	Total *$'000*
Cost:			
At 1 January 2012	—	4,016	4,016
Acquisition of a subsidiary	6,826,461	—	6,826,461
Additions	—	3,821	3,821
Exchange adjustments	34,166	11	34,177
At 31 December 2012	6,860,627	7,848	6,868,475
At 1 January 2013	6,860,627	7,848	6,868,475
Additions	—	927	927
Others	—	(1,253)	(1,253)
Exchange adjustments	11,075	117	11,192
At 31 December 2013	6,871,702	7,639	6,879,341
Accumulated amortisation and impairment losses:			
At 1 January 2012	—	1,498	1,498
Charge for the year	137,786	627	138,413
Exchange adjustments	(99)	1	(98)
At 31 December 2012	137,687	2,126	139,813
At 1 January 2013	137,687	2,126	139,813
Charge for the year	115,363	569	115,932
Impairment loss	498,161	—	498,161
Exchange adjustments	607	30	637
At 31 December 2013	751,818	2,725	754,543
Net book value:			
At 31 December 2013	6,119,884	4,914	6,124,798
At 31 December 2012	6,722,940	5,722	6,728,662

An impairment loss of $498,161,000 has been charged to the consolidated statement of profit or loss for the current year due to the unfavourable future prospect of the coking coal business and reflects the continuous net losses incurred by the Group's development of coal mills and production of coking coal and related products segment in these two years. The impairment loss was provided based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering the life of the mine. The cash flow projections are based on long term production plans. The key assumptions used in the estimation of value in use were as follows:

— the coal price assumptions are management's best estimate of the future price of coal in Canada. The short-term coal price assumptions for the next five years are building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of coal. Estimated long-term coal prices, adjusted for the place of delivery, beyond the fifth year of US$175 to US$202 and US$66 per tonne for hard coking coal and thermal coal respectively have been used to estimate future revenues.

17 INTANGIBLE ASSETS (CONTINUED)

— estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as the recoverable quantities, the production profile, the cost of the development of the infrastructure necessary to extract the reserves, the production costs, the contractual duration of mining rights and the selling price of the coal extracted. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves. These are then assessed to ensure they are consistent with what a market participant would estimate.

— pre-tax discount rate of 8.80% was applied to the future cash flows. This discount rate is derived from GCC LP's weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the cash-generating units ("CGU"). The WACC takes into account both debt and equity, weighted based on GCC LP and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by GCC LP's investors based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of GCC LP that reflects the credit rating of GCC LP.

18 GOODWILL

	$'000
Cost:	
At 1 January 2012	—
Acquisition of a subsidiary	457,334
Exchange adjustments	2,289
At 31 December 2012	459,623
At 1 January 2013	459,623
Exchange adjustments	190
At 31 December 2013	459,813
Accumulated impairment losses:	
At 1 January 2012, 31 December 2012 and 1 January 2013	—
Impairment loss	459,813
At 31 December 2013	459,813
Carrying amount:	
At 31 December 2013	—
At 31 December 2012	459,623

18 GOODWILL *(CONTINUED)*

Impairment tests for CGU containing goodwill

Goodwill is allocated to the Group's CGU identified as follows:

	The Group	
	2013	2012
	$'000	*$'000*
Development of coal mills, and production, processing and marketing of coking coal and related products	—	459,623

An impairment loss of $459,813,000 has been charged to the consolidated statement of profit or loss for the current year due to the unfavourable future prospect of the coking coal business and reflects the continuous net losses incurred by the Group's development of coal mills and production, processing and marketing of coking coal and related products segment in these two years. The impairment loss was provided based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering the life of the mine. The cash flow projections are based on long term production plans. For the key assumptions used in the estimation of value in use, please refer to the details as included in note 17.

19 INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	$'000	*$'000*
Unlisted shares, at cost	**421,364**	421,190
Amounts due from subsidiaries*	**7,757,461**	7,781,317
Impairment loss#	**(1,932,527)**	(396,363)
	6,246,298	7,806,144

* Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

\# The impairment loss is mainly related to the Company's interests in several subsidiaries, whose sole activities are investment holding in equity interests in GCC LP, certain operating subsidiaries of the Group in the PRC and a joint venture namely Peabody-Winsway Resources B.V.. As at 31 December 2013, as the Group has provided impairment loss for non-current assets of GCC LP and the operating subsidiaries of the Group in the PRC (see notes 14, 17 and 18) and its interest in Peabody-Winsway B.V. (see note 21), the Company also provides impairment loss for its interests in relevant subsidiaries.

19 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lucky Colour Limited ("Lucky Colour")	11 March 2008 British Virgin Islands ("BVI")	United States dollars ("US$") 1	100%	—	Investment holding
Reach Goal Management Ltd.	2 January 2009 BVI	US$ 21,770,001	100%	—	Investment holding
Winsway Coking Coal (HK) Holdings Limited ("Winsway Coking Coal Holdings (HK)")	23 October 2009 Hong Kong	US$ 31,312,613	100%	—	Investment holding
Winsway Australia Pty. Ltd. ("Winsway Australia")	9 November 2009 Commonwealth of Australia ("Australia")	Australian dollars ("AUD") 492,994	100%	—	Internal marketing and consulting service
Winsway Resources Holdings Private Limited ("Winsway Singapore")	31 December 2009 The Republic of Singapore ("Singapore")	Singapore dollars ("SGD") 1,000,000	100%	—	Trading of coal
Winsway Coking Coal Logistics Limited ("Winsway Logistics")	22 December 2009 Hong Kong	US$ 100,000	100%	—	Investment holding
Winsway Mongolian Transportation Pte. Ltd. ("Mongolian Transportation")	10 May 2010 Singapore	SGD 10	90%	—	Investment holding
Beijing Winsway Investment Management Co., Ltd. ("Beijing Winsway")*	6 November 1995 PRC	US$ 188,500,000	—	100%	Investment holding
Cheer Top Enterprises Limited ("Cheer Top")	5 January 2005	US$ 23,303,911	—	100%	Investment holding
Color Future International Limited ("Color Future")	5 January 2005 BVI	US$ 21,770,001	—	100%	Trading of coal
Urad Zhongqi Yiteng Mining Co., Ltd. ("Yiteng")**	7 September 2005 PRC	RMB 640,000,000	—	100%	Processing and trading of coal
Royce Petrochemicals Limited ("Royce Petrochemicals")	28 October 2005 BVI	US$ 3,900,001	—	100%	Investment holding

