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

ANNUAL REPORT

2015

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Contents

CEO's Statement

Over the past year, Winsway, a commodity logistics provider and a trader, has been working hard to overcome the challenges posed by the slowdown in China's economic growth and the depressed global commodities market. Winsway has been exploring, expanding and diversifying its sources of income and reducing costs. For the former, Winsway has worked to establish new business, that is its commodity supply chain platform and for the latter, Winsway has strived to reduce expenditure. On top of layoffs, salary cuts, administrative costs control and disposal of idling assets, we completed the disposal of the major share interest in GCC to further alleviate cashflow pressure on the Company. Through such measures, the Company has preserved most of its cash on hand and has weathered the dark period of the cyclic downturn in the industry.

Although the abovementioned measures have to some extent alleviated cashflow stress, the Company remained under pressure from the interest obligation of the outstanding Senior Notes and the obligation to repay principal on the April 2016 maturity date of the Senior Notes. One of the key tasks in 2015 was to seek the best solutions for restructuring the outstanding Senior Notes. The Company appointed UBS and other professional advisors to assist with this task, and after careful consideration and evaluation, a debt restructuring scheme/rights issue plan was proposed. The Board and the management of the Company believe the proposal represents the best solution for the Company's stakeholders, including shareholders and bondholders.

1. Debt restructuring scheme: Since 8 May 2015, when the Company announced its inability to pay the accrued Senior Notes interest, the Company proactively engaged with its creditors to agree terms of a debt restructuring. To date, the Restructuring Support Agreement has been signed between the Company and a large majority of bondholders and a bondholders' scheme meetings were held on 3 May 2016, at which, the Schemes were approved by the requisite majorities of the Bondholders. All relevant steps are in hand to achieve the restructuring proposal.

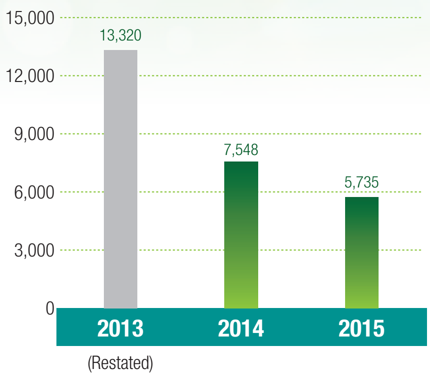
2. Rights issue: In order to raise sufficient funding to pay the cash consideration under the debt restructuring scheme, the Company has implemented the abovementioned rights issue plan. After many rounds of negotiations with the prospective investors, Famous Speech Limited, a company indirectly controlled by Mr. Wang Xingchun (the controlling shareholder of the Company), and minority-owned by Minmetals Holdings Group became the irrevocable underwriter of the proposed rights issue. Minmetals has also launched business cooperation with the Company to seek a strategic win-win situation. All relevant work for the rights issue is progressing in parallel with that of the debt restructuring scheme, both of which are interconditional upon each other.

The Company hopes to be able to focus on its operations with less cashflow pressure after the anticipated completion of the debt restructuring. We wish to express our gratitude for the support and understanding from our bondholders, shareholders and employees during the past year. We sincerely hope that all bondholders and shareholders will continue to support our plans. It is only with your support that our Company can turn around in this difficult market.

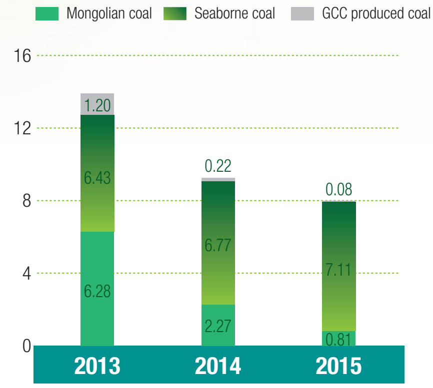
Cao Xinyi
Chief Executive Officer
Winsway Enterprises Holdings Limited

Financial Highlights

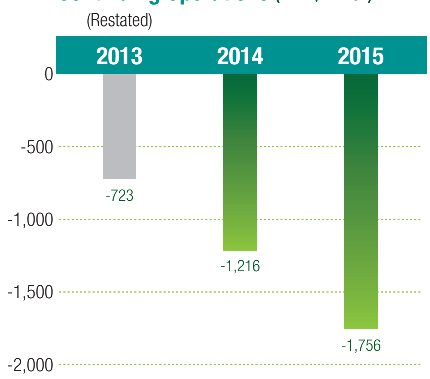
Revenue (in HK$ million)



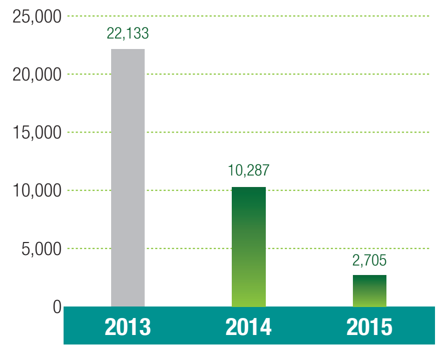
Sales Volume (million tonnes)



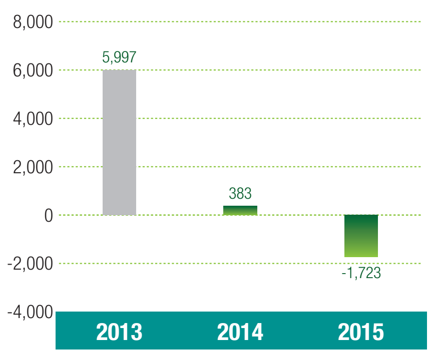
Net Loss from Continuing Operations (in HK$ million)



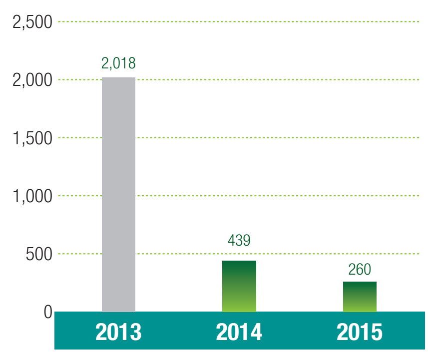
Total Assets (in HK$ million)



Total Equity (in HK$ million)



Cash Balance (in HK$ million)



Management Discussions 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 2015, global coal oversupply continued and coal demand in China slumped. Prices of Australian coal continued to show a clear downward trend. The Asia-Pacific HCC CFR China price closed at US$88.37/tonne at the end of 2015, compared to US$112/tonne at the beginning of 2015. Mongolian coal has nearly lost its advantages in the Chinese market as a result of the combination of falling selling prices of seaborne coal and cheaper shipping costs per tonne.

In 2015, the Group recorded consolidated revenue from continuing operations of HK$5,735 million mainly from 8 million tonnes of sales of coal products, of which 7.11 million tonnes were seaborne coal, 0.81 million tonnes were Mongolian coal and 0.08 million tonnes were GCC-produced coal. This compares with consolidated revenue in 2014 from continuing operations of HK$7,548 million mainly from 9.26 million tonnes of sales of coal products, of which, 6.77 million tonnes were seaborne coal, 2.27 million tonnes of Mongolian coal, 0.22 million tonnes were GCC-produced coal in 2014. The decrease in revenue is mainly due to the lack of demand and falling coal prices.

In 2015, the Group achieved a gross profit from continuing operations of HK$159 million compared to a gross profit of HK$102 million in 2014. However, the gross profit still could not cover the finance expenses and administrative expenses during the period. The EBITDA of the Group in 2015 was negative HK$1,400 million.

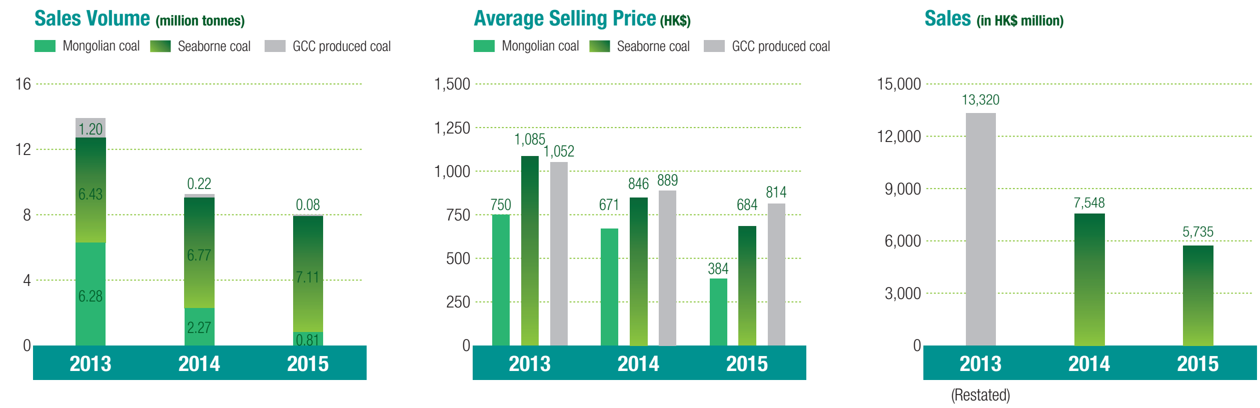
The Group incurred a consolidated net loss from continuing operations of HK$1,756 million in 2015 compared to a net loss of HK$1,216 million in 2014. The loss consists of an impairment of non current assets of HK$1,143 million and net finance costs of HK$295 million. Comparatively, from an operating perspective, the financial results of 2015 are better than those of 2014.

II. FINANCIAL REVIEW

1. Sales

(1) Overview

In 2015, our sales revenue from continuing operations was HK$5,735 million, a 24.02% decrease compared to HK$7,548 million from the year of 2014. The decrease was mainly due to a sharp decrease of sales volume of Mongolian coal and the continuous falling selling price of Mongolian coal and seaborne coal in 2015.



(2) Sales Volume and Average Selling Price

In terms of volume, we sold approximately 8.00 million tonnes of coal and coal-related products in 2015, compared to 9.26 million tonnes in 2014. Mongolian coal sales volume further decreased from 2.27 million tonnes in 2014 to 0.81 million tonnes in 2015, with a decrease of 63.88%. Mongolian coking coal has lost its competitive advantage in price due to high transportation expenses combined with lower coking coal selling price in the market. Therefore, the Company purposely adjusted its procurement and selling strategy to focus more on seaborne coal trading. Seaborne coal sales volume increased from 6.77 million tonnes in 2014 to 7.11 million tonnes in 2015, with an increase of 5.02%.

	FY2015		FY2014		FY2013	
	Total sales volume (tonnes)	**Average selling price (HK$ per tonne)**	Total sales volume (tonnes)	Average selling price (HK$ per tonne)	Total sales volume (tonnes)	Average selling price (HK$ per tonne)
Mongolian coal	**816,267**	**384**	2,270,503	671	6,275,173	750
Seaborne coal	**7,106,348**	**684**	6,770,572	846	6,428,698	1,085
GCC-produced coal	**76,752**	**814**	214,704	889	1,207,357	1,052
Total	**7,999,367**	**654**	9,255,779	804	13,911,228	931

(3) *Sales from Continuing Operations*

	FY2015 HK$'000	FY2014 HK$'000
Coking coal	**5,132,256**	7,035,543
Thermal coal	**84,746**	365,922
Coke	**93,543**	10,219
Coal related products	**17,519**	37,457
Rendering of logistics services	**94,000**	91,132
Petrochemical products	**307,562**	–
Others	**5,693**	7,465
	5,735,319	7,547,738

In the beginning of 2015, the Company assembled a new team specialising in petrochemical products trading. The team started its normal operation in the second half of 2015. As of 31 December 2015, total 180,806 tonnes of petrochemical products were sold with total revenues of HK$308 million.

(4) *Top 5 Customers*

Our top 5 customers accounted for 58.57% of our total sales in 2015, whereas the same ratio was 32.70% in 2014. The Group top 5 customers in terms of sales amount are as follow:

Name	**Location**	**Amount** (in HK$ million)
LiuSteel Group	Guangxi, China	1,734
Jiujiang Group	Hebei, China	562
Xin Da An	Singapore	438
POSCO	South Korea	347
AnSteel Group	Liaoning, China	278
Total		3,359

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 2015 amounted to HK$5,577 million, which was mainly generated from Mongolian coal procurement of HK$309 million and seaborne coal procurement of HK$4,763 million. Procurement volume of Mongolian coal in 2015 was maintained at a low level after its depressing performance in 2014. Procurement volume of seaborne coal increased 9.26% from 6.48 million tonnes in 2014 to 7.08 million tonnes in 2015. The procurement strategy in enhancing seaborne coal procurement was due to the comparatively stronger margin generation capability in seaborne coal for cheaper sea freight costs than much higher transportation expenses comprised in Mongolian coal COGS.

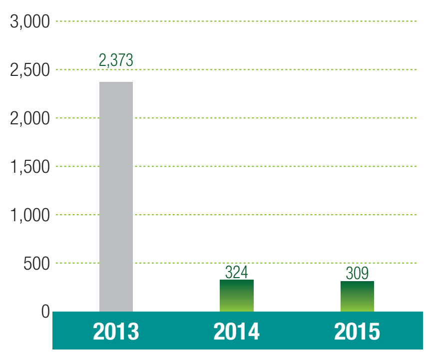
In 2015 the average purchase price of Mongolian coal further decreased by 3.35%, from HK$328 per tonne in 2014 to HK$317 per tonne in 2015, and the average purchase price of seaborne coal also further decreased by 20.17%, from HK$843 in 2014 to HK$673 per tonne in 2015.

