WINSWAY®

WINSWAY ENTERPRISES HOLDINGS LIMITED

永暉實業控股股份有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1733

2014 ANNUAL REPORT

WINSWAY ENTERPRISES HOLDINGS LIMITED
ANNUAL REPORT 2014

Contents

Chairman's Statement

Dear shareholders and employees,

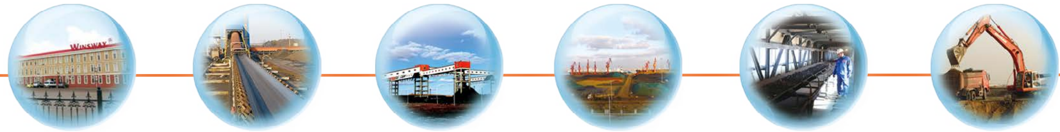
Coking coal prices remained depressed particularly throughout the year. Market prospects remain bearish due to the ongoing oversupply and declining demand in large part associated with slowing growth in the PRC. The legislative measures and policies of the Chinese government to reduce overcapacity in the steel sector further dampened the demand for coking coal in 2014. The year ended 31 December 2014 was an extremely challenging year for Winsway. These market forces contributed to a very difficult trading environment with the Group recording losses for the third consecutive year.

Mongolian coal used to be a major revenue source of the Group, however, the competitiveness of Mongolian coal has become increasingly challenging due to continuous low domestic and international coal prices. In 2014, we procured a total of 7.47 million tonnes of coal and only 0.99 million tonnes were Mongolian coal, representing a significant decrease compared with 11.79 million tonnes (the Group excluded GCC) and 5.12 million tonnes in 2013 respectively. Mongolian coal procurement volume only accounted with 13.25% of total procurement volume in 2014 which was in sharp contrast with 43.43% in 2013.

The Group had worked hard to control the costs and managed to achieve a gross profit of HK$102 million from continuing operations in 2014. However, such amount was not sufficient to cover administrative expenses in the amount of HK$435 million and finance costs in the amount of HK$293 million from continuing operations. The Group (excluding GCC) worked hard to reduce its costs by cutting headcounts, overall start costs were reduced by HK$15 million even take severance pay into consideration. However, given the depressed state of the industry, the Group recorded net losses of HK$1,216 million from continuing operations.

Under such circumstances, the Group has still been carefully managing its risks and retained much of its market share, streamlining its current operations to lower its operational costs in the logistics and mining sector as well as strictly controlling the cash flow of the Group to maintain the Group's daily operations. The following significant actions were taken:

1. Disposal of equity interest in Grande Cache Coal Corporation ("GCCC") and partnership interest in Grande Cache Coal LP ("GCC LP", together with GCCC, the "GCC"): Winsway did not have sufficient cash to meet the substantial capital requirements of its upstream coal mining business under sluggish coal market conditions. Since March 2014, the Company ceased any financial support to GCC and



proactively sought suitable purchasers to take over its equity interest in GCC. In November 2014, 0925165 B.C. Ltd., an indirect wholly-owned subsidiary of the Company (the "Seller"), among others, entered into a sales and purchase agreement with Up Energy Development Group Limited (a company listed on The Stock Exchange of Hong Kong Limited, (stock code: 00307), ("UP Energy" or "the Purchaser"), to sell a 42.74% equity interest in GCC and a 42.74% partnership interest in GCC LP to UP Energy at a consideration of US$1 payable in cash upon completion ("Proposed Disposal"). On completion of the transaction, UP Energy will own 42.74% of GCC and the Company will retain 17.26% of GCC. In the interim period until the completion of the Proposed Disposal (the "Completion"), UP Energy is providing a bridge loan in an aggregate account of US$50 million to GCC. Under this contractual arrangement, the Company maintains a right to buyback (the "Buy-back Right") a 16.86% equity interest in GCC within three years after the Completion and the exclusive right to sell at least 40% coal produced by GCC to China (the "Marketing Agency Agreement") within the next ten years.

2. Cost reduction: The Group implemented a series of cost control measures during 2014 including making 279 employees redundant. As a result, the total employee number of the Group (excluding GCC) decreased from 608 in early 2014 to 329. In addition, the Group lowered the office rental expenses by relocating to less expensive premises by mid 2014.

3. Cash flow management: In 2014, the Group strengthened its cash flow management to ensure its daily operation. Management measures include:

    - Reducing inventory and maintaining low inventory: the coal inventory of the Group decreased significantly in 2014 from HK$1,363 million as of 31 December 2013 to HK$335 million by the end of 2014, representing a decrease of 75.42%;

    - Collecting trade receivables: the Group established a receivables collection team to follow up the recovery of receivables on a weekly basis. Receivables decreased significantly in 2014 from HK$1,760 million as of 31 December 2013 to HK$818 million (before taken account the bad debt provision) by the end of 2014, representing a decrease of 53.52%;

    - Disposing non-core assets: the Company has identified idle and non-core assets and is carefully considering certain opportunities to dispose the relevant assets;

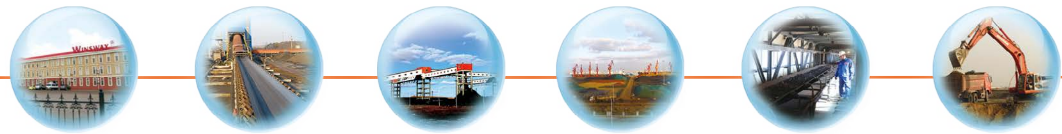
Chairman's Statement (Continued)

- Maintaining credit lines: due to the weak performance of the Group, the credit lines of the Group decreased to HK$1,494 million at the end of 2014. Whilst it would be difficult for the Company to maintain certain credit lines or obtain new credit lines under the current industry conditions, the Group's performance has further caused the banks to tighten lending, nevertheless, relevant efforts have been made by the Group to maintain its existing credit lines.

I believed that the coal market is not likely to recover in the short term. If the market conditions in 2014 continues in 2015, the operations of the Group will encounter a significant difficulties in the coming year. Therefore, the Group is seeking to develop a new business model to introduce strategic investors and additional capital contribution to improve capital structure of the Group. A restructuring of the senior notes issued by the Company in April 2011 (the "Senior Notes") will be necessary to relieve pressure on working capital arising from the high interest expense payable under the Senior Notes.

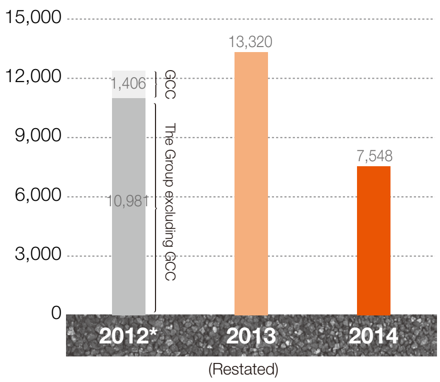
I would like to take this opportunity to thank you all for your ongoing support of the Group. I hope and believe that we will overcome the challenges currently facing the Company. My health issues which I mentioned in the Chairman's Statement in the 2014 Interim Report have not improved. Looking forward I expect I will need to be away for an extended period of time. Therefore the board has recently asked Mr. Andreas Werner, CEO Designate, and Mr. James Downing one of our non-executive directors to lead the Company forward through this next phase of restructuring. I am very grateful for their willingness to lead the Group and for the continued support to all the Company's Directors and employees.

Mr. Wang Xingchun
CHAIRMAN
Winsway Enterprises Holdings Limited

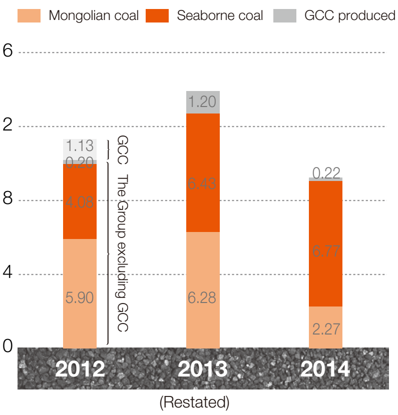


Financial Highlights

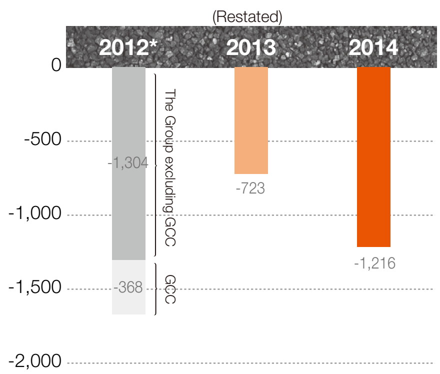
Revenue (HK$ in millions)



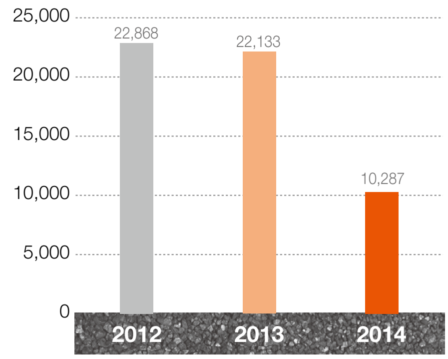
Sales Volume (MT)



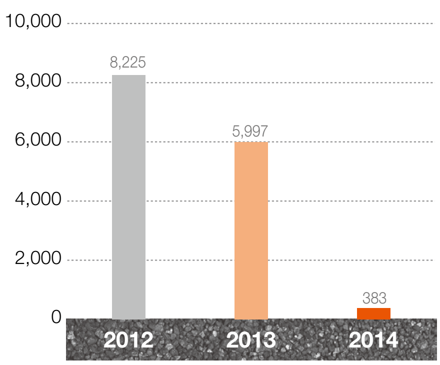
Net Loss from Continuing Operations (HK$ in millions)



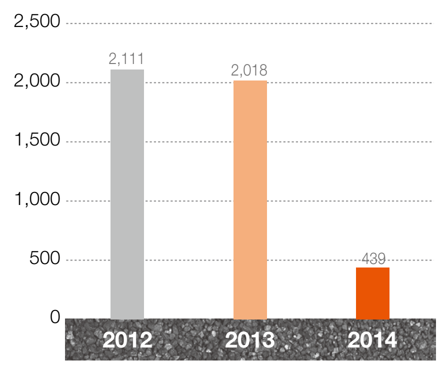
Total Asset (HK$ in millions)



Total Equity (HK$ in millions)



Cash Balance (HK$ in millions)



* GCC has been classified as a disposal group held for sale since June 2014 therefore the comparative figures in 2013 were restated accordingly. To make meaningful comparison, 2012 financials are shown by splitting GCC numbers from the consolidated financials.

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").

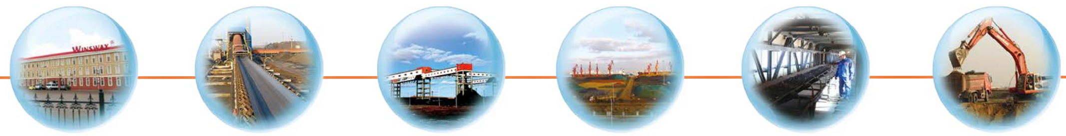
I. OVERVIEW

In 2014, global coal oversupply continued and coal demand in China slumped. Prices of Australian coal continued to show a clear downturn trend. The Asia-Pacific HCC CFR China price closed at US$112/tonne in 2014, compared to US$127/tonne at the beginning of 2014. Mongolian coal has nearly lost its advantages in the Chinese market as a result of the combination of dropping selling prices of seaborne coal and cheaper shipping costs per tonne.

In 2014, the Group recorded consolidated revenue from continuing operations of HK$7,548 million. It's mainly from 9.26 million tonnes of sales of coal products, out of which 6.77 million tonnes were seaborne coal, 2.27 million tonnes were Mongolian coal, and 0.22 million tonnes were GCC-produced coal. This is to compare with a consolidated revenue in 2013 from continuing operations of HK$13,320 million mainly from 13.91 million tonnes of sales of coal products, out of which, 6.43 million tonnages were seaborne coal, 6.28 million tonnes of Mongolian coal, 1.20 million tonnages were GCC-produced coal in 2013. The decrease is mainly due to the lack of demand and falling coal prices.

In 2014, the Group achieved a gross profit from continuing operations of HK$102 million compared to a gross profit of HK$10 million in 2013 (restated). However, the gross profit still could not cover the finance expenses and administrative expenses during the period. The EBITDA of the Group in 2014 was negative HK$305 million.

The Group incurred a consolidated net loss from continuing operations of HK$1,216 million in 2014 compared to a net loss of HK$723 million in 2013. The loss consists of an impairment of non current assets of HK$430 million and net finance costs of HK$293 million. In 2013, there was an one-off gain amounting to HK$592 million from the redemption of the Senior Notes. Comparatively, from an operating perspective, the financial results of 2014 are better than those of 2013.

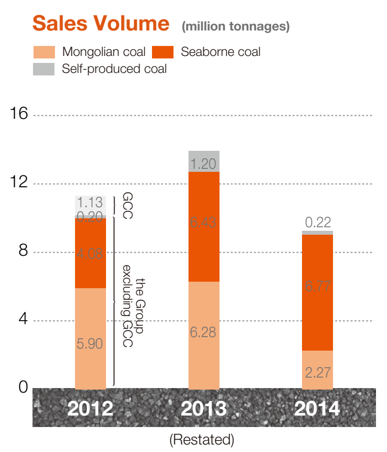


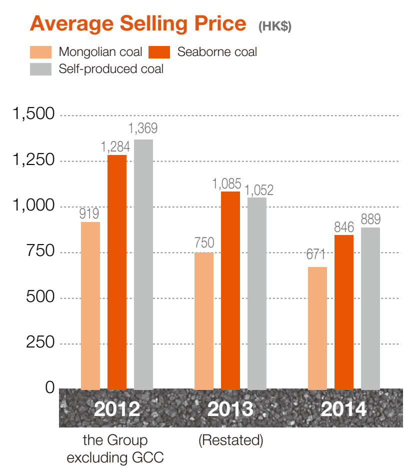
II. FINANCIAL REVIEW

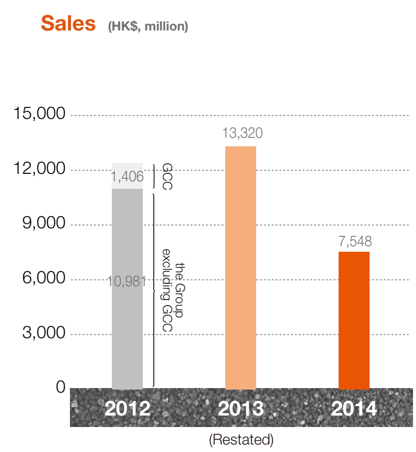
1 Sales

1) Overview

In 2014, our sales revenue from continuing operations was HK$7,548 million, a 43.33% decrease compared to HK$13,320 million from the year of 2013 (restated). Both decreasing volume and declining price of coal and coal related products have led to the revenue decrease.





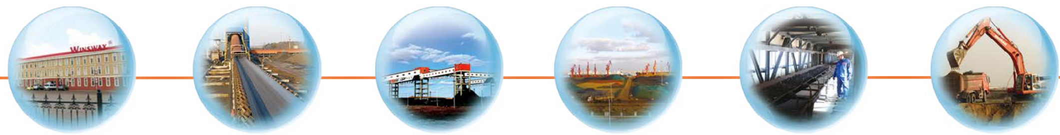


Management Discussion and Analysis of Financial Conditions and Operating Results (Continued)

2) Sales Volume and Average Selling Price

In terms of volume, we sold 9.26 million tonnes of coal and coal related products in 2014, compared to 13.91 million tonnes in 2013. Mongolian coal sales volume decreased from 6.28 million tonnes in 2013 to 2.27 million tonnes in 2014, with a decrease of 63.85%. This was due to the loss of competitiveness of Mongolian coal in the Chinese market. The transportation of Mongolian coal is land-borne and on a much smaller scale compared to seaborne coal transportation. Therefore the per tonne transportation of Mongolian coal is a lot more expensive. When the coking coal price was strong back in 2010 and 2011, the percentage of transportation costs in the coal procurement cost component was relatively low, and lower coal production costs in Mongolia would compensate for the transportation cost disadvantage. However, as the coking coal price decrease over the last three years, the disadvantage in transportation costs of Mongolian coal has hindered its competitiveness in domestic coal market.

	FY2014		FY2013 (restated)		FY2012	
	Total sales volume tonnes	**Average selling price HK$'000**	Total sales volume tonnes	Average selling price HK$'000	Total sales volume tonnes	Average selling price HK$'000
Mongolian coal	**2,270,503**	**671**	6,275,173	750	5,895,441	919
Seaborne coal	**6,770,572**	**846**	6,428,698	1,085	4,080,637	1,284
GCC-produced coal	**214,704**	**889**	1,207,357	1,052	200,548	1,369
GCC coal	**–**	**–**	–	–	1,131,737	1,242
Total	**9,255,779**	**804**	13,911,228	931	11,308,363	1,091



3) Sales from Continuing Operations

	FY2014 HK$'000	FY2013 HK$'000
Coking coal	**7,035,543**	12,169,694
Thermal coal	**365,922**	173,500
Coke	**10,219**	68,257
Coal related products	**37,457**	611,353
Iron ore	**—**	217,409
Rendering of logistics services	**91,132**	43,979
Others	**7,465**	35,550
	7,547,738	13,319,742

4) Top 5 Customers

Our top 5 customers accounted for 32.70% of our total sales in 2014, whereas the same ratio was 29.26% in 2013. The Group top 5 customers in terms of sales amount is listed as follow:

Name	**Location**	**Amount (HK$ million)**
Liuzhou Steel Group	Guangxi Zhuang Autonomous Region	719
Anshan Steel Group	Liaoning Province	613
Jiujiang Group	Hebei Province	545
Jidong Group	Hebei Province	307
Baogang Group	Inner Mongolia Autonomous Region	284
Total		2,468

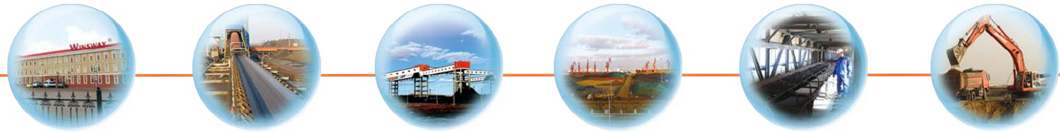
2 Cost of Goods Sold ("COGS") *(The Group excluding GCC)*

COGS primarily consists of the purchase price, transportation costs of Mongolian coal from the Sino-Mongolian border to our washing plants and seaborne coal from overseas to any ports of China, and washing-related costs. COGS in 2014 amounted to HK$7,446 million, which was mainly generated from Mongolian coal procurement of HK$324 million and seaborne coal procurement of HK$5,460 million. Both procurement volume and procurement price decreased in 2014. Mongolian coal procurement volume showed significant decrease of 80.66% to 0.99 million tonnes in 2014 from 5.12 million tonnes in 2013.

In 2014 the average purchase price of Mongolian coal decreased by 29.31%, from HK$464 per tonne in 2013 to HK$328 per tonne, and the average purchase price of seaborne coal also decreased by 20.32%, from HK$1,058 in 2013 to HK$843 per tonne in 2014.

Procurement

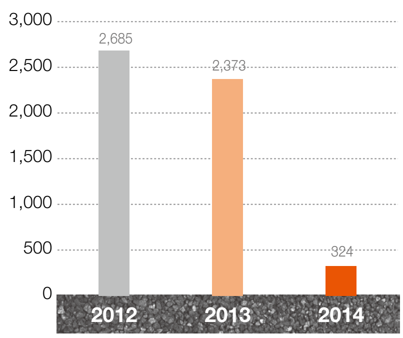
	Year ended 31 December					
	2014		2013		2012	
	Total purchase volume (tonnes)	**Average purchase price (HK$/tonne)**	Total purchase volume (tonnes)	Average purchase price (HK$/tonne)	Total purchase volume (tonnes)	Average purchase price (HK$/tonne)
Mongolian coal	**988,969**	**328**	5,118,287	464	4,298,203	625
Seaborne coal	**6,478,026**	**843**	6,674,078	1,058	3,633,990	1,225
Total	**7,466,995**	**775**	11,792,365	800	7,932,193	900



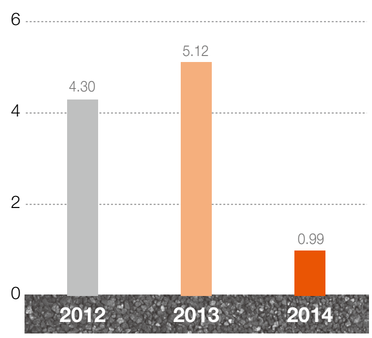
1) Mongolian Coal Procurement

In 2014, the Group procured a total of 0.99 million tonnes of Mongolian coal, representing an 80.66% sharp decrease from the volume procured in 2013 of 5.12 million tonnes. As mentioned above, Mongolian coal has lost its advantage in the recent years. Also, the turnover of Mongolian coal decreased compared to that in the year of 2013. In addition, to further reduce our inventory level, we procured less than sales volume, so that our Mongolian coal inventory level decreased from 1.37 million tonnes from 2013 and to 0.20 million tonnes at 2014 year end.