19 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("Inner Mongolia Haotong")***	18 November 2005 PRC	RMB 750,000,000	—	100%	Trading of coal
Erlianhaote Haotong Energy Co., Ltd. ("Erlianhaote Haotong")#	18 January 2007 PRC	RMB 95,370,000	—	95%	Trading of coal and rendering of logistics service
Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong")**	19 May 2008 PRC	RMB 260,000,000	—	100%	Processing and trading of coal
East Wuzhumuqin Qi Haotong Energy Co., Ltd. ("East Wuzhumuqin Qi Haotong")**	29 July 2008 PRC	RMB 10,000,000	—	100%	Trading of coal
Baotou-city Haotong Energy Co., Ltd. ("Baotou Haotong")**	18 September 2008 PRC	RMB 90,000,000	—	100%	Trading of coal
Nantong Haotong Energy Co., Ltd. ("Nantong Haotong")**	24 February 2009 PRC	RMB 120,000,000	—	100%	Trading of coal
Yingkou Haotong Mining Co., Ltd. ("Yingkou Haotong")**	16 November 2009 PRC	RMB 175,000,000	—	100%	Trading of coal
Manzhouli Haotong Energy Co., Ltd. ("Manzhouli Haotong")****	23 December 2009 PRC	RMB 200,000,000	—	100%	Trading of coal
Suifenhe Winsway Resources Co., Ltd. ("Suifenhe Winsway")**	24 December 2009 PRC	RMB 10,000,000	—	100%	Trading of coal
Baotou Mandula Winsway Energy Co., Ltd. ("Baotou Mandula")**	21 January 2010 PRC	RMB 10,000,000	—	100%	Trading of coal
Ulanqab Haotong Energy Co., Ltd. ("Ulanqab Haotong")**	2 March 2010 PRC	RMB 240,000,000	—	100%	Trading of coal
Longkou Winsway Energy Co., Ltd. ("Longkou Winsway")****	27 April 2010 PRC	RMB 180,000,000	—	100%	Trading of coal
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("Ejina Qi Winsway")**	30 June 2010 PRC	RMB 20,000,000	—	51%	Logistics service

19 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Inner Mongolia Hutie Winsway Logistics Co., Ltd. ("Inner Mongolia Hutie Winsway Logistics")**	22 July 2010 PRC	RMB 30,000,000	—	51%	Logistics service
Eternal International Logistics Limited ("Eternal")	27 October 2010 Hong Kong	HK$ 1	100%	—	Investment holding
Million Super Star Limited ("Million Super Star")	18 October 2010 Hong Kong	HK$ 1	100%	—	Investment holding
Winsway Coking Coal Holdings S. à. r. l. ("Winsway Luxemburg")	27 September 2011 Luxemburg	Canadian dollars "CA$" 20,000	—	100%	Investment holding
0925165 B.C. Ltd.	15 November 2011 Canada	CA$ 139,472,368	—	100%	Investment holding
Grande Cache Coal LP	1 March 2012 Canada	N/A	—	60%	Development of coal mills and production of coking coal and related products
Erlian Winsway Mining Co., Ltd.**	14 January 2011 PRC	RMB 10,000,000	—	100%	Processing and trading of coal
Hunchun Winsway Logistics Co., Ltd. ("Hunchun Winsway")**	20 April 2011 PRC	RMB 22,000,000	—	100%	Logistics service
Nantong Winsway Mining Investment Co., Ltd. ("Nantong Winsway") **	2 April 2013 PRC	RMB 200,000,000	—	100%	Investment holding and trading of Coal
Qinhuangdao Haotong Energy Co., Ltd. ("Qinghuangdao Haotong") **	7 June 2013 PRC	RMB 50,000,000	—	100%	Trading of Coal
Nantong Million Super Star Coking Coal Co., Ltd. ("Nantong Million") *	3 July 2013 PRC	US$ 48,000,000	—	100%	Investment holding
Harbin Fuze Mining Investment Co., Ltd. ("Harbin Fuze") **	27 June 2013 PRC	RMB 50,000,000	—	100%	Trading of Coal

* Wholly foreign owned enterprises established under the PRC law.

** Limited liability companies established under the PRC law.

*** A joint stock company established under the PRC law.

**** Sino-foreign equity joint ventures established under the PRC law.

A Sino-foreign cooperative joint venture established under the PRC law.

19 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following table lists out the information relating to GCC LP, the only subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013	2012
	$'000	*$'000*
NCI percentage	**40%**	40%
Current assets	**549,619**	740,637
Non-current assets	**8,997,181**	9,477,525
Current liabilities	**1,562,431**	1,112,749
Non-current liabilities	**3,080,443**	2,881,241
Net assets	**4,903,926**	6,224,172
Carrying amount of NCI	**1,961,570**	2,489,669
Turnover	**1,879,714**	1,759,909
Loss for the year	**(1,323,062)**	(433,323)
Total comprehensive income	**(1,320,246)**	(399,959)
Loss allocated to NCI	**(529,225)**	(173,329)
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**571,073**	251,869
Cash flows from investing activities	**(511,201)**	(8,592,557)
Cash flows from financing activities	**(36,643)**	8,345,419

20 INTEREST IN AN ASSOCIATE

	The Group	
	2013	2012
	$'000	*$'000*
Unlisted shares at cost	**14,843**	—

Details of the Group's interest in the associate are as follows:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Bayannao'er City Hutie Ruyi Logistics Co., Ltd.	Incorporated	PRC	RMB 50,000,000	24%	—	24%	Logistics service in PRC

20 INTEREST IN AN ASSOCIATE *(CONTINUED)*

The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2013
	$'000
Gross amounts of the associate	
Current assets	**68,938**
Non-current assets	**5,725**
Current liabilities	**12,817**
Non-current liabilities	**—**
Equity	**61,846**
Turnover	**—**
Loss for the year	**(582)**
Other comprehensive income	**—**
Total comprehensive income	**(582)**
Dividend received from the associate	**—**
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	**61,846**
Group's effective interest	**24%**
Group's share of net assets of the associate	**14,843**
Carrying amount in the consolidated financial statements	**14,843**

21 INTEREST IN A JOINT VENTURE

	The Group	
	2013	2012
	$'000	*$'000*
Carrying amount	**—**	—

21 INTEREST IN A JOINT VENTURE *(CONTINUED)*

Details of the Group's interest in the joint venture are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and fully paid up capital	Group's effective interest	Principal activities
Peabody-Winsway Resources B.V. ("Peabody-Winsway")	Incorporated	The Kingdom of the Netherlands	Euro36,000	50%	Acquisition, sale, exploration, development, mining, processing and commercial exploitation of mineral and metal resources

Due to the unsatisfactory operating performance and the delay in the commencement of mining activities, the recoverable amount from value in use calculation decreased accordingly. During the year ended 31 December 2012, an impairment loss of $323,616,000 was provided for the Group's interest in the joint venture. No further loss incurred by Peabody-Winsway during the year ended 31 December 2013 was taken up in the Group's consolidated financial statements.

22 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group	
	2013	2012
	$'000	*$'000*
Unlisted, equity securities, at cost	**400,369**	395,738

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 31 December 2013, the Group holds equity interests in a range of 1-9% in these companies.

23 OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Loan to a third party *(note (i))*	**158,155**	186,034	**—**	186,034
Advance payments for equipment purchase and construction in progress	**48,814**	33,365	**—**	—
	206,969	219,399	**—**	186,034

(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 has 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 do 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).

During 2013, the Group has 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 is repayable on 31 December from 2013 to 2015 with an amount of US$4 million plus a floating repayment amount up to US$6 million. The floating repayment amount is calculated based on the volume of coals transported (maximum of 12 million tonnes) by Moveday for the Group during each year. Apart from the repayment terms, all the other terms of the loan are not changed and Moveday is obliged to repay the entire outstanding principal on or before 31 December 2016. During the year ended 31 December 2013, Moveday has repaid principal of US$7.6 million (2012: US$8 million) to the Group and the outstanding loan balance as at 31 December 2013 is US$24.4 million (2012: US$32 million).