	Year ended 31 December					
	2015		2014		2013	
	Total purchase volume (tonnes)	**Average purchase price (HK$ per tonne)**	Total purchase volume (tonnes)	Average purchase price (HK$ per tonne)	Total purchase volume (tonnes)	Average purchase price (HK$ per tonne)
Mongolian coal	**971,873**	**317**	988,969	328	5,118,287	464
Seaborne coal	**7,075,756**	**673**	6,478,026	843	6,674,078	1,058
Total	**8,047,629**	**630**	7,466,995	775	11,792,365	800

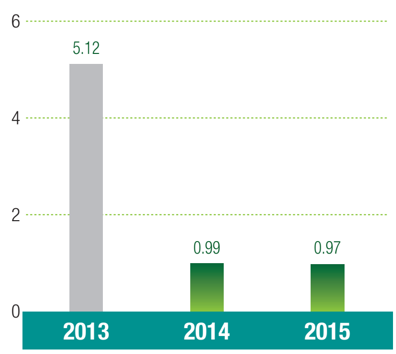
(1) Mongolian Coal Procurement

In 2015, the Group procured a total of 0.97 million tonnes of Mongolian coal, representing a 2.02% decrease from the volume procured in 2014 of 0.99 million tonnes. As mentioned above, Mongolian coal has lost its price advantage in the recent years. The falling selling price of coking coal in the market can not support the high transportation expenses of Mongolian coal.

Mongolian Coal Procurement Amount (in HK$ million)



Mongolian Coal Procurement Volume (million tonnes)



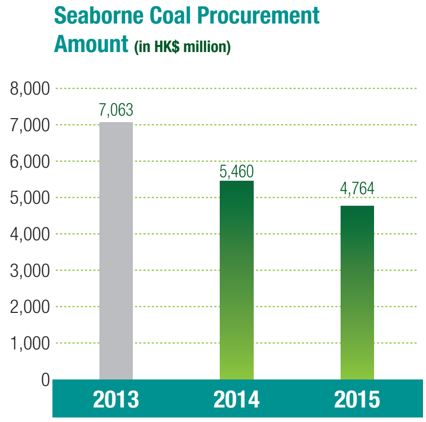
Our top five Mongolian coal suppliers in 2015 are as follows. The aggregate amount of the Mongolian coal procured from the top five suppliers is HK$173 million representing 55.99% of our total procurement of Mongolian coal in 2015.

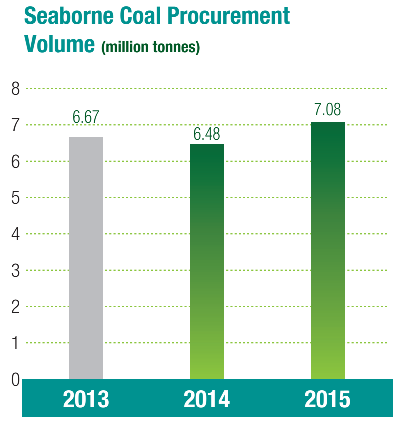
Top five Mongolian coal suppliers

Suppliers' Name	**Amounts** (in HK$ million)
Edernes Tavan Tolgoi JSC	90
Energy Resources LLC	35
Minig National Operator LLC	18
Usukh Zoos Co., Ltd	15
MERA LLC	15
Total	173

(2) Seaborne Coal Procurement

In 2015, our seaborne coal procurement was approximately 7.08 million tonnes, an increase of 9.26% over 6.48 million tonnes procured in 2014.The Company has made great efforts in maintaining its seaborne coal market share, especially after the depressed market demand for Mongolian coal.





The top five seaborne coal suppliers in 2015 were as follows. The aggregate amount of the seaborne coal procured from the top five suppliers was HK$3,172 million, representing 66.58% of our total procurement of seaborne coal in 2015.

Top five seaborne coal suppliers

Company name	**Amount** (in HK$ million)
BHP Billiton	1,082
Rio Tinto Group	982
Anglo American	463
Yancoal	325
Vale	320
Total	3,172

3. Gross Profit from continuing operations

The Group recorded a gross profit of HK$159 million in 2015, compared to a gross profit of HK$102 million recorded in 2014. The gross profit was mainly contributed by the trading business of seaborne coal and petrochemical products.

4. Administrative Expenses from continuing operations

Administrative expenses were HK$450 million in 2015, an increase of 3.45% over HK$435 million of administrative expenses incurred in 2014. The increase was mainly due to the bad debt provision made on other receivables of HK$150 million. Otherwise, staff-related expenses further decreased by 30.43% to HK$112 million in 2015, compared with HK$161 million in 2014.

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Staff-related expenses	**111,736**	160,900
Bad debt provision on accounts receivable	**2,344**	56,526
Bad debt provision on other receivables	**150,158**	11,210
Others	**185,698**	205,875
Total	**449,936**	434,511

5. Net Finance Costs from continuing operations

In 2015, the Group recorded net finance costs of HK$295 million in total, compared to net finance costs of HK$293 million in 2014. Net finance costs of the Group were kept at comparative same level in 2014 and 2015

	2015 HK$'000	2014 HK$'000
Interest income	**(46,750)**	(78,427)
Fair value change of derivative financial instruments	**(22,785)**	(30,547)
Finance income	**(69,535)**	(108,974)
Interest on secured bank loans wholly repayable within five years	**49,913**	72,127
Interest on discounted bills	**7,231**	44,176
Interest on Senior Notes	**230,196**	230,306
Total interest expense	**287,340**	346,609
Bank charges	**4,030**	35,029
Foreign exchange loss, net	**73,664**	20,139
Finance costs	**365,034**	401,777
Net finance costs	**295,499**	292,803

6. Net Loss and Loss per share

Our net loss totalled HK$1,935 million in 2015, a 67.19% decrease from the net loss incurred in 2014 of HK$5,897 million. The breakdown of the net loss for the year ended 31 December 2014 and 2015 is as follows:

	Year ended 31 December 2015 HK$'million	Year ended 31 December 2014 HK$'million
Net loss from continuing operations	**1,756**	1,216
Net loss from discontinued operation	**179**	4,681
Total net loss	**1,935**	5,897

As indicated from the breakdown, the net loss from continuing operations in 2015 was HK$ 1,756 million, which was a 44.41% increase compared to HK$1,216 million in 2014. The increase in the net loss from continuing operations resulted mainly from a significant impairment of non-current assets that was booked in 2015 in the amount of HK$1,143 million compared to the impairment in 2014 of HK$430 million.

Net loss per share (diluted) was HK$0.457 in 2015, compared to a HK$0.980 loss per share (diluted) incurred in 2014. A breakdown of the net loss per share for the year ended 31 December 2014 and 2015 is as follows:

	Year ended 31 December 2015 HK$	Year ended 31 December 2014 HK$
Net loss per share from continuing operations	**(0.429)**	(0.319)
Net loss per share from discontinued operation	**(0.028)**	(0.661)
Total net loss per share	**(0.457)**	(0.980)

7. Impairments

In 2015, the Group recognized impairment losses of HK$1,143 million in total to continuing operations. A breakdown of the impairment losses follows.

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Impairment losses		
— Property, plant and equipment	**596,107**	232,891
— Construction in progress	**153,995**	189,444
— Other investments in equity securities	**250,656**	–
— Prepayment related to property, plant and equipment	**22,307**	7,408
— Loan to a third party	**120,189**	–
Total	**1,143,254**	429,743

a. *Property, plant and machinery*

An impairment loss of HK$596 million for buildings, plant and machinery and railway special assets in respect of the Group's coal processing factories and logistic facilities in the PRC has been charged to the consolidated statement of profit or loss for the current year due to the unfavourable future prospects 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 12.36%.

b. *Construction in progress*

An impairment loss of HK$154 million for construction in progress in respect of certain logistics and coal processing projects under construction in the PRC has been charged to the consolidated statement of profit or loss for the current year since the directors determined to abandon these projects given unfavourable future prospects of the coking coal business in 2015.

c. *Prepayment related to property, plant and equipment*

The Group has provided full impairment for all advance payments for equipment purchases and construction in progress in relation to the coal processing plants and logistic park facilities which have ceased construction during the current period. During the year ended 31 December 2015, approximately HK$22 million was written off against advance payments for equipment purchase and construction in progress.

d. *Other investments in equity securities*

The Management engaged an independent appraiser to perform an evaluation of the Group's investments in Xi Gan Railway and Shenhua Gan Quan Railway and based on the results of the evaluation, an impairment of HK$251 million to fully write down the carrying amount of the Group's investments in Xi Gan Railway and Shenhua Gan Quan Railway was recognised. An impairment loss of HK$250,656,000 to fully write down the carrying amount of the Group's investments in equity securities of certain of these companies has been charged to the consolidated statement of profit or loss for the current year due to the unsatisfactory operating performance of these companies. The impairment has been provided based on (i) a fair value valuation on the respective investments in the equity securities performed by an independent appraiser and (ii) the fact that of the investments are non-strategic, minority investments for which there were unlikely to be readily available buyers.

e. *Loan to a third party*

Since 2014, the Company has reduced its Mongolian coal imports on account of its reduced price competitiveness largely due to high transportation costs. The Management was informed by Moveday about their financial difficulties from the adverse operating environment. On 22 January 2016, the Group and Moveday mutually agreed that the outstanding loan principal of US$4,888,000 (equivalent to approximately HK$37,886,000) and interest of US$359,000 (equivalent to approximately HK$2,787,000) which was due on 31 December 2015 would be offset against the Group's payables in connection with coking coal transportation services provided by Moveday. The remaining principal amount of HK$120,189,000 is due on 31 December 2016. With the current transportation volume of coking coal between Mongolia and China and no material increase in such volume expected in the foreseeable future, it is not expected that Moveday will be able to generate enough cash flow to repay the remaining of the loan by maturity. The Management is still negotiating with Moveday about the outstanding loan and exploring a restructuring of such loan with a view to maximising recovery with the aim of reversing the impairment. However, in the absence of such a restructuring or realistic revised repayment schedule to date, the Management has recommended a full write down of the outstanding principal amount of the loan.

8. GCC Operations

Grande Cache Coal Corporation ("GCC") is engaged in the production and sale of premium hard coking coal. It was acquired by the Company and Marubeni on a 60% and 40% basis, respectively, in March 2012. Owing to the depressed coal market, continuous operating losses of GCC, and limited financial ability of the Group to maintain its financial support to GCC, the board of directors of the Company resolved to divest itself of GCC, and since 27 June 2014, GCC had been classified as a disposal group held for sale.

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. 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.

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, pursuant to which the Purchaser conditionally agreed to acquire and the Group 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 GCC LP) and GCC LP for cash consideration of US$1 (the "Disposal").

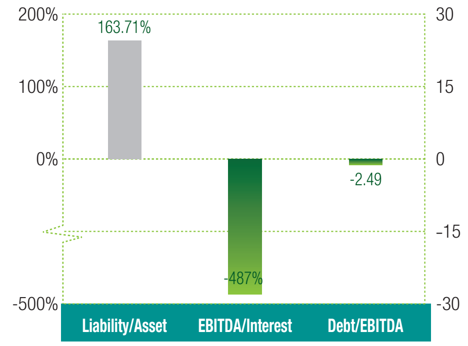
On 2 September 2015, all the conditions precedent to the completion of the Disposal were either satisfied or waived pursuant to the aforementioned sale and purchase agreement. Following the completion of the Disposal, the Company remains interested in 14.69% in GCC and 14.685% in GCC LP and they have ceased to be subsidiaries of the Company.

In 2015, the total production volume of GCC ROM (run-of-mine) coal was 0.53 million tonnes, which sharply decreased from 2.22 million tonnes for the same period last year. The sharp decrease was due to the limitation of tight cash flow position of GCC and poor market performance.

9. Indebtedness and Liquidity

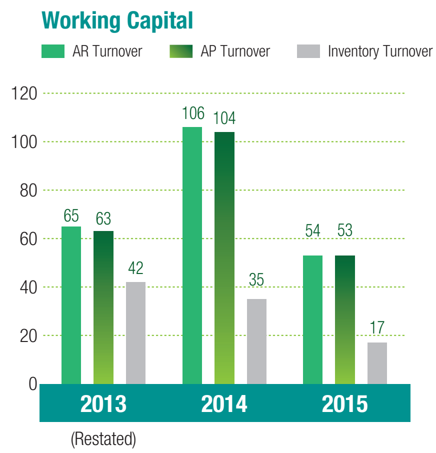
The total amount of bank loans owed by the Group (excluding GCC) at the end of 2015 was HK$1,101 million, which is at a similar level compared to the 2014 balance. However, because of the softening coal market and disappointing results of the Group, the credit lines have shrunk significantly. Interest rates on these loans range from 1.63% to 5.35% per annum, whereas the range in 2014 was from 1.53% to 7.20%. The Group's gearing ratio at the end of 2015 was 163.71%, compared to 96.28% at the end of 2014. The Group calculates gearing ratio on the basis of total liabilities divided by total assets.