Mongolian Coal Procurement Amount (In HK$ Millions)



Mongolian Coal Procurement Volume (MT)



Our top five Mongolian coal suppliers in 2014 are as follows. The aggregate amount of the Mongolian coal procured from the top five suppliers is HK$279 million representing a 86.11% of our total procurement of Mongolian coal in 2014.

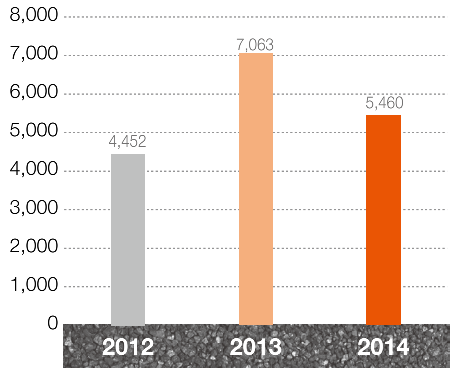
Top five Mongolian coal suppliers

Suppliers' Name	Amounts (HK$ million)
Mongolian Mining Corporation	91
Chalco Inner Mongolian International Trading Co., Ltd.	78
SouthGobi Sands LLC	74
Inner Mongolia Qinghua Group	27
Mongolyn ALT (MAK) LLC	9
Total	279

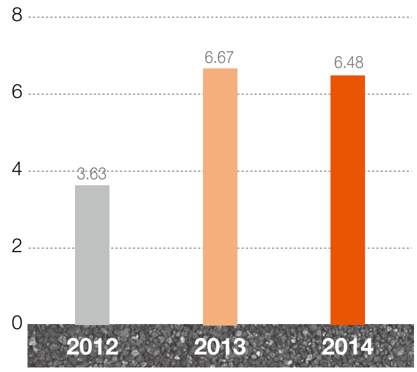
2) Seaborne Coal Procurement

In 2014, our seaborne coal procurement was approximately 6.48 million tonnes, a slight decrease of 2.85% over 6.67 million tonnes procured in 2013. Facing the decreasing market demand in Mongolian coal, the Group had to make a huge effort in maintaining seaborne coal market share.

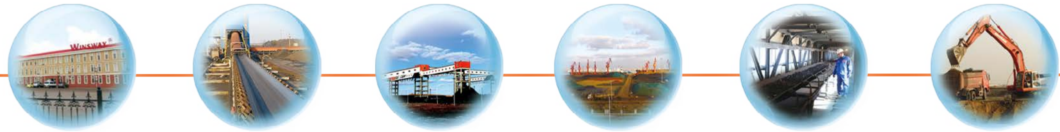
Seaborne Coal Procurement Amount (In HK$ Millions)



Seaborne Coal Procurement Volume (MT)



The top five seaborne coal suppliers in 2014 were as follows. The aggregate amount of the seaborne coal procured from the top five suppliers is HK$4,160 million representing a 76.19% of our total procurement of seaborne coal in 2014.



Top five seaborne coal suppliers

Company name	Amount (HK$ million)
BHP	1,998
Yancoal	871
Marubeni	487
Anglo	456
Peabody	348
Total	4,160

3 Gross Profit from continuing operations

The Group recorded a gross profit of HK$102 million in 2014, compared to a gross profit of HK$10 million (restated) recorded in 2013. The gross profit was mainly contributed by Mongolian coal sales and coal storage services provided in Gants Mod border-crossing.

4 Administrative Expenses from continuing operations

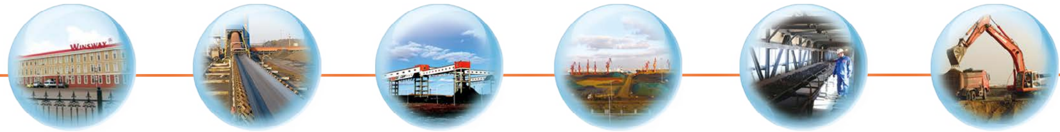
Administrative expenses were HK$435 million in 2014, which represents a 20.50% increase compared to HK$361 million of administrative expenses incurred in 2013 (restated). The increase was mainly due to bad debt provision of HK$57 million and HK$11 million for accounts receivable and other receivables, respectively. A breakdown of the administrative expenses as follows showing the contrast with that in 2013.

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Staff related expenses	**160,900**	157,328
Bad debt provision on accounts receivable	**56,526**	—
Bad debt provision on other receivables	**11,210**	—
Others	**205,875**	203,232
Total	**434,511**	360,560

5 Net Finance Costs from continuing operations

In 2014, the Group recorded in total net finance costs of HK$293 million, compared to net finance income of HK$261 million in 2013 (restated). In 2013, a gain of approximately HK$592 million from Senior Notes redemption was recognized as finance income. Excluding the gain from Senior Notes redemption, the net finance costs in 2014 were HK$38 million lower compared to those in 2013.

	2014 HK$'000	2013 HK$'000
Interest income	(78,427)	(121,427)
Gain on redemption of Senior Notes	–	(592,495)
Foreign exchange gain, net	–	(146,860)
Fair value change of derivative financial instruments	(30,547)	(15,794)
Finance income	(108,974)	(876,576)
Interest on secured bank loans wholly repayable within five years	72,127	123,297
Interest on discounted bills	44,176	162,414
Interest on Senior Notes	230,306	301,905
Total interest expense	346,609	587,616
Bank charges	35,029	28,252
Foreign exchange loss, net	20,139	—
Finance costs	401,777	615,868
Net finance costs/(income)	292,803	(260,708)



6 Net Loss and Loss per share

Our net loss totalled HK$5,897 million in 2014, a 153.63% increase from the net loss incurred in 2013 of HK$2,325 million. The breakdown of the net loss for the year ended 31 December 2013 and 2014 is as follows:

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million
Net loss from continuing operations	**1,216**	723
Net loss from discontinued operation	**4,681**	1,602
Total net loss	**5,897**	2,325

As indicated from the breakdown, the net loss from continuing operations in 2014 was HK$1,216 million, which was a 68.19% increase compared to HK$723 million in 2013. The increase in the net loss resulted mainly from a significant impairment of non-current assets that were booked in 2014 in the amount of HK$430 million compared to the impairment in 2013 of HK$148 million. In addition, a gain of HK$592 million was recognised from the Company's successful repurchase of Senior Notes with a principal amount of US$153 million in 2013. Excluding the impairment of non-current assets recorded in 2014 and the gain arising from Senior Notes repurchased in 2013, the net loss recorded in 2014 would have been much lower than those in 2013.

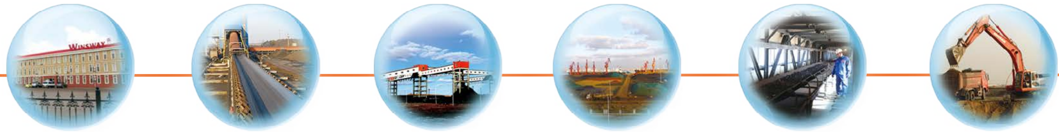
Net loss per share (diluted) was HK$0.980 in 2014, compared to HK$0.474 loss per share (diluted) incurred in 2013. A breakdown of the net loss per share for the year ended 31 December 2013 and 2014 is as follows:

	Year ended 31 December 2014 HK$	Year ended 31 December 2013 HK$
Net loss per share from continuing operations	**(0.319)**	(0.190)
Net loss per share from discontinued operation	**(0.661)**	(0.284)
Total net loss per share	**(0.980)**	(0.474)

7 Impairment

In 2014, the Group recognized impairment losses of HK$5,648 million in total. A breakdown of the impairment losses follows.

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million (Restated)
Impairment loss relating to continuing operations	**498**	148
Impairment loss to receivables	**68**	—
Impairment loss to non-current assets	**430**	148
Impairment loss relating to discontinued operations	**5,150**	958
Total	**5,648**	1,106



1) Impairment loss relating to continuing operations

a. Receivables

The Company recognized an impairment loss in respect of trade receivables of HK$57 million in 2014. Trade receivables of HK$109 million were individually determined to be impaired. Customers in relation to these receivables were in financial difficulties and only a portion of the receivables was expected to be recovered after assessment by the management. Therefore, an impairment in the amount of HK$57 million was recorded using an allowance account. In addition, other receivables of HK$11 million was determined to be irrecoverable and full provision was provided.

b. Plant and machinery

An impairment loss of HK$233 million 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.

c. Construction in progress

Due to the unfavourable future prospect of the coking coal business, construction projects ceased in the current year. The Group provided an impairment for construction in progress of the coal processing facilities in Manzhouli, Yiteng, Ejinaqi Haotong, Yingkou and Wulanchabu amounting to HK$190 million.

d. Prepayment related to property, plant and equipment

In 2014, the Company recognized an approximately HK$7 million impairment loss to an advance payment for equipment purchase and construction in progress in relation to the coal processing plants and logistics park facilities which ceased construction during 2014.

2) Impairment loss relating to the disposal group (GCC LP)

HK$5,150 million was recorded for the year ended 31 December 2014 as an impairment loss of intangible assets of the disposal group.

The non-recurring fair value measurement for the disposal group of HK$222 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. As the fair value of the Buy-back Right and the Marketing Agency Agreement will be determined at the date of the Completion, the fair value of the disposal group is determined by the Directors with reference to coal prices and other information provided by the company's financial advisor engaged for the disposal of GCC LP.

The valuation technique of discounted cash flow was used in measuring the fair value of the disposal group. Discounted cash flows consider the present value of the net cash flows expected to be generated from the disposal group, taking into account the coal price assumptions and estimated production volume. The expected net cash flows are discounted using a risk-adjusted discount rate.

Significant unobservable inputs:

— coal price assumptions are based on the median of forecasted prices of coal in Canada sourced from a number of reputable investment banks as provided by Company's financial advisor. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of coal. For short-term coal price assumptions for the next five years, US$103 to US$141 per tonne and US$55 per tonne for hard coking coal and thermal coal respectively have been used to estimate future revenues. For coal prices beyond the fifth year, US$145 and US$55 per tonne for hard coking coal and thermal coal respectively have been used to estimate future revenues.

— estimated production volumes are based on detailed life-of-mine plans derived from a technical report prepared by competent persons. 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. These are then assessed to ensure they are consistent with what a market participant would estimate.

— a pre-tax discount rate of 11.16% was applied to the future cash flows. This discount rate is derived from the weighted average cost of capital ("WACC") with reference to the required rate of return demanded by investors for similar companies. The WACC takes into account both debt and equity, weighted based on ratio of debt to equity of 42%. The cost of equity is derived from the required return on similar coking coal companies of 12.49%. The cost of debt is based on the market long-term lending rate of 8.00%.

8 Discontinued Operations

1) GCC Mine Operations and Exploration

a. Mining Operations

As of the date of this announcement, GCC is producing coal from the No. 12 South B2 underground operation. Operations were suspended from 28 January 2015 at the No. 8 surface operation. Current mine seams and associated material volumes as set out herein are referenced to 31 December 2014.

GCC has kept operation in No. 8 Surface Mine and No. 12 SB2 Underground Mine in 2014, and total ROM Coal production in 2014 was 2.22 million tonnes, with 1.44 million tonnes from the surface mine.

The production in No. 8 Surface mine was conducted in North Pit and West Extension Pit area using shovels and trucks. The No. 12 South B2 underground operation began development in October 2011 in the 7/8 Seam and is planned to be completed by October 2015. Operation of the 4 Seam mains is scheduled to start in April 2015. Overall, No. 12 SB2 mine operated for all 12 months in 2014 and produced ROM coal of 0.78 million tonnes. The Coal Handling and Processing Plant (CHPP) did not undergo any major upgrades in 2014. It operated for all 12 months in 2014.

Overall, ROM coal production for 2014 is summarised as below:

	Production Volume ('000 tonnes)
Surface Mine	
Mine 8	
Raw Coal Mined — Metallurgical *(ROM)*	**1,435**
Underground Mine	
Mine 12SB2	
Raw Coal Mined — Metallurgical *(ROM)*	**784**
Total	**2,219**

b. Mine Development

In 2014, in an effort to reduce cost, GCC has finished a limited number of projects related to mine infrastructures, mining operation in both underground and surface, equipment upgrade or new purchase, safety control etc with a total CAPEX of HK$49 million (excluding HK$183 million of prestripping costs).

c. Resources and Reserves

The Group's internal technical team updated reserves and resources of GCC as of 31 December 2014. The main changes are the temporary suspension of No. 8 Mine and reduced operation of CHPP from February 2015 which is expected to continue to the end of 2016. The following is the summary of GCC resources and reserves as of 31 December 2014.

(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 internal technical team has verified the interpretation of these elements. These models form the basis of the resource numbers reported in this document.

The coal resources with an effective date of 31 December 2014 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 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	26.8	5.0
No. 8 Area	35.4	7.4	42.8	23.2	5.0
No. 9 Area	38.2	70.6	108.8	22.2	5.0
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	232.7	138.0	370.7	20.8	4.0
Underground Area[(4)]					
No. 9 Area	108.2	33.6	141.8	21.9	5.0
No. 12 South B2 Area	4.3	5.2	9.5	13.9	3.0
No. 12 South A Area	25.4	39.6	64.9	14.8	3.0
Total Underground Areas	137.9	78.4	216.2	19.4	4.5
Grande Total	370.6	216.4	586.9	20.3	4.0

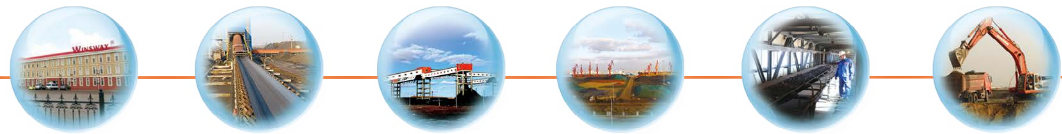
Notes:

(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 45º 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 major faulting, 50 m buffer from highwalls.



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

(6) The resource estimates are effective 31 December 2014.

(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	5.0
No. 8 Area	0.7	24.4	5.0
No. 9 Area	27.5	20.5	5.0
No. 12 South B2 Area[3]	0.5	17.9	4.0
No. 12 North Area	2.2	21.2	3.0
No. 16 Area	15.9	15.3	4.0
Total Surface Areas	53.1	19.3	4.5
Underground Area[4]			
No. 9D Area	20.1	20.1	5.0
No. 12 South A Area	3.4	16.0	3.0
Total Underground Areas	23.5	19.5	4.5
Grand Total	76.6	19.4	4.5

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 45º 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 major faulting, 50 m buffer from highwalls.

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

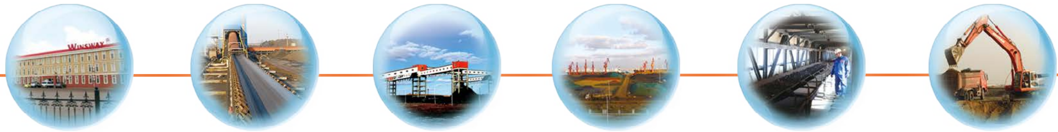
(6) The resource estimates are effective 31 December 2014.

(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, average free on board price of HK$1,265 per tonne has been used, based on recently published data; it is noted that this price was only used for initial mine design parameters. It was not used in the financial forecast;
- 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 and overstand 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 (ROM) 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 employed mining software to produce economic mine designs at the Grande Cache operation.

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

The Group internal technical team believe that the assumptions previously used for the design of the No. 16, No. 12 North and No. 2 mines are still appropriate; consequently, the reported reserves for these areas have not been changed.

The completion of an updated pit design based on revised economic analysis for the No. 8 along with production in 2014 resulted in a revised reserve estimate for this area. No. 12 South B2 underground production in 2014 reduces the reported reserve from this area.

The No. 9 Area has been included in the reserve since 2013 based on the existing exploration database in this area of drillholes and adits dating between 1969 and 1997. No changes have been made to this reserve area.

The coal reserves with the effective date of 31 December 2014 are summarised in Table 2-1 and Table 2-2 below:

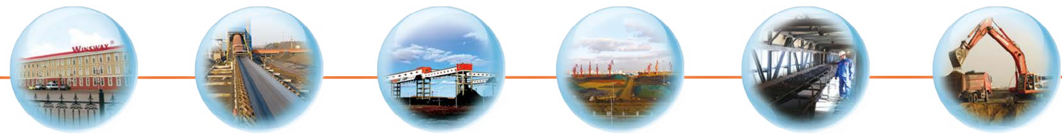
Table 2-1 Summary of Proven and Probable Run-of-Mine Reserves

	Proven (Mt)	Probable (Mt)	Total (Mt)
Surface Mining Areas			
No. 2 Area	13.7	1.2	14.9
No. 8 Area	12.5	0.1	12.6
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	90.7	34.3	125.1
Underground Areas			
No. 9 Area	59.8	3.7	63.5
No. 12 South B2 Area	3.0	1.4	4.5
No. 12 South A Area	4.6	9.4	14.0
Total Underground Mining	67.5	14.5	82.0
Grand Total	158.2	48.8	207.1

Notes:

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

(2) Planned surface pits only.



(3) Underground ROM estimates include a mining recoveries ranging from 44% to 62%, which are inherent to multi-seam room-and-pillar operations.

(4) The surface reserve estimates do not include thermal coal consistent with previous GCC Technical Reports.

(5) The surface reserve estimates are effective 31 December 2014.

(6) The underground reserve estimates are effective 31 December 2014.

(7) 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	9.2	0.8	10.0
No. 8 Area	8.8	0.1	8.9
No. 9 Area	10.4	8.3	18.8
No. 12 North Area	22.5	8.3	30.8
No. 16 Area	14.4	7.0	21.4
Total Surface Mining	65.3	24.5	90.0
Underground Areas			
No. 9 Area	41.4	2.6	44.0
No. 12 South B2 Area	2.3	1.1	3.3
No. 12 South A Area	3.4	6.8	10.3
Total Underground Mining	47.1	10.5	57.6
Grand Total	112.4	35.0	147.6

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 surface reserve estimates are effective 31 December 2014.

(9) The underground reserve estimates are effective 31 December 2014.

(10) 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 2014 resulted in reserve changes.

(2) Mining design change in No. 12SA to reflect the geological updates from 2014 exploration drilling program.

(3) Design change in No. 2 Mine, and adjustment of yield calculation in No. 12 North Mine.

d. Coal Quality

The in-situ coal quality for current operating mines is summarized below:

— *No. 8 Mine*

No. 8 Mine has 3 mineable seams. The 4 Seam can be divided into an upper high ash zone and a lower low ash zone. A shaley horizon approximately 0.6 m to 1.0 m thick occurs 1.5 m to 1.8 m above the base of 4 Seam. In the No. 8 Area, 10 Seam consists of 1.3 m of very high ash coal (approximately 45%) above 2.5 m of low ash coal (approximately 11%). The 11 Seam typically has a rock split in the middle of the seam. In-situ ash does not include this split.

TABLE 3-1 AVERAGE IN-SITU COAL QUALITY FROM DRILLHOLE FOR NO. 8 AREA

Coal Seam No.	Ash (db)	FSI	VM (db)
4	17.33	5.0	17.2
10	20.75	4.5	19.0
11	30.08	5.5	16.8

— *No. 12SB2 Mine*

The average in-seam ash content of the 4 Seam is 12.3% (dry basis). There is a zone of higher ash (15% to 20%) that is 0.3 m to 1.6 m thick near the top of the seam. Typical in-seam ash values below this high ash zone range between 4% and 8%. Typical in-seam ash values range between 8% and 11% above the high ash zone. In-seam ash content for the 5 Seam is estimated to be 14.5% based on four cores drilled in the No. 12 Mine South B2 pit in 1992.

The 6 Seam generally consists of a lower clean portion and an upper higher ash zone. The clean portion of the seam is generally 0.9 m thick and the higher ash zone is usually about 0.4 m thick. The average in-seam ash content of 6 Seam is estimated to be 15.8%.

In-seam ash content of the 7/8 Seam interval is 22.1%. The lower half of 7 Seam typically contains a high ash zone 0.3 m thick.

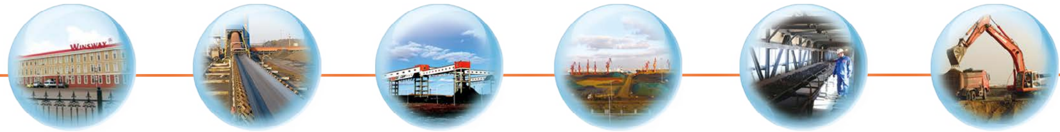


TABLE 3-2 AVERAGE RAW COAL QUALITY BY SEAM FROM DRILLHOLES COMPOSITES FROM NO. 12 SOUTH B2

Coal Seam No.	Ash (db)	FSI	VM (db)
4	12.3	3.0	16.4
5	14.5	4.0	16.9
6	15.8	5.5	16.6
7/8	22.1	4.0	17.0

Note: the actual test results on clean coal delivered to customers show higher FSI numbers than Table 3-1 and Table 3-2.

e. 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, in 2014, nine (9) air rotary holes and two (2) core holes were drilled in No. 12SA area, and another six (6) core holes and one air rotary hole were drilled in No. 8 Mine.