The Group and Moveday entered into agreements that Moveday purchases coking coal from Mongolian coking coal suppliers at mine mouth and sell such coking coal entirely to the Group at the PRC border at a price on a delivered at place (DAP) basis. Accordingly, during the year ended 31 December 2013, the Group has purchased coking coal of $541 million (2012: $494 million) from Moveday. In addition to the above, the Group has incurred $303 million (2012: $293 million) for coking coal transportation service provided by Moveday during the year ended 31 December 2013.

23 OTHER NON-CURRENT ASSETS *(CONTINUED)*

(i) *(Continued)*

At 31 December 2013, as included in prepayments to suppliers (see note 25), the Group made a prepayment of $nil (2012: $47 million) to Moveday in respect of its purchase of coking coal from the coking coal supplier for the Group.

Due to the continuous decrease of market price of cleaned coal in domestic China, the Group temporarily suspended the purchase of raw coal from Moveday and associated transportation services by Moveday during July and August 2012. As a result, the Group paid a compensation amounting to $7 million to Moveday during the year ended 31 December 2012. No such compensation payment was made during the year ended 31 December 2013.

24 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group	
	2013	2012
	$'000	*$'000*
Coking coal	**1,302,098**	2,402,860
Thermal coal	**178,391**	7,462
Coal related products	**19,696**	77,062
Others	**112,210**	298,772
	1,612,395	2,786,156
Less: write down of inventories	**(249,661)**	(341,895)
	1,362,734	2,444,261

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2013	2012
	$'000	*$'000*
		(Restated)
Carrying amount of inventories sold	**14,124,813**	12,129,743
Write down of inventories	**249,661**	341,895
	14,374,474	12,471,638

25 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**1,760,369**	1,094,587	**—**	—
Bills receivable	**1,428,807**	589,273	**—**	—
Receivables from import agents	**941,750**	1,371,706	**—**	—
Amounts due from related parties	**7,144**	740	**—**	—
Prepayments to suppliers *(note 23(i))*	**81,459**	579,866	**—**	—
Loan to a third party company *(note 23(i))*	**31,018**	62,011	**—**	62,011
Derivative financial instruments*	**11,600**	2,149	**—**	1,525
Deposits and other receivables	**354,077**	467,040	**1,090**	7,690
	4,616,224	4,167,372	**1,090**	71,226

* Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2013.

All of the trade and other receivables are expected to be recovered 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 90 days to 180 days from the date of issuing. Further details on the Group's credit policy are set out in note 37(a).

At 31 December 2013, trade and bills receivables of the Group of $489,542,000 (2012: $1,137,537,000) have been pledged as collateral for the Group's borrowings (see note 28).

At 31 December 2013, bills receivable of the Group of $ 4,027,409,000 (2012: $2,788,969,000) were derecognised from the consolidated statement of financial position as the relevant bills have been discounted to banks on a non-recourse basis.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, bills receivable and receivables from import agents, based on the invoice date, is as follows:

	The Group	
	2013	2012
	$'000	*$'000*
Less than 3 months	**3,376,394**	2,301,453
More than 3 months but less than 6 months	**748,695**	251,452
More than 6 months but less than 1 year	**4,407**	488,701
More than 1 year	**1,430**	13,960
	4,130,926	3,055,566

25 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Impairment of trade and other receivables

No allowance of impairment loss was recorded in respect of trade and other receivables for the year ended 31 December 2013.

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:

	The Group	
	2013	2012
	$'000	*$'000*
Neither past due nor impaired	**4,030,925**	2,972,441
Less than 3 months past due	**94,164**	56,493
More than 3 months but less than 12 months past due	**5,837**	26,632
	4,130,926	3,055,566

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.

26 RESTRICTED BANK DEPOSITS

The Group and the Company pledged bank deposits of maturity more than three months of $2,150,026,000 and nil respectively (2012: $980,535,000 and nil respectively) as at 31 December 2013 as collateral for the Group's borrowings (see note 28) and banking facilities in respect of issuance of bills (see note 33) and letters of credit by the Group and as security to cover the anticipated costs of restoration for the Group's mining area in Canada.

27 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**2,018,000**	2,110,823	**30,209**	202,786

At 31 December 2013, cash and cash equivalents of $837,703,000 (2012: $755,426,000) was held by the entities of the Group in form of 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.

27 CASH AND CASH EQUIVALENTS *(CONTINUED)*

(a) Cash and cash equivalents comprise: *(Continued)*

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

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
US$	**38,360**	15,925	**—**	—
RMB	**373,232**	163,853	**4,469**	938
Euro	**8**	42	**—**	—
HK$	**3,729**	17,029	**3,075**	16,428
SGD	**7,354**	1,316	**—**	—
CA$	**754**	873	**681**	731

28 SECURED BANK LOANS

(a) The secured bank loans comprise:

	The Group	
	2013	2012
	$'000	*$'000*
Short-term loans and current portion of long term loans	**1,093,111**	1,783,606
Long-term loans	**3,065,780**	2,452,125
	4,158,891	4,235,731

The interest rates per annum of bank loans were:

	The Group	
	2013	2012
Short-term loans and current portion of long term loans	**1.78%–5.60%**	1.59%–5.60%
Long-term loans	**2.67%–7.68%**	4.81%–8.28%

28 SECURED BANK LOANS *(CONTINUED)*

(b) The secured bank loans were repayable as follows:

	2013	2012
	$'000	*$'000*
Within 1 year	**1,093,111**	1,783,606
After 1 year but within 2 years	**993,474**	775,140
After 2 years but within 5 years	**2,072,306**	1,676,985
	4,158,891	4,235,731

At 31 December 2013, bank loans amounting to $450,710,000 (2012: $105,061,000) were secured by bank deposits placed in banks with an aggregate carrying value of $420,156,000 (2012: $108,323,000).

At 31 December 2013, bank loans amounting to $485,160,000 (2012: $997,665,000) were secured by trade and bills receivables with an aggregate carrying value of $489,542,000 (2012: $1,059,635,000).

At 31 December 2013, bank loans amounting to $67,411,000 (2012: $65,365,000) were secured by land use rights with an aggregate carrying value of $27,010,000 (2012: $26,758,000).

At 31 December 2013, bank loans amounting to $Nil (31 December 2012: $81,906,000) were secured by both bank deposits and trade receivables with an aggregate carrying value of $Nil (31 December 2012: $4,390,000) and $Nil (31 December 2012: $77,902,000) respectively.

At 31 December 2013, bank loans amounting to $15,877,000 (2012: $17,620,000) were secured by property, plant and equipment with an aggregate carrying value of $18,196,000 (2012: $20,650,000).

At 31 December 2013, bank loans amounting to $3,139,733,000 (31 December 2012: $2,968,114,000) were secured by total assets of GCC LP with an aggregate carrying value of $9,546,800,000 (31 December 2012 (restated):$10,218,162,000).

Further details of the Group's management of liquidity risk are set out in note 37(b).

29 SENIOR NOTES

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Senior notes due in 2016	**2,337,010**	3,521,004	**2,337,010**	3,521,004

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, and will be due in 2016.

The Senior Notes are guaranteed by the Group's existing subsidiaries other than those established/incorporated under the laws of the PRC, Winsway Coking Coal Holdings S.a.r.l., 0925165 B.C. Ltd., GCC and GCC LP as an application of the principle stated in the Company's offering memorandum on 1 April 2011 (the "Subsidiary Guarantor"). In addition, the Company has agreed, for the benefit of the holders of the Senior Notes, to pledge the capital stock of each Subsidiary Guarantor in order to secure the obligations of the Company.