Indebtedness and Liquidity



10. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 54 days, 53 days, and 17 days respectively in 2015. As a result, the overall cash conversion cycle was approximately 18 days in 2015, which was 19 days shorter than the Group's cash conversion cycle realised in 2014.



11. 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 or upon completion of the proposed debt restructuring relating to the Senior Notes.

12. Pledge of Assets

At 31 December 2015, bank loans amounting to HK$205,932,000 (2014: HK$523,935,000) were secured by bank deposits placed in banks with an aggregate carrying value of HK$201,280,000 (2014: HK$521,473,000).

At 31 December 2015, bank loans amounting to HK$138,980,000 (2014: HK$584,418,000) were secured by trade and bills receivables with an aggregate carrying value of HK$122,941,000 (2014: HK$584,418,000).

At 31 December 2015, bank loans amounting to HK$673,891,000 (2014: HK$67,183,000) were secured by land use rights and property, plant and equipment with an aggregate carrying value of HK$553,567,000 (2014: HK$108,365,000).

At 31 December 2015, bank loans amounting to HK$81,847,000 (31 December 2014: HK$nil) were secured by bills receivables, land use rights and property, plant and equipment with an aggregate carrying value of HK$114,834,000 (2014: HK$nil).

13. Senior Notes

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US$500,000,000 ("Senior Notes") and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears, and were due in April 2016.

The Senior Notes are guaranteed by the Group's existing subsidiaries other than those established/incorporated under the laws of the PRC, Winsway Coking Coal Holdings S.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 Guarantors"). 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 an aggregate principal amount of US$153,190,000 for 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 the Senior Notes in the Group's consolidated statement of profit or loss. The outstanding Senior Notes with principal amount of US$309,310,000 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 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.

During the year ended 31 December 2015, the Group did not make the scheduled interest payments on 8 April and 8 October. The Group has defaulted on outstanding Senior Notes amounting to HK$2,388,573,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the interest payment under the terms of the indenture, as amended and supplemented. On 25 November 2015, the Company, certain of its subsidiaries and certain of the Bondholders entered into a Restructuring Support Agreement, pursuant to which such Bondholders agreed to support the Debt Restructuring. For further information on the Restructuring Support Agreement, please refer to the Company's announcement dated 26 November 2015, and further information on the progress of the debt restructuring scheme, please refer to the Company's announcements dated 13 March 2016 and 3 May 2016, among others.

III. 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 2014 and 2015, 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 2015, 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 exposure to these credit risks is monitored on an ongoing basis. Further quantitative disclosure in respect the Group's exposure to credit risk arising from trade and other receivables are set out in note 25 of the financial statements.

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 to the financial statements explains management's plans to manage 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 rates ranged from 1.63% to 5.35% in the year of 2015. At 31 December 2015, 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 HK$2,064,000. 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 could 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.

IV. FINAL DIVIDENDS

No dividend was declared for the year ended 31 December 2015.

V. HUMAN RESOURCES

1. Human Resources (excluding GCC)

(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 2015, there were 193 full-time employees in the Group (excluding 183 dispatch staffs from domestic subsidiaries in continuing operations). By a scheme of redundancy, there was an approximately 41.34% headcount cut in 2015 in relation to the continuing operations. A detailed breakdown of employee categories is as follows:

	FY2015		FY2014	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**107**	**55%**	195	59%
Front-line Production & Production Support & Maintenance	**26**	**13%**	72	22%
Sales & Marketing	**30**	**16%**	38	12%
Internet Business	**13**	**7%**		
Others (incl. Projects, CP, Transportation)	**17**	**9%**	24	7%
TOTAL	**193**	**100%**	329	100%

(2) *Employee Education Overview*

	FY2015		FY2014	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**14**	**7%**	24	7%
Bachelor	**85**	**44%**	123	37%
Diploma	**54**	**28%**	98	30%
High-School, Technical School & below	**40**	**21%**	84	26%
Total	**193**	**100%**	329	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 2015, the Company has held various training programs totaling 906 hours, and over 162 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, etcetera to employees and management staff and different levels.

Training Overview

	FY2015		FY2014	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**478**	**125**	1,653	217
Management & Leadership	**204**	**28**	922	55
Operation Excellence	**224**	**9**	509	34
Total	**906**	**162**	3,084	306

2. Human Resources (GCC)

(1) Employee Overview

GCC 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.

At of 2 September 2015, GCC had 276 employees. A detailed breakdown of employee categories is as follows:

Functions	2 September 2015 Number of Employees	2 September 2015 Percentage Employees	31 December 2014 Number of Employees	31 December 2014 Percentage Employees
Head Office (Calgary)	13	5%	21	5%
Mine Site Management	62	22%	97	21%
Underground Mining Operations (union)	70	25%	64	14%
Contract Underground Mining Operations	1	1%	2	1%
Surface Mining Operations (union)	0	0%	98	21%
Maintenance (union)	47	17%	74	16%
Coal Processing Plant Operations, Maintenance & Site Services (union)	41	15%	67	14%
Coal Haul Operations & Maintenance (union)	42	15%	38	8%
Total	276	100%	461	100%

VI. HEALTH, SAFETY AND ENVIRONMENT

1. Health, Safety and Environment (excluding GCC)

We place great importance on the health and safety of employees, and recognize the importance of protecting the environment. Injury frequency per million working hours (lost time injury rate LTIFR) is a key measure of how we deliver on commitments. The 2015 lost time injury rate was zero. No major environmental accidents and occupational health accidents was occurred in 2015.

2. Health, Safety and Environment 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 Safety Statistics 2014–2015

	2015	2014
Incident Listing		
Near Misses	**3,207**	3,699
First Aid	**44**	111
GCC Medical Aid	**18**	35
Restricted Work Cases	**29**	26
LTI	**3**	7
TRI	**47**	68
WHS Notifiable	**6**	11
WHS Reportable	**1**	2
AER Reportable	**6**	19
Property Damage	**75**	144
Stats		
LTI Frequency	**1.16**	1.67
LTI Severity	**3.85**	16.96
TRI Frequency	**18.50**	16.72
Lost Time		
Days Lost	**10**	71
Modified Work		
Hours	**8,203**	2,460
Days	**684**	203
Total Employees		
GCC Employees	**246**	440
Man Hours Worked	**512,653**	837,248

EXECUTIVE DIRECTORS

Cao Xinyi (曹欣怡), aged 33, is an executive Director, the chief executive officer and the company secretary of the Company. Ms. Cao joined the Company in 2009. She has long-term experience in the business and operations of the Company, and she has been closely involved with the financial affairs of the Company and has a great deal of experience in respect of investors' relations since joining the Company. Before joining the Company in 2009, Ms. Cao worked at PricewaterhouseCoopers from 2005 to 2009. Ms. Cao is also a director of 19 subsidiaries of the Company, namely (1) Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司), (2) Beijing Winsway Investment Management Co., Ltd. (北京永暉投資管理有限公司), (3) Beijing Shacong E-commerce Co., Ltd. (北京沙聰電子商務有限公司), (4) Cheer Top Enterprises Limited, (5) Color Future International Limited, (6) Royce Petrochemicals Limited, (7) King Resources Holdings Limited, (8) Reach Goal Management Ltd, (9) Lucky Colour Limited, (10) Eternal International Logistics Limited, (11) Million Super Star Limited, (12) Winsway International Development (HK) Ltd, (13) Winsway Coking Coal Logistics Co., Limited, (14) Lush Power Management Limited, (15) Wisdom Elite Inc. Limited, (16) Standard Rich Inc Limited, (17) Rise Deal Enterprises Limited, (18) Great Trend Enterprises Limited and (19) Emporio Ray Investments Limited. 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.

Zhu Hongchan (朱紅嬋), aged 41, 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 the director of certain subsidiaries of the Company, namely Winsway Resources (HK) Holdings Limited, Legend York Star Limited, and E-Steel Holdings Pte. Ltd.. 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.

Wang Yaxu (王雅旭), aged 44, is an executive Director and a Vice President for fixed asset management and internal administration of the Group. Mr. Wang Yaxu joined the Group in 1995, where he was mainly responsible for financial management. He then became an employee of the Company in 2007 upon the Company's establishment and is responsible for the accounting and the financial management of the Group. He is also a director of the Company's subsidiary, Ejina Qi Ruyi Winsway Energy Co., Ltd. (額濟納旗如意永暉能源有限公司), Chairman of the Supervisor Committee of Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司), and a supervisor of Yingkou Haotong Mining Co., Ltd. (營口浩通礦業有限公司), Urad Zhongqi Yiteng Mining Co., Ltd. (烏拉特中旗毅騰礦業有限責任公司), Urad Zhongqi Tengshengda Energy Co., Ltd. (烏拉特中旗騰盛達能源有限責任公司), Bayannur Hutie Ruyi Logistics Co., Ltd. (巴彥淖爾市呼鐵如意物流有限公司), Ejina Qi Haotong Energy Co., Ltd. (額濟納旗浩通能源有限公司), Manzhouli Haotong Energy Co., Ltd. (滿洲里浩通能源有限公司), Baotou-city Haotong Energy Co., Ltd. (包頭市浩通能源有限責任公司), Ulanqab Haotong Energy Co., Ltd. (烏蘭察布市浩通能源有限責任公司), Erlian Winsway Mining Co., Ltd. (二連永暉礦業有限公司), Erlian Junrong Winsway Mining Co., Ltd. (二連均榮礦業有限公司), Erlianhaote Haotong Energy Co., Ltd. (二連浩特浩通能源有限公司), Nantong Million Super Star Coking Coal Co., Ltd. (南通萬之星焦煤有限公司), Nantong Haotong Energy Co., Ltd. (南通浩通能源有限公司), Beijing Shacong E-Commerce Inc. Ltd. (北京沙聰電子商務有限公司) and Longkou Winsway Energy Co., Ltd. (龍口市永暉能源有限公司), Nantong Winsway Mining Investment Co., Ltd. (南通永暉礦業投資有限公司), Suzhou Wisdom Elite Energy Co., Ltd. (蘇州智暉智業能源有限公司) and Shanghai Richway Energy Co., Ltd. (上海富多達能源有限公司). 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 from Beijing Jiaotong University in 2011.

Feng Yi (馮奕), aged 45, is an executive Director and a Vice President of the Company. Mr. Feng joined the Company in July 2013 and was mainly responsible for the Company's capital and bank financing related works. He is also a director of the Company's subsidiary Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司). Prior to joining the Company, Mr. Feng worked for Bank of China, Qinhuangdao Branch as the general manager of corporate banking department from 2003 to 2013 and held other positions in departments of the Bank of China, Qinhuangdao Branch from 1991 to 2003. Mr. Feng graduated from Central University of Finance and Economics with a bachelor's degree in international finance in 1991.

NON-EXECUTIVE DIRECTOR

Lu Chuan (呂川), aged 46, 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, 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. Mr. Lu graduated from the Wuhan University of Technology with a bachelor's degree in Nautical Mechanical Engineering in 1991 and from Huazhong University of Science and Technology with a master's degree and a doctorate degree both in Management Science and Engineering Studies in 1997 and 2006, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

James Bedford Downing III (also known as James Downing), aged 62, joined our Group as an independent non-executive Director on 18 June 2010. Mr. Downing currently serves as an independent non-executive director on a number of boards. Among others, he is Non-Executive Chairman of Nuada Medical Group Ltd, a UK-based private sector medical services company and Native Land Ltd. a UK-based residential property 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. Mr. Downing obtained a Master of Business Administration degree from the Yale School of Management of Yale University in 1982 and a Bachelor of Science degree from Rensselaer Polytechnic Institute in 1976.

Ng Yuk Keung (吳育強), aged 51, 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
Executive Director	Kingsoft Corporation Limited	3888

Wang Wenfu (王文福), aged 49, 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 41, 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 Limited, a company listed on the main board of the Stock Exchange (Stock Code: 1029), until January 2016, and is currently its non-executive chairman. Mr Hambro is now the Chief Investment Officer and CEO of Mining, Energy and Industrials of SIMEC, a global commodities, resources and energy group. Mr. Hambro is a Fellow of the Institute of Materials, Minerals and Mining and holds a Bachelor of Arts in Business Management from Newcastle University.

SENIOR MANAGEMENT

Di Jingmin (邸京敏), aged 44, is a Vice President responsible for human resources management and information center of the Group. Ms. Di joined Winsway Group in 1995, where she was mainly responsible for investment management. She then became an employee of the Group in 2007 upon the establishment of the Company. She is also a director of the Company's 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.

Mr. Li Jianlou (李建樓), aged 54, is a Vice President of our Company who is responsible for the management of coal transportation, operation technologies, and production equipment procurement. Mr. Li joined Winsway Group in 1992 and became an employee of the Company in 2007 upon the establishment of the Company. Mr. Li is also a Board Director and Chairman of the joint venture companies established together by the Company and railway authorities. In 2012, Mr. Li obtained a Master of Business Administration Degree from Beijing Jiaotong University.

Li Yongqiang (李永強), aged 32, is currently the chief financial officer of the Company and the general manager of finance department of the Company. Mr. Li joined the Company in May 2010, where he was mainly responsible for the Group's finance management and coordination with external auditing on financial statement and tax issues. Prior to joining the Company, Mr. Li worked for KPMG as an audit assistant manager from August 2005 to May 2010. Mr. Li is a member of the Chinese Institution of Certified Public Accountant, Chinese Certified Tax Agents Association and he is a Certified Management Accountant of The Institute of Management Accountants.