GCC Drilling Summary

Location	Year	No. of Holes	Total Metres
No. 8 Area	2012	37	3,130
	2013	4	175
	2014	7	991
No. 12 South A	2013	13	2,518
	2014	11	2,470
Total GCC Drilling 2012–2014		**72**	**9,284**

(i) *No. 8 Area Drilling*

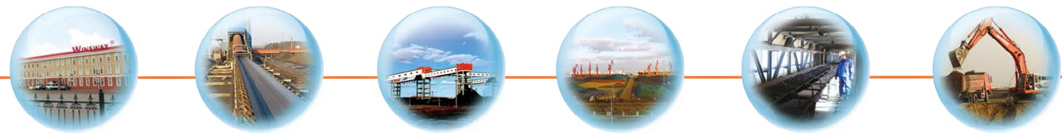
The 2014 drilling program in No. 8 Area focused on collecting geotechnical samples to assess roof and floor rock conditions. A summary of all drilling in this area is presented in the table below:

Year	Core		Rotary		Totals	
	#	m	#	m	#	m
2012	1	101	36	3,029	37	3,130
2013	—	—	4	175	4	175
2014	6	851	1	140	7	991
Grand Total	7	952	41	3,344	48	4,296

(ii) *No. 12 South A Drilling*

The 2014 drilling program was 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
2013	13	2,518	—	—	13	2,518
2014	2	440	9	2,030	11	2,470



(iii) *Future Exploration Drilling*

Exploration drilling in 2015 will primarily focus on the north part of No. 12 Mine South A underground mining area.

Future exploration work between 2016 and 2018 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.

f. Project Capital Expenditures

Expenditures to all projects in 2014 was HK$49 million (excluding capitalized stripping costs of HK$183 million). Major projects (greater than HK$3,510 K) run by GCC in 2014 are:

(1) 1026 Pond and Saddle Dump West Temporary Water Diversion and Mitigation
(2) New Track and Tumblers for PC2800 XPC shovel
(3) DST Model 35-S Permissable Diesel Scoop & Sandvick LHD Repower-3
(4) No. 8 Mine North Pit Footwall Project
(5) No. 12 South A Summer Exploration Program
(6) Purchase of 11 used trucks with trailers for coal haul

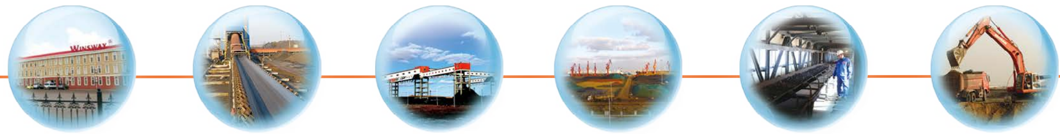
2) GCC COGS

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

	Year ended 31 December 2014 HK$	Year ended 31 December 2013 HK$
Cost of product sold	**450**	673
Distribution costs	**227**	228
Depreciation and depletion	**284**	230
	961	1,131

3) Transaction with UP Energy

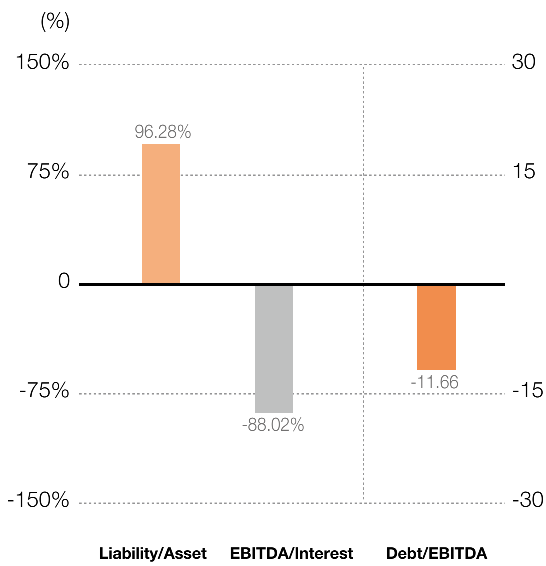
On 14 November 2014, the Group, Up Energy Resources Company Limited (the "Purchaser") and Up Energy Development Group Limited (the "Purchaser Guarantor") entered into a sale and purchase agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to sell 42.74% equity interest in Grande Cache Coal Corporation ("GCC", a subsidiary of the Group without material businesses except for as the general partner holding 0.01% interest in Grande Cache Coal LP ("GCC LP")) and an approximately 42.74% partnership interest in GCC LP at cash consideration of US$1 (the "Proposed Disposal"). In conjunction with the Proposed Disposal, the Group, the Purchaser and Purchaser Guarantor propose to enter into a buy-back right agreement pursuant to which the Purchaser will grant the Company a buy-back right to acquire a 16.86% shareholding interest in GCC and an approximately 16.86% partnership interest in GCC LP (the "Buy-back Right"). As a condition precedent to the completion of the Proposed Disposal (the "Completion"), the Group, the Purchaser Guarantor and GCC LP will enter into a marketing agency agreement (the terms of which have been agreed by the parties on 31 December 2014) on or before the Completion, pursuant to which GCC LP shall grant certain marketing rights to the Company in relation to the sale and marketing rights of products of GCC LP in the PRC for a term of 10 years from the date of Completion subject to extension by agreement. As at 31 December 2014, the Completion is conditional upon the fulfilment of various conditions precedent.



9 Indebtedness and Liquidity

The total amount of bank loans owed by the Group (excluding GCC) at the end of 2014 was HK$1,192 million, which is approximately at the same level compared to 2013 balance. However, because of the softening coal market and disappointing results of the Group, the credit lines have shrunk significantly to HK$1,494. Interest rates on these loans range from 1.53% to 7.20% per annum, whereas the range in 2013 was from 1.78% to 7.68%. The Group's gearing ratio at the end of 2014 was 96.28%, compared to 72.91% at the end of 2013. The Group calculates gearing ratio on the basis of total liabilities divided by total assets.

Indebtedness and Liquidity



10 Going Concern

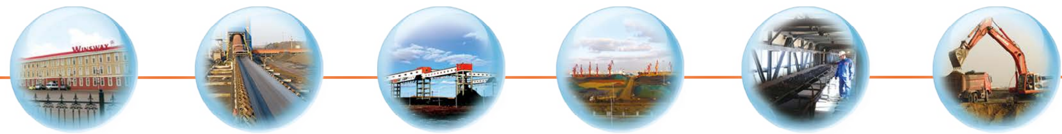
Based on the analysis of the Group's indebtedness and liquidity as of the end of 2014, it is indicated that there are material uncertainties about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon, including but not limited to, the Group's ability to generate adequate financing and operating cash flows through:

1) successful completion of the proposed debt restructuring of the outstanding Senior Notes with a discount to the aggregate principal amount of the outstanding Senior Notes;

2) successful completion of the proposel fund raising activities to enable the Group to meet its financial obligations and to finance its future working capital and financial requirements as required;

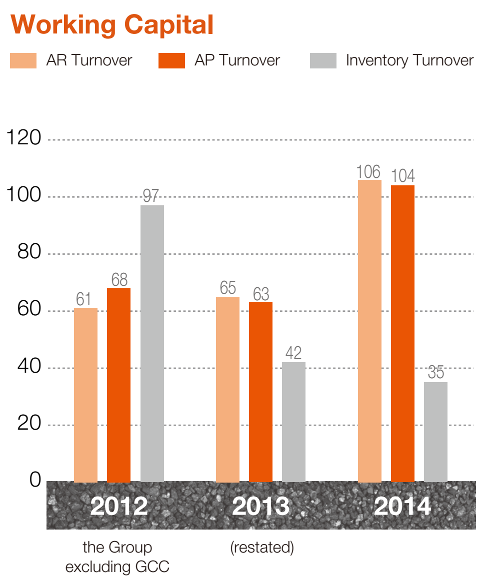
3) successful completion of the negotiation with the lenders for the renewal of all the existing borrowings upon their maturity and/or obtaining additional financing as and when required; and

4) successful implementation of the Group's operation plans to control costs and to generate adequate cash flows from operations.



11 Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 106 days, 104 days, and 35 days respectively in 2014. As a result, the overall cash conversion cycle was approximately 37 days in 2014, which was 7 days shorter than the Group's cash conversion cycle realised in 2013.



12 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.à.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.

13 Pledge of Assets

At 31 December 2014, bank loans amounting to HK$523,935,000 (2013: HK$450,710,000) were secured by bank deposits placed in banks with an aggregate carrying value of HK$521,473,000 (2013: HK$420,156,000).

At 31 December 2014, bank loans amounting to HK$584,418,000 (2013: HK$485,160,000) were secured by trade and bills receivables with an aggregate carrying value of HK$584,418,000 (2013: HK$489,542,000).

At 31 December 2014, bank loans amounting to HK$67,183,000 (2013: HK$67,411,000) were secured by land use rights with an aggregate carrying value of HK$26,333,000 (2013: HK$27,010,000) and by property, plant and equipment with an aggregate carrying value of HK$82,032,000 (2013: HK$nil).

At 31 December 2014, bank loans amounting to HK$16,353,000 (31 December 2013: HK$Nil) were secured by both bank deposits with an aggregate carrying value of HK$13,818,000 and trade receivables with an aggregate carrying value of HK$2,535,000 (31 December 2013: HK$Nil).

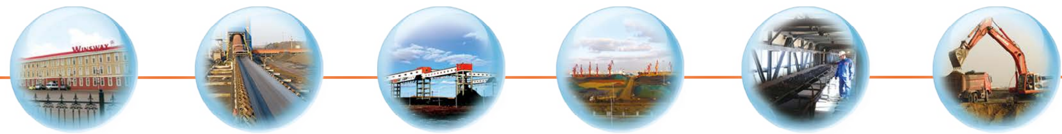
At 31 December 2013, bank loans amounting to $15,877,000 were secured by property, plant and equipment of GCC LP with an aggregate carrying value of $18,196,000. At 31 December 2013, bank loans amounting to $3,139,733,000 were secured by total assets of GCC LP with an aggregate carrying value of $9,546,800,000. These loans were reclassified to liabilities held for sale after GCC LP was classified as a disposal group held for sale in 2014.

IV. 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.

1. 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, 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 consecutively in the year of 2013 and 2014, 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.



2. Dependence Upon the Steel Industry

Our business and prospects are heavily dependent on the demand for coking coal by steel markers 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 of 2014, the Chinese steel mills continued to 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.

3. Credit risk

The 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. The Group has a credit policy in place and the exposures to these credit risks is monitored on an ongoing basis.

4. Liquidity risk

Our policy is to regularly monitor the Group's liquidity requirements and compliance with lending covenants, to ensure that the Group 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. Note 2 (b) to the Financial Statements explains management's plans to manage the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

5. Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's bank loan interest rate ranged from 1.53% to 7.20% in the year of 2014. At 31 December 2014, 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 $697,000. Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

6. 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. The currencies giving rise to this risk are primarily United States dollars and Renminbi. Any unfavourable movement in the exchange rate may lead to an increase in the carts of the Group or a decline in sales, which would materially affect the Group's results of operations.

7. Fair value measurement

The fair value measurement was carried at the Group's financial assets and liabilities. Fair value of forward exchange contracts of derivative financial instruments held by the Group 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.

V. FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2014.

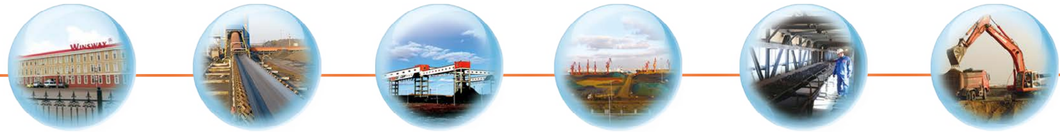
VI. HUMAN RESOURCES

1. 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 2014, there were 790 full-time employees in the Group (including GCC but excluding 156 dispatch staffs from domestic subsidiaries in continuing operations). By a scheme of redundancy, there was an approximately 50% headcount cut in 2014 in relation to the continuing operations. A detailed breakdown of employee categories is as follows:

	FY2014		FY2013	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**195**	**25%**	286	24%
Front-line Production & Production Support & Maintenance	**72**	**9%**	253	21%
Sales & Marketing	**38**	**5%**	36	3%
Others (incl. Projects, CP, Transportation)	**24**	**3%**	33	3%
Mining[a]	**461**	**58%**	572	49%
Total	**790**	**100%**	1,180	100%



(a) Mining

Functions	FY2014 No. of Employees	FY2014 Percentage	FY2013 No. of Employees	FY2013 Percentage
Head Office (Calgary)	21	5%	30	5%
Mine Site Management, Supervision, Technical and Administrative (38 Union employees)	97	21%	125	22%
Underground Mining Operations (Union)	64	14%	130	23%
Contract Underground Mining Operations	2	1%	46	8%
Surface Mining Operations (Union)	98	21%	112	20%
Maintenance (Union)	74	16%	48	8%
Coal rocess Plant Operations & Maintenance and Site Care (Union)	67	14%	81	14%
Coal Haul Operations & Maintenance (Note 1)	38	8%	—	—
Total	461	100%	572	100%

Note 1. The Coal Haul replaced Maple Leaf loading contractors with hourly paid employees.

Note 2. The total number of union employees is 341.

2. Employee Education Overview

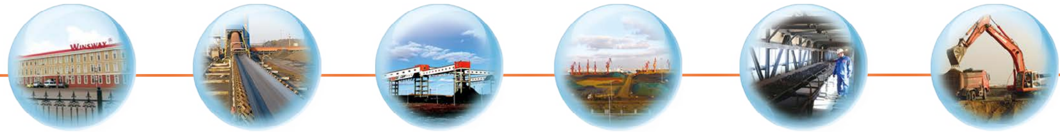
	FY2014		FY2013	
Qualifications	No. of employee	Percentage	No. of employee	Percentage
Master & above	29	4%	63	5%
Bachelor	149	19%	190	16%
Diploma	238	30%	382	32%
High-School, Technical School & below	374	47%	545	47%
Total	790	100%	1,180	100%

3. Training Overview

The Group considers training as an invaluable process to provide employees with information, new skills, and professional development opportunities. As of 31 December 2014, the Company has held various training programs totaling 6,188 hours, and over 732 attendances have participated in these programs.

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

The Group 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.



Training Overview

	FY2014		FY2013	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**3,985**	**481**	4,397	665
Management & Leadership	**1,426**	**118**	395	30
Operation Excellence	**777**	**133**	1,369	207
New staff Orientation	**–**	**–**	1,040	268
Total	**6,188**	**732**	7,201	1,170

VII. HEALTH, SAFETY AND ENVIRONMENT

1 HSE management excluding GCC

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 was 1.14 for the Group (excluding GCC) in 2014. No serious environmental and occupational health accidents were reported in 2014.

In 2014, 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; (4) perfecting the HSE responsibility system and creating a responsibility network; (5) introducing advanced management mechanisms, such as KYT and MOC; (6) setting up a red-card warning mechanism; and (7) strengthening the management of special equipment.

Improvement of staff's safety awareness: The safety course for this year focused on the level-3 safety education and transportation safety training for new staff. The Group has developed a set of transportation safety courseware and trained 406 persons. The total number of hours of safety education and training was 2,008.

Management Discussion and Analysis of Financial Conditions and Operating Results (Continued)

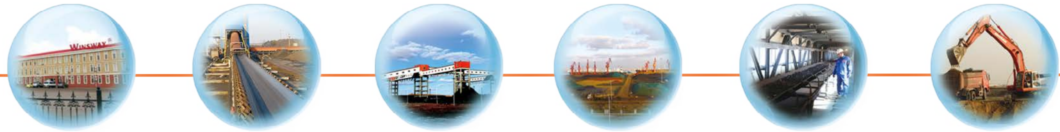
Safety standardization for construction: Urad Zhongqi Yiteng Mining Co., Ltd had commenced safety standardization for construction since April 2013 in compliance with level-3 safety standards and its efforts of over a year was recognized by the government as it passed the government acceptance inspection and obtained relevant certificate in May 2014. Longkou Winsway Energy Co., Ltd had also commenced its safety standardization for construction on 10 April 2014 and completed its self-assessment in May. In June 2014, it completed the re-evaluation, passed the government acceptance inspection and obtained relevant certificate.

Enhancement of emergency response capability: Two fire drills and poisoning drills were carried out in June and November respectively, which have enhanced the coordination plans at all levels and improved the applicability and operability of contingency plans.

Construction of HSE Responsibility System: decomposing safety responsibility as key performance indicators (KPI) pursuant to the task requirements of the Group 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 18 letters of responsibility with the functional departments and subordinates of the Group, realizing full coverage over the Group 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.

Introduction of advanced management mechanisms such as KYT and MOC: The KYT risk prediction training for staff and the implementation of MOC Change Control System have improved the safety skills and awareness of staff and reduced the occurrence of accidents.

Establishment of red-card warning mechanism: incidents leading to the issue of red-card warning: any subsidiary which does not carry out rectification measures in accordance with the "four rectification principles" and submit accident reports will be issued a red-card warning. Any subsidiary which is found to have loopholes that are recognized by the Group or the Company as problematic and are not fully rectified will be issued a red-card warning. Any subsidiary which is in the process of implementing special HSE tasks and safety indication of the Group will also be issued a red-card warning. The implementation of the red-card warning mechanism has enhanced the HSE measures of the Group.



Strengthening of special equipment management: The "Special Equipment Supervision Regulations" was revised as "Special Equipment Safety Law" in 2014 which includes new provisions for the application and procurement, installation, maintenance and disposal of special equipment. The law has been implemented effectively by the Group through adoption of the "Administrative Measures on Special Equipment and Operators" updated accordingly. No special equipment accidents were reported in 2014.

2 HSE in GCC

Safety

GCC along with all senior management 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.

GCC has experienced vast improvements in its safety program. The GCC safety intervention which commenced in June 2013 continued into 2014, together with our involvement with the provincial Occupational Health and Safety department's "Partnerships in Injury Reduction Program", has significantly reduced many safety incidents including serious incidents and lost time injury rate on the mine site.

In September 2014, GCC did complete the Employer Review Action Plan with "Partnerships in Injury Reduction". They have reviewed GCC's significant improvements over 2014 and have now ended our participation in the Partnerships Employer Review Action Plan Program.

In 2014, GCC also made a significant extra effort in encouraging staff to report the "Near Misses", with a several folds increase in reporting compared with 2013. This is believed to have contributed to the reduction in actual incidents.

Management Discussion and Analysis of Financial Conditions and Operating Results (Continued)

Below are Safety Statistics comparisons from December 2013 to December 2014:

Safety Statistics Comparison 2013–2014

Year	Near Miss Reports	Property Damages	Restricted Work Days	Lost Time Injury	LTI Frequency	LTI Severity
2013	360	281	1,165	11	2.02	67.33
2014	3,699	144	610	7	1.67	16.96
Comparison by Percentage	928%*	-49%	-48%	-36%	-17%	-75%

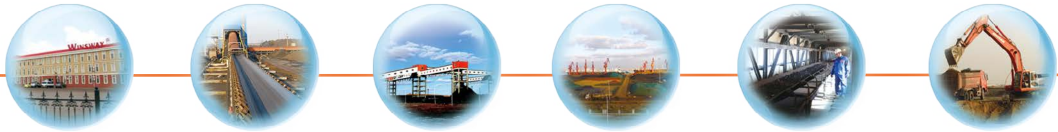
* Near miss reports increased with 928% to 3,669 in 2014 from 360 in 2013. The increase was due to the change of standardizations and enlarging of scopes in reporting near misses. Therefore, some case which were not categorised as a near miss in past year were reported as a near miss in 2014.

Lost Time Incidents

Department	Days Since Last LTI
Surface Operations	652
Surface Maintenance	32
Plant	891
Underground	202
Administration	1,119

Due to a noticeable trend of increased incidents commencing in the winter of November of 2014, a "Safety Reset" was completed in December 2014. This briefing included a solid review of the past-present and future expectations of GCC leadership. The main focus for this presentation was for GCC front line supervisors, their responsibilities and how leadership will be held accountable in the future. The theme carried throughout, "WHAT GETS MEASURED GETS DONE."

GCC continues to be partnered with the Alberta Construction Safety Association (ACSA) and in December 2012, GCC received its Certificate of Recognition (COR). ACSA mandates that GCC must conduct an internal audit every two years to remain certified. In November 17–20, 2014, GCC successfully completed its second internal Health and Safety Audit with a score of 85%. GCC will complete an external audit by the end of 2015 to remain certified.



GCC continues to be committed to maintaining a level of competency for Advanced and Standard First Aid, Mine Rescue Certification and our Emergency Loss Prevention Attendants (ELPA) on the mine site. Trained Surface and Underground Mine Rescue Teams and our ELPA's are available to respond to all site emergencies. In January 2014, 13 mine rescue members became certified in Advanced First Aid. Overall GCC now has 27 Advanced First Aid Aiders on the site, including our ELPA's.

GCC Management continues to ensure the Emergency Response Plan is regularly reviewed and schedules maintained for testing/exercising of the plan, along with, ensuring all workers are trained annually on the procedures. In 2014, 14 "mock" evacuations were completed across the site. In mid-2014, all workers on site were re-trained on the specific emergency procedures for their working area.