During the year ended 31 December 2013, the Group repurchased Senior Notes in aggregate principal amount of US$153,190,000 with a cash consideration of US$73,595,000 in the open market. The Senior Notes repurchased were redeemed subsequently. The difference between the carrying amount of the Senior Notes redeemed and the consideration paid, net off against the transaction costs incurred, was recognised as a gain of US$76,383,000 (equivalent to $592,495,000) on redemption of Senior Notes in the Group's consolidated statement of profit or loss. The outstanding Senior Notes with principal amount of US$309,310,000 will be matured on 8 April 2016.

In addition, on 11 October 2013, the Company also received consents from holders of the Senior Notes with a consent payment of US$4,118,000 to certain amendments ("Amendments") to the indenture, dated as of 8 April 2011 ("Indenture"), among the Company, the Subsidiary Guarantors (as defined in the Indenture) and Deutsche Bank Trust Company Americas, as trustee. The Amendments eliminated the limitations on indebtedness, restricted payments, dividend and other payment restrictions affecting Restricted Subsidiaries (as defined in the Indenture), sales and issuances of capital stock in Restricted Subsidiaries, issuances of guarantees by Restricted Subsidiaries, sale and leaseback transactions, transactions with shareholders and affiliates and business activities as contained in the Indenture. The consent payment is amortised over the remaining period of the outstanding Senior Notes.

30 DEFERRED INCOME

Deferred income represents the unfulfilled conditional government grants received, which will be subsequently recognised as revenue in the statement of profit or loss to compensate the Group for expenses when incurred, and the unrecognised government grants relating to compensating the Group for the cost of assets.

31 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2013, the Group had obligations under finance leases repayable as follows:

	2013		2012	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**130,315**	**143,480**	152,332	172,278
After 1 year but within 2 years	**101,833**	**108,649**	97,647	109,998
After 2 years but within 5 years	**74,893**	**76,021**	173,816	181,470
	176,726	**184,670**	271,463	291,468
	307,041	**328,150**	423,795	463,746
Less: total future interest expenses		**(21,109)**		(39,951)
Present value of lease obligations		**307,041**		423,795

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme (the "Scheme") which was adopted on 30 June 2010 (the "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 three months over a period of five years commencing from 1 April 2010 ("initial vesting date") in equal portions (5% each) on the first day of each three-month period after the initial vesting date and are exercisable from 1 April 2011 (12 months after the initial vesting date of 1 April 2010) until 29 June 2015 (a period of five years from the Adoption Date of 30 June 2010) 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.

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(i) The number of options granted to directors and management in 2010 are 52,093,000 and 55,852,000 respectively, whereby all options are settled by physical delivery of shares.

(ii) The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercis price	**Number of options**	Weighted average exercis price	Number of options
Outstanding at 1 January	**$1.677**	**104,928,613**	$1.677	105,199,463
Exercised during the year	**$1.677**	**—**	$1.677	(14,800)
Forfeited during the year	**$1.677**	**(6,716,700)**	$1.677	(256,050)
Outstanding at 31 December	**$1.677**	**98,211,913**	$1.677	104,928,613
Exercisable at 31 December	**$1.677**	**76,163,913**	$1.677	56,609,413

The options outstanding at 31 December 2013 had an exercise price of $1.677 (2012: $1.677) per share and a weighted average remaining contractual life of 1 year (2012: 2 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options is valued by the directors with reference to a valuation report issued by Sallmanns. The estimate of the fair value of the share options granted is measured based on a Binominal Tree option pricing model. The contractual life of the share option is used as an input into this model.

	2010
Fair value at measurement date	$1.421~$1.492
Share price	$2.97
Exercise price	$1.677
Expected volatility	63.15%
Option life (expressed as weighted average life used in modeling under Binominal Tree option pricing model)	5 years
Expected dividends	5.00%
Risk-free interest rate	1.54%

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(iii) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historic volatility of entities in the same industry (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on management estimate. The risk-free interest rate is based on the yield of 5-year Hong Kong Exchange Fund Notes. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

Equity settled share-based payment expense amounting to $2,243,000 during year ended 31 December 2013 (2012: $25,373,000) was recognised in profit or loss.

33 TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Trade and bills payables	**3,074,274**	1,904,116	**—**	—
Payables to import agents	**3,835,263**	1,995,730	**—**	—
Amounts due to related parties	**344,292**	135,642	**—**	—
Amounts due to subsidiary companies	**—**	—	**1,184,524**	937,031
Prepayments from customers	**182,171**	335,230	**—**	—
Payables in connection with construction projects	**90,792**	179,764	**—**	—
Payables for purchase of equipment	**59,199**	35,226	**—**	—
Derivative financial instruments*	**45,405**	—	**—**	—
Others	**184,110**	230,639	**47,889**	82,000
	7,815,506	4,816,347	**1,232,413**	1,019,031

* Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2013.

At 31 December 2013, bills payable amounting to $2,571,106,000 (2012: $1,436,924,000) were secured by deposits placed in banks with an aggregate carrying value of $1,037,618,000 (2012: $430,721,000).

33 TRADE AND OTHER PAYABLES *(CONTINUED)*

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:

	The Group	
	2013	2012
	$'000	*$'000*
Within 3 months	**3,636,559**	2,992,673
More than 3 months but less than 6 months	**2,477,002**	434,908
More than 6 months but less than 1 year	**720,633**	182,082
More than 1 year	**75,343**	290,183
	6,909,537	3,899,846

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:

	The Group	
	2013	2012
	$'000	*$'000*
Due within 1 month or on demand	**2,695,667**	1,228,685
Due after 1 month but within 3 months	**2,578,842**	1,586,763
Due after 3 months but within 6 months	**1,635,028**	1,084,398
	6,909,537	3,899,846

34 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
At 1 January	**83,646**	171,988	**802**	805
Provision for the year *(note 8(a))*	**20,779**	58,792	**673**	—
Under-provision in respect of prior years *(note 8(a))*	**6,733**	—	**1,519**	—
Income tax paid	**(44,491)**	(148,369)	**(2,824)**	—
Exchange adjustments	**(142)**	1,235	**—**	(3)
At 31 December	**66,525**	83,646	**170**	802

34 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group					
	Inventory provision	Tax losses	Government grants	Unrealised profits on intra-group transactions	Property, plant and equipment and intangible assets	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2012	3,692	3,693	24,935	44,874	—	77,194
Acquisition of a subsidiary	—	—	—	—	(1,118,787)	(1,118,787)
Credited/(charged) to consolidated income statement (restated)	70,250	318,641	7,718	(22,484)	(22,191)	351,934
Exchange adjustments	(25)	(180)	19	(42)	(5,582)	(5,810)
Restated at 31 December 2012	73,917	322,154	32,672	22,348	(1,146,560)	(695,469)
Restated at 1 January 2013	**73,917**	**322,154**	**32,672**	**22,348**	**(1,146,560)**	**(695,469)**
(Charged)/credited to consolidated income statement	**(73,929)**	**(92,391)**	**19,693**	**(22,348)**	**64,484**	**(104,491)**
Exchange adjustments	**12**	**3,377**	**1,340**	**—**	**(469)**	**4,260**
At 31 December 2013	**—**	**233,140**	**53,705**	**—**	**(1,082,545)**	**(795,700)**