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 2015.

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 2015 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 until the resignation of Mr. Wang Xingchun ("Mr. Wang") on 16 November 2015 and the deviation from the Code Provision E.1.2 which requires that the chairman of the Board should attend the annual general meeting of the Company. 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 was the Chairman of the Board and Chief Executive Officer of the Company until 16 November 2015. Ms. Cao Xinyi was appointed as an executive Director and CEO designate on 28 October 2015, and the Chief Executive Officer on 16 November 2015. The Board will elect a chairman at its future meetings on an ad-hoc basis following Mr. Wang's resignation until a new chairman of the Board is elected.

CODE PROVISION E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 June 2015 and the extraordinary general meeting of the Company held on 17 July 2015 for health reasons. Ms. Ma Li, an executive Director at the time, chaired the meeting on 18 June 2015, and Mr. Andreas Werner, an executive Director at the time, chaired the meeting on 17 July 2015, respectively on his behalf and were 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 2015.

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 nine Directors, comprising four executive Directors, one 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 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

Ms. Cao Xinyi (appointed on 28 October 2015)
Mr. Wang Xingchun (chairman) (resigned on 16 November 2015)
Mr. Andreas Werner (resigned on 28 October 2015)
Ms. Zhu Hongchan
Mr. Wang Yaxu (appointed on 28 October 2015)
Mr. Feng Yi (appointed on 16 November 2015)
Ms. Ma Li (resigned on 28 October 2015)
Mr. Wang Changqing (resigned on 28 October 2015)

Non-executive Directors

Mr. Daniel J. Miller (resigned on 18 June 2015)
Mr. Liu Qingchun (resigned on 31 August 2015)
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 2015, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, the number of which must represent at least one-third of its Board, with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 28 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 2015, 7 full board meetings, 2 general meetings were held. The following is the attendance record of the board meeting held by the Board during 2015:

Name of Director	Attendance/ Number of general meetings attended	Attendance/ Number of board meetings attended
Executive Directors		
Cao Xinyi (appointed on 28 October 2015)	0/2	1/7
Wang Xingchun (resigned on 16 November 2015)	0/2	1/7
Andreas Werner (resigned on 28 October 2015)	1/2	6/7
Zhu Hongchan	0/2	7/7
Ma Li (resigned on 28 October 2015)	1/2	6/7
Wang Chang Qing (resigned on 28 October 2015)	0/2	6/7
Wang Yaxu (appointed on 28 October 2015)	0/2	1/7
Feng Yi (appointed on 16 November 2015)	0/2	0/7
Non-executive Directors		
Daniel J. Miller (resigned on 18 June 2015)	0/2	3/7
Liu Qingchun (resigned on 31 August 2015)	0/2	4/7
Lu Chuan	0/2	5/7
Independent non-executive Directors		
James Downing	0/2	7/7
Ng Yuk Keung	0/2	6/7
Wang Wenfu	0/2	7/7
George Jay Hambro	0/2	7/7

Sufficient notice convening the board meetings 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 meetings 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.

Mr. Lu Chuan signed a letter of appointment with the Company to renew his term as non-executive Directors for three years commencing on 7 September 2013. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for term not exceeding 3 years until 31 May 2016 and commencing from the commencement date set out in their respective letter of appointment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors of the Company, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

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.

Mr. Daniel J. Miller resigned as a non-executive director of the Company on 18 June 2015 as he wishes to devote more time to focus on other business commitments, and Mr. Liu Qingchu resigned as a non-executive director of the Company on 31 August 2015 due to his intention to focus on business commitments following his appointment as the General Manager of Minmetals Development Co., Ltd. No new non-executive directors were elected to replace them.

Besides of the resignation of the two non-executive directors, details of the resignation and appointment of executive directors are as below.

On 28 October 2015, Mr. Andreas Werner, Ms. Ma Li and Mr. Wang Changqing resigned as executive directors of the Company. Mr. Andreas Werner also resigned as the CEO designate of the Company on the same date. The resignation of Mr. Andreas Werner and Ms. Ma Li was due to their wishes to pursue business activities outside the Company. Mr. Wang Changqing's resignation was made pursuant to the terms of agreements relating to the disposal of the Company's controlling stake in Grande Cache Coal Corporation and Grande Cache Coal LP.

Ms. Cao Xinyi and Mr. Wang Yaxu were appointed as executive directors of the Company for a term of three years with effective from 28 October 2015. Ms. Cao Xinyi was also vacated the office of CFO of the Company and appointed as the CEO designate of the Company on 28 October 2015, and appointed as the chief executive officer of the Company with effect from 16 November 2015.

On 16 November 2015, Mr. Wang Xingchun resigned from the Company as an executive director, chairman of the Board and the chief executive officer of the Company. Mr. Wang was absent from the Board for a prolonged period in 2015 and therefore formally informed the Board of his resignation from the Board and his relinquishment of the roles of CEO and chairman of the Board with effect from 16 November 2015 in order to take care of his personal affairs. Pursuant to the articles of association of the Company, the Board will elect a chairman at its future meetings on an ad hoc basis following the resignation of Mr. Wang until a new chairman of the Board is elected.

On 16 November 2015, Mr. Feng Yi was appointed as an executive director of the Company with a term from 16 November 2015 and ending on 31 December 2016.

Ms. Cao Xinyi, Mr. Wang Yaxu and Mr. Fengyi will hold office until the next following annual general meeting of the Company after their appointment and they will be subject to re-election at that meeting.

For further details, please refer to the announcements of the Company dated 18 June 2015, 31 August 2015, 28 October 2015 and 16 November 2015.

AUDIT COMMITTEE

The Company 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 and revised the written terms of reference on 5 January 2016. 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 of the Company and its subsidiaries (the "Group"), overseeing the audit process and acting as the key representative body for overseeing the Group's relations with the external auditor and performing other duties and responsibilities as assigned by the Board from time to time. 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 2015, the audit committee held 2 meetings, at which members of audit committee reviewed and discussed with the external auditors and the management the Group's annual financial results and reports in respect of the year ended 31 December 2014, and are of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

The attendance records of the audit committee for the year ended 31 December 2015 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 2015, 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	6,342
Non-audit services — tax services	20
	6,362

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.

REPORT ON MATERIAL UNCERTAINTIES RELATING TO THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN

As explained in note 2 of the financial statements, the Group sustained a further loss from continuing operations before taxation and impairment losses for non-current assets, of HK$609,012,000 and incurred a net cash outflow from operating activities of HK$524,899,000 from continuing operations for the year ended 31 December 2015. As at 31 December 2015, the Group had net current liabilities of HK$2,425,764,000 and net liabilities of HK$1,723,168,000. In addition, the Group did not make the scheduled interest payment of US$13.15 million in relation to the Senior Notes which fell due on 8 April 2015 and 8 October 2015, respectively, and consequently the Group's outstanding Senior Notes amounting to HK$2,388,573,000 as at 31 December 2015 were in default as at 31 December 2015 and continue to be in default.

The Directors have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in note 2 of the financial statements. The financial statements has 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 proposed debt restructuring of the outstanding Senior Notes with cash raised from a possible rights issue, with equity or other form of consideration offered at a discount to the principal amount of the Senior Notes, the achievability of which depends on a number of factors, including the restructuring of the outstanding Senior Notes being sanctioned and all conditions precedent to the debt restructuring schemes and the rights issue having been satisfied; (ii) 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 debt restructuring and the future trading results of the Group and (iii) 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) of 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.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 December 2015, 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	
Cao Xinyi (appointed on 28 October 2015)	1,2,3
Wang Xingchun (resigned on 16 November 2015)	1,2,3
Andreas Werner (resigned on 28 October 2015)	1,2,3
Zhu Hongchan	1,2,3
Wang Yaxu (appointed on 28 October 2015)	1,2,3
Feng Yi (appointed on 16 November 2015)	1,2,3
Ma Li (resigned on 28 October 2015)	1,2,3
Wang Chang Qing (resigned on 28 October 2015)	1,2,3
Non-executive Directors	
Daniel J. Miller (resigned on 18 June 2015)	1,2,3
Liu Qingchun (resigned on 31 August 2015)	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 52 to 54 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 2 meetings during the year ended 31 December 2015, 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 2015 are set out below:

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

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 Jay 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 meetings during the year ended 31 December 2015, 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 nomination and corporate governance committee for the year ended 31 December 2015 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. James Downing	2/2
Mr. Ng Yuk Keung	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 two non-executive Directors, George Jay Hambro (Chairman) and Wang Wenfu and one executive Director Cao Xinyi. 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 2015, 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 2015 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Daniel J. Miller (resigned on 18 June 2015)	1/2
Mr. Wang Changqing (resigned on 28 October 2015)	1/2
Ms. Ma Li (resigned on 28 October 2015)	1/2
Mr. George Jay Hambro	2/2
Mr. Wang Wenfu	2/2
Ms. Cao Xinyi	1/2

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 2015, 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 2015, 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 also the chief executive officer of the Company and an executive Director, 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 2015.

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 a 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 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.

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 2015 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 and 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 engaged in the production of coking coal until 2 September 2015, when the Company decreased its shareholdership in GCC to 14.69%. GCC is no longer a subsidiary of the Company. Details of the Company's principal subsidiaries as at 31 December 2015 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 2015 are set out in the consolidated statement of profit or loss on page 55 in this annual report.

An analysis of the Group's performance for the year is set out in pages 4 to 22 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 page 59 of this annual report.

As at 31 December 2015, there is no reserves available for distribution to Shareholders (31 December 2014: nil).

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

No dividend was declared for the year ended 31 December 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 152 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 2015 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 2015 are set out in note 35 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 29 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 2015, sales to the Group's five largest customers accounted for 58.57% of the total revenue of the Group, and sales to the largest customer included therein accounted for 30.24%.

For the year ended 31 December 2015, the Group procured Mongolian coal totaling HK$309 million and seaborne coal amounting to HK$4,764 million. The procurement from the top five Mongolian coal suppliers of the Group accounted for 55.99% of the total amount of procurement of Mongolian coal of the Group, in particular, the procurement from the largest Mongolian coal supplier accounted for 29.13%. The procurement from the top five seaborne coal suppliers of the Group accounted for 66.58% of the total amount of procurement of seaborne coal of the Group, of which the procurement from the largest seaborne coal supplier accounted for 22.71%.

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 became due in April 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 AlixPartners 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. In addition, the Group did not make the scheduled interest payment of US$13.15 million in relation to the Senior Notes which fell due on 8 April 2015 and 8 October 2015, respectively, and consequently the Group's outstanding Senior Notes amounting to HK$2,388,573,000 as at 31 December 2015 were in default as at 31 December 2015 and continue to be in default. Details of movements in relation to the Senior Notes for the year ended 31 December 2015 are set out in note 30 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	
Cao Xinyi (appointed on 28 October 2015)	Executive Director
Wang Xingchun (resigned on 16 November 2015)	Chairman and Executive Director
Andreas Werner (resigned on 28 October 2014)	Executive Director
Zhu Hongchan	Executive Director
Ma Li (resigned on 28 October 2015)	Executive Director
Wang Changqing (resigned on 28 October 2015)	Executive Director
Wang Yaxu (appointed on 28 October 2015)	Executive Director
Feng Yi (appointed on 16 November 2015)	Executive Director
Non-executive Director	
Daniel J. Miller (resigned on 18 June 2015)	Non-executive Director
Liu Qingchun (resigned on 31 August 2015)	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 23 to 28 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Ms. Cao Xinyi and Mr. Wang Yaxu have entered in to service contracts, separately, as the executive directors of the Company for a term of three years commencing from 28 October 2015. Mr. Feng Yi has entered into a service contract with the Company for a term from 16 November 2015 and ending on 31 December 2016. All these three directors are proposed for re-election at the forthcoming annual general meeting.

Excluding all these abovementioned, none of the Directors who are proposed for re-election at the forthcoming annual general meeting 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 2015, 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"); and

(B) Renewal of the agreement for purchase of products by the Group from Marubeni Group ("Marubeni Master Supply Agreement") and the agreement for sales of products by the Group to Marubeni Group ("Winsway Master Supply Agreement") (the "New Master Agreements").

Continuing Connected Transaction Exempted from Independent Shareholders' Approval

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

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 HongdaZhong Road, Beijing Development Area, Beijing, the PRC, plus 10 car parking spaces (the "Premises") from Beijing Winsway Investment, a company indirectly owned by Mr. Wang Xingchun, the ultimate controlling shareholder of the Company and the chairman of the board of directors and Chief Executive Officer until 16 November 2015, 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 lease agreement in respect of the lease of Premises for a term of 30 months from 1 July 2013 to 31 December 2015 (the "Tenancy Agreement"). The total rental payable (excluding utility charges and other outgoings) in respect of the lease of Premises from 1 July 2013 to 31 December 2015 is RMB15,361,414.80.

On 28 September 2015, Beijing Winsway entered into a termination agreement (the "Termination Agreement") pursuant to which the Tenancy Agreement was terminated early. Accordingly, Beijing Winsway paid compensation fee amounting to RMB920,684.86 to Beijing Winsway Investment as a default penalty.