The Surface Mine Rescue Team participated in 22 practices in the 2014. These practices included training in rope rescue, confined space rescue, firefighting, first aid, smoke drills, theory study from the manual and skills testing. 7 members were re-certified in Surface Mine Rescue under the Alberta Mine Safety Association (AMSA) guidelines. Due to cost restraints in 2014, the Surface Mine Rescue team did not participate in the annual Surface Mine Rescue Competition in Spruce Grove Alberta, in June 2014.

The Underground Mine Rescue Team participated in 21 practices in the 2014. These practices included training in obstacles and recoveries, donning of the Dragger BG4 closed circuit breather apparatus, firefighting, first aid, smoke drills, theory study from the manual and skills testing. Due to cost restraints in 2014; the Underground Mine Rescue team did not participate in the annual Underground Mine Rescue Competition in Smithers British Columbia, in June 2014.

GCC completed the development of the Underground Mine Rescue Manual for Alberta Mine Safety Association (AMSA) in the spring of 2014. AMSA and the Government of Alberta approved this manual in the fall of 2014. Due to the changes from the existing manual, GCC Underground Mine Rescue Members had to become re-certified under the new guidelines set out in the new manual. Fifteen members were re-certified in 2014.

Environment

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

Since 2012 GCC has reduced environmentally reportable incidents by 75.86% (2012: notified = 58, 2013: notified = 25, 2014: notified = 14), representing the second consecutive year of improved environmental performance.

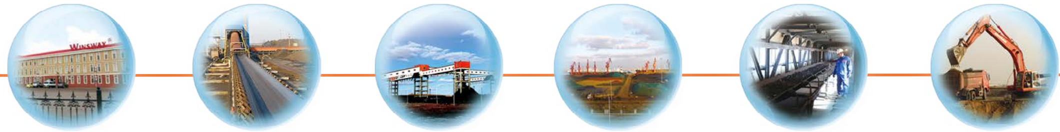
The keys to success in 2014 were the upgrades to settling pond structures Major Pond LS-1, 1.026 and the completion of the 1.030 pond. Also in 2014, GCC successfully submitted the AER Environmental Protection and Enhancement Act Approval Renewal and Intergrated Reclamation Plan, with the expectation that both applications will be approved in Q1 or Q2 of 2015."

Currently GCC is working with the Alberta Construction Safety Association (ACSA), Occupational Health and Safety (OHS) and Partnerships Consultants to improve our OHS performance. Currently GCC has planned to complete the following Safety activities for 2015:

- Continued Supervisory training with ACSA including the select courses of, "Leadership for Safety Excellence", "Safety Culture-A Road Map to Zero" and "Alberta Occupational Health & Safety Legislation Awareness".

- OHS Officers & Partnerships Consultants working with GCC on the "Proactive Employer Program" to include up to 4 compliance inspections on the mine site in 2015.

- Conduct the site wide external Safety Audit by end of November 2015. An external certified auditor will be required from the ACSA to complete this mandatory audit in order to retain our COR accreditation.



- **GCC Safety Statistics 2013–2014**

	2014	2013
Incident Listing		
Near Misses	3,699	360
First Aid	111	125
GCC Medical Aid	35	22
Restricted Work Cases	26	27
LTI	7	11
TRI	68*	60
WHS Notifiable	11	16
WHS Reportable	2	4
AENV Reportable	19	25
Property Damage	144	281
Stats		
LTI Frequency	1.67	2.02
LTI Severity	16.96	67.33
TRI Frequency	16.72	8.83
Lost Time		
Days Lost	71	366
Modified Work		
Hours	2,460	12,951
Days	203	1,179
Total Employees		
GCC Employees	440	493
Man Hours Worked	837,248	1,087,178

* GCC did experience an increase in Total Recordable Injuries (TRI) due to an increase of medical aids on the mine site, the majority of which were not serious injuries. GCC believes this increase of TRI's is the result of employees' increased awareness and full use of our incident reporting process.

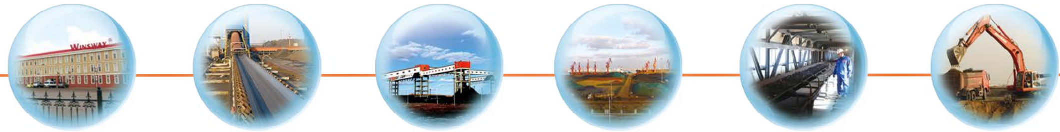
Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wang Xingchun (王興春), aged 51, is the founder of our Company and the Chairman of the Board 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 20 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.

Mr. Andreas Werner, aged 57, has been an Executive Vice President of the Company since 7 July 2014 and was appointed as an executive Director and chief executive officer designate of the Company on 26 August 2014. Mr. Werner was the chief executive officer of Raiffeisen Bank International Greater China before joining the Company. Before joining RB International, Mr. Andreas Werner was the import-export manager of China Teppichhouse, a trading firm based in Vienna from 1989 to 1992, manager of the Austrian Chamber of Commerce for Austrian group exhibitions from 1992 to 1994, and joined Raiffeisen Zentralbank Austria AG (RZB) in 1994, where he became the chief representative of RZB Beijing Representative Office and the general manager of RB International Beijing Branch. Mr. Andreas Werner obtained a bachelor's degree in law and a master's degree in law from the University of Vienna in 1991 and 1992, respectively. Mr. Andreas Werner also obtained a degree in Sinology from the University of Vienna in 1977.

Zhu Hongchan (朱紅嬋), aged 40, 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 and a degree Executive Master of Business Administration ("EMBA") from Beijing Jiaotong University in 2011.



Ma Li (馬麗), aged 44, an Executive Director of our Company. She was appointed as an executive Director of the Company on 1 April 2013 and was responsible for the treasury functions 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.

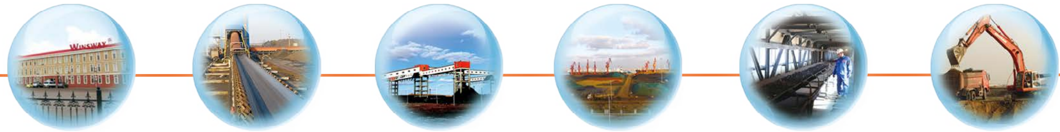
Mr. Wang Changqing (汪常青), aged 54, is the President and CEO of Grande Cache Coal LP ("GCC"), a material subsidiary of the Group, a post he has held since January 2013. He is also appointed as an executive Director and the Executive Vice President of the Group with effect from 30 December 2013. Prior to joining the Company, Mr. Wang was with Suncor Energy Inc. 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 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 the chairman of the board of directors for the Coal Association of Canada.

NON-EXECUTIVE DIRECTORS

Mr. Daniel J. Miller, aged 50, was re-appointed as a non-executive Director on 16 January 2013. 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 Degree in German Studies in 1994.

Liu Qingchun (劉青春), aged 49, 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 45, 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.

James Bedford Downing III (also known as James Downing), aged 60, 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.

Profile of Directors and Senior Management (Continued)

Ng Yuk Keung (吳育強), aged 50, was re-appointed as an independent non-executive Director on 11 October 2013. 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: 1011), 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 and the New York Stock Exchange (as the case may be) which Mr. Ng has undertaken:

Position	Name of the listed company	Stock Code
Non-executive director	Cheetah Mobile Inc.	NYSE: CMCM
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 48, was re-appointed as an independent non-executive Director of our Company on 11 October 2013. 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 40, was re-appointed as an independent non-executive Director of our Company on 20 August 2013 and is a member of the Audit, Nomination and Corporate Governance and Health, Safety & Environment (HSE) Committees. 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.

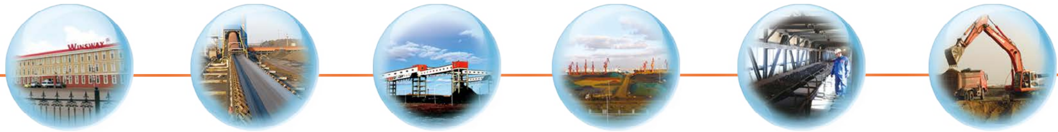
Profile of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Di Jingmin (邸京敏), aged 43, 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.

Wang Yaxu (王雅旭), aged 43, is a vice president for fixed assets management and intenal administration 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, and graduated with a degree in Executive Master of Business Administration ("EMBA") from Beijing Jiaotong University in 2011.

Mr. Li Jianlou (李建樓), aged 53, 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.



Cao Xinyi (曹欣怡), aged 32, is the Chief Financial Officer of our company and also Secretary to our Board. She is responsible for our capital markets activities, financial analysis, investor relationship and internal administration. 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 2014.

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 2014 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

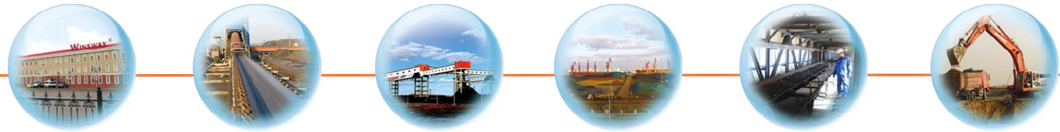
Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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. In addition, Mr. Andreas Werner was appointed to the Board on 26 August 2014 and has been fulfilling the role of CEO designate from such date.

CODE PROVISION E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2014 for health reasons. Mr. Yasuhisa Yamamoto, an executive Director, chaired the meeting on his behalf and was available to answer questions.

Except for the deviations already mentioned from the CG Code, the Company fully complied with all the Code Provisions throughout the year ended 31 December 2014.



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)*
Mr. Andreas Werner
Ms. Zhu Hongchan
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 2014, 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.

Corporate Governance Report (Continued)

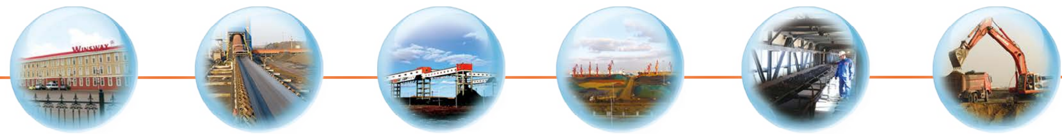
Biographical details of the Directors and senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 50 to 57 of this annual report.

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 2014, 6 full board meetings and 1 general meeting were held. The following is the attendance record of the board meeting held by the Board during 2014:

Name of Director	Attendance/ Number of general meetings attended	Attendance/ Number of board meetings attended
Executive Directors		
Wang Xingchun	0/1	4/6
Andreas Werner (appointed on 26 August 2014)	0/1	2/6
Zhu Hongchan	0/1	4/6
Yasuhisa Yamamoto (resigned on 26 August 2014) *(Note 1)*	1/1	4/6
Ma Li	0/1	6/6
Wang Chang Qing	1/1	6/6
Non-executive Directors		
Daniel J. Miller	1/1	6/6
Liu Qingchun	0/1	6/6
Lu Chuan	0/1	6/6
Independent non-executive Directors		
James Downing	0/1	6/6
Ng Yuk Keung	0/1	5/6
Wang Wenfu	0/1	6/6
George Jay Hambro	0/1	6/6

Note 1: Mr. Yasuhisa Yamamoto resigned as an Executive Director and was replaced by Mr. Andreas Werner, who was appointed on the same day. For further details, please refer to the Company's announcement dated 26 August 2014.



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.

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 2014.

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 26 August 2014, Mr. Yasuhisa Yamamoto resigned as an executive Director and resigned as a senior management of the Company on 31 December 2014 to pursue outside interests. On 26 August 2014, Mr. Andreas Werner was appointed as an executive Director for a term of three years with effect from 26 August 2014. Mr. Werner will hold office until the next following annual general meeting of the Company after his appointment and he will be subject to re-election at that meeting. For further details, please refer to the announcement of the Company dated 26 August 2014.

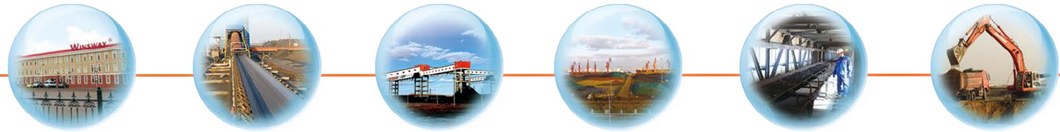
AUDIT COMMITTEE

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 2014, the audit committee has held 2 meetings, at which members of audit committee reviewed and discussed with the external auditors and the management the Group's annual and interim financial results and reports in respect of the year ended 31 December 2013 and the six months ended 30 June 2014, and are of the opinion that such financial statments 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 2014 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Ng Yuk Keung	2/2
Mr. George Jay Hambro	2/2
Mr. Wang Wenfu	2/2
Mr. James Downing	2/2



AUDITORS' REMUNERATION

For the year ended 31 December 2014, 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	6,945
Non-audit services — tax services	42
	6,987

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.

Corporate Governance Report (Continued)

During the year ended 31 December 2014, the Directors confirmed that they have participated in training and continuous professional development activities and a summary is provided as follows:

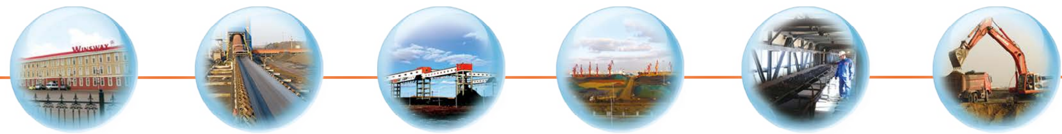
Name of Director	Type of continuous professional development programmes
Executive Directors	
Wang Xingchun	1,2,3
Andreas Werner (appointed on 26 August 2014)	1,2,3
Zhu Hongchan	1,2,3
Yasuhisa Yamamoto (resigned on 26 August 2014)	1,2,3
Ma Li	1,2,3
Wang Chang Qing	1,2,3
Non-executive Directors	
Daniel 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 AUDITOR'S 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 IFRSs. 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 auditor's report on pages 89 to 91 of this annual report.

Based on the analysis of the Group's indebtedness and liquidity as of the end of 2014, it is indicated that the Group is under material uncertainties 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. Whether the Group will be able to continue as a going concern would depend upon, including but not limited to, the Group's ability to generate adequate financing and operating cash flows through:

1) successful completion of the proposed debt restructuring of the outstanding Senior Notes with a discount to the aggregate principal amount of the outstanding Senior Notes;

2) successful completion of the proposed fund raising activities to enable the Group to meet its financial obligations and to finance its future working capital and financial requirements as required.

3) successful completion of the negotiation with the lenders for the renewal of all the existing business upon their maturity and/or obtaining additional financing as and when required; and

4) successful implementation of the Group's operation plans to control costs and to generate adequate cash flows from operations.

The basis of preparation of the financial statement is set out in note 2(b) to the financial statements on pages 102 to 105 of this annual report, and the basis for disclaimer of opinion in relation to the multiple uncertainties related to going concern is set out in the independent auditor's report on pages 89 to 91 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 three independent non-executive Directors, Wang Wenfu (Chairman), James Downing and 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 3 meetings during the year ended 31 December 2014, 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 2014 are set out below:

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

Details of the Directors' remuneration are set out in note 10 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 three independent non-executive Directors, James Downing (Chairman), Ng Yuk Keung and George Hambro. 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 2 meeting during the year ended 31 December 2014, 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 2014 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. James Downing	2/2
Mr. Ng Yuk Keung	2/2
Mr. Yasuhisa Yamamoto (resigned on 26 August 2014)	2/2
Mr. George Jay Hambro	2/2

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 one executive Directors, 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 2 meetings during the year ended 31 December 2014, 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 2014 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Daniel J. Miller	2/2
Mr. Yasuhisa Yamamoto (resigned on 26 August 2014)	1/2
Mr. Wang Changqing	2/2
Ms. Ma Li	2/2
Mr. George Jay Hambro	2/2

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 2014, 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 2014, 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 2014.

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 by the 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:

Suites 2104–05,
Hutchison House
10 Harcourt Road
Hong Kong

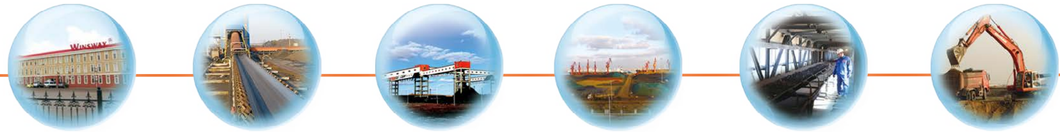
The company secretary and relevant personnels shall, on a regular basis, report the Shareholder's enquiries and concerns to the Board and/or relevant Board committees of the Company and where appropriate, respond to such enquiries.

AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION OF THE COMPANY

The memorandum of association of the Company was amended by deleting the name "Winsway Coking Coal Holdings Limited 永暉焦煤股份有限公司" on the cover page, on the heading of page 1 of the Memorandum, in Clause 1.1 of the Memorandum and in the definition of "Company" in Clause 10.1 of the Memorandum and substituting therefor "Winsway Enterprises Holdings Limited 永暉實業控股股份有限公司".

The articles of association was amended by deleting the name "Winsway Coking Coal Holdings Limited 永暉焦煤股份有限公司" on the cover page of the Articles of Association and on the heading of page 2 of the Articles of Association and substituting therefor "Winsway Enterprises Holdings Limited 永暉實業控股股份有限公司".

The above amendments to the memorandum of association and articles of association of the Company were approved by the Shareholders at the annual general meeting of the Company held on 6 June 2014.



Report of the Directors

Dear Shareholders,

The board of directors of Winsway Enterprises 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 2014 prepared in accordance with IFRSs.

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 2014 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 2014 are set out in the consolidated statement of profit or loss on pages 92 in this annual report.

An analysis of the Group's performance for the year is set out in pages 6 to 49 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 98 of this annual report.

As at 31 December 2014, there is no aggregate amount of reserves available for distribution to Shareholders (31 December 2013: HK$2,708,123,000).

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 2014.

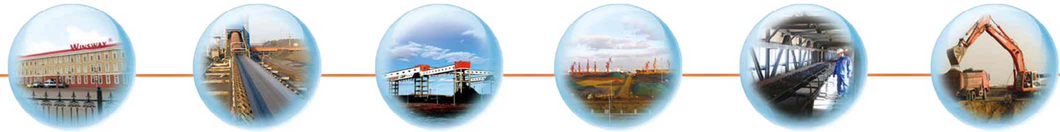
CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed from 16 June 2015 to 18 June 2015, 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 15 June 2015.

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 232 of this annual report.



PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 15 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 2014 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 mills in China. For the year ended 31 December 2014, sales to the Group's five largest customers accounted for 32.70% of the total revenue of the Group, and sales to the largest customer included therein accounted for 9.53%.

For the year ended 31 December 2014, the Group has procured Mongolian coal totaling HK$324 million and seaborne coal amounting to HK$5,460 million. The procurement from the top five Mongolian coal suppliers of the Group accounted for 86.11% of the total amount of procurement of Mongolian coal of the Group, in particular, the procurement from the largest Mongolian coal supplier accounted for 28.09%. The procurement from the top five seaborne coal suppliers of the Group accounted for 76.19% of the total amount of procurement of seaborne coal of the Group, of which the procurement from the largest seaborne coal supplier accounted for 36.59%.

Our procurement from Millenium Coal Pty Ltd., Peabody (Burton Coal) Pty Ltd. and Peabody Energy Australia PCI (C&M Management) Pty Ltd. ("Peabody Suppliers"), which are subsidiaries of Peabody Energy. one of our five largest suppliers for the year ended 31 December 2014, amounted to approximately 6.37% of our total procurement of seaborne coal for the same period. Millenium Coal Pty Ltd. and Peabody (Burton Coal) Pty Ltd. are indirectly wholly-owned by Peabody Energy, and Peabody Energy Australia PCI (C&M Management) Pty Ltd. is indirectly 73.3% owned by Peabody Energy. As at the date of this annual report, Peabody Energy holds approximately 5.12% of the Company's Shares in issue.

Save as disclosed above, 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.

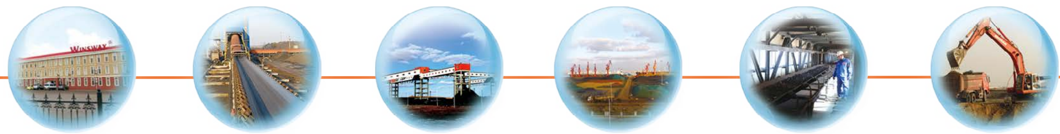
The Group has engaged UBS AG, Hong Kong Branch and AlixParters Services UK LLP as financial advisors to assist with negotiations with the holders of the Senior Notes to achieve the Debt Restructuring in respect of the Senior Notes. Further details are set out in note 2(b) to the financial statements.

Details of movements in relation to the Senior Notes for the year ended 31 December 2014 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
Andreas Werner (appointed on 26 August 2014)	Executive Director
Zhu Hongchan	Executive Director
Yasuhisa Yamamoto (resigned on 26 August 2014)	Executive Director
Ma Li	Executive Director
Wang Changqing	Executive Director
Non-executive Director	
Daniel J. Miller	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 50 to 57 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Andreas Werner has entered into a service contract with the Company for a term of three years commencing on 1 July 2014.

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 2014, 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 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") upon the expiry of the previous tenancy agreement 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.