Reconciliation to the consolidated statement of financial position

	The Group	
	2013	2012
	$'000	*$'000*
		(Restated)
Deferred tax assets recognised in the consolidated statement of financial position	**286,845**	451,091
Deferred tax liabilities recognised in the consolidated statement of financial position	**(1,082,545)**	(1,146,560)
	(795,700)	(695,469)

34 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses incurred by the subsidiaries of the Group of $555,800,000 and $1,466,739,000 respectively (2012: nil and $277,698,000) as management of the Group considers that it is not possible as at 31 December 2013 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, in accordance with the accounting policy set out in note 2(t), the Group did not recognise deferred tax assets in respect of cumulative tax losses at 31 December 2013 as the management considers it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC established entities of approximately $26,243,000, $985,321,000, and $537,005,000 will expire in five years after the tax losses generated under current tax legislation in 2016, 2017 and 2018 respectively. The tax losses in those Hong Kong incorporated companies of approximately $18,836,000 (2012: $14,004,000) can be utilised to offset any future taxable profits under current tax legislation.

35 PROVISIONS

The provision for restoration costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the restoration on the land from current mining activities becomes apparent in future periods. At the end of the reporting period, the Group reassessed the estimated costs and adjusted the accrued restoration obligations, where necessary. The Group's management believes that the accrued restoration obligations at 31 December 2013 are adequate and appropriate. The provision is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates. The movement of the accrued restoration cost is as follows:

The Group

	$'000
At 1 January 2012	—
Acquisition of a subsidiary	158,875
Provisions made during the year	58,489
Provisions used during the year	(12,036)
Interest accretion	2,546
Change in discount rate	14,423
Exchange adjustments	722
At 31 December 2012	223,019
At 1 January 2013	**223,019**
Provisions made during the year	**932**
Interest accretion	**5,351**
Change in discount rate	**(19,527)**
Exchange adjustments	**98**
At 31 December 2013	**209,873**

36 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $'000	Employee share trusts $'000	Other Reserve $'000	Exchange reserve $'000	Accumulated loss $'000	Total $'000
Balance at 1 January 2012		4,992,291	—	111,369	(9,957)	(817,829)	4,275,874
Changes in equity for 2012:							
Exercise of share options granted under share option scheme		46	—	(21)	—	—	25
Dividends declared and paid to the equity shareholders of the Company	36(b)	—	—	—	—	(60,371)	(60,371)
Equity settled share-based transactions		—	—	25,373	—	—	25,373
Total comprehensive loss for the year		—	—	—	(9,935)	(505,431)	(515,366)
Balance at 31 December 2012		4,992,337	—	136,721	(19,892)	(1,383,631)	3,725,535

	Note	Share capital $'000	Employee share trusts $'000	Other Reserve $'000	Exchange reserve $'000	Accumulated loss $'000	Total $'000
Balance at 1 January 2013		**4,992,337**	**—**	**136,721**	**(19,892)**	**(1,383,631)**	**3,725,535**
Changes in equity for 2013:							
Equity settled share-based transactions		—	—	2,243	—	—	2,243
Contribution to employee share trusts	36(f)	—	(3,000)	—	—	—	(3,000)
Total comprehensive income for the year		—	—	—	1,294	(1,017,949)	(1,016,655)
Balance at 31 December 2013		**4,992,337**	**(3,000)**	**138,964**	**(18,598)**	**(2,401,580)**	**2,708,123**

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

There is no dividend declared attributable to the year ended 31 December 2013 (2012: nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2013 **$'000**	2012 *$'000*
No dividend in respect of the previous financial year, approved or paid during the year (2012: 1.6 cents per share)	**—**	60,371

(c) Share capital

	2013 **No. of shares** **'000**	2012 No. of shares *'000*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2013 **No. of shares** **'000**	**$'000**	2012 No. of shares *'000*	*$'000*
Ordinary shares, issued and fully paid:				
At 1 January	**3,773,199**	**4,992,337**	3,773,184	4,992,291
Exercise of share options granted under share option scheme	**—**	**—**	15	46
At 31 December	**3,773,199**	**4,992,337**	3,773,199	4,992,337

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(d) Share issued under share option scheme

During the year ended 31 December 2012, options were exercised to subscribe for 14,800 ordinary shares in the Company at a consideration of $46,000 all of which was credited to share capital. $21,000 has been transferred from the other reserve to the share capital account in accordance with policy set out in note 2(s) (ii). No option was exercised during the year ended 31 December 2013.

(e) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price *$*	**2013** **Number**	2012 Number
1 April 2011 to 29 June 2015	1.677	**98,211,913**	104,928,613

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 32 to the financial statements.

(f) Nature and purpose of reserves

(i) Other reserve

The other reserve comprises the following:

— the aggregate amount of paid-in capital or share capital of the companies now comprising the Group after elimination of the investments in subsidiaries and the changes in equity arisen from the acquisition of non-controlling interests.

— the net loss on purchase of non-controlling interest in a subsidiary; and

— the fair value of unexercised share options granted to employees of the Company at the grant date that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(ii).

(ii) Statutory reserve

Pursuant to the Articles of Association of the companies comprising the Group in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective companies comprising the Group. During the year ended 31 December 2013, amounts in retained earnings of $5,667,000 (2012: $5,046,000) were transferred from retained earnings to the statutory reserve.

Statutory reserve can be utilised in setting off accumulated losses or increasing capital of the companies comprising the Group is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(f) Nature and purpose of reserves *(Continued)*

(iv) Employee share trusts

The Group operates a long-term incentive program in 2012 to retain and motivate the employees to make contributions to the long term-growth and performance of the Group, namely Restricted Share Units Scheme ("RSU Scheme"). A restricted share unit award ("RSU Award") gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either ordinary shares (existing ordinary shares in issue or new ordinary shares to be issued by the Company) or an equivalent value in cash with reference to the value of the ordinary shares on or about the date of vesting. The Group reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Group.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the RSU Scheme. The employee share trusts are administered by trustees and are funded by the Group's cash contributions for buying the Company's shares in the open market and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts transfers the shares of the Company to employees upon vesting.

(v) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $2,708,123,000 (2012: $3,725,535,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost, and to maintain an optimal capital structure to reduce cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2013 was 72.91% (2012 (restated): 63.90%).

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank, trade and other receivables and over-the-counter derivative financial instruments entered into for hedging purposes. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank are deposited in the reputable banks which management assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 90 days past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0.12% (2012: 7%) and 13% (2012: 12%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the processing and trading of coking coal and other products segment.