For the period from 1 January 2015 to 31 December 2015, the total value of transactions Beijing Winsway made with Beijing Winsway Investment was RMB5,524,109.17 (equivalent to approximately HK$6,876,411.09), which includes lease expenses incurred by the Group under the Tenancy Agreement amounting to RMB 4,603,424.31 and the compensation fee incurred under the Termination Agreement amounting to RMB 920,684.86.

(B) — New Master Agreements

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.

On 2 September 2015, following the completion of the disposal of equity interest in GCC by the Group, GCC ceased to be subsidiaries of the Group and Marubeni Group ceased to be a connected party of the Group.

On 20 April 2015, the Company and Marubeni renewed the Marubeni Master Supply Agreement and Winsway Master Supply Agreement by a further period of one year commencing from 1 January 2015 and expiring on 31 December 2015. Under the terms of the New Master Agreements, the aggregate value of products to be supplied by Winsway Group to Marubeni Group and the aggregate value of the products to be supplied by the Marubeni Group to Winsway Group shall not exceed HK$400,000,000, respectively, during the term of the Agreement.

For the period from 1 January 2015 to 2 September 2015, the total amount of coal purchased by the Group under the New Master Agreements was US$7,912,633.42 (equivalent to approximately HK$61,341,108.06) and the amount of coal supplied by GCCC to Marubeni Group was US$11,581,883.40 (equivalent to approximately HK$89,786,234.68).

The independent non-executive Directors have reviewed each of the (i) Tenancy Agreement and the Termination Agreement and (ii) the New Master Agreements for the year ended 31 December 2015 (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 AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company ("**Shares**") and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 SFP) 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 for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), 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[9]
Wang Xingchun[(1)(2)(3)]	The Company	Personal interest and interest of controlled corporation	1,518,250,109	40.24%
	E-steel Holdings Pte. Ltd.[(8)]	Beneficial owner	1	10%
Zhu Hongchan[(4)]	The Company	Personal interest	13,000,000	0.35%
Wang Changqing[(5)]	The Company	Personal Interest	10,000,000	0.27%
Ma Li[(6)]	The Company	Personal Interest	13,000,000	0.35%
Liu Qingchun[(7)]	The Company	Personal interest and interest of spouse	179,000	0.00%
James Downing	The Company	Personal interest	329,000	0.01%
George Jay Hambro	The Company	Personal interest	573,000	0.02%

Notes:

(1) Mr. Wang indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals Limited and Winsway Resources Holdings Limited and is deemed to be interested in the 208,106,421 Shares and 1,310,143,688 Shares held by Winsway International Petroleum & Chemicals Limited and Winsway Resources Holdings Limited, respectively. On 15 July 2014, Mr. Wang pledged 208,106,421 Shares and 920,079,989 Shares respectively (together the "**July Pledged Shares**") through his indirectly wholly owned companies Winsway International Petroleum & Chemicals Limited and Winsway Resources Holdings Limited in favour of Shanxi Coal International Energy Group Xinyuan Trading Co., Ltd., an independent third party (the "**Pledgee**"), as security for the performance of certain contractual obligation of a company indirectly owned by Mr. Wang. The Pledged Shares represent approximately 29.90% of the issued shares of the Company. For further details, please refer to the announcement of the Company dated 15 July 2014. As at the latest practicable date prior to the printing of this annual report, the security right has not yet exercised.

(2) 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 September Pledged Shares represent approximately 10.34% of the issued shares of the Company as at the Latest Practicable Date. For further details, please refer to the announcement of the Company dated 30 September 2014.

(3) On 27 March 2015, Mr. Wang pledged 316,900,000 Shares through his indirectly wholly owned company Winsway Resources Holdings in favour of Zhuhai Chengzhi Tong Development Co., Ltd. (the "**March 2015 Pledge**"), an independent third party of the Company, as security for the performance of certain contractual obligation of Beijing Winsway Investment Co., Ltd., a company indirectly owned by Mr. Wang, under a bona fide commercial agreement. On 2 June 2015, the pledgee exercised its rights under the March 2015 Pledge and the underlying Shares were transferred. For further details, please refer to the Company's announcements dated 29 March 2015 and 3 June 2015. Mr. Wang resigned as an executive Director on 16 November 2015.

(4) Ms. Zhu Hong Chan's options to subscribe for 13,000,000 Shares were granted under the 2014 Share Option Scheme.

(5) Mr. Wang Changqing's options to subscribe for 10,000,000 Shares were granted under the 2014 Share Option Scheme. Mr. Wang Changqing resigned as an executive Director on 28 October 2015.

(6) Ms. Ma Li's options to subscribe for 13,000,000 Shares were granted under the 2014 Share Option Scheme. Ms. Ma Li resigned as an executive Director on 28 October 2015.

(7) Mr. Liu Qingchun resigned as a non-executive Director on 31 August 2015.

(8) The company name of Winsway Monqolian Transportation Pte. Ltd. was changed to E-steel Holdings Pte. Ltd. effective from 14 January, 2016. Further, Mr. Wang transferred his 10% equity interests in E-steel Holdings Pte. Ltd. to the Company for cash consideration of SGD1.00 on 14 January 2016.

(9) 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 prior to the printing of this annual report.

Save as disclosed above, as at 31 December 2015, 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 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.

SHARE-BASED INCENTIVE PLANS

Pre-IPO Option Scheme

The Company adopted the Pre-IPO Option Scheme before its listing on the Hong Kong Stock Exchange, on 30 June 2010, to recognise the contribution of certain of the Directors and employees of the Company and of its parent company group whom the Board considers to have contributed to the growth of the Group and/or to the listing of the Shares of the Company on the Hong Kong Stock Exchange.

According to the rules of the Pre-IPO Option Scheme, the Pre-IPO Scheme shall be valid and effective for a period of 5 years from 30 June 2010. Pursuant to the Pre-IPO Option Scheme, options to subscribe for 107,945,000 Shares were granted. No further options to subscribe for Shares may be granted under the Pre-IPO Option Scheme after 30 June 2010. As of 31 December 2015, the 5-year period of the scheme expired and no options were exercised during the year. All outstanding options lapsed. A summary of the movements of the outstanding share options granted under the Pre-IPO Option Scheme up to 31 December 2015 were as follows:

Grantee	Options held as at 1 January 2015	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 31 December 2015
Directors				
Wang Xingchun (resigned on 16 November 2015)	17,334,000	0	17,334,000	0
Zhu Hongchan	10,345,000	0	10,345,000	0
Ma Li (resigned on 28 October 2015)	8,276,000	0	8,276,000	0
Cao Xinyi (appointed on 28 October 2015)	3,023,000	0	3,023,000	0
Wang Yaxu (appointed on 28 October 2015)	8,345,000	0	8,345,000	0
Employees	18,959,000	0	18,959,000	0
Resigned director	8,069,000	0	8,069,000	0
Total	74,351,000	0	74,351,000	0

Restricted Share Unit Scheme

Under the restricted share unit scheme ("**RSU Scheme**") adopted by the Company on 11 June 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 Company 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 2015, no RSU Awards were granted by the Company under the RSU Scheme.

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.

Grantee	Options granted as at 1 January 2015	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 31 December 2015
Directors					
Cao Xinyi (appointed on 28 October 2015)	9,000,000	–	–	–	9,000,000
Zhu Hongchan	13,000,000	–	–	–	13,000,000
Ma Li (resigned on 28 October 2015)	13,000,000	–	–	8,125,000	4,875,000
Wang Changqing (resigned on 28 October 2015)	10,000,000	–	–	6,250,000	3,750,000
Wang Yaxu (appointed on 28 October 2015)	9,000,000	–	–	–	9,000,000
Feng Yi (appointed on 16 November 2015)	1,500,000	–	–	–	1,500,000
Other Employees	55,900,000	–	–	14,000,000	41,900,000
Total	111,400,000	–	–	28,375,000	83,025,000

Save as disclosed above, at no time during the year of 2015 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

So far as the Directors are aware, as at 31 December 2015, shareholders of the Company 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(7)
Mr. Wang(1)(4)	The Company	Personal interest and interest of controlled corporation	1,518,205,109	40.24%
Winsway Group Holdings Limited(2)	The Company	Interest of controlled corporation	1,518,205,109	40.24%
Great Start Development Limited(3)	The Company	Interest of controlled corporation	208,106,421	5.52%
Winsway International Petroleum & Chemicals(4)	The Company	Beneficial owner	208,106,421	5.52%
Winsway Resources Holdings(4)	The Company	Beneficial owner	1,310,143,688	34.72%
Poly Legend International(4)(5)	The Company	Person having a security interest in shares	390,000.000	10.34%
Yang Peilin(5)	The Company	Interest of controlled corporation	390,000.000	10.34%
Zhuhai Chengzhi Tong Development Co., Ltd.(6)	The Company	Beneficial owner	316,900,000	8.40%
Su Songqing(6)	The Company	Nominee for another person (other than a bare trustee)	316,900,000	8.40%
Shanxi Coal International Energy Group Xinyuan Trading Co., Ltd.(4)	The Company	Person having a security interest in shares	1,128,186,410	29.90%

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 1,310,143,688 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.

(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 1,310,143,688 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. Mr. Wang is the sole director of Winsway Group Holdings Limited.

(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 (together 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 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) On 27 March 2015, Mr. Wang pledged 316,900,000 Shares through his indirectly wholly owned company Winsway Resources Holdings in favour of Zhuhai Chengzhi Tong Development Co., Ltd. (the "**March 2015 Pledge**"), an independent third party of the Company, as security for the performance of certain contractual obligation of Beijing Winsway Investment Co., Ltd., a company indirectly owned by Mr. Wang, under a bona fide commercial agreement. On 2 June 2015, the pledgee exercised its rights under the March 2015 Pledge and the underlying Shares were transferred. For further details, please refer to the Company's announcements dated 29 March 2015 and 3 June 2015.

(7) 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 prior to the printing of this annual report.

Save as disclosed above, as of 31 December 2015, 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 representing 5% or more of the issued share capital 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 2015.

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 2015.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2015, 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 29 to 38 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 38 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

Throughout the year of 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Winsway Enterprises Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 55 to 147, which comprise the consolidated statement of financial position as at 31 December 2015, 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, we have been unable to form an opinion on the financial statements.

BASIS FOR DISCLAIMER OF OPINION

(a) Impairment of other investments in equity securities

As disclosed in note 22 to the financial statements, during the year ended 31 December 2015 the directors of the Company have recognised an impairment loss of $250,656,000 to fully write down the carrying amount of the Group's investments in certain of these companies based on a fair value valuation on the respective investments in the equity securities performed by an independent appraiser using the discounted cash flow method. These valuations were prepared using the transportation price and volume assumptions and source data provided by the management of the investees. We were unable to obtain sufficient appropriate audit evidence to evaluate whether the assumptions used in the above-mentioned valuations were reasonable and appropriately supportable and whether the source data is complete and accurate. Therefore, we were unable to conclude as to whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework. Any decrease in the impairment losses recognised against other investments in equity securities would affect the net liabilities of the Group as at 31 December 2015 and the Group's net loss for the year ended 31 December 2015, and the related disclosures in the financial statements.

(b) Impairment of loan due from a third party

As disclosed in note 23 to the financial statements, the Group had an outstanding loan due from Moveday Enterprises Limited ("Moveday") of US$20.40 million (equivalent to approximately $158,075,000) as at 31 December 2015. During the year ended 31 December 2015 the directors of the Company have made an impairment provision of $120,189,000 against this balance, having taken into account information about the adverse financial and operating circumstances of Moveday during the year ended 31 December 2015, and assuming no possibility of any recovery that may be achieved in future through re-negotiation of the terms of the loan or alternative forms of settlement in kind. We were unable to obtain sufficient appropriate audit evidence to evaluate the reasonableness of the assumptions adopted by the directors of the Company in estimating the expected timings and amounts of future cash flows arising from the loan. Therefore, we were unable to conclude as to whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework. Any decrease in the impairment losses recognised against this loan balance due from Moveday would affect the net liabilities of the Group as at 31 December 2015 and the Group's net loss for the year ended 31 December 2015, and the related disclosures in the financial statements.

(c) Multiple uncertainties related to going concern

As explained in note 2 to the financial statements, the Group sustained a further loss from continuing operations before taxation and impairment losses for non-current assets, of $609,012,000 and incurred a net cash outflow from operating activities of $524,899,000 from continuing operations for the year ended 31 December 2015. As at 31 December 2015, the Group had net current liabilities of $2,425,764,000 and net liabilities of $1,723,168,000. In addition, the Group did not make the scheduled interest payment of US$13.15 million in relation to the Senior Notes which fell due on 8 April 2015 and 8 October 2015 respectively and consequently the Group's outstanding Senior Notes amounting to $2,388,573,000 as at 31 December 2015 were in default as at 31 December 2015 and continue to be in default.