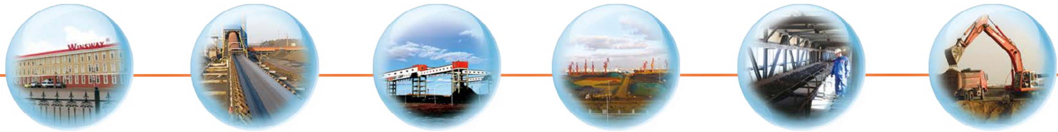
For the period from 1 January 2014 to 31 December 2014, the lease expenses incurred by the Group under the New Tenancy Agreement were RMB6,137,899.08 (equivalent to approximately HK$7,750,938.96).

Category II — Non-exempted Continuing Connected Transactions

Following the completion of the acquisition of GCCC and the restructuring of its assets and liabilities immediately following the acquisition, GCCC became an indirect subsidiary of the Company owned as to 60% by the Company and 40% by Marubeni. By virtue of the indirect 40% interest in GCCC, Marubeni is a connected person of the Company at the subsidiary level. Immediately prior to the acquisition of GCC, 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 2014 to 31 December 2014, the Company procured Marubeni products amounting to approximately HK$487 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 2014 to 31 December 2014, Marubeni Group procured Winsway products amounting to approximately HK$735 million from the Company pursuant to Winsway Master Supply Agreement.

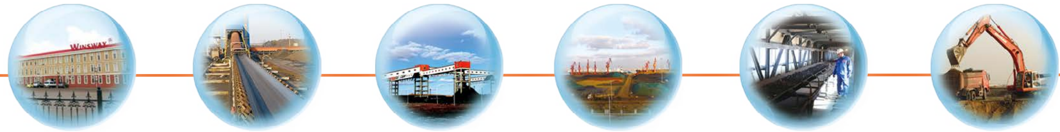
The independent non-executive Directors have reviewed each of the (i) New Tenancy Agreement, (ii) the Marubeni Master Supply Agreement and (iii) the Winsway Master Supply Agreement for the year ended 31 December 2014 (the "CCT Transactions") and confirm that the CCT Transactions have been entered into:

(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.56. 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 10 to the financial statements set out in this annual report.

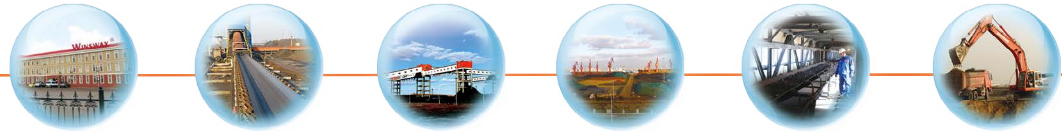
INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 2014, 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[2]	The Company	Personal interest	23,345,000	0.62%
Wang Changqing[3]	The Company	Personal Interest	10,000,000	0.27%
Ma Li[3]	The Company	Personal Interest	21,276,000	0.56%
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 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. On 15 July 2014, Mr. Wang pledged 208,106,421 Shares and 920,079,989 Shares respectively (the "July Pledged Shares") through his indirectly wholly owned companies Winsway International Petroleum & Chemicals and Winsway Resources Holdings in favour of Shanxi Coal International Energy Group Xinyuan Trading Co., Ltd, an independent third party which is a state-owned enterprise in the PRC as security for the performance of certain contractual obligation of a company indirectly owned by Mr. Wang. On 30 September 2014, Mr. Wang further pledged 390,000,000 Shares (the "September Pledged Shares") through his indirectly wholly owned company Winsway Resources Holdings in favour of Poly Legend International Limited ("Poly Legend"), an independent third party of the Company, under a bona fide commercial agreement. The July Pledged Shares and September Pledged Shares represent approximately 29.90% and 10.34% of the issued shares of the Company as at the Latest Practicable Date, respectively. For further details, please refer to the announcement of the Company dated 15 July 2014 and 30 September 2014, respectively.

(2) Ms. Zhu Hongchan holds options to subscribe for 10,345,000 shares and 13,000,000 shares granted under the Pre-IPO Options Scheme and 2014 Share Option Scheme, respectively.

(3) Ms. Ma Li holds options to subscribe for 8,726,000 shares and 13,000,000 Shares granted under the Pre-IPO Option Scheme and 2014 Share Option Scheme, respectively.

(4) Mr. Wang Changqing holds options to subscribe for 10,000,000 Shares under the 2014 Share Option Scheme.

(5) The percentage shareholders of the Company in calculated on the basis of 3,773,198,693 Shares in issue as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, 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.

Report of the Directors (Continued)

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 2014 were as follows:

Grantee	Options held as at 1 January 2014	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 31 December 2014
Directors				
Wang Xingchun	17,334,000	—	—	17,334,000
Zhu Hongchan	10,345,000	—	—	10,345,000
Ma Li	8,276,000	—	—	8,276,000
Yasuhisa Yamamoto (resigned on 26 August 2014)	8,069,000	—	—	8,069,000
Others				
Employees	41,088,913	—	10,761,913	30,327,000
Resigned directors	13,099,000	—	13,099,000	—
Total	**98,211,913**	**—**	**23,860,913**	**74,351,000**

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 2014, no RSU Awards were granted by the Company under the RSU Scheme.

Save as disclosed above, at no time during the year 2014 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.

2014 Share Option Scheme

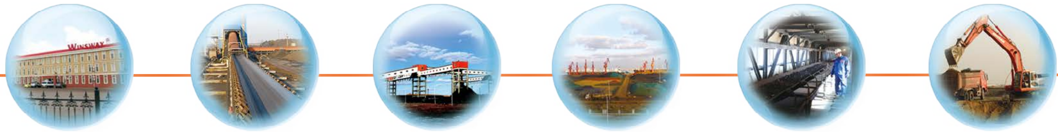
The Company adopted a new share option scheme (the "2014 Share Option Scheme") in the annual general meeting of the Company held on 6 June 2014. The purpose of the 2014 Share Option Scheme is to reward persons who have contributed to the Group and to encourage such persons to work towards enhancing the value of the Company. The eligible participants of the 2014 Share Option Scheme include Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group. The 2014 Share Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 5 years from 6 June 2014.

Report of the Directors (Continued)

A summary of the movements of the outstanding options granted under the 2014 Share Option Scheme from 1 January 2014 up to 31 December 2014 were as follows:

Grantee	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options held as of 31 December 2014
Directors				
Zhu Hongchan	13,000,000	—	—	13,000,000
Ma Li	13,000,000	—	—	13,000,000
Wang Changqing	10,000,000	—	—	10,000,000
Yasuhisa Yamamoto (resigned on 26 August 2014)	10,000,000	—	—	10,000,000
Others				
Employees	65,400,000	—	—	65,400,000
Total	111,400,000	—	—	111,400,000

Save as disclosed above, at no time during the year ended 31 December 2014 was the Company or any of its 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 2014, 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%
Great Star Development Limited	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%
Poly Legend International[4] [5]	The Company	Person having security interest in shares	390,000,000	10.34%
Yang Peilin [5]	The Company	Interest of controlled corporation	390,000,000	10.34%
Shanxi Coal International Energy Group Xinyuan Trading Co., Ltd.	The Company	Person having security interest in shares	1,128,186,410	29.90%
Peabody Energy	The Company	Beneficial owner	193,363,378	5.12%

Report of the Directors (Continued)

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. Mr. Wang is the sole director of Winsway Group Holdings.

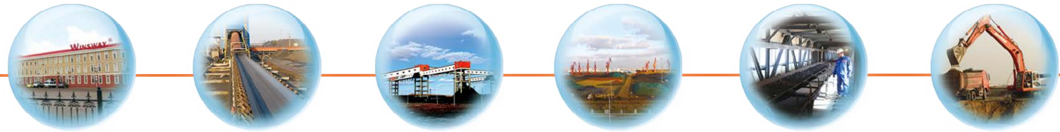
(3) Great Start Development holds the entire issued share capital of Winsway International Petroleum & Chemicals and is deemed to be interested in the 208,106,421 Shares held by Winsway International Petroleum & Chemicals. Mr. Wang is the sole director of Great Start Development.

(4) On 15 July 2014, Mr. Wang pledged 208,106,421 Shares and 920,079,989 Shares respectively (the "July Pledged Shares") through his indirectly wholly owned companies Winsway International Petroleum & Chemicals and Winsway Resources Holdings in favour of Shanxi Coal International Energy Group Xinyuan Trading Co., Ltd, an independent third party which is a state-owned enterprise in the PRC, as security for the performance of certain contractual obligation of a company indirectly owned by Mr. Wang. On 30 September 2014, Mr. Wang further pledged 390,000,000 Shares (the "September Pledged Shares") through his indirectly wholly owned company Winsway Resources Holdings in favour of Poly Legend International, an independent third party of the Company, under a bona fide commercial agreement. The July Pledged Shares and the September Pledged Shares represent approximately 29.90% and 10.34% of the issued shares of the Company as at the Latest Practicable Date, respectively. For further details, please refer to the announcement of the Company dated 15 July 2014 and 30 September 2014, respectively. Mr. Wang is the sole director of both Winsway International Petroleum & Chemicals and Winsway Resources Holdings.

(5) Yang Peilin controls 90% of Poly Legend International and is deemed to be interested in 390,000,000 Shares held by Poly Legend International.

(6) The percentage shareholding of the Company is calculated on the basis of 3,773,198,693 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at 31 December 2014, 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 2014.

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 2014.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2014, 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 58 to 70 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 2014, the Company had a total of 3,773,198,693 Shares in issue.

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 2014.

Independent Auditor’s Report

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF WINSWAY ENTERPRISES HOLDINGS LIMITED

(formerly known as “Winsway Coking Coal Holdings Limited”)

(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Winsway Enterprises Holdings Limited (formerly known as “Winsway Coking Coal Holdings Limited”, “the Company”) and its subsidiaries (together “the Group”) set out on pages 92 to 226, which comprise the consolidated and Company statements of financial position as at 31 December 2014, 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.

Except for the matters as explained below, 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.

Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

BASIS FOR DISCLAIMER OF OPINION: MULTIPLE UNCERTAINTIES RELATED TO GOING CONCERN

As explained in note 2(b) to the financial statements, the Group sustained a further loss from continuing operations before taxation and impairment losses for non-current assets, of $703,726,000 and incurred a net cash outflow from operating activities of $2,417,795,000 from continuing operations for the year ended 31 December 2014. As at 31 December 2014, the Group had net current assets before the net assets held for sale, of $504,599,000, which may not be able to fund the Group's operations in 2015 in view of the net cash outflow in respect of operating activities for the year ended 31 December 2014. In addition, the Group's outstanding Senior Notes amounted to $2,364,347,000 as at 31 December 2014 are due to mature on 8 April 2016.

The directors of the Company have been and are undertaking certain measures to improve the Group's liquidity and financial position, which are set out in note 2(b) to the financial statements. The financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcome of these measures, which are subject to the following uncertainties, including (i) whether the Group is able to complete the restructuring of the outstanding Senior Notes with cash, equity or other form of consideration offered at a discount to the principal amount of the Senior Notes; (ii) whether the Group is able to obtain support from the prospective investors and complete the proposed fund raising activities, the achievability of which depends on a number of factors including the completion of the restructuring of the outstanding Senior Notes; (iii) whether the Group is able to successfully negotiate with the lenders for the renewal of all the existing borrowings upon their maturity and/or obtaining additional financing as and when required, the achievability of which depends on the completion of the proposed fund raising activities and the future trading results of the Group and (iv) whether the Group is able to implement its operation plans to control costs and to generate adequate cash flows from operations, the achievability of which depends on the market environment which is expected to remain challenging.

These facts and circumstances, along with other matters as described in note 2(b) to the financial statements, indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group 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.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements described in the Basis for disclaimer of opinion paragraphs, we do not express an opinion on the financial statements. In all other respects, in our opinion, the financial statements 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 2015

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000 (Restated — note 5)
Continuing operations:			
Turnover	4	7,547,738	13,319,742
Cost of sales		(7,445,586)	(13,309,454)
Gross profit		102,152	10,288
Other revenue	6	81,346	32,707
Distribution costs		(159,526)	(213,828)
Administrative expenses		(434,511)	(360,560)
Other operating (expenses)/income, net	7	(2,187)	9,077
Impairment of non-current assets	8(c)	(429,743)	(148,328)
Loss from operating activities		(842,469)	(670,644)
Finance income	8(a)	108,974	876,576
Finance costs	8(a)	(401,777)	(615,868)
Net finance (costs)/income		(292,803)	260,708
Share of profit/(loss) of an associate		1,803	(140)
Loss before taxation from continuing operations		(1,133,469)	(410,076)
Income tax	9	(82,081)	(312,461)
Loss from continuing operations		(1,215,550)	(722,537)
Discontinued operation:			
Loss from discontinued operation, net of tax	5	(4,681,208)	(1,602,797)
Loss for the year		(5,896,758)	(2,325,334)

The notes on pages 101 to 226 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 36(b).

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000 (Restated — note 5)
Attributable to:			
Equity shareholders of the Company:			
Loss for the year from continuing operations		(1,200,321)	(715,812)
Loss for the year from discontinued operations		(2,492,734)	(1,073,573)
Loss for the year attributable to equity shareholders of the Company		(3,693,055)	(1,789,385)
Non-controlling interests:			
Loss for the year from continuing operations		(15,229)	(6,725)
Loss for the year from discontinued operations		(2,188,474)	(529,224)
Loss for the year attributable to non-controlling interests		(2,203,703)	(535,949)
Loss for the year		(5,896,758)	(2,325,334)
Loss per share			
— Basic and diluted *(HK$)*	14	(0.980)	(0.474)
Loss per share — continuing operations			
— Basic and diluted *(HK$)*	14	(0.319)	(0.190)

The notes on pages 101 to 226 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 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Loss for the year		**(5,896,758)**	(2,325,334)
Other comprehensive income for the year (after tax adjustments):	13		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(35,453)**	75,680
Total comprehensive income for the year		**(5,932,211)**	(2,249,654)
Attributable to:			
Equity shareholders of the Company		**(3,719,224)**	(1,715,471)
Non-controlling interests		**(2,212,987)**	(534,183)
Total comprehensive income for the year		**(5,932,211)**	(2,249,654)

The notes on pages 101 to 226 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2014

(Expressed in Hong Kong dollars)

	Note	At 31 December 2014 $'000	At 31 December 2013 $'000
Non-current assets			
Property, plant and equipment, net	15	**908,562**	3,852,235
Construction in progress	16	**160,590**	558,486
Lease prepayments	17	**551,103**	541,474
Intangible assets	18	**4,870**	6,124,798
Interest in an associate	20	**17,021**	14,843
Interest in a joint venture	21	**—**	—
Other investments in equity securities	22	**399,015**	400,369
Other non-current assets	23	**150,813**	206,969
Deferred tax assets	34(b)	**—**	286,845
Total non-current assets		**2,191,974**	11,986,019
Current assets			
Inventories	24	**335,114**	1,362,734
Trade and other receivables	25	**2,060,940**	4,616,224
Restricted bank deposits	26	**956,077**	2,150,026
Cash and cash equivalents	27	**438,552**	2,018,000
Assets held for sale	5	**4,304,164**	—
Total current assets		**8,094,847**	10,146,984
Current liabilities			
Secured bank loans	28	**1,191,889**	1,093,111
Trade and other payables	33	**2,054,615**	7,815,506
Obligations under finance lease	31	**—**	130,315
Income tax payable	34(a)	**39,580**	66,525
Liabilities held for sale	5	**4,097,937**	—
Total current liabilities		**7,384,021**	9,105,457
Net current assets		**710,826**	1,041,527
Total assets less current liabilities		**2,902,800**	13,027,546

The notes on pages 101 to 226 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

at 31 December 2014

(Expressed in Hong Kong dollars)

	Note	At 31 December 2014 $'000	At 31 December 2013 $'000
Non-current liabilities			
Secured bank loans	28	–	3,065,780
Senior notes	29	2,364,347	2,337,010
Deferred income	30	155,865	158,887
Obligations under finance lease	31	–	176,726
Deferred tax liabilities	34(b)	–	1,082,545
Provisions	35	–	209,873
Total non-current liabilities		2,520,212	7,030,821
NET ASSETS		382,588	5,996,725
CAPITAL AND RESERVES			
Share capital	36(c)	4,992,337	4,992,337
Reserves	36(f)	(4,691,960)	(983,102)
Total equity attributable to equity shareholders of the Company		300,377	4,009,235
Non-controlling interests		82,211	1,987,490
TOTAL EQUITY		382,588	5,996,725

Approved and authorised for issue by the board of directors on 26 March 2015.

WANG XING CHUN)
) *Directors*
ANDREAS WERNER)

The notes on pages 101 to 226 form part of these financial statements.

Statement of Financial Position

at 31 December 2014

(Expressed in Hong Kong dollars)

	Note	At 31 December 2014 $'000	At 31 December 2013 $'000
Non-current assets			
Property, plant and equipment, net	15	1	119
Interests in subsidiaries	19	2,717,046	6,246,298
Total non-current assets		2,717,047	6,246,417
Current assets			
Trade and other receivables	25	784	1,090
Cash and cash equivalents	27	5,552	30,209
Total current assets		6,336	31,299
Current liabilities			
Trade and other payables	33	1,332,342	1,232,413
Income tax (recoverable)/payable	34(a)	(620)	170
Total current liabilities		1,331,722	1,232,583
Net current liabilities		(1,325,386)	(1,201,284)
Total assets less current liabilities		1,391,661	5,045,133
Non-current liabilities			
Senior notes	29	2,364,347	2,337,010
Total non-current liabilities		2,364,347	2,337,010
NET (LIABILITIES)/ASSETS		(972,686)	2,708,123
CAPITAL AND RESERVES	36(a)		
Share capital		4,992,337	4,992,337
Reserves		(5,965,023)	(2,284,214)
TOTAL (DEFICIT)/EQUITY		(972,686)	2,708,123

Approved and authorised for issue by the board of directors on 26 March 2015.

WANG XING CHUN)
) *Directors*
ANDREAS WERNER)

The notes on pages 101 to 226 form part of these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 December 2014

(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/ (accumulated loss)** $'000	**Total** $'000	**Non-controlling interests** $'000	**Total equity** $'000
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
Balance at 1 January 2014		**4,992,337**	**324,977**	**(3,000)**	**113,460**	**274,700**	**(1,693,239)**	**4,009,235**	**1,987,490**	**5,996,725**
Equity settled share-based transactions		**–**	**–**	**–**	**10,377**	**–**	**–**	**10,377**	**–**	**10,377**
Expiry of share options granted under share option scheme		**–**	**–**	**–**	**(31,712)**	**–**	**31,712**	**–**	**–**	**–**
Contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**310,184**	**310,184**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(26,169)**	**(3,693,055)**	**(3,719,224)**	**(2,212,987)**	**(5,932,211)**
Appropriation to statutory reserve		**–**	**8,181**	**–**	**–**	**–**	**(8,181)**	**–**	**–**	**–**
Disposal of subsidiaries		**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**	**(2,476)**	**(2,487)**
Balance at 31 December 2014		**4,992,337**	**333,147**	**(3,000)**	**92,125**	**248,531**	**(5,362,763)**	**300,377**	**82,211**	**382,588**

The notes on pages 101 to 226 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Loss before taxation from continuing operations		(1,133,469)	(410,076)
Loss before taxation from discontinued operation		(5,471,184)	(1,783,255)
		(6,604,653)	(2,193,331)
Adjustments for:			
Depreciation		304,291	442,312
Amortisation of lease prepayments		11,718	11,152
Amortisation of intangible assets		37,543	115,932
Interest income		(79,442)	(123,338)
Interest expenses		577,015	823,529
Fair value change of derivative financial instruments		(30,547)	(15,794)
Equity settled share-based transactions		10,377	2,243
Loss on disposal of property, plant and equipment and intangible assets, net	7	291	8,682
Share of (profit)/loss of an associate		(1,803)	140
Impairment of non-current assets		5,579,640	1,106,302
Gain on redemption of senior notes		–	(592,495)
Gain on disposal of equity securities	7	–	(485)
Gain on disposal of subsidiaries	7	–	(5,812)
Foreign exchange loss/(gain), net		20,139	(145,857)
		(175,431)	(566,820)
Decrease in inventories		805,207	1,081,527
Decrease/(increase) in trade and other receivables		2,545,210	(450,299)
(Decrease)/increase in trade and other payables		(5,356,019)	3,189,910
Income tax paid		(26,767)	(44,491)
Net cash (used in)/generated from operating activities		(2,207,800)	3,209,827

The notes on pages 101 to 226 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		(315,738)	(778,681)
Government grants received		—	66,067
Proceeds from sales of property, plant and equipment and intangible assets		5,342	10,889
Repayment of loan from a third party		31,031	58,974
Payment for investment in an associate		—	(13,891)
Interest received		82,254	98,176
Decrease/(increase) in restricted bank deposits		992,066	(1,169,491)
Proceeds from disposal of investment in equity securities		—	6,494
Proceeds from settlement of derivative financial instruments		—	51,572
Proceeds from disposal of subsidiaries		—	27,954
Net cash generated from/(used in) investing activities		794,955	(1,641,937)
Financing activities			
Proceeds from bank loans		8,552,037	10,631,879
Repayment of bank loans		(8,349,318)	(10,727,879)
Capital element of finance lease rentals paid		(115,340)	(116,965)
Interests paid		(539,873)	(873,009)
Contributions to employee share trusts		—	(3,000)
Payment for redemption of senior notes		—	(600,824)
Advances to Grande Cache Coal LP from non-controlling interest		179,047	—
Loan from a third party to Grande Cache Coal LP	5	108,608	—
Net cash used in financing activities		(164,839)	(1,689,798)
Net decrease in cash and cash equivalents		(1,577,684)	(121,908)
Cash and cash equivalents at 1 January	27	2,018,000	2,110,823
Effect of foreign exchange rate changes		(1,764)	29,085
Cash and cash equivalents reclassified as assets held for sale	5	—	—
Cash and cash equivalents at 31 December	27	438,552	2,018,000

The notes on pages 101 to 226 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Winsway Enterprises Holdings Limited (formerly known as "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 and rendering of logistics services. In addition, the Group is engaged in the development of coal mills and production of coking coal, which has been classified as a discontinued operation since the board of directors committed a plan to dispose of the relevant business on 27 June 2014 (see Note 5).