Except for the financial guarantees, given by the Group as set out in note 41, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 41.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2013 Contractual undiscounted cash outflow					2012 Contractual undiscounted cash outflow				
	Within 1 Year or on demand $'000	More than 1 Year but less than 2 years $'000	More than 2 Years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 Year or on demand $'000	More than 1 Year but less than 2 years $'000	More than 2 Years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Secured bank loans	1,000,834	1,229,170	2,901,389	5,131,393	4,158,891	1,926,317	880,872	1,832,751	4,639,940	4,235,731
Senior notes	203,880	203,880	2,500,531	2,908,291	2,337,010	304,727	304,727	4,042,113	4,651,567	3,521,004
Finance lease liabilities	143,480	184,669	—	328,149	307,041	172,278	109,998	181,470	463,746	423,795
Trade and other payables (excluding prepayments from customers)	7,633,335	—	—	7,633,335	7,633,335	4,481,117	—	—	4,481,117	4,481,117
	8,981,529	1,617,719	5,401,920	16,001,168	14,436,277	6,884,439	1,295,597	6,056,334	14,236,370	12,661,647

The Company

	2013 Contractual undiscounted cash outflow					2012 Contractual undiscounted cash outflow				
	Within 1 Year or on demand $'000	More than 1 Year but less than 2 years $'000	More than 2 Years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 Year or on demand $'000	More than 1 Year but less than 2 years $'000	More than 2 Years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Senior notes	203,880	203,880	2,500,531	2,908,291	2,337,010	304,727	304,727	4,042,113	4,651,567	3,521,004
Trade and other payables (excluding prepayments from customers)	1,232,413	—	—	1,232,413	1,232,413	1,019,031	—	—	1,019,031	1,019,031
	1,436,293	203,880	2,500,531	4,140,704	3,569,423	1,323,758	304,727	4,042,113	5,670,598	4,540,035

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	The Group				The Company			
	2013		2012		**2013**		2012	
	Interest rate %	***$'000***	Interest rate %	*$'000*	**Interest rate %**	***$'000***	Interest rate %	*$'000*
Fixed rate borrowings:								
Finance lease obligations	**4.3%–6.5%**	**307,041**	4.3%–6.7%	423,795	**—**	**—**	—	—
Bank loans	**1.78%–5.6%**	**647,221**	1.59%–5.6%	1,202,251	**—**	**—**	—	—
Senior notes	**10%**	**2,337,010**	9.35%	3,521,004	**10%**	**2,337,010**	9.35%	3,521,004
		3,291,272		5,147,050		**2,337,010**		3,521,004
Variable rate borrowings:								
Bank loans	**2.37%–7.68%**	**3,511,670**	4.81%–8.28%	3,033,480	**—**	**—**	—	—
		3,511,670		3,033,480		**—**		—
Total borrowings		**6,802,942**		8,180,530		**2,337,010**		3,521,004
Fixed rate borrowings as a percentage of total borrowings		**48.38%**		62.84%		**100%**		100%

(ii) Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. The analysis is performed on the same basis for 2012.

At 31 December 2013, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated loss by approximately $12,756,000 (2012: $5,688,000). Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currency *(expressed in HK$)*									
	2013					2012				
	CA$ $'000	**US$ $'000**	**RMB $'000**	**SGD $'000**	**HK$ $'000**	CA$ $'000	US$ $'000	RMB $'000	SGD $'000	HK$ $'000
Cash and cash equivalents	**754**	**38,360**	**373,232**	**7,354**	**3,729**	873	15,925	163,863	1,316	17,029
Trade and other receivables	**12,204**	**618,434**	**3,757,932**	**629**	**259**	24,815	13,725	473,036	966	159
Trade and other payables	**(112,933)**	**(1,485,630)**	**(4,390,857)**	**(3,622)**	**(1,935)**	(160,723)	(26,352)	(274,946)	(381)	(247)
Bank loans	**—**	**(485,654)**	**—**	**—**	**—**	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	**(99,975)**	**(1,314,490)**	**(259,693)**	**4,361**	**2,053**	(135,035)	3,298	361,953	1,901	16,941

The Company

	Exposure to foreign currency *(expressed in HK$)*					
	2013			2012		
	MOP$ $'000	**HK$ $'000**	**RMB $'000**	MOP$ $'000	HK$ $'000	RMB $'000
Cash and cash equivalents	**—**	**3,075**	**4,469**	—	16,429	764
Net exposure arising from recognised assets and liabilities	**—**	**3,075**	**4,469**	—	16,429	764

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated loss) and other components of consolidated equity that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

	2013		2012	
	Increase/ (decrease) in foreign exchange rate *$'000*	**(Increase)/ decrease in loss after tax and accumulated loss** *$'000*	Increase/ (decrease) in foreign exchange rate *$'000*	(Increase) / decrease in loss after tax and accumulated loss *$'000*
CA$	**5%**	**(3,749)**	5%	(5,064)
	(5)%	**3,749**	(5)%	5,064
United States dollars	**5%**	**(49,293)**	5%	124
	(5)%	**49,293**	(5)%	(124)
RMB	**5%**	**(9,738)**	5%	13,573
	(5)%	**9,738**	(5)%	(13,573)
SGD	**5%**	**164**	5%	71
	(5)%	**(164)**	(5)%	(71)
HK$	**5%**	**77**	5%	635
	(5)%	**(77)**	(5)%	(635)

The Company

	2013		2012	
	Increase/ (decrease) in foreign exchange rate *$'000*	**Decrease/ (increase) in loss after tax and accumulated loss** *$'000*	Increase/ (decrease) in foreign exchange rate *$'000*	Decrease/ (increase) in loss after tax and accumulated loss *$'000*
RMB	**5%**	**223**	5%	38
	(5)%	**(223)**	(5)%	(38)
HK$	**5%**	**154**	5%	821
	(5)%	**(154)**	(5)%	(821)
MOP$	**5%**	**—**	5%	—
	(5)%	**—**	(5)%	—

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2012.

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs

2013

		The Group Fair value measurements as at 31 December 2013 categorised into		
	Fair value at 31 December 2013 *$'000*	**Level 1** *$'000*	**Level 2** *$'000*	**Level 3** *$'000*
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
— Forward foreign exchange contracts	**11,600**	**—**	**11,600**	**—**
Financial liabilities:				
Derivative financial instruments				
— Forward foreign exchange contracts	**45,405**	**—**	**45,405**	**—**

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(e) Fair values measurement *(Continued)*

(i) Financial instruments carried at fair value (Continued)

	Fair value at 31 December 2013 *$'000*	**The Company Fair value measurements as at 31 December 2013 categorised into**		
		Level 1 *$'000*	**Level 2 *$'000***	**Level 3 *$'000***
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
— Forward foreign exchange contracts	—	—	—	—
Financial liabilities:				
Derivative financial instruments				
— Forward foreign exchange contracts	—	—	—	—

2012

	Fair value at 31 December 2012 $'000	The Group Fair value measurements as at 31 December 2012 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
— Forward foreign exchange contracts	2,149	—	2,149	—

	Fair value at 31 December 2012 $'000	The Company Fair value measurements as at 31 December 2012 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
— Forward foreign exchange contracts	1,525	—	1,525	—

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(e) Fair values measurement *(Continued)*

(i) Financial instruments carried at fair value (Continued)

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(ii) Fair value of financial assets and liabilities carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012 except for the Senior Notes (see note 29) and amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see notes 19 and 33). Given the terms of amounts due from/to subsidiaries, it is not meaningful to disclose their fair values.

	The Group and the Company			
	2013		2012	
	Carrying amount *$'000*	**Fair value** *$'000*	Carrying amount *$'000*	Fair value *$'000*
Senior Notes	**2,337,010**	**1,331,209**	3,521,004	3,024,863

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

The Group entered into several bank notes pool and offsetting agreements with commercial banks in domestic China. Under such agreements, the Group has a legally enforceable right to set off the bills receivables and restricted bank deposits generated from the collection of those bills receivable with the Group's bank loans, and the Group and the commercial banks will settle the difference between the amount of the bills receivables and restricted bank deposits and the bank loans on a net basis.