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in note 2 to the financial statements. The financial statements has 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 proposed debt restructuring of the outstanding Senior Notes with cash raised from a possible rights issue, with equity or other form of consideration offered at a discount to the principal amount of the Senior Notes, the achievability of which depends on a number of factors, including the restructuring of the outstanding Senior Notes being sanctioned and all conditions precedent to the debt restructuring schemes and the rights issue having been satisfied; (ii) 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 debt restructuring and the future trading results of the Group and (iii) 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

Because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of the uncertainties related to going concern 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 compliance 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

22 April 2016

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	**2015** **$'000**	2014 $'000
Continuing operations:			
Revenue	4	**5,735,319**	7,547,738
Cost of sales		**(5,576,764)**	(7,445,586)
Gross profit		**158,555**	102,152
Other revenue	6	**2,991**	81,346
Distribution costs		**(29,141)**	(159,526)
Administrative expenses		**(449,936)**	(434,511)
Other operating income/(expenses), net	7	**3,239**	(2,187)
Impairment of non-current assets	8(c)	**(1,143,254)**	(429,743)
Loss from operating activities		**(1,457,546)**	(842,469)
Finance income	8(a)	**69,535**	108,974
Finance costs	8(a)	**(365,034)**	(401,777)
Net finance costs		**(295,499)**	(292,803)
Share of profit of an associate		**779**	1,803
Loss before taxation from continuing operations		**(1,752,266)**	(1,133,469)
Income tax	9	**(3,534)**	(82,081)
Loss from continuing operations		**(1,755,800)**	(1,215,550)
Discontinued operation:			
Loss from discontinued operation, net of tax	5	**(179,587)**	(4,681,208)
Loss for the year		**(1,935,387)**	(5,896,758)
Attributable to:			
Equity shareholders of the Company:			
Loss for the year from continuing operations		**(1,614,760)**	(1,200,321)
Loss for the year from discontinued operation		**(108,232)**	(2,492,734)
Loss for the year attributable to equity shareholders of the Company		**(1,722,992)**	(3,693,055)
Non-controlling interests:			
Loss for the year from continuing operations		**(141,040)**	(15,229)
Loss for the year from discontinued operation		**(71,355)**	(2,188,474)
Loss for the year attributable to non-controlling interests		**(212,395)**	(2,203,703)
Loss for the year		**(1,935,387)**	(5,896,758)
Loss per share			
— Basic and diluted (HK$)	13	**(0.457)**	(0.980)
Loss per share — continuing operations			
— Basic and diluted (HK$)	13	**(0.429)**	(0.319)

The notes on pages 62 to 147 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 35(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Loss for the year		**(1,935,387)**	(5,896,758)
Other comprehensive income for the year (after tax and reclassification adjustments):	12		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(186,611)**	(35,453)
Total comprehensive income for the year		**(2,121,998)**	(5,932,211)
Attributable to:			
Equity shareholders of the Company		**(1,907,420)**	(3,719,224)
Non-controlling interests		**(214,578)**	(2,212,987)
Total comprehensive income for the year		**(2,121,998)**	(5,932,211)

The notes on pages 62 to 147 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2015
(Expressed in Hong Kong dollars)

	Note	**At 31 December 2015 $'000**	At 31 December 2014 $'000
Non-current assets			
Property, plant and equipment, net	15	**225,333**	908,562
Construction in progress	16	**–**	160,590
Lease prepayments	17	**502,523**	551,103
Intangible assets	18	**4,816**	4,870
Interest in an associate	20	**16,320**	17,021
Interest in a joint venture	21	**–**	–
Other investments in equity securities	22	**125,065**	399,015
Other non-current assets	23	**–**	150,813
Total non-current assets		**874,057**	2,191,974
Current assets			
Inventories	24	**184,785**	335,114
Trade and other receivables	25	**886,434**	2,060,940
Restricted bank deposits	26	**499,104**	956,077
Cash and cash equivalents	27	**259,574**	438,552
Trading securities	28	**613**	–
Assets held for sale	5	**–**	4,304,164
Total current assets		**1,830,510**	8,094,847
Current liabilities			
Secured bank loans	29	**1,073,197**	1,191,889
Trade and other payables	33	**756,502**	2,054,615
Income tax payable	34(a)	**38,002**	39,580
Senior notes	30	**2,388,573**	–
Liabilities held for sale	5	**–**	4,097,937
Total current liabilities		**4,256,274**	7,384,021
Net current (liabilities)/assets		**(2,425,764)**	710,826
Total assets less current liabilities		**(1,551,707)**	2,902,800

The notes on pages 62 to 147 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

at 31 December 2015
(Expressed in Hong Kong dollars)

	Note	**At 31 December 2015 $'000**	At 31 December 2014 $'000
Non-current liabilities			
Secured bank loans	29	**27,453**	–
Senior notes	30	**–**	2,364,347
Deferred income	31	**144,008**	155,865
Total non-current liabilities		**171,461**	2,520,212
NET (LIABILITIES)/ASSETS		**(1,723,168)**	382,588
CAPITAL AND RESERVES			
Share capital	35(c)	**4,992,337**	4,992,337
Reserves	35(f)	**(6,583,138)**	(4,691,960)
Total equity attributable to equity shareholders of the Company		**(1,590,801)**	300,377
Non-controlling interests		**(132,367)**	82,211
TOTAL EQUITY		**(1,723,168)**	382,588

Approved and authorised for issue by the board of directors on 22 April 2016.

CAO XINYI)
) *Directors*
ZHU HONGCHAN)

The notes on pages 62 to 147 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Share capital $'000 (note 35(c))	**Statutory reserve** $'000 (note 35(f))	**Employee share trusts** $'000 (note 35(f))	**Other reserve** $'000 (note 35(f))	**Exchange reserve** $'000 (note 35(f))	**Accumulated loss** $'000	**Total** $'000	**Non-controlling interests** $'000	**Total equity** $'000
Balance at 1 January 2015	4,992,337	333,147	(3,000)	92,125	248,531	(5,362,763)	300,377	82,211	382,588
Equity settled share-based transactions	–	–	–	4,535	–	–	4,535	–	4,535
Expiry of share options granted under share option scheme	–	–	–	(110,441)	–	110,441	–	–	–
Total comprehensive income for the year	–	–	–	–	(184,428)	(1,722,992)	(1,907,420)	(214,578)	(2,121,998)
Loss covered by statutory reserve	–	(147,314)	–	–	–	147,314	–	–	–
Disposal of subsidiaries (note 14)	–	–	–	–	11,707	–	11,707	–	11,707
Balance at 31 December 2015	4,992,337	185,833	(3,000)	(13,781)	75,810	(6,828,000)	(1,590,801)	(132,367)	(1,723,168)
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 62 to 147 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Loss before taxation from continuing operations		**(1,752,266)**	(1,133,469)
Loss before taxation from discontinued operation		**(269,626)**	(5,471,184)
		(2,021,892)	(6,604,653)
Adjustments for:			
Depreciation		**45,523**	304,291
Amortisation of lease prepayments		**11,062**	11,718
Amortisation of intangible assets		**830**	37,543
Interest income		**(47,188)**	(79,442)
Interest expenses		**459,666**	577,015
Fair value change of derivative financial instruments		**(22,785)**	(30,547)
Equity settled share-based transactions		**4,535**	10,377
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	7	**(4,268)**	291
Share of profit of an associate		**(779)**	(1,803)
Impairment of non-current assets		**1,131,461**	5,579,640
Net realised and unrealised loss on trading securities		**1,742**	–
Gain on disposal of subsidiaries	5(e)	**(11,707)**	–
Foreign exchange loss, net		**73,664**	20,139
		(380,136)	(175,431)
Decrease in inventories		**257,720**	805,207
Decrease in trade and other receivables		**1,128,059**	2,545,210
Decrease in trade and other payables		**(1,581,774)**	(5,356,019)
Increase in trading securities		**(2,355)**	–
Income tax paid		**(5,627)**	(26,767)
Net cash used in operating activities		**(584,113)**	(2,207,800)

The notes on pages 62 to 147 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, and lease prepayments		**(54,571)**	(315,738)
Proceeds from sales of property, plant and equipment and intangible assets		**–**	5,342
Repayment of loan from a third party		**–**	31,031
Interest received		**57,224**	82,254
Payment for purchase of derivative financial instruments		**(11,036)**	–
Decrease in restricted bank deposits		**481,630**	992,066
Disposal of subsidiaries	14	**(10,423)**	–
Net cash generated from investing activities		**462,824**	794,955
Financing activities			
Proceeds from bank loans		**2,087,447**	8,552,037
Repayment of bank loans		**(2,157,938)**	(8,349,318)
Capital element of finance lease rentals paid		**(79,742)**	(115,340)
Interests paid		**(174,155)**	(539,873)
Advances to Grande Cache Coal LP from non-controlling interest		**–**	179,047
Loan from a third party to Grande Cache Coal LP	5	**278,927**	108,608
Net cash used in financing activities		**(45,461)**	(164,839)
Net decrease in cash and cash equivalents		**(166,750)**	(1,577,684)
Cash and cash equivalents at 1 January	27	**438,552**	2,018,000
Effect of foreign exchange rate changes		**(12,228)**	(1,764)
Cash and cash equivalents at 31 December	27	**259,574**	438,552

The notes on pages 62 to 147 form part of these 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 was engaged in 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. The disposal has been completed on 2 September 2015 (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") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 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:

— Financial instruments classified as trading securities (see note 2(g)).

— Derivative financial instruments (see note 2(h)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on 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$.

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 2015, the Group sustained a further loss from continuing operations before taxation and impairment losses for non-current assets, of $609,012,000 and incurred a net cash outflow from operating activities of $524,899,000 from continuing operations. As at 31 December 2015, the Group had net current liabilities of $2,425,764,000 and net liabilities of $1,723,168,000.

In addition, the Group did not make the scheduled interest payments of US$13.15 million in relation to the Senior Notes (see note 30) which fell due on each of 8 April 2015 and 8 October 2015, respectively ("Interest Payment"). The Group's outstanding Senior Notes amounting to $2,388,573,000 as at 31 December 2015 went into default after the 30-day grace period expired on 8 May 2015 for making the Interest Payment under the terms of the indenture dated 8 April 2011, as amended and supplemented, in relation to the Senior Notes. A committee of the holders of the Senior Notes ("Bondholders") ("Bondholder Group") was formed for the purposes of facilitating discussions between the Bondholders and the Group about restructuring of the Senior Notes and an independent financial advisor, Houlihan Lokey (China) Limited ("Houlihan Lokey"), has been appointed to act as the financial advisor to the Bondholder Group and Akin Gump Strauss Hauer & Feld LLP ("Akin Gump") was appointed as legal adviser to the Bondholder Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In view of such circumstances, the directors have given careful consideration to 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 taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

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

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

The Schemes are subject to the approval of a majority in number representing at least 75% in value of the Bondholders present and voting (either in person or by proxy) at the meetings of the Bondholders in relation to the Hong Kong Scheme, as convened by order of the High Court of Hong Kong ("Hong Kong Court") for the purpose of considering and, if thought fit, approving the Hong Kong Scheme or in relation to the BVI Scheme, as convened by order of the Commercial Court of the BVI ("BVI Court") for the purpose of considering and, if thought fit, approving the BVI Scheme ("Scheme Meetings").

In addition, the Schemes are subject to the sanction by the BVI Court and the Hong Kong Court.

The Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey are expected to be funded by the proceeds of a possible rights issue to raise proceeds of approximately US$50 million ("Rights Issue").

Completion of the Debt Restructuring will be conditional on, amongst other things, completion of the Rights Issue and the receipt by the Company of US$50 million from the Rights Issue.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(1) (Continued)

On 11 March 2016, Famous Speech Limited, a company incorporated in the BVI with limited liability ("Famous Speech"), Mr. Wang, being the controlling shareholder, and his directly or indirectly wholly owned companies, which together own approximately 40.24% of the existing issued shares of the Company ("Controlling Shareholder Group"), and the Company entered into an underwriting agreement, pursuant to which Famous Speech has conditionally agreed to subscribe for all new shares proposed to be provisionally allotted and issued to the qualifying shareholders for subscription pursuant to the Rights Issue at the subscription price of the Rights Issue ("Underwriting Agreement").

Mr. Wang is beneficially interested in an aggregate of 1,518,250,109 ordinary shares of the Company ("Shares"), representing approximately 40.24% of the total issued Shares of the Company. Famous Speech is wholly owned by Amy Wang, the daughter of Mr. Wang, and upon completion of a share subscription agreement ("Share Subscription Agreement") between, among others, Amy Wang and Magnificent Gardenia Limited, a company ultimately majority owned by China Minmetals Corporation, a state-owned enterprises incorporated in the PRC ("Magnificent Gardenia"), Famous Speech will be owned as to 73.3% and 26.7% by Amy Wang and Magnificent Gardenia, respectively. Assuming no take up of new shares by other qualifying shareholders, the fulfillment by Famous Speech of its underwriting commitment would result in an obligation to make a mandatory general offer by Famous Speech and parties acting in concert with it for all the issued Shares (other than those already owned or agreed to be acquired by them) under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers and Share Buy-backs ("Takeovers Code"), unless a waiver ("Whitewash Waiver") from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong, or any delegate of the Executive Director ("SFC Executive"). Mr. Wang, the Controlling Shareholder Group, Amy Wang are acting in concert with Famous Speech and Magnificent Gardenia Limited is not, but is deemed to be acting in concert with Famous Speech under the Takeovers Code. An application will be made by Famous Speech to the SFC Executive for the granting of the Whitewash Waiver.