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"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 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 group held for sale and discontinued operation are stated at the lower of carrying amount and fair value less costs to sell (see note 2(y)).

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 the 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$.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group experienced a challenging trading period over the past few years as a result of the continuing depression of the coking coal market. For the year ended 31 December 2014, the Group sustained a further loss from continuing operations before taxation and impairment losses for non-current assets, of $703,726,000 and incurred a net cash outflow from operating activities of $2,417,795,000 from continuing operations. As at 31 December 2014, the Group had net current assets before the net assets held for sale, of $504,599,000, which may not be able to fund the Group's operations in 2015 in view of the net cash outflow in respect of operating activities for the year ended 31 December 2014. In addition, the Group's outstanding Senior Notes amounted to $2,364,347,000 as at 31 December 2014 are due to mature on 8 April 2016.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding Senior Notes and be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

1) As disclosed in note 29, the Group has engaged UBS AG, Hong Kong Branch and AlixPartners Services UK LLP as financial advisors to assist it in completing a possible restructuring of the outstanding Senior Notes with cash, equity or other form of consideration offered at a discount to the principal amount of the Senior Notes (the "Debt Restructuring");

2) The Group is also actively negotiating with prospective investors to raise new capital by carrying out fund raising activities including but not limited to placing of shares to prospective investors as a source of funding ("Equity Financing"), which is subject to certain conditions, including but not limited to the completion of due diligence and the completion of above-mentioned Debt Restructuring. The directors believe that such Equity Financing would significantly strengthen the cash flow position of the Group as a whole in the near future;

3) The Group is also negotiating with various financial institutions for renewal of the existing borrowings upon their maturity and/or obtaining additional financing.

4) The Group is also maximizing its sales effort, including speeding up sales of its existing inventories, seeking new orders from overseas markets, and implementing more stringent cost control measures with a view to improving operating cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Whilst the Group is taking measures to preserve cash and secure additional finance, the following material uncertainties exist:

a) The Senior Notes holders may not accept the Debt Restructuring or any cash consideration finally agreed may be higher than the consideration originally offered. If this is the case, the Group may not have sufficient cash to repay the Senior Notes as the Group's ability to repay the Senior Notes is dependent upon its ability to generate sufficient cash flows from the prospective investors, the lenders and its operating activities, which is also uncertain as explained below.

b) The Group may not be able to obtain support from the prospective investors and complete the proposed Equity Financing. The Group's ability to generate cash flows from such activities will be dependent upon a number of factors, including the completion of the Debt Restructuring.

c) The Group may not be able to obtain support from the lenders. The Group's ability to successfully negotiate with the lenders to renew existing borrowings and/or obtain additional financing is dependent upon the completion of the proposed fund raising activities and the future trading results of the Group.

d) The operation plans may not be successfully implemented and future trading results and cash flows in respect of operating activities may not be in line with the assumptions. The achievability of the plans is dependent upon the market environment, which is expected to remain challenging in the coming years.

These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group'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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The factors mentioned in (b) and (c) above are critical to the achievability of the directors' plans to manage the liquidity needs. It is the directors' belief that they will successfully negotiate with Senior Notes holders on the Debt Restructuring in connection with the outstanding senior notes and the prospective investors will provide their financial support after satisfying the conditions referred to in (2) above in order for the Group to meet its financial obligations and to finance its future working capital and financial requirements.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2014 on a going concern basis.

Should the Group 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 financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

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 the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. Disclosures in respect of impaired assets relating to the disposal group held for sale have been disclosed in note 5.

Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

IFRIC 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

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 associates and joint ventures are stated at cost less impairment losses (see note 2(m)).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(h) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (Continued)

(i) Mineral assets (Continued)

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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (Continued)

(ii) Other property, plant and equipment (Continued)

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

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

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

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

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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Interest-bearing borrowings (Continued)

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)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

- 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (Continued)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 and discontinued operation

(i) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Disposal group held for sale and discontinued operation (Continued)

(i) Disposal group held for sale (Continued)

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.

(ii) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Note 5 contains information about the assumptions and their risk factors relating to fair value of disposal group held for sale. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these financial statements.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(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.

In relation to trade and other receivables and loan to a third party, 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 invoices or the loan agreement. 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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(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

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 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:

Continuing operations

	2014 $'000	2013 $'000 (Restated)
Coking coal	7,035,543	12,169,694
Thermal coal	365,922	173,500
Coke	10,219	68,257
Coal related products	37,457	611,353
Iron ore	—	217,409
Rendering of logistics services	91,132	43,979
Others	7,465	35,550
	7,547,738	13,319,742

The Group's customer base is diversified and includes no customer (2013: nil) with whom transactions have exceeded 10% of the Group revenues.

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting

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

- Processing and trading of coking coal and other products: this segment manages and operates coal processing plants and generates income from processing and trading of coking coal and other products to external customers.

- Development of coal mills and production of coking coal and related products (classified as a discontinued operation (see note 5)): this segment acquires, explores and develops coal mills and produces coal from the mills. On 1 March 2012, the Group acquired Grande Cache Coal Corporation ("GCC"), a Canadian company developing coal mills and producing coking coal and related products from the mills. On 14 November 2014, the Group, Up Energy Resources Company Limited (the "Purchaser") and Up Energy Development Group Limited (the "Purchaser Guarantor") entered into a sale and purchase agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to sell 42.74% equity interest in GCC and GCC LP at cash consideration of US$1 (the "Proposed Disposal) (see note 5).

- 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").

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2014 and 2013 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 (Discontinued operation)		Logistics services		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from external customers	7,456,606	13,275,763	1,080,419	773,504	91,132	43,979	8,628,157	14,093,246
Inter-segment revenue	–	–	205,665	1,106,210	10,587	24,864	216,252	1,131,074
Reportable segment revenue	7,456,606	13,275,763	1,286,084	1,879,714	101,719	68,843	8,844,409	15,224,320
Reportable segment (loss)/ profit (adjusted EBITDA)	(318,465)	(396,158)	170,555	(144,318)	13,386	6,609	(134,524)	(533,867)
Interest income	78,414	120,737	1,015	1,911	13	690	79,442	123,338
Interest expense	(327,725)	(570,029)	(230,406)	(235,913)	(18,884)	(17,587)	(577,015)	(823,529)
Depreciation and amortisation for the year	(85,624)	(112,200)	(245,905)	(436,629)	(22,023)	(20,567)	(353,552)	(569,396)
Impairment of non-current assets	(429,743)	(148,328)	(5,149,897)	(957,974)	–	–	(5,579,640)	(1,106,302)
Share of profit/(loss) of an associate	–	–	–	–	1,803	(140)	1,803	(140)
Reportable segment assets	5,840,771	12,499,597	4,304,164	9,546,800	614,224	626,354	10,759,159	22,672,751
Additions to non-current segment assets during the year	49,288	107,523	138,817	453,857	38,679	54,554	226,784	615,934
Reportable segment liabilities	5,771,915	10,714,993	4,007,898	4,642,874	484,160	470,777	10,263,973	15,828,644

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

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

	2014 $'000	2013 $'000 (Restated)
Revenue		
Reportable segment revenue	8,844,409	15,224,320
Elimination of inter-segment revenue	(216,252)	(1,131,074)
Reclassification of discontinued operation	(1,080,419)	(773,504)
Consolidated turnover from continuing operations	7,547,738	13,319,742
Loss		
Reportable segment loss	(134,524)	(533,867)
Depreciation and amortisation	(107,647)	(132,767)
Impairment of non-current assets	(429,743)	(148,328)
Share of profit/(loss) of an associate	1,803	(140)
Net finance (costs)/income	(292,803)	260,708
Reclassification of discontinued operation	(170,555)	144,318
Consolidated loss before taxation from continuing operations	(1,133,469)	(410,076)

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

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

	At 31 December 2014 $'000	At 31 December 2013 $'000
Assets		
Reportable segment assets	10,759,159	22,672,751
Deferred tax assets	—	286,845
Interest in an associate	17,021	14,843
Elimination of inter-segment receivables	(489,359)	(841,436)
Consolidated total assets	10,286,821	22,133,003
Liabilities		
Reportable segment liabilities	10,263,973	15,828,644
Current income tax liabilities	39,580	66,525
Deferred tax liabilities (note 5(b))	90,039	1,082,545
Elimination of inter-segment payables	(489,359)	(841,436)
Consolidated total liabilities	9,904,233	16,136,278

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

(c) Reconciliation of development of coal mills and production of coking coal and related products segment (discontinued operation) results

	Note	2014 $'000	2013 $'000
Development of coal mills and production of coking coal and related products segment profit/(loss) (adjusted EBITDA)		170,555	(144,318)
Net finance costs for the segment		(245,937)	(244,334)
Depreciation and amortisation for the segment		(245,905)	(436,629)
Impairment of non-current assets for the segment		(5,149,897)	(957,974)
		(5,471,184)	(1,783,255)
Income tax in respect of operating activities of GCC LP	5(e)	17,491	180,458
Income tax in respect of write-down of GCC LP's net assets	5(e)	772,485	—
Loss from discontinued operation, net of tax		(4,681,208)	(1,602,797)

(d) 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 the location of operations, in the case of interests in an associate.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

(d) Geographic information (Continued)

	Revenues from external customers	
	2014	2013
	$'000	$'000
		(Restated)
The PRC (including Hong Kong and Macau)	**7,405,629**	13,133,655
Canada	**1,080,419**	773,504
Reclassification of discontinued operation	**(1,080,419)**	(773,504)
	–	–
Other countries	**142,109**	186,087
	7,547,738	13,319,742

	Specified non-current assets	
	At 31 December 2014	At 31 December 2013
	$'000	$'000
The PRC (including Hong Kong and Macau)	**2,064,229**	2,512,124
Canada	**–**	8,997,181
Other countries	**127,745**	189,869
	2,191,974	11,699,174

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION

One of the Group's subsidiaries, namely GCC LP sustained a net loss from operating activities before impairment losses for non-current assets of $825 million for the year ended 31 December 2013. As a result of the continuing depression of the coking coal market, GCC LP incurred significant losses before taxation of $321 million, before impairment losses, and net cash outflow of $21 million from operating activities and investing activities during the year ended 31 December 2014. As at 31 December 2014, GCC LP had total loans of $3,278 million (among which $129 million is repayable in the next 12 months from 31 December 2014) and cash and cash equivalents balance of $nil, taking into account the fact that the Group finds itself difficult to continue providing financial support to GCC LP, the operation of GCC LP as a going concern is dependent on whether GCC LP can extend the repayment of those bank loans when they fall due and whether GCC LP can obtain new external financing. Without immediate financial support, GCC LP will be in default of its obligations under the terms of the loans and may be unable to realise its assets and discharge its liabilities in the normal course of business. However, GCC LP is actively negotiating with relevant banks for the loan restructuring and seeking new external financing. All these indicate the existence of a material uncertainty which may cast significant doubt about the ability of GCC LP to operate as a going concern in the foreseeable future.

On 27 June 2014, the board of directors of the Company resolved to commit to a plan to sell part or all of the Company's interest in GCC LP to a level at which the Company would cease to hold a majority or controlling interest. Efforts to sell the disposal group have started and a sale was expected to be completed within one year as at 27 June 2014. Accordingly, GCC LP has been presented as a discontinued operation in the consolidated statement of profit or loss and the assets and liabilities of GCC LP have been classified as a disposal group held for sale since 27 June 2014. The comparative consolidated statement of profit or loss has been restated to show the discontinued operation separately from continuing operations.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

On 14 November 2014, the Group entered into a sale and purchase agreement with Up Energy Resources Company Limited (the "Purchaser") and Up Energy Development Group Limited (the "Purchaser Guarantor"), pursuant to which the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to sell 42.74% equity interest in Grande Cache Coal Corporation ("GCC") and GCC LP (collectively "GCC Operation") at cash consideration of US$1 (the "Proposed Disposal). In conjunction with the Proposed Disposal, the Group, the Purchaser and Purchaser Guarantor propose to enter into a buy-back right agreement pursuant to which the Purchaser will grant the Company a buy-back right to acquire a 16.86% shareholding interest in GCC Operation (the "Buy-back Right"). As a condition precedent to the completion of the Proposed Disposal (the "Completion"), the Group, the Purchaser Guarantor and GCC LP will enter into a marketing agency agreement (the terms of which have been agreed by the parties on 31 December 2014) on or before the Completion, pursuant to which GCC LP shall grant certain marketing rights to the Company in relation to the products of GCC LP for the PRC for a term of 10 years from the date of Completion subject to extension by agreement. As at 31 December 2014, the Completion is conditional upon the fulfilment of various conditions precedent.

(a) Impairment loss relating to the disposal group

An impairment loss of $5,149,897,000 for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been charged to the consolidated statement of profit or loss for the current period. The impairment loss has been applied to reduce the carrying amount of intangible assets within the disposal group.

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(b) Assets and liabilities of disposal group held for sale

As at 31 December 2014, the disposal group has been stated at fair value less costs to sell and comprised the following assets and liabilities.

	$'000
Property, plant and equipment	2,874,287
Construction in progress	36,980
Intangible assets	941,459
Inventories	222,413
Trade and other receivables	27,142
Restricted bank deposits	201,883
Cash and cash equivalents	—
Assets held for sale	**4,304,164**
Bank and other loans*	3,278,329
Trade and other payables	308,123
Obligations under finance lease	191,701
Provisions	229,745
Deferred tax liabilities**	90,039
Liabilities held for sale	**4,097,937**

* On 6 September 2014, GCC LP and the Purchaser entered into a bridge loan agreement pursuant to which the Purchaser provided a loan facility of US$50 million (equivalent to approximately $388 million) to GCC LP. As at 31 December 2014, GCC LP has drawn down US$14 million (equivalent to approximately $108,608,000) under the bridge loan agreement.

As at 31 December 2014, GCC LP has an overdraft of $6,496,000 in its bank accounts.

Bank loans amounting to $13,977,000 are secured by property, plant and equipment with an aggregate carrying amount of $18,399,000. Bank loans amounting to $3,149,248,000 are secured by GCC LP's total assets.

** During the year ended 31 December 2014, deferred tax liabilities in respect of GCC LP of $789,976,000 ($17,491,000 in respect of GCC LP's operating activities and $772,485,000 in respect of write-down of GCC LP's net assets (see note 5(e)) has been reversed. As at 31 December 2014, the remaining balance of $90,039,000 was classified as liabilities held for sale.

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(c) Cumulative income or expense included in other comprehensive income

There is a foreign currency translation gain of $37,913,000 included in other comprehensive income relating to the disposal group.

(d) Fair value measurement and value in use calculation

As at 31 December 2014, the Group adopts fair value less costs to sell to measure the value of the disposal group held for sale.

(i) Fair value hierarchy

The non-recurring fair value measurement for the disposal group of $221,730,000 (before costs to sell of $15,503,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The fair value of the disposal group is determined by the directors with reference to coal prices and other information provided by the Company's financial advisor engaged for the disposal of GCC LP. The directors of the Company expect that the disposal of GCC LP can be completed in the first half of 2015.

(ii) Valuation technique and significant unobservable inputs

The following shows the valuation technique used in measuring the fair value of the disposal group, as well as the significant unobservable inputs used.

Valuation technique: *Discounted cash flows*

Discounted cash flows consider the present value of the net cash flows expected to be generated from the disposal group, taking into account the coal price assumptions and estimated production volume; the expected net cash flows are discounted using a risk-adjusted discount rate.

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(d) Fair value measurement/value in use calculation (Continued)

(ii) Valuation technique and significant unobservable inputs (Continued)

Significant unobservable inputs:

— the coal price assumptions are based on the median of forecasted prices of coals in Canada sourced from a number of reputable investment banks as provided by Company's financial advisor. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of coal. For short-term coal price assumptions for the next five years, US$103 to US$141 per tonne and US$55 per tonne for hard coking coal and thermal coal respectively have been used to estimate future revenues. For coal prices beyond the fifth year, US$145 and US$55 per tonne for hard coking coal and thermal coal respectively have been used to estimate future revenues.

— estimated production volumes are based on detailed life-of-mine plans derived from technical report prepared by competent persons. 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. These are then assessed to ensure they are consistent with what a market participant would estimate.

— pre-tax discount rate of 11.16% was applied to the future cash flows. This discount rate is derived from the weighted average cost of capital ("WACC") with reference to the required rate of return demanded by investors for similar companies. The WACC takes into account both debt and equity, weighted based on ratio of debt to equity of 42%. The cost of equity is derived from the required return on similar coking coal companies of 12.49%. The cost of debt is based on the market long-term lending rate of 8.00%.

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(d) Fair value measurement/value in use calculation (Continued)

As at 31 December 2013, the Group adopted value in use calculation in assessing the impairment loss provided for goodwill related to GCC LP and GCC LP's mining rights.

(i) Valuation technique and significant key assumptions

The value in use calculation used cash flow projections based on financial forecasts prepared by management covering the life of the mine.

Significant key assumptions:

— the coal price assumptions were management's best estimate of the future price of coal in Canada. The short-term coal price assumptions for the next five years were 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 were used to estimate future revenues.

— estimated production volumes were 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 were 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 were then assessed to ensure they were consistent with what a market participant would estimate.

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(d) Fair value measurement/value in calculation (continued)

(i) Valuation technique and significant key assumptions (continued)

— pre-tax discount rate of 8.80% was applied to the future cash flows. This discount rate was 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 took into account both debt and equity, weighted based on ratio of debt to equity of 57% considering GCC LP and comparable peer companies' average capital structure. The cost of equity of 11.99% was 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 of 3.20% was based on the borrowing cost of interest-bearing borrowings of GCC LP that reflected the credit rating of GCC LP.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(e) Results of discontinued operation

	2014 $'000	2013 $'000
Results of discontinued operation		
Revenue	1,080,419	773,504
Expenses	(1,401,706)	(1,598,785)
Impairment of non-current assets	—	(957,974)
Results from operating activities	(321,287)	(1,783,255)
Income tax	17,491	180,458
Results from operating activities, net of tax	(303,796)	(1,602,797)
Write-down to adjust the carrying value of GCC LP's net assets to fair value less costs to sell	(5,149,897)	—
Income tax in respect of write-down of GCC LP's net assets	772,485	—
Loss for the year	(4,681,208)	(1,602,797)
Attributable to:		
Equity shareholders of the Company	(2,492,734)	(1,073,573)
Non-controlling interests	(2,188,474)	(529,224)
	(4,681,208)	(1,602,797)
Loss per share		
Basic and diluted	(0.661)	(0.284)

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

(f) Cash (used in)/generated from discontinued operation

	2014 $'000	2013 $'000
Net cash generated from operating activities	209,995	571,073
Net cash used in investing activities	(231,353)	(511,201)
Net cash used in financing activities	(7,801)	(36,643)
Net cash (outflow)/inflow for the year	(29,159)	23,229

6 OTHER REVENUE

	Note	2014 $'000	2013 $'000
Penalty income from an iron ore customer	(i)	70,977	—
Government grants		9,222	21,919
Others		1,147	10,788
		81,346	32,707

(i) During the year ended 31 December 2014, the Group has recognised a penalty income of $70,977,000 from a third party iron ore customer in relation to its failure to settle the procurement from the Group within an agreed period in accordance with relevant contract with the Group.