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(CONTINUED)*

In addition to the arrangements as mentioned above, the Group also entered into several loan and offsetting agreements with commercial banks in domestic China with an offsetting over the Group's restricted bank deposits and bank loans. Under such agreements, the Group has a legally enforceable right to set off the restricted bank deposits with the bank loans, and the Group and the commercial banks will settle the difference between the amount of the restricted bank deposits and the bank loans on a net basis.

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets *$'000*	Gross amounts of recognised financial liabilities offset in the statement of financial position *$'000*	Net amounts of financial assets presented in the statement of financial position *$'000*
As at 31 December 2013			
Trade and other receivables	**194,303**	**(185,761)**	**8,542**
Restricted bank deposits	**4,355,101**	**(4,227,962)**	**127,139**
	4,549,404	**(4,413,723)**	**135,681**
As at 31 December 2012			
Trade and other receivables	2,778,969	(2,778,969)	—
Restricted bank deposits	—	—	—
	2,778,969	(2,778,969)	—

There are no financial instruments or financial collateral received in connection with the above offsetting arrangements.

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(CONTINUED)*

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities *$'000*	Gross amounts of recognised financial assets offset in the statement of financial position *$'000*	Net amounts of financial liabilities presented in the statement of financial position *$'000*
As at 31 December 2013			
Secured bank loans	**4,413,723**	**(4,413,723)**	**—**
As at 31 December 2012			
Secured bank loans	2,778,969	(2,778,969)	—

There are no financial instruments or financial collateral pledged in connection with the above offsetting arrangements.

The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the statement of financial position", as set out above, to the "trade and other receivables", "restricted bank deposits" and "secured bank loans" presented in the statement of financial position.

	At 31 December 2013 ***$'000***	At 31 December 2012 *$'000*
Net amount of trade and other receivables after offsetting as stated above	**8,542**	—
Trade and other receivables not in scope of offsetting disclosure	**4,607,682**	4,167,372
Total trade and other receivables	**4,616,224**	4,167,372

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(CONTINUED)*

	At 31 December 2013 *$'000*	At 31 December 2012 *$'000*
Net amount of restricted bank deposits after offsetting as stated above	**127,139**	—
Restricted bank deposits not in scope of offsetting disclosure	**2,022,887**	980,535
Total restricted bank deposits	**2,150,026**	980,535

	At 31 December 2013 *$'000*	At 31 December 2012 *$'000*
Net amount of secured bank loans after offsetting as stated above	**—**	—
Secured bank loans not in scope of offsetting disclosure	**4,158,891**	4,235,731
Total secured bank loans	**4,158,891**	4,235,731

39 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2013 *$'000*	2012 *$'000*
Short-term employee benefits	**55,816**	90,173
Equity compensation benefits	**344**	21,849

The remuneration is included in "staff costs" (see note 7(b)).

39 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions

During the year, the Group entered into the following material related party transactions:

	2013	2012
	$'000	*$'000*
Sales of products to a related party	**201,659**	543,209
Purchase of products from a related party	**330,499**	234,921
Rental expense for lease of properties from related parties	**7,681**	8,431

The directors of the Group is of the opinion that the above related party transactions were conducted on normal commercial terms and in accordance with the agreements governing such transactions.

(c) Related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	2013	2012
	$'000	$'000
Amounts due from related parties	**7,144**	740
Amounts due to related parties	**344,292**	135,642

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Directors' interests in contracts and continuing connected transactions" of the Report of the directors.

40 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Contracted for	**586,873**	409,307	**—**	—
Authorised but not contracted for	**94,484**	431,119	**—**	—
	681,357	840,426	**—**	—

Capital commitments of the Group are mainly for construction of property, plant and equipment including logistics parks (coal transportation and storage facilities) and coal processing facilities.

(b) At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	**$'000**	*$'000*
Within 1 year	**27,465**	18,364	**—**	—
After 1 year but within 5 years	**21,646**	14,044	**—**	—
After 5 years	**1,526**	1,533	**—**	—
	50,637	33,941	**—**	—

The Group leases buildings and others under operating leases. The leases typically run for an initial period of 1 to 4 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

41 CONTINGENT LIABILITIES- GUARANTEES

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, Winsway Coking Coal Holdings S.a.r.l., 0925165 B.C. Ltd., GCC and GCC LP, have provided guarantees for the Senior Notes issued in April 2011 (see note 29).

The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Senior Notes.

42 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2013, the directors consider the immediate parent and ultimate controlling party of the Group to be Winsway Resources Holding Limited and Winsway Group Holdings Limited respectively. Winsway Resources Holding Limited and Winsway Group Holdings Limited are incorporated in British Virgin Islands. These two entities do not produce financial statements available for public use.

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to IAS 32, *Offsetting financial assets and financial liabilities* "Offsetting financial assets and financial liabilities"	1 January 2014
Amendments to IAS 36, *Impairment of assets* "Recoverable amount Disclosures for non-financial assets"	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position other than additional disclosures may arise.

Definitions

In this annual report, unless the context requires otherwise, the following expressions have the following meanings:

"AGM"	the Shareholders' annual general meeting to be held on 6th June 2014
"Articles of Association" or "Articles	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Baotou Mandula"	包頭市滿都拉永暉能源有限公司 (Baotou Mandula Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 21 January 2010 and our indirectly wholly-owned subsidiary
"Beijing Winsway"	北京永暉投資管理有限公司 (Beijing Winsway Investment Management Co., Ltd.*), a Sino-foreign joint venture company established under the laws of the PRC with limited liability on 6 November 1995, our indirectly wholly-owned subsidiary and now a wholly foreign-owned enterprise
"Board" or "Board of Directors"	our board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules, which has been renamed as "Corporate Governance Code and corporate Governance Report" from 1 April 2012
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
"Company", "our Company", "we" or "us"	Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司), a company incorporated under the laws of the BVI with limited liability on 17 September 2007 and, except where the context indicates otherwise, including our subsidiaries
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Wang, Winsway Group Holdings and Winsway Resources Holdings

"Coppermine"	Coppermine Resources Limited, a company incorporated under the laws of the BVI on 12 January 2001 with its registered address at P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Director(s)"	the director(s) of our Company
"East Wuzhumuqin Qi Haotong"	東烏珠穆沁旗浩通能源有限公司 (East Wuzhumuqin Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 29 July 2008 and our indirectly wholly-owned subsidiary
"Ejinaqi Haotong"	額濟納旗浩通能源有限公司 (Ejina Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 19 May 2008 and our indirectly wholly-owned subsidiary
"Erlianhaote Haotong"	二連浩特浩通有限公司 (Erlianhaote Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 January 2007 and our indirect non wholly-owned subsidiary
"Goldliq"	Goldliq B.V.B.A., a company incorporated under the laws of Belgium with limited liability on 29 January 1991, in which Mr. Wang held 100% equity interest during the period from 6 November 1995 till 13 May 2005
"Group" or "our Group"	our Company and its subsidiaries
"Grande Cache" or "GCC"	Grande Cache Coal Corporation
"GCC LP"	Grande Cache Coal LP
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)(as amended from time to time)
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and the International Accounting Standards ("IAS") and Standing interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Inner Mongolia Haotong"	內蒙古浩通能源股份有限公司 (Inner Mongolia Haotong Energy Joint Stock Co., Ltd.*), a joint stock company established under the laws of the PRC on 18 November 2005 and our indirectly wholly-owned subsidiary