To the best knowledge of the Company, certain Bondholders holding an aggregate principal amount of US$1,280,000 (representing approximately 0.41% of the outstanding Senior Notes) also hold 28,802,000 Shares in total (representing approximately 0.76% of the total issued Shares) as of the date hereof. The payment of the Consent Fee and the distribution of the Scheme Consideration to Bondholders are not capable of being extended to all Shareholders will constitute a special deal ("Special Deal") under note 5 to Rule 25 of the Takeovers Code. The Special Deal will require the consent of the SFC Executive to proceed.

The Whitewash Waiver and consent for the Special Deal, if granted by the SFC Executive, would be subject to, among other things, the approval of the shareholders other than (i) Mr. Wang and his concert parties; (ii) those who are involved or interested in the Rights Issue, the Underwriting Agreement, the Special Deals and/or the Whitewash Waiver; and (iii) Bondholders who are also shareholders of the Company ("Independent Shareholders") at an extraordinary general meeting of the Company ("EGM") by way of poll.

Completion of the Rights Issue will be conditional on, amongst other things, the Schemes being sanctioned and all conditions precedent to the Schemes having been satisfied or as applicable, waived, other than the completion of the Rights Issue.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(3) The Group is also maximising its sales efforts, 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.

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

(a) The Schemes may not be approved by a majority in number representing at least 75% in value of the Bondholders present and voting (either in person or by proxy) at the Scheme Meetings.

(b) The Group may not be able to obtain from the shareholders of the Company all necessary shareholders' approvals and consents in respect of the Debt Restructuring.

(c) The Hong Kong Court or the BVI Court may decline to sanction the Schemes.

(d) The Whitewash Waiver and consent for the Special Deal may not be granted by the SFC Executive or approved by the Independent Shareholders at the EGM.

(e) The Group may not be able to obtain from the shareholders of the Company all necessary shareholders' approvals and consents in respect of the Rights Issue.

If any of the matters mentioned in (a), (b), (c), (d) or (e) is the case, the Rights Issue and Debt Restructuring will not proceed.

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

(g) 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 multiple 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 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 would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2015 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.

(c) Changes in accounting policies

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

- Amendments to IFRS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010–2012 Cycle*
- *Annual Improvements to IFRSs 2011–2013 Cycle*

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

Amendments to IFRS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not operate defined benefit plans.

Annual Improvements to IFRSs 2010–2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Other investments in equity securities

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments

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.

(i) Exploration and evaluation expenditures

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

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

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

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

(j) Property, plant and equipment

(i) Mineral assets

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (Continued)

(ii) Other property, plant and equipment

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(ii) Other intangible assets

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

Software	10 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (Continued)

(iii) Operating lease charges

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

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

(m) Impairment of assets

(i) Impairment of investments in equity securities and receivables

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

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

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

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

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

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

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

(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.

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).

- 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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 35(f)(iv)).

(t) Income tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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.

(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.

(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(aa) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in note 2. Note 5 contains information about the assumptions and their risk factors relating to fair value of disposal group. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these financial statements.

(i) Depreciation

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

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

(ii) Mineral reserves estimates

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

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

(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.

(v) Impairment of assets

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.

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.

(x) Estimated impairment of trade and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(i) Revenue

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

Continuing operations

	2015 $'000	2014 $'000
Coking coal	**5,132,256**	7,035,543
Thermal coal	**84,746**	365,922
Coke	**93,543**	10,219
Coal related products	**17,519**	37,457
Petrochemical products	**307,562**	–
Rendering of logistics services	**94,000**	91,132
Others	**5,693**	7,465
	5,735,319	7,547,738

The Group's customer base is diversified and includes one customer (2014: 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 36(a).

(ii) Segment reporting

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

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

- 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. Upon the completion of the disposal on 2 September 2015, GCC and GCC LP have ceased to be subsidiaries of the Group (see note 14).

- 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 REVENUE 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 most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interests in an associate. 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. However, other than reporting inter-segment sales of coal products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted (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), 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE 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 2015 and 2014 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	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Revenue from external customers	**5,641,319**	7,456,606	**249,675**	1,080,419	**94,000**	91,132	**5,984,994**	8,628,157
Inter-segment revenue	**–**	–	**54,372**	205,665	**750**	10,587	**55,122**	216,252
Reportable segment revenue	**5,641,319**	7,456,606	**304,047**	1,286,084	**94,750**	101,719	**6,040,116**	8,844,409
Reportable segment (loss)/profit (adjusted EBITDA)	**(259,222)**	(318,465)	**(86,669)**	170,555	**2,345**	13,386	**(343,546)**	(134,524)
Interest income	**46,744**	78,414	**438**	1,015	**6**	13	**47,188**	79,442
Interest expense	**(271,628)**	(327,725)	**(172,326)**	(230,406)	**(15,712)**	(18,884)	**(459,666)**	(577,015)
Depreciation and amortisation	**(45,158)**	(85,624)	**–**	(245,905)	**(12,257)**	(22,023)	**(57,415)**	(353,552)
Impairment of non-current assets	**(660,725)**	(429,743)	**–**	–	**(482,529)**	–	**(1,143,254)**	(429,743)
Adjustments of carrying value of GCC LP's net assets to fair value less costs to sell	**–**	–	**11,793**	(5,149,897)	**–**	–	**11,793**	(5,149,897)
Share of profit of an associate	**–**	–	**–**	–	**779**	1,803	**779**	1,803
Reportable segment assets	**2,991,968**	5,840,771	**–**	4,304,164	**161,677**	614,224	**3,153,645**	10,759,159
Additions to non-current segment assets during the year	**21,359**	49,288	**–**	138,817	**28,791**	38,679	**50,150**	226,784
Reportable segment liabilities	**4,364,086**	5,771,915	**–**	4,007,898	**491,045**	484,160	**4,855,131**	10,263,973

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

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

	2015 $'000	2014 $'000
Revenue		
Reportable segment revenue	**6,040,116**	8,844,409
Elimination of inter-segment revenue	**(55,122)**	(216,252)
Reclassification of discontinued operation	**(249,675)**	(1,080,419)
Consolidated revenue from continuing operations	**5,735,319**	7,547,738
Loss		
Reportable segment loss	**(343,546)**	(134,524)
Depreciation and amortisation	**(57,415)**	(107,647)
Impairment of non-current assets	**(1,143,254)**	(429,743)
Share of profit of an associate	**779**	1,803
Net finance costs	**(295,499)**	(292,803)
Reclassification of discontinued operation	**86,669**	(170,555)
Consolidated loss before taxation from continuing operations	**(1,752,266)**	(1,133,469)

	At 31 December 2015 $'000	At 31 December 2014 $'000
Assets		
Reportable segment assets	**3,153,645**	10,759,159
Interest in an associate	**16,320**	17,021
Elimination of inter-segment receivables	**(465,398)**	(489,359)
Consolidated total assets	**2,704,567**	10,286,821
Liabilities		
Reportable segment liabilities	**4,855,131**	10,263,973
Current income tax liabilities	**38,002**	39,580
Deferred tax liabilities	**–**	90,039
Elimination of inter-segment payables	**(465,398)**	(489,359)
Consolidated total liabilities	**4,427,735**	9,904,233

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE 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	2015 $'000	2014 $'000
Development of coal mills and production of coking coal and related products segment (loss)/profit (adjusted EBITDA)		**(86,669)**	170,555
Net finance costs for the segment		**(206,457)**	(245,937)
Depreciation and amortisation for the segment		**–**	(245,905)
Adjustments of carrying value of GCC LP's net assets to fair value less costs to sell		**11,793**	(5,149,897)
		(281,333)	(5,471,184)
Income tax in respect of operating activities of GCC LP	5(e)	**91,808**	17,491
Income tax in respect of adjustments of GCC LP's net assets	5(e)	**(1,769)**	772,485
Loss for the year		**(191,294)**	(4,681,208)
Gain on disposal of discontinued operation	5(e)	**11,707**	–
Loss from discontinued operation, net of tax		**(179,587)**	(4,681,208)

(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 ("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.

	Revenues from external customers	
	2015 $'000	2014 $'000
The PRC (including Hong Kong and Macau)	**5,265,035**	7,405,629
Canada	**249,675**	1,080,419
Korea	**347,409**	106,053
Japan	**122,875**	–
Australia	**–**	36,056
Development of coal mills and production of coking coal and related products (discontinued operation in Canada)	**(249,675)**	(1,080,419)
	5,735,319	7,547,738

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

(d) Geographic information (Continued)

	Specified non-current assets	
	At 31 December 2015 $'000	At 31 December 2014 $'000
The PRC (including Hong Kong and Macau)	**873,668**	2,064,229
Other countries	**389**	127,745
	874,057	2,191,974

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION

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. 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.

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", a subsidiary of the Group without material businesses except for as the general partner holding 0.01% interest in GCC LP) and GCC LP at cash consideration of US$1 (the "Disposal").

On 2 September 2015, all the conditions precedent to the completion of the Disposal have either been satisfied or waived pursuant to the aforementioned sale and purchase agreement, with a total consideration of US$1. Following the completion of the Disposal, GCC and GCC LP have ceased to be subsidiaries of the Company.

(a) Impairment loss relating to the disposal group

During the year ended 31 December 2014, an impairment loss of $5,149,897,000 for write-down 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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 had an overdraft of $6,496,000 in its bank accounts.

Bank loans amounting to $13,977,000 were secured by property, plant and equipment with an aggregate carrying amount of $15,725,000. 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.

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

During the year ended 31 December 2014, there is a foreign currency translation gain of $37,913,000 included in other comprehensive income relating to the disposal group.

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

(d) Measurement of fair value

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

As at 31 December 2014, 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.

(ii) Valuation technique and significant unobservable inputs

The following shows the valuation technique used during the year ended 31 December 2014, 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.

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%.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(e) Results of discontinued operation

	2015 $'000	2014 $'000
Results of discontinued operation		
Revenue	**249,675**	1,080,419
Expenses	**(542,801)**	(1,401,706)
Results from operating activities	**(293,126)**	(321,287)
Income tax	**91,808**	17,491
Results from operating activities, net of tax	**(201,318)**	(303,796)
Adjustments of carrying value of GCC LP's net assets to fair value less costs to sell	**11,793**	(5,149,897)
Income tax in respect of adjustments of GCC LP's net assets	**(1,769)**	772,485
Loss for the year	**(191,294)**	(4,681,208)
Gain on disposal of GCC and GCC LP (note 14)	**11,707**	–
Loss from discontinued operation	**(179,587)**	(4,681,208)
Attributable to:		
Equity shareholders of the Company	**(108,232)**	(2,492,734)
Non-controlling interests	**(71,355)**	(2,188,474)
	(179,587)	(4,681,208)
Loss per share		
Basic and diluted (HK$)	**(0.028)**	(0.661)

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

	2015 $'000	2014 $'000
Net cash (used in)/generated from operating activities	**(59,214)**	209,995
Net cash generated from/(used in) investing activities	**3,935**	(231,353)
Net cash generated from/(used in) financing activities	**64,479**	(7,801)
Net cash inflow/(outflow) for the year	**9,200**	(29,159)

6 OTHER REVENUE

	Note	2015 $'000	2014 $'000
Penalty income from an iron ore customer	(i)	–	70,977
Government grants		2,991	9,222
Others		–	1,147
		2,991	81,346

(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 agreed period in accordance with relevant sales contract.

7 OTHER OPERATING INCOME/(EXPENSES), NET

	2015 $'000	2014 $'000
Gain/(loss) on disposal of property, plant and equipment and intangible assets	4,268	(291)
Net realised and unrealised loss on trading securities	(1,742)	–
Others	713	(1,896)
	3,239	(2,187)

8 LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

(a) Net finance costs

	2015 $'000	2014 $'000
Interest income	(46,750)	(78,427)
Fair value change of embedded derivative financial instruments	(22,785)	(30,547)
Finance income	(69,535)	(108,974)
Interest on secured bank loans	49,913	72,127
Interest on discounted bills	7,231	44,176
Interest on senior notes (see note 30)	230,196	230,306
Total interest expense	287,340	346,609
Bank charges	4,030	35,029
Foreign exchange loss, net	73,664	20,139
Finance costs	365,034	401,777
Net finance costs	295,499	292,803

8 LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS (CONTINUED)

(b) Staff costs

	2015 $'000	2014 $'000
Salaries, wages, bonus and other benefits	**104,300**	148,255
Contributions to defined contribution retirement plan	**7,080**	8,712
Equity settled share-based payment expenses	**4,535**	10,377
	115,915	167,344

(c) Other items

	2015 $'000	2014 $'000
Amortisation#		
— leased assets	**11,062**	11,718
— intangible assets	**830**	763
Depreciation#	**45,523**	95,166
Provision for impairment losses on		
— trade and other receivables (note 25(b))	**2,344**	56,526
— other receivables (note 25(d))	**150,158**	11,210
Impairment losses		
— property, plant and equipment (note 15)	**596,107**	232,891
— construction in progress (note 16)	**153,995**	189,444
— other investments in equity securities (note 22)	**250,656**	–
— loan to a third party (note 23(i))	**120,189**	–
— prepayment related to property, plant and equipment (note 23(ii))	**22,307**	7,408
Operating lease charges, mainly relating to buildings	**9,930**	18,848
Auditors' remuneration		
— audit services	**6,342**	6,945
— tax services	**20**	42
Cost of inventories	**5,514,991**	7,353,279

Cost of inventories includes $4,177,000 (2014: $6,444,000) and $6,786,000 (2014: $8,539,000) for the year ended 31 December 2015 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

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

	2015 $'000	2014 $'000
Continuing operations:		
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,508**	1,393
Under-provision in respect of prior years	**–**	1,634
Current tax — Outside of Hong Kong		
Provision for the year	**–**	10
Under/(over)-provision in respect of prior years	**2,026**	(4,202)
Deferred tax		
Origination and reversal of temporary differences	**–**	83,246
	3,534	82,081

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 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% (2014: 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.