7 OTHER OPERATING (EXPENSES)/INCOME, NET

	2014 $'000	2013 $'000 (Restated)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(291)	144
Gain on disposal of equity securities	—	485
Gain on disposal of subsidiaries	—	5,812
Others	(1,896)	2,636
	(2,187)	9,077

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

(a) Net finance costs

	2014 $'000	2013 $'000 (Restated)
Interest income	(78,427)	(121,427)
Gains on repurchase of senior notes (see note 29)	—	(592,495)
Foreign exchange gain, net	—	(146,860)
Fair value change of derivative financial instruments	(30,547)	(15,794)
Finance income	(108,974)	(876,576)
Interest on secured bank loans wholly repayable within five years	72,127	123,297
Interest on discounted bills	44,176	162,414
Interest on senior notes (see note 29)	230,306	301,905
Total interest expense	346,609	587,616
Bank charges	35,029	28,252
Foreign exchange loss, net	20,139	—
Finance costs	401,777	615,868
Net finance costs/(income)	292,803	(260,708)

8 LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS (CONTINUED)

(b) Staff costs

	2014 $'000	2013 $'000 (Restated)
Salaries, wages, bonus and other benefits	148,255	169,956
Contributions to defined contribution retirement plan	8,712	10,095
Equity-settled share-based payment expenses	10,377	2,243
	167,344	182,294

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS (CONTINUED)

(c) Other items

	2014 $'000	2013 $'000 (Restated)
Amortisation#		
— leased assets	11,718	11,152
— intangible assets	763	569
Depreciation#	95,166	121,046
Provision for impairment losses on		
Trade receivables (note 25(b))	56,526	—
Other receivables	11,210	—
Impairment losses		
— plant and machinery (note 15)	232,891	148,328
— construction in progress (note 16)	189,444	—
— prepayment related to property, plant and equipment (note 23(ii))	7,408	—
Operating lease charges, mainly relating to buildings	18,848	29,298
Auditors' remuneration		
— audit services	6,945	6,259
— tax services	42	111
Cost of inventories	7,353,279	13,138,471

Cost of inventories includes $6,444,000 (2013 (restated): $12,928,000) and $8,539,000 (2013 (restated): $21,472,000) for the year ended 31 December 2014 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 8(b) for each type of these expenses.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2014 $'000	2013 $'000 (Restated)
Continuing operations:		
Current tax — Hong Kong Profits Tax		
Provision for the year	1,393	2,190
Under-provision in respect of prior years	1,634	1,519
Current tax — Outside of Hong Kong		
Provision for the year	10	18,584
(Over)/under-provision in respect of prior years	(4,202)	5,214
Deferred tax		
Origination and reversal of temporary differences	83,246	284,954
	82,081	312,461

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

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

The provision for PRC current income tax is based on a statutory rate of 25% (2013: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2014 $'000	2013 $'000 (Restated)
Continuing operations		
Loss before taxation	(1,133,469)	(410,076)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	(166,565)	(254,942)
Tax effect of non-deductible expenses	12,880	17,383
Tax effect of utilisation of previously unrecognised tax losses	(16,349)	(7,826)
Tax effect of unused tax losses and other temporary differences not recognised	254,683	551,113
(Over)/under-provision in respect of prior years	(2,568)	6,733
Actual tax expense	82,081	312,461

10 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Equity settled share-based payments (note) $'000	Total $'000
Executive directors				
Wang Xingchun	–	6,000	705	6,705
Andreas Werner (appointed on 26 August 2014)	–	3,001	–	3,001
Zhu Hongchan	–	4,575	1,258	5,833
Yasuhisa Yamamoto (resigned on 26 August 2014)	–	4,654	972	5,626
Ma Li	–	4,577	1,174	5,751
Wang Changqing	–	5,200	644	5,844
Non-executive directors				
Liu Qingchun	–	–	–	–
Lu Chuan	–	–	–	–
Daniel J. Miller	–	–	–	–
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	28,007	4,753	38,964

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIRECTORS' REMUNERATION (CONTINUED)

	2013			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Equity settled share-based payments (note) $'000	Total $'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

10 DIRECTORS' REMUNERATION (CONTINUED)

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.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2013: four) are directors whose emoluments are disclosed in note 10. During the year ended 31 December 2013, the aggregate of the emoluments in respect of the other one individual were as follow:

	2014 **$'000**	2013 $'000
Salaries and other emoluments	–	2,909
Share-based payments	–	1,006
	–	3,915

During the year ended 31 December 2013, the emoluments of the one individual with the highest emoluments were within the following bands:

	2014 **Number of individuals**	2013 Number of individuals
$3,500,001 to $4,000,000	–	1

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $3,693,095,000 (2013: $1,017,949,000) (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).

13 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2014 (2013: Nil).

14 LOSS PER SHARE

(i) From continuing operations and discontinued operation

(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 $3,693,055,000 (2013: $1,789,385,000) and the weighted average of 3,767,018,000 ordinary shares (2013: 3,773,182,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic):

	2014 '000	2013 '000
Issued ordinary shares at 1 January	3,773,199	3,773,199
Effect of shares held by the employee share trusts*	(6,181)	(17)
Weighted average number of ordinary shares (basic) as at 31 December	3,767,018	3,773,182

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

14 LOSS PER SHARE (CONTINUED)

(i) From continuing operations and discontinued operation (Continued)

(b) Diluted loss per share

For the year ended 31 December 2014 and 2013, basic and diluted loss per share are the same as the effect of the potential ordinary shares outstanding is anti-dilutive.

(ii) From continuing operations

(a) Basic loss per share

The calculation of basic loss per share from continuing operations for the year ended 31 December 2014 is based on the loss from continuing operations attributable to equity shareholders of the Company of $1,200,321,000 (2013: $715,812,000) and the weighted average of 3,767,018,000 ordinary shares (2013: 3,773,182,000 shares) in issue during the year.

(b) Diluted loss per share

For the year ended 31 December 2014 and 2013, basic and diluted loss per share from continuing operations are the same as the effect of the potential ordinary shares outstanding is anti-dilutive.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 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 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 16)	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
At 1 January 2014	**991,755**	**2,667,583**	**1,571,064**	**318,959**	**169,673**	**67,107**	**5,786,141**
Additions	**122**	**1,481**	**5,854**	**–**	**6,523**	**1,917**	**15,897**
Transferred from construction in progress (note 16)	**51,044**	**91,681**	**229,057**	**114**	**–**	**704**	**372,600**
Disposals	**(489)**	**(5,932)**	**–**	**–**	**(7,181)**	**(2,687)**	**(16,289)**
Reclassified to disposal group held for sale (note 5)	**(190,217)**	**(2,408,672)**	**(1,805,534)**	**–**	**–**	**–**	**(4,404,423)**
Exchange adjustments	**(3,976)**	**(2,978)**	**(441)**	**(1,079)**	**(641)**	**(363)**	**(9,478)**
At 31 December 2014	**848,239**	**343,163**	**–**	**317,994**	**168,374**	**66,678**	**1,744,448**

15 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 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
At 1 January 2014	158,897	1,120,093	501,798	16,327	92,767	44,024	1,933,906
Charge for the year	44,633	85,306	125,121	8,844	30,239	10,148	304,291
Impairment loss	173,763	59,128	–	–	–	–	232,891
Written back on disposal	–	(3,740)	–	–	(4,705)	(2,666)	(11,111)
Reclassified to disposal group held for sale (note 5)	(50,160)	(945,383)	(626,682)	–	–	–	(1,622,225)
Exchange adjustments	(401)	(755)	(237)	(21)	(277)	(175)	(1,866)
At 31 December 2014	326,732	314,649	–	25,150	118,024	51,331	835,886
Net book value:							
At 31 December 2014	521,507	28,514	–	292,844	50,350	15,347	908,562
At 31 December 2013	832,858	1,547,490	1,069,266	302,632	76,906	23,083	3,852,235

15 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(a) The Group (Continued)

At 31 December 2014, property, plant and equipment with an aggregate carrying value of $82,032,000 (2013: $nil) have been pledged as collateral for the Group's borrowings (see note 28).

At 31 December 2013, property, plant and equipment of GCC LP with an aggregate carrying value of $18,196,000 was pledged as collateral for its borrowings. These assets were reclassified to assets held for sale after GCC LP was classified as a disposal group held for sale in 2014 (note 5).

Impairment loss

An impairment loss of $232,891,000 (2013: $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 discount rate of 13.29% (2013: 11.27%). The discount rate used reflects specific risks relating to the relevant segments.

15 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(b) The Company

	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:			
At 1 January 2013	279	35	314
At 31 December 2013	279	35	314
At 1 January 2014	**279**	**35**	**314**
Disposals	**(279)**	**–**	**(279)**
At 31 December 2014	**–**	**35**	**35**
Accumulated depreciation:			
At 1 January 2013	112	20	132
Charge for the year	56	7	63
At 31 December 2013	168	27	195
At 1 January 2014	**163**	**32**	**195**
Charge for the year	**32**	**2**	**34**
Written back on disposal	**(195)**	**–**	**(195)**
At 31 December 2014	**–**	**34**	**34**
Net book value:			
At 31 December 2014	**–**	**1**	**1**
At 31 December 2013	111	8	119

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(c) The analysis of net book value of properties

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
The PRC (including Hong Kong and Macau)	**908,004**	1,186,776	**1**	119
Canada	**—**	2,664,763	**—**	—
Other countries	**558**	696	**—**	—
Aggregate net book value	**908,562**	3,852,235	**1**	119

As at 31 December 2014, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $114,062,000 (2013: $179,666,000). 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 $nil (2013: $8,065,000). At the end of the reporting period, the plant and machinery held under finance leases related to GCC LP have been classified as assets held for sale and disclosed in note 5.

16 CONSTRUCTION IN PROGRESS

	The Group	
	2014	2013
	$'000	$'000
At 1 January	**558,486**	375,014
Additions	**187,747**	251,834
Transferred to property, plant and equipment (note 15)	**(372,600)**	(78,528)
Reclassified to disposal group held for sale (note 5)	**(20,686)**	—
Disposals	**(455)**	—
Exchange adjustments	**(2,458)**	10,166
Impairment	**(189,444)**	—
At 31 December	**160,590**	558,486

Impairment loss

An impairment loss of $189,444,000 (2013: $nil) for construction in progress in respect of certain coal processing projects under construction in the PRC has been charged to the consolidated statement of profit or loss for the current year due to that the directors determined to abandon these projects given unfavourable future prospect of the coking coal business in 2014.

The balance of construction in progress as at 31 December 2014 represents certain logistics park projects under construction in the PRC for which the management assessed no impairment provision is needed 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 discount rate of 13.29% (2013: 11.27%). The discount rate used reflects specific risks relating to the relevant segments.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 LEASE PREPAYMENTS

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

	The Group	
	2014	2013
	$'000	$'000
Cost:		
At 1 January	**570,684**	467,895
Additions	**23,140**	85,760
Exchange adjustments	**(2,318)**	17,029
At 31 December	**591,506**	570,684
Accumulated amortisation:		
At 1 January	**29,210**	17,336
Charge for the year	**11,718**	11,152
Exchange adjustments	**(525)**	722
At 31 December	**40,403**	29,210
Net book value:		
At 31 December	**551,103**	541,474

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 2014, land use rights with a total carrying amount of $26,333,000 (2013: $27,010,000) have been pledged as collateral for the Group's borrowings (see note 28).

18 INTANGIBLE ASSETS

	The Group		
	Mining rights $'000	**Software** $'000	**Total** $'000
Cost:			
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
At 1 January 2014	**6,871,702**	**7,639**	**6,879,341**
Additions	**—**	**737**	**737**
Reclassified to disposal group held for sale (note 5)	**(6,868,864)**	**—**	**(6,868,864)**
Exchange adjustments	**(2,838)**	**(21)**	**(2,859)**
At 31 December 2014	**—**	**8,355**	**8,355**
Accumulated amortisation and impairment losses:			
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
At 1 January 2014	**751,818**	**2,725**	**754,543**
Charge for the year	**36,780**	**763**	**37,543**
Reclassified to disposal group held for sale (note 5)	**(787,673)**	**—**	**(787,673)**
Exchange adjustments	**(925)**	**(3)**	**(928)**
At 31 December 2014	**—**	**3,485**	**3,485**
Net book value:			
At 31 December 2014	**—**	**4,870**	**4,870**
At 31 December 2013	6,119,884	4,914	6,124,798

As at 31 December 2014, intangible assets mainly represent the net book value of software purchased by the Group. The mining rights of GCC LP have been classified as assets held for sale and disclosed in note 5.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	$'000	$'000
Unlisted shares, at cost	**499,109**	421,364
Amounts due from subsidiaries*	**7,129,671**	7,757,461
Impairment loss#	**(4,911,734)**	(1,932,527)
	2,717,046	6,246,298

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

\# As at 31 December 2014, 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 5, 15 and 16) and its interest in Peabody-Winsway B.V. (see note 21), the Company also provides impairment loss for its interests in relevant subsidiaries whose sole activities are investment holding in equity interests in above-mentioned entities.

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 Direct	Indirect	Principal activities
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

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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	
Winsway Resources (HK) Holdings Limited ("Winsway Resources Holdings (HK)")	23 October 2009 Hong Kong	31,312,613 shares	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 US$ 10,000,000	100%	–	Trading of coal
Winsway Coking Coal Logistics Limited ("Winsway Logistics")	22 December 2009 Hong Kong	100,000 shares	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$ 276,500,000	–	100%	Investment holding
Cheer Top Enterprises Limited ("Cheer Top")	5 January 2005 BVI	US$ 23,303,911	–	100%	Investment holding

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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	
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	RMB640,000,000	–	100%	Processing and trading of coal
Royce Petrochemicals Limited ("Royce Petrochemicals")	28 October 2005 BVI	US$ 3,900,001	–	100%	Investment holding
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("Inner Mongolia Haotong")***	18 November 2005 PRC	RMB750,000,000	–	100%	Trading of coal
Erlianhaote Haotong Energy Co., Ltd. ("Erlianhaote Haotong")#	18 January 2007 PRC	RMB95,370,000	–	95%	Trading of coal and rendering of logistics service
Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong")**	19 May 2008 PRC	RMB260,000,000	–	100%	Processing and trading of coal
Baotou-city Haotong Energy Co., Ltd. ("Baotou Haotong")**	18 September 2008 PRC	RMB90,000,000	–	100%	Trading of coal
Nantong Haotong Energy Co., Ltd. ("Nantong Haotong")**	24 February 2009 PRC	RMB120,000,000	–	100%	Trading of coal
Yingkou Haotong Mining Co., Ltd. ("Yingkou Haotong")**	16 November 2009 PRC	RMB175,000,000	–	100%	Trading of coal

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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 Direct	Effective percentage of equity attributable to the Company Indirect	Principal activities
Manzhouli Haotong Energy Co., Ltd. ("Manzhouli Haotong")****	23 December 2009 PRC	RMB200,000,000	–	100%	Trading of coal
Ulanqab Haotong Energy Co., Ltd. ("Ulanqab Haotong")**	2 March 2010 PRC	RMB240,000,000	–	100%	Trading of coal
Longkou Winsway Energy Co., Ltd. ("Longkou Winsway")****	27 April 2010 PRC	RMB180,000,000	–	100%	Trading of coal
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("Ejina Qi Winsway")**	30 June 2010 PRC	RMB20,000,000	–	51%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. ("Inner Mongolia Hutie Winsway Logistics")**	22 July 2010 PRC	RMB30,000,000	–	51%	Logistics service
Eternal International Logistics Limited ("Eternal")	27 October 2010 Hong Kong	1 share	100%	–	Investment holding
Million Super Star Limited ("Million Super Star")	18 October 2010 Hong Kong	1 share	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 US$ 1,593,249	–	100%	Investment holding

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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	
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	RMB10,000,000	–	100%	Processing and trading of coal
Nantong Winsway Mining Investment Co., Ltd. ("Nantong Winsway") **	2 April 2013 PRC	RMB200,000,000	–	100%	Investment holding and trading of Coal
Qinhuangdao Haotong Energy Co., Ltd. ("Qinghuangdao Haotong") **	7 June 2013 PRC	RMB50,000,000	–	100%	Trading of Coal and petrochemicals
Nantong Million Super Star Coking Coal Co., Ltd. ("Nantong Million") *	3 July 2013 PRC	US$ 60,700,000	–	100%	Investment holding
Harbin Fuze Mining Investment Co., Ltd. ("Harbin Fuze") **	27 June 2013 PRC	RMB100,000,000	–	100%	Trading of Coal and petrochemicals
Standard Rich Inc Ltd. ("Standard Rich")	18 November 2013 Hong Kong	10,000 shares	–	100%	Trading of Coal
Suzhou Wisdom Elite Energy Inc Ltd. ("Suzhou Wisdom") **	28 January 2014 PRC	US$10,000,000	–	100%	Trading of Coal
Beijing Shacong E-Commerce Inc Ltd. ("Beijing Shacong") **	26 March 2014 PRC	RMB1,000,000	–	100%	Rendering of logistics information service

19 INTERESTS 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	
Erlian Junrong Winsway Mining Co., Ltd. ("Erlian Junrong") **	4 April 2014 PRC	RMB2,420,000	–	100%	Trading of Iron ore
Urad Zhongqi Tengshengda Energy Co., Ltd. ("Tengshengda") **	17 June 2014 PRC	RMB286,572,705	–	100%	Processing and 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.

GCC LP is the only subsidiary of the Group which has material non-controlling interest (NCI). The financial information of GCC LP has been disclosed in note 5.

20 INTEREST IN AN ASSOCIATE

	The Group	
	2014	2013
	$'000	$'000
Share of net assets	**17,021**	14,843

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INTEREST IN AN ASSOCIATE (CONTINUED)

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Bayannao'er City Hutie Ruyi Logistics Co., Ltd.	Incorporated	PRC	RMB50,000,000	24%	–	24%	Logistics service in PRC

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:

	2014 $'000	2013 $'000
Gross amounts of the associate		
Current assets	63,254	68,938
Non-current assets	27,182	5,725
Current liabilities	19,515	12,817
Equity	70,921	61,846
Turnover	28,874	—
Gain/(loss) for the year	7,513	(582)
Total comprehensive income	7,513	(582)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	70,921	61,846
Group's effective interest	24%	24%
Group's share of net assets of the associate	17,021	14,843
Carrying amount in the consolidated financial statements	17,021	14,843

21 INTEREST IN A JOINT VENTURE

	The Group	
	2014	2013
	$'000	$'000
Carrying amount	**–**	–

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 2014 was taken up in the Group's consolidated financial statements.

22 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group	
	2014	2013
	$'000	$'000
Unlisted equity securities, at cost	**399,015**	400,369

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 2014, the Group holds equity interests in a range of 1–9% in these companies.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Loan to a third party *(note (i))*	**127,187**	158,155	**–**	—
Advance payments for equipment purchase and construction in progress *(note (ii))*	**23,626**	48,814	**–**	—
	150,813	206,969	**–**	—

(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).

23 OTHER NON-CURRENT ASSETS (CONTINUED)

(i) (Continued)

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 2014, Moveday has repaid principal of US$4 million (2013: US$7.6 million) to the Group and the outstanding loan balance as at 31 December 2014 is US$20.4 million (2013: US$24.4 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 2014, the Group has purchased coking coal of $nil (2013: $541 million) from Moveday. In addition to the above, the Group has incurred $40 million (2013: $303 million) for coking coal transportation service provided by Moveday during the year ended 31 December 2014.

At 31 December 2014, as included in prepayments to suppliers (see note 25), the Group made a prepayment of $21,078,000 (2013: $nil) to Moveday in respect of its coking coal transportation services.

(ii) The Group has provided full impairment for all advance payments for equipment purchase and construction in progress in relation to the coal processing plants and logistic park facilities which have ceased construction during the year (see note 16). During the year ended 31 December 2014, $7,408,000 was written off against advance payments for equipment purchase and construction in progress (2013: $nil).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 INVENTORIES

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

	At 31 December 2014 $'000	At 31 December 2013 $'000
Coking coal	109,005	1,302,098
Thermal coal	48,162	178,391
Coke	61,411	—
Coal related products	13,199	19,696
Petrochemical products	140,528	—
Others	21,487	112,210
	393,792	1,612,395
Less: write down of inventories	(58,678)	(249,661)
	335,114	1,362,734

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

	2014 $'000	2013 $'000 (Restated)
Carrying amount of inventories sold	7,294,601	12,893,569
Write down of inventories	58,678	244,902
	7,353,279	13,138,471

25 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade receivables	**818,387**	1,760,369	**–**	–
Bills receivable	**507,481**	1,428,807	**–**	–
Receivables from import agents	**291,192**	941,750	**–**	–
Less: allowance for doubtful debts	**(56,526)**	–	**–**	–
	1,560,534	4,130,926	**–**	–
Amounts due from related parties	**761**	7,144	**–**	–
Prepayments to suppliers (note 23(i))	**64,626**	81,459	**–**	–
Loan to a third party company (note 23(i))	**31,031**	31,018	**–**	–
Derivative financial instruments*	**31,480**	11,600	**–**	–
Deposits and other receivables	**372,508**	354,077	**784**	1,090
	2,060,940	4,616,224	**784**	1,090

* Derivative financial instruments represent fair value of foreign exchange forward contracts and a derivative embedded in a purchase contract of petrochemical products as at 31 December 2014.

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 2014, trade and bills receivables of the Group of $586,953,000 (31 December 2013: $489,542,000) have been pledged as collateral for the Group's borrowings (see note 28).

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 December 2014, bills receivable of the Group of $483,472,000 (31 December 2013: $4,027,409,000) have been 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

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

	The Group	
	At 31 December 2014 $'000	At 31 December 2013 $'000
Less than 3 months	**837,833**	3,376,394
More than 3 months but less than 6 months	**351,249**	748,695
More than 6 months but less than 1 year	**165,389**	4,407
More than 1 year	**206,063**	1,430
	1,560,534	4,130,926

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

Impairment losses in respect of trade receivables, bills receivable and receivables from import agents are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables, bills receivable and receivables from import agents (see note 2(m)).