"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 11 October 2010
"Listing"	the listing of our Shares on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Manzhouli Haitie Yonghui"	滿洲裡海鐵永暉儲運有限公司 (Manzhouli Haitie Yonghui Storage & Transportation Co., Ltd.*), a joint venture established under the laws of the PRC with limited liability on 1 March 1995 as to 50% equity interest held by Goldliq and 50% equity interest held by 哈爾濱鐵路局對外經濟技術合作公司海拉爾分公司 (Harbin Railway Bureau Foreign Economic and Technological Cooperation Company Halaer Branch Company*)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr. Wang"	王興春先生 (Wang Xingchun), our chairman, Chief Executive Officer and the ultimate Controlling Shareholder of our Company
"Nantong Haotong"	南通浩通能源有限公司 (Nantong Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 24 February 2009 and our indirectly wholly-owned subsidiary
"Peabody-Winsway JV"	Peabody-Winsway Resources B.V. (formerly known as Peabody-Polo Resources B.V.), a private company incorporated under the laws of Netherlands
"Pre-IPO Option Scheme	the pre-IPO option scheme adopted by us for a period of five years commencing from 30 June 2010, a summary of the principal terms of which is set forth in the section headed "Pre-IPO Option Scheme" in Appendix VII to the Prospectus
"Prospectus"	the prospectus of the Company dated 27 September 2010 issued in connection with the IPO
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
"Share(s)"	ordinary share(s) with no par value of our Company
"Shareholders"	holders of the Shares

"Silver Grant"	Silver Grant International Industries Ltd., a company with its principal place of business at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and listed on the Hong Kong Stock Exchange (Stock code:171)
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Hong Kong Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"United States", "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Winsway Australia"	Winsway Australia Pty. Ltd., a company incorporated under the laws of Australia with limited liability on 9 November 2009 and our indirectly wholly-owned subsidiary
"Winsway Group"	the group of companies established and/or incorporated by Mr. Wang and/or his associates which is not a member of our Group
"Winsway Group Holdings"	Winsway Group Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 March 2001 and wholly-owned by Mr. Wang
"Winsway International Petroleum & Chemicals"	Winsway International Petroleum & Chemicals Limited, a company incorporated under the laws of the BVI with limited liability on 18 August 2005 and indirectly wholly-owned by Mr. Wang
"Winsway Macao"	Winsway (Group) Enterprises Limited (永暉集團有限公司), a company incorporated under the laws of Macao with limited liability on 12 June 1995 and wholly-owned by Mr. Wang
"Winsway Petroleum Holdings"	Winsway Petroleum Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 9 September 2009 and indirectly wholly-owned by Mr. Wang
"Winsway Resources Holdings"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 31 December 2009 and indirectly wholly-owned by Mr. Wang
"Winsway Singapore"	Winsway Resources Holdings Private Limited, a company incorporated under the laws of Singapore with limited liability on 31 December 2009 and our wholly-owned subsidiary
"Yingkou Haotong"	營口浩通礦業有限公司 (Yingkou Haotong Mining Co., Ltd.*), a company established under the laws of the PRC with limited liability on 16 November 2009 and our indirectly wholly-owned subsidiary

* *For identification purposes only*

Five-Year Financial Summary

(Expressed in Hong Kong dollars)

	2013	2012	2011	2010	2009
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
		restated			
Continuing operations					
Turnover	**14,093,246**	12,387,405	11,610,413	9,271,665	5,283,216
(Loss)/profit before taxation	**(2,193,331)**	(1,965,270)	1,422,836	1,180,153	561,318
Income tax	**(132,003)**	293,142	(371,079)	(251,390)	(70,367)
(Loss)/profit from continuing operations	**(2,325,334)**	(1,672,128)	1,051,757	928,763	490,951
Discontinued operations					
Loss from discontinued operations (net of income tax)	—	—	—	—	(9,246)
Gain on sale of discontinued operations (net of income tax)	—	—	—	—	33,550
(Loss)/profit for the year	**(2,325,334)**	(1,672,128)	1,051,757	928,763	515,255
Attributable to:					
Equity shareholders of the Company	**(1,789,385)**	(1,490,961)	1,051,003	928,826	515,255
Non-controlling interests	**(535,949)**	(181,167)	754	(63)	—
(Loss)/profit for the year	**(2,325,334)**	(1,672,128)	1,051,757	928,763	515,255
Total assets	**22,133,003**	22,868,300	16,399,764	9,123,020	4,498,312
Total liabilities	**(16,136,278)**	(14,613,022)	(9,126,643)	(2,578,151)	(3,354,203)
Non-controlling interests	**(1,987,490)**	(2,529,815)	(42,186)	(76,041)	—
Total equity attributable to equity shareholders of the Company	**5,996,725**	5,725,463	7,230,935	6,468,828	1,144,109

Company Information

BOARD MEMBERS

Chairman of the Board

Wang Xingchun

Executive Directors

Zhu Hongchan
Yasuhisa Yamamoto
Apolonius Struijk (resigned on 1 April 2013)
Ma Li (appointed on 1 April 2013)
Cui Yong
Wang Changqing (appointed on 30 December 2013)

Non-executive Directors

Delbert Lee Lobb, Jr. (resigned on 16 January 2013)
Daniel J. Miller (appointed on 16 January 2013)
Liu Qingchun
Lu Chuan

Independent Non-executive Directors

James Downing
Ng Yuk Keung
Wang Wenfu
George Jay Hambro

AUDIT COMMITTEE

Chairman

Ng Yuk Keung

Member

George Jay Hambro
Wang Wenfu
James Downing

REMUNERATION COMMITTEE

Chairman

Wang Wenfu

Member

Apolonius Struijk (resigned on 1 April 2013)
James Downing
Ng Yuk Keung (appointed on 1 April 2013)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Chairman

James Downing

Member

Yasuhisa Yamamoto
Ng Yuk Keung

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

Chairman

Delbert Lee Lobb, Jr. (resigned on 16 January 2013)
Daniel J. Miller (appointed on 16 January 2013)

Member

Yasuhisa Yamamoto
Apolonius Struijk (resigned on 1 April 2013)
Ma Li (appointed on 1 April 2013)
George Jay Humbro (appointed on 1 April 2013)

SECRETARY TO THE BOARD

Cao Xinyi

CHIEF FINANCIAL OFFICER

Cao Xinyi

LEGAL COUNSEL

Reed Smith Richards Butler

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE IN THE BVI

Akara Bldg.
24 De Castro Street
Wickhams Cay 1
Road Town, Tortola
BVI

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No. 10 Hongdazhonglu
Business Development Area
Beijing, 100176
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE HONG KONG COMPANIES ORDINANCE

Suite 4602A, Cheung Kong Center
2 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

ING Bank
Oversea-Chinese Banking Corporation Limited
Raiffeisen International Bank-Holding AG

WEBSITE

www.winsway.com

HKEX STOCK CODE

1733