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

	2015 $'000	2014 $'000
Continuing operations		
Loss before taxation	**(1,752,266)**	(1,133,469)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**(382,236)**	(166,565)
Tax effect of non-deductible expenses	**8,423**	12,880
Tax effect of utilisation of previously unrecognised tax losses	**(1,758)**	(16,349)
Tax effect of unused tax losses and other temporary differences not recognised	**377,079**	254,683
Under/(over)-provision in respect of prior years	**2,026**	(2,568)
Actual tax expense	**3,534**	82,081

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Equity settled share-based payments (note) $'000	Total $'000
Executive directors				
Cao Xinyi (appointed on 28 October 2015)	–	2,849	618	3,467*
Wang Xingchun (resigned on 16 November 2015)	–	–	1	1
Andreas Werner (resigned on 28 October 2015)	–	3,778	–	3,778
Zhu Hongchan	–	3,139	906	4,045
Wang Yaxu (appointed on 28 October 2015)	–	2,345	619	2,964*
Feng Yi (appointed on 16 November 2015)	–	1,095	103	1,198*
Ma Li (resigned on 28 October 2015)	–	2,694	906	3,600
Wang Changqing (resigned on 28 October 2015)	–	731	554	1,285
Non-executive directors				
Liu Qingchun (resigned on 31 August 2015)	–	–	–	–
Lu Chuan	–	–	–	–
Daniel J. Miller (resigned on 18 June 2015)	–	–	–	–
Independent non-executive directors				
James Downing	1,553	–	–	1,553
Ng Yuk Keung	1,553	–	–	1,553
Jay Hambro	1,553	–	–	1,553
Wang Wenfu	1,553	–	–	1,553
Total	6,212	16,631	3,707	26,550

* The directors' emoluments for these directors who were appointed during 2015 included all remunerations paid to, or receivable by, these directors during the year ended 31 December 2015.

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIRECTORS' EMOLUMENTS (CONTINUED)

	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

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, four (2014: five) are directors whose emoluments are disclosed in note 10. During the year ended 31 December 2015, the aggregate of the emoluments in respect of the other one individual (2014: nil) were as follow:

	2015 $'000	2014 $'000
Salaries and other emoluments	**3,142**	–
Share-based payments	**–**	–
	3,142	–

During the year ended 31 December 2015, the emoluments of the one individual (2014: nil) with the highest emoluments were within the following bands:

	2015 Number of individuals	2014 Number of individuals
$3,000,001 to $3,500,000	**1**	–

12 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2015 (2014: Nil).

13 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 $1,722,992,000 (2014: $3,693,055,000) and the weighted average of 3,767,018,000 ordinary shares (2014: 3,767,018,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic):

	2015 '000	2014 '000
Issued ordinary shares at 1 January	**3,773,199**	3,773,199
Effect of shares held by the employee share trusts*	**(6,181)**	(6,181)
Weighted average number of ordinary shares (basic) as at 31 December	**3,767,018**	3,767,018

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

13 LOSS PER SHARE (CONTINUED)

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

(b) Diluted loss per share

For the year ended 31 December 2015 and 2014, 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 2015 is based on the loss from continuing operations attributable to equity shareholders of the Company of $1,614,760,000 (2014: $1,200,321,000) and the weighted average of 3,767,018,000 ordinary shares (2014: 3,767,018,000 shares) in issue during the year.

(b) Diluted loss per share

For the year ended 31 December 2015 and 2014, basic and diluted loss per share from continuing operations are the same as the effect of the potential ordinary shares outstanding is anti-dilutive.

14 DISPOSAL OF SUBSIDIARIES

Upon the completion of the Disposal on 2 September 2015 (see note 5), GCC and GCC LP have ceased to be subsidiaries of the Group and the Company indirectly held equity interests of 14.69% and 14.685% in GCC and GCC LP respectively, which reflected the adjustment to the ownership of GCC and GCC LP made in accordance with the respective obligations of Marubeni and the Company to make capital contribution under an Amended and Restated Unanimous Shareholder Agreement. Accordingly, fair value of the remaining 14.69% and 14.685% equity interest in GCC and GCC LP respectively had been accounted for as other investments in equity securities of $nil (see note 22) in the consolidated financial statements.

(i) Consideration received

Cash consideration of US$1 has been received at the date of Disposal.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(ii) The assets and liabilities of GCC and GCC LP at the date of Disposal were as follows:

	$'000
Property, plant and equipment	2,857,757
Construction in progress	30,808
Intangible assets	947,328
Inventories	115,022
Trade and other receivables	49,913
Restricted bank deposits	177,226
Cash and cash equivalents	10,423
	4,188,477
Bank and other loans*	3,564,782
Trade and other payables	287,853
Obligations under finance lease	120,065
Provisions	215,777
	4,188,477
Net assets disposed of	–

* 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 2 September 2015, GCC LP had accumulatively drawn down US$50 million (equivalent to approximately $387,535,000) under the bridge loan agreement.

14 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(iii) Gain on disposal of GCC and GCC LP

	$'000
Consideration received	–
Net assets disposed of	–
Non-controlling interests	–
Cumulative exchanges difference in respect of the net assets of GCC and GCC LP reclassified from equity to profit or loss on lost of control of GCC and GCC LP	11,707
Fair value of the remaining interest in GCC and GCC LP	–
Gain on disposal	11,707

(iv) Net cash outflow on disposal of GCC and GCC LP

	$'000
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalents disposed of	10,423
Net cash outflow on disposal	10,423

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	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 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
At 1 January 2015	**848,239**	**343,163**	**–**	**317,994**	**168,374**	**66,678**	**1,744,448**
Additions	**–**	**240**	**–**	**–**	**1,273**	**1,860**	**3,373**
Transferred from construction in progress (note 16)	**17,304**	**1,625**	**–**	**–**	**–**	**647**	**19,576**
Disposals	**–**	**(617)**	**–**	**–**	**(23,411)**	**(2,722)**	**(26,750)**
Exchange adjustments	**(52,360)**	**(16,056)**	**–**	**(18,564)**	**(7,683)**	**(3,422)**	**(98,085)**
At 31 December 2015	**813,183**	**328,355**	**–**	**299,430**	**138,553**	**63,041**	**1,642,562**
Accumulated depreciation and impairment losses:							
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
At 1 January 2015	**326,732**	**314,649**	**–**	**25,150**	**118,024**	**51,331**	**835,886**
Charge for the year	**13,870**	**2,728**	**–**	**4,545**	**19,201**	**5,179**	**45,523**
Impairment loss	**318,719**	**6,982**	**–**	**259,812**	**7,069**	**3,525**	**596,107**
Written back on disposal	**–**	**(5)**	**–**	**–**	**(18,751)**	**(2,212)**	**(20,968)**
Exchange adjustments	**(11,353)**	**(18,201)**	**–**	**(1,833)**	**(5,140)**	**(2,792)**	**(39,319)**
At 31 December 2015	**647,968**	**306,153**	**–**	**287,674**	**120,403**	**55,031**	**1,417,229**
Net book value:							
At 31 December 2015	**165,215**	**22,202**	**–**	**11,756**	**18,150**	**8,010**	**225,333**
At 31 December 2014	521,507	28,514	–	292,844	50,350	15,347	908,562

15 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(a) Reconciliation of carrying amount (Continued)

At 31 December 2015, property, plant and equipment with an aggregate carrying value of $173,895,000 (2014: $82,032,000) have been pledged as collateral for the Group's borrowings (see note 29).

Impairment loss

An impairment loss of $596,107,000 (2014: $232,891,000) for property, plant and equipment in respect of the Group's coal processing factories and logistic facilities in the PRC has been charged to the consolidated statement of profit or loss for the current year due to the unfavourable future prospects of the coking coal business and production suspension or low utilisation of the coal processing factories and logistic facilities. The impairment loss has been 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 12.36% (2014: 13.29%). The discount rate used reflects specific risks relating to the relevant segments.

(b) The analysis of net book value of properties

	2015 $'000	2014 $'000
The PRC (including Hong Kong and Macau)	**224,944**	908,004
Other countries	**389**	558
Aggregate net book value	**225,333**	908,562

As at 31 December 2015, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $326,000 (2014: $114,062,000). 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.

16 CONSTRUCTION IN PROGRESS

	2015 $'000	2014 $'000
At 1 January	**160,590**	558,486
Additions	**46,776**	187,747
Transferred to property, plant and equipment (note 15)	**(19,576)**	(372,600)
Disposals	**(22,996)**	(455)
Impairment	**(153,995)**	(189,444)
Reclassified to disposal group held for sale (note 5)	**–**	(20,686)
Exchange adjustments	**(10,799)**	(2,458)
At 31 December	**–**	160,590

Impairment loss

An impairment loss of $153,995,000 (2014: $189,444,000) for construction in progress in respect of certain logistics and coal processing projects under construction in the PRC has been charged to the consolidated statement of profit or loss for the current year since the directors determined to abandon these projects given unfavourable future prospects of the coking coal business in 2015.

17 LEASE PREPAYMENTS

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

	2015 **$'000**	2014 $'000
Cost:		
At 1 January	**591,506**	570,684
Additions	**–**	23,140
Exchange adjustments	**(40,460)**	(2,318)
At 31 December	**551,046**	591,506
Accumulated amortisation:		
At 1 January	**40,403**	29,210
Charge for the year	**11,062**	11,718
Exchange adjustments	**(2,942)**	(525)
At 31 December	**48,523**	40,403
Net book value:		
At 31 December	**502,523**	551,103

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 2015, land use rights with a total carrying amount of $387,082,000 (2014: $26,333,000) have been pledged as collateral for the Group's borrowings (see note 29).

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTANGIBLE ASSETS

	Mining rights $'000	Software $'000	Total $'000
Cost:			
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
At 1 January 2015	**–**	**8,355**	**8,355**
Additions	**–**	**1,070**	**1,070**
Exchange adjustments	**–**	**(445)**	**(445)**
At 31 December 2015	**–**	**8,980**	**8,980**
Accumulated amortisation and impairment losses:			
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
At 1 January 2015	**–**	**3,485**	**3,485**
Charge for the year	**–**	**830**	**830**
Exchange adjustments	**–**	**(151)**	**(151)**
At 31 December 2015	**–**	**4,164**	**4,164**
Net book value:			
At 31 December 2015	**–**	**4,816**	**4,816**
At 31 December 2014	–	4,870	4,870

As at 31 December 2015, intangible assets mainly represent the net book value of software purchased by the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS IN SUBSIDIARIES

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

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lucky Colour Limited ("Lucky Colour")	11 March 2008 British Virgin Islands ("BVI")	United States dollars ("US$")1	100%	–	Investment holding
Reach Goal Management Ltd.	2 January 2009 BVI	US$21,770,001	100%	–	Investment holding
Winsway 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 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 and oil
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	SGD10	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
Color Future International Limited ("Color Future")	5 January 2005 BVI	US$21,770,001	–	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	Indirect	Principal activities
Urad Zhongqi Yiteng trading Mining Co., Ltd. ("Yiteng")**	7 September 2005 PRC	RMB640,000,000	–	100%	Processing 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 trading Co., Ltd. ("Ejinaqi Haotong")**	19 May 2008 PRC	RMB260,000,000	–	100%	Processing 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
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

(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
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
Erlian Winsway trading Mining Co., Ltd.**	14 January 2011 PRC	RMB10,000,000	–	100%	Processing 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. ("Qinhuangdao Haotong")**	7 June 2013 PRC	RMB50,000,000	–	100%	Trading of coal
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
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

(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	Indirect	Principal activities
Beijing Shacong E-Commerce Inc Ltd. ("Beijing Shacong")**	26 March 2014 PRC	RMB1,000,000	–	100%	Trading of coal
Erlian Junrong Winsway Mining Co., Ltd. ("Erlian Junrong")**	4 April 2014 PRC	RMB2,420,000	–	100%	Trading of coal
Urad Zhongqi Tengshengda Energy Co., Ltd. ("Tengshengda")**	17 June 2014 PRC	RMB65,000,000	–	100%	Processing and trading of coal
Tianjin Rongzetongli Trading Co., Ltd. (Rongzetongli)**	10 December 2015 PRC	US$10,000,000	–	100%	Trading of Petrochemical Products and 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.

20 INTEREST IN AN ASSOCIATE

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INTEREST IN AN ASSOCIATE (CONTINUED)

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:

	2015 $'000	2014 $'000
Gross amounts of the associate		
Current assets	**53,900**	63,254
Non-current assets	**24,162**	27,182
Current liabilities	**10,063**	19,515
Equity	**67,999**	70,921
Revenue	**19,046**	28,874
Profit for the year	**3,247**	7,513
Other comprehensive (loss)/income	**(6,169)**	1,562
Total comprehensive (