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
At 1 January	**–**	—	**–**	—
Impairment loss recognised	**56,526**	—	**–**	—
At 31 December	**56,526**	—	**–**	—

At 31 December 2014, the Group's trade receivables, bills receivable and receivables from import agents of $108,562,000 (2013: $nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $56,526,000 (2013: $nil) were recognised.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	The Group	
	At 31 December 2014 $'000	At 31 December 2013 $'000
Neither past due nor impaired	**1,343,549**	4,030,925
Less than 3 months past due	**40,965**	94,164
More than 3 months but less than 12 months past due	**123,984**	5,837
	1,508,498	4,130,926

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 has pledged bank deposits of $956,077,000 (31 December 2013: $2,150,026,000) as at 31 December 2014 as collateral for the Group's borrowings (see note 28) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 33).

27 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**438,552**	2,018,000	**5,552**	30,209

At 31 December 2014, cash and cash equivalents of $213,411,000 (2013: $837,703,000) 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.

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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
US$	**112,663**	38,360	**–**	–
RMB	**1,984**	373,232	**880**	4,469
Euro	**–**	8	**–**	–
HK$	**4,703**	3,729	**3,022**	3,075
SGD	**3,955**	7,354	**–**	–
CA$	**–**	754	**–**	681

28 SECURED BANK LOANS

(a) The secured bank loans comprise:

	The Group	
	2014	2013
	$'000	$'000
Short-term loans and current portion of long-term loans	**1,191,889**	1,093,111
Long-term loans	**–**	3,065,780
	1,191,889	4,158,891

The interest rates per annum of bank loans were:

	The Group	
	2014	2013
Short-term loans and current portion of long-term loans	**1.53%–7.20%**	1.78%–5.60%
Long-term loans	**–**	2.67%–7.68%

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

	2014	2013
	$'000	$'000
Within 1 year or on demand	**1,191,889**	1,093,111
After 1 year but within 2 years	**–**	993,474
After 2 years but within 5 years	**–**	2,072,306
	1,191,889	4,158,891

At 31 December 2014, bank loans amounting to $523,935,000 (2013: $450,710,000) have been secured by bank deposits placed in banks with an aggregate carrying value of $521,473,000 (2013: $420,156,000).

28 SECURED BANK LOANS (CONTINUED)

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

At 31 December 2014, bank loans amounting to $584,418,000 (2013: $485,160,000) have been secured by trade and bills receivables with an aggregate carrying value of $584,418,000 (2013: $489,542,000).

At 31 December 2014, bank loans amounting to $67,183,000 (2013: $67,411,000) have been secured by land use rights with an aggregate carrying value of $26,333,000 (2013: $27,010,000) and property, plant and equipment with an aggregate carrying value of $82,032,000 (2013: $nil).

At 31 December 2014, bank loans amounting to $16,353,000 (31 December 2013: $Nil) were secured by both bank deposits with an aggregate carrying value of $13,818,000 and bills receivables with an aggregate carrying value of $2,535,000 (31 December 2013: $Nil).

At 31 December 2013, bank loans amounting to $15,877,000 were secured by property, plant and equipment of GCC LP with an aggregate carrying value of $18,196,000. At 31 December 2013, bank loans amounting to $3,139,733,000 were secured by total assets of GCC LP with an aggregate carrying value of $9,546,800,000. These loans were reclassified to liabilities held for sale after GCC LP have been classified as a disposal group held for sale in 2014 (note 5).

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

29 SENIOR NOTES

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Senior notes due in 2016	2,364,347	2,337,010	2,364,347	2,337,010

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 SENIOR NOTES (CONTINUED)

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.à.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.

The Group has engaged financial advisors to assist with negotiations with the holders of the Senior Notes to achieve the Debt Restructuring in respect of the Senior Notes. Further details are set out in Note 2(b).

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

As at 31 December 2014, the obligations under finance leases related to GCC LP have been classified as liabilities held for sale and disclosed in note 5.

(Expressed in Hong Kong dollars unless otherwise indicated)

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) The 2010 Scheme

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

(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:

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 January	**$1.677**	**98,211,913**	$1.677	104,928,613
Exercised during the year	**$1.677**	**—**	$1.677	—
Forfeited during the year	**$1.677**	**(2,145,750)**	$1.677	(6,716,700)
Expired during the year	**$1.677**	**(21,715,163)**	$1.677	—
Outstanding at 31 December	**$1.677**	**74,351,000**	$1.677	98,211,913
Exercisable at 31 December	**$1.677**	**70,584,238**	$1.677	76,163,913

The options outstanding at 31 December 2014 had an exercise price of $1.677 (2013: $1.677) per share and a weighted average remaining contractual life of 0.5 year (2013: 1.5 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The 2010 Scheme (Continued)

(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%

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 $3,203,000 during year ended 31 December 2014 (2013: $2,243,000) was recognised in profit or loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2014 Scheme

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

(i) The number of options granted to directors and management in 2014 are 46,000,000 and 65,400,000 respectively, whereby all options are settled by physical delivery of shares.

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

	2014 Weighted average exercise price	2014 Number of options
Outstanding at 1 January	–	–
Granted during the year	$0.420	111,400,000
Forfeited during the year	$0.420	–
Outstanding at 31 December	$0.420	111,400,000
Exercisable at 31 December	$0.420	13,925,000

The options outstanding at 31 December 2014 had an exercise price of $0.420 per share and a weighted average remaining contractual life of 4.6 years.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2014 Scheme (Continued)

(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.

	2014
Fair value at measurement date	$0.170~$0.193
Share price	$0.420
Exercise price	$0.420
Expected volatility	53.00%
Option life (expressed as weighted average life used in modeling under Binominal Tree option pricing model)	5 years
Expected dividends	0.00%
Risk-free interest rate	1.38%

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 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 $7,174,000 during year ended 31 December 2014 was recognised in profit or loss.

33 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade and bills payables	**1,385,420**	3,074,274	**–**	–
Payables to import agents	**288,781**	3,835,263	**–**	–
Amounts due to related parties	**–**	344,292	**–**	–
Amounts due to subsidiary companies	**–**	–	**1,273,064**	1,184,524
Prepayments from customers	**21,765**	182,171	**–**	–
Payables in connection with construction projects	**93,670**	90,792	**–**	–
Payables for purchase of equipment	**47,730**	59,199	**–**	–
Derivative financial instruments*	**16,007**	45,405	**–**	–
Others	**201,242**	184,110	**59,278**	47,889
	2,054,615	7,815,506	**1,332,342**	1,232,413

* Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2014.

At 31 December 2014, bills payable amounting to $1,155,721,000 (2013: $2,571,106,000) were secured by deposits placed in banks with an aggregate carrying value of $412,322,000 (2013: $1,037,618,000).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	At 31 December 2014 $'000	At 31 December 2013 $'000
Within 3 months	**1,394,800**	3,636,559
More than 3 months but less than 6 months	**81,920**	2,477,002
More than 6 months but less than 1 year	**32,505**	720,633
More than 1 year	**164,976**	75,343
	1,674,201	6,909,537

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

	At 31 December 2014 $'000	At 31 December 2013 $'000
Due within 1 month or on demand	**570,703**	2,695,667
Due after 1 month but within 3 months	**1,100,798**	2,578,842
Due after 3 months but within 6 months	**2,700**	1,635,028
	1,674,201	6,909,537

34 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
At 1 January	**66,525**	83,646	**170**	802
Provision for the year (note 9(a))	**1,403**	20,779	**–**	673
(Over)/under-provision in respect of prior years (note 9(a))	**(2,568)**	6,733	**913**	1,519
Income tax paid	**(26,767)**	(44,491)	**(1,703)**	(2,824)
Exchange adjustments	**987**	(142)	**–**	—
At 31 December	**39,580**	66,525	**(620)**	170

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 $'000	Tax losses $'000	Government grants $'000	Unrealised profits on intra-group transactions $'000	Property, plant and equipment and intangible assets $'000	Total $'000
At 1 January 2013	73,917	322,154	32,672	22,348	(1,146,560)	(695,469)
(Charged)/credited to consolidated statement of profit or loss	(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)
At 1 January 2014	–	233,140	53,705	–	(1,082,545)	(795,700)
Charged to consolidated statement of profit or loss	–	(29,732)	(53,514)	–	–	(83,246)
Reclassified to disposal group held for sale (note 5)	–	(203,107)	–	–	1,083,122	880,015
Exchange adjustments	–	(301)	(191)	–	(577)	(1,069)
At 31 December 2014	–	–	–	–	–	–

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

(b) Deferred tax assets and liabilities recognised: (Continued)

Reconciliation to the consolidated statement of financial position

	The Group	
	2014	2013
	$'000	$'000
Deferred tax assets recognised in the consolidated statement of financial position	–	286,845
Deferred tax liabilities recognised in the consolidated statement of financial position	–	(1,082,545)
	–	(795,700)

(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 $1,057,620,000 and $1,900,378,000 respectively (2013: $555,800,000 and $1,466,739,000) as management of the Group considers that it is not possible as at 31 December 2014 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, in accordance with the Group's accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2014 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 $957,988,000, and $537,005,000 and $395,533,000 will expire in five years after the tax losses generated under current tax legislation in 2017, 2018 and 2019 respectively. The tax losses in those Hong Kong incorporated companies of approximately $9,852,000 can be utilised to offset any future taxable profits under current tax legislation.

As at 31 December 2014, the deferred tax assets and liabilities related to GCC LP have been reclassified to disposal group held for sale and disclosed in note 5.

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.

As at 31 December 2014, the provisions related to GCC LP have been classified as liabilities held for sale and disclosed in note 5.

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 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
Balance at 1 January 2014		**4,992,337**	**(3,000)**	**138,964**	**(18,598)**	**(2,401,580)**	**2,708,123**
Changes in equity for 2014:							
Equity settled share-based transactions		**–**	**–**	**10,377**	**–**	**–**	**10,377**
Expiry of share options granted under share option scheme		**–**	**–**	**(31,712)**	**–**	**31,712**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**1,909**	**(3,693,095)**	**(3,691,186)**
Balance at 31 December 2014		**4,992,337**	**(3,000)**	**117,629**	**(16,689)**	**(6,062,963)**	**(972,686)**

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 2014 (2013: nil).

(ii) There is no dividends payable to equity shareholders of the Company attributable to previous financial year, approved and paid during the year ended 31 December 2014 (2013: nil).

(c) Share capital

	2014 No. of shares '000	2013 No. of shares '000
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2014 No. of shares '000	2014 $'000	2013 No. of shares '000	2013 $'000
Ordinary shares, issued and fully paid:				
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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Share issued under share option scheme

No option was exercised during the year ended 31 December 2014 (2013: $nil).

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

Exercise period	Exercise price $	2014 Number	2013 Number
1 April 2011 to 29 June 2015	1.677	**74,351,000**	98,211,913
1 October 2014 to 22 July 2019	0.420	**111,400,000**	—
		185,751,000	98,211,913

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).

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves (Continued)

(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 2014, amounts in retained earnings of $8,181,000 (2013: $5,667,000) 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).

(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.

36 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves (Continued)

(iv) Employee share trusts (Continued)

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 2014, there is no aggregate amount of reserves available for distribution to equity shareholders of the Company (2013: $2,708,123,000).

(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 2014 was 96.28% (2013: 72.91%).

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% (2013: 0.12%) and 20% (2013: 13%) 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.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

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.

(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. Note 2(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

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

	2014 Contractual undiscounted cash outflow					2013 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	1,218,858	–	–	1,218,858	1,191,889	1,000,834	1,229,170	2,901,389	5,131,393	4,158,891
Senior notes	203,962	2,501,531	–	2,705,493	2,364,347	203,880	203,880	2,500,531	2,908,291	2,337,010
Finance lease liabilities	–	–	–	–	–	143,480	184,669	–	328,149	307,041
Trade and other payables (excluding prepayments from customers)	2,032,850	–	–	2,032,850	2,032,850	7,633,335	–	–	7,633,335	7,633,335
	3,455,670	2,501,531	–	5,957,201	5,589,086	8,981,529	1,617,719	5,401,920	16,001,168	14,436,277

The Company

	2014 Contractual undiscounted cash outflow					2013 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	203,962	2,501,531	–	2,705,493	2,364,347	203,880	203,880	2,500,531	2,908,291	2,337,010
Trade and other payables (excluding prepayments from customers)	1,332,342	–	–	1,332,342	1,332,342	1,232,413	–	–	1,232,413	1,232,413
	1,536,304	2,501,531	–	4,037,835	3,696,689	1,436,293	203,880	2,500,531	4,140,704	3,569,423

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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			
	2014		2013		2014		2013	
	Interest rate %	$'000	Interest rate %	$'000	Interest rate %	$'000	Interest rate %	$'000
Fixed rate borrowings:								
Finance lease obligations	–	–	4.3%–6.5%	307,041	–	–	–	–
Bank loans	1.53%–5.50%	820,111	1.78%–5.60%	647,221	–	–	–	–
Senior notes	10%	2,364,347	10%	2,337,010	10%	2,364,347	10%	2,337,010
		3,184,458		3,291,272		2,364,347		2,337,010
Variable rate borrowings:								
Bank loans	2.63%–7.20%	371,778	2.37%–7.68%	3,511,670	–	–	–	–
		371,778		3,511,670		–		–
Total borrowings		3,556,236		6,802,942		2,364,347		2,337,010
Fixed rate borrowings as a percentage of total borrowings		89.54%		48.38%		100%		100%

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(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 2013.

At 31 December 2014, 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 $697,000 (2013: $12,756,000). Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(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$)									
	2014					2013				
	CA$ $'000	US$ $'000	RMB $'000	SGD $'000	HK$ $'000	CA$ $'000	US$ $'000	RMB $'000	SGD $'000	HK$ $'000
Cash and cash equivalents	–	112,663	1,984	3,955	4,703	754	38,360	373,232	7,354	3,729
Trade and other receivables	23	1,654,508	1,135,008	704	701	12,204	618,434	3,757,932	629	259
Trade and other payables	(24)	(1,804,854)	(1,069,923)	(81)	(183)	(112,933)	(1,485,630)	(4,390,857)	(3,622)	(1,935)
Bank loans	–	(540,287)	–	–	–	–	(485,654)	–	–	–
Net exposure arising from recognised assets and liabilities	(1)	(577,970)	67,069	4,578	5,221	(99,975)	(1,314,490)	(259,693)	4,361	2,053

The Company

	Exposure to foreign currency (expressed in HK$)					
	2014			2013		
	MOP$ $'000	HK$ $'000	RMB $'000	MOP$ $'000	HK$ $'000	RMB $'000
Cash and cash equivalents	–	3,022	880	–	3,075	4,469
Net exposure arising from recognised assets and liabilities	–	3,022	880	–	3,075	4,469

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

	2014		2013	
	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%	–	5%	(3,749)
	(5)%	–	(5)%	3,749
US$	5%	(20,377)	5%	(49,293)
	(5)%	20,377	(5)%	49,293
RMB	5%	1,109	5%	(9,738)
	(5)%	(1,109)	(5)%	9,738
SGD	5%	172	5%	164
	(5)%	(172)	(5)%	(164)
HK$	5%	196	5%	77
	(5)%	(196)	(5)%	(77)

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

The Company

	2014		2013	
	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 $'000
RMB	5%	44	5%	223
	(5)%	(44)	(5)%	(223)
HK$	5%	151	5%	154
	(5)%	(151)	(5)%	(154)
MOP$	5%	—	5%	—
	(5)%	—	(5)%	—

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 2013.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

2014

	Fair value at 31 December 2014 $'000	The Group Fair value measurements as at 31 December 2014 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
— Forward foreign exchange contracts	13,957	–	13,957	–
— Other derivative	17,523	–	17,523	–
Financial liabilities:				
Derivative financial instruments				
— Forward foreign exchange contracts	16,007	–	16,007	–

2013

	Fair value at 31 December 2013 $'000	The Group 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	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 value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

During the years ended 31 December 2013 and 2014, 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 2014 and 2013 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			
	2014		2013	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Senior Notes	**2,364,347**	**959,814**	2,337,010	1,331,209

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 amount of the bills receivables and restricted bank deposits and the bank loans on a net basis.

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 offset 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.

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(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 2014			
Trade and other receivables	**–**	**–**	**–**
Restricted bank deposits	**1,033,390**	**(1,023,066)**	**10,324**
	1,033,390	**(1,023,066)**	**10,324**
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

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 2014			
Secured bank loans	**1,023,066**	**(1,023,066)**	**—**
As at 31 December 2013			
Secured bank loans	4,413,723	(4,413,723)	—

There are no financial instruments or financial collateral pledged in connection with the above offsetting arrangements.

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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 2014 $'000	At 31 December 2013 $'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	**2,060,940**	4,607,682
Total trade and other receivables	**2,060,940**	4,616,224

	At 31 December 2014 $'000	At 31 December 2013 $'000
Net amount of restricted bank deposits after offsetting as stated above	**10,324**	127,139
Restricted bank deposits not in scope of offsetting disclosure	**945,753**	2,022,887
Total restricted bank deposits	**956,077**	2,150,026

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	At 31 December 2014 $'000	At 31 December 2013 $'000
Net amount of secured bank loans after offsetting as stated above	**–**	–
Secured bank loans not in scope of offsetting disclosure	**1,191,889**	4,158,891
Total secured bank loans	**1,191,889**	4,158,891

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 10, and certain of the highest paid employees as disclosed in note 11, is as follows:

	2014 $'000	2013 $'000
Short-term employee benefits	**51,138**	55,816
Equity compensation benefits	**7,559**	344

The remuneration is included in "staff costs" (see note 8(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:

	2014 $'000	2013 $'000
Sales of products to a related party	**735,326**	201,659
Purchase of products from a related party	**486,956**	330,499
Rental expense for lease of properties from related parties	**7,751**	7,677

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:

	2014 $'000	2013 $'000
Amounts due from related parties	**761**	7,144
Amounts due to related parties	**–**	344,292

(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 Reports of the directors.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

40 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements are as follows:

	At 31 December 2014 $'000	At 31 December 2013 $'000
Contracted for	**213,096**	586,873
Authorised but not contracted for	**–**	94,484
	213,096	681,357

Capital commitments of the Group are mainly for construction of property, plant and equipment including logistics parks (coal transportation and storage facilities).

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2014 $'000	At 31 December 2013 $'000
Within 1 year	**11,090**	27,465
After 1 year but within 5 years	**3,235**	21,646
After 5 years	**–**	1,526
	14,325	50,637

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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.à.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 2014, 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 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 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 IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap.622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

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 18 June 2015
"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
"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 Enterprises Holdings Limited (永暉實業控股股份有限公司, formerly known as "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

Definitions (Continued)

"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
"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
"GCC"	Grande Cache and GCC LP
"GCC LP"	Grande Cache Coal LP
"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
"Grande Cache" or "GCCC"	Grande Cache Coal Corporation
"Great Star"	Great Star Development Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 21 April 2010 and indirectly wholly-owned by Mr. Wang
"Group" or "our Group"	our Company and its subsidiaries
"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"	滿州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

Definitions (Continued)

"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
"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 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
"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)

	2014 $'000	2013 $'000 (restated)	2012 $'000	2011 $'000	2010 $'000
Continuing operations					
Turnover	7,547,738	13,319,742	12,387,405	11,610,413	9,271,665
(Loss)/profit before taxation	(1,133,469)	(410,076)	(1,965,270)	1,422,836	1,180,153
Income tax	(82,081)	(312,461)	293,142	(371,079)	(251,390)
(Loss)/profit from continuing operations	(1,215,550)	(722,537)	(1,672,128)	1,051,757	928,763
Discontinued operations					
Loss from discontinued operations (net of income tax)	(4,681,208)	(1,602,797)	–	–	–
(Loss)/profit for the year	(5,896,758)	(2,325,334)	(1,672,128)	1,051,757	928,763
Attributable to:					
Equity shareholders of the Company	(3,693,055)	(1,789,385)	(1,490,961)	1,051,003	928,826
Non-controlling interests	(2,203,703)	(535,949)	(181,167)	754	(63)
(Loss)/profit for the year	(5,896,758)	(2,325,334)	(1,672,128)	1,051,757	928,763
Total assets	10,286,821	22,133,003	22,868,300	16,399,764	9,123,020
Total liabilities	(9,904,233)	(16,136,278)	(14,613,022)	(9,126,643)	(2,578,151)
Non-controlling interests	(82,211)	(1,987,490)	(2,529,815)	(42,186)	(76,041)
Total equity attributable to equity shareholders of the Company	300,377	5,996,725	5,725,463	7,230,935	6,468,828

Company Information

BOARD MEMBERS

Chairman of the Board

Wang Xingchun

Executive Directors

Zhu Hongchan
Yasuhisa Yamamoto (resigned on 26 August 2014)
Andreas Werner (appointed on 26 August 2014)
Ma Li
Wang Changqing

Non-executive Directors

Daniel J. Miller
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

James Downing
Ng Yuk Keung

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Chairman

James Downing

Member

Yasuhisa Yamamoto (resigned on 26 August 2014)
Ng Yuk Keung
George Jay Humbro (appointed on 26 August 2014)

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

Chairman

Daniel J. Miller

Member

Yasuhisa Yamamoto (resigned on 26 August 2014)
Ma Li
George Jay Humbro

Company Information (Continued)

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

Suites 2104–05
Hutchison House
10 Harcourt Road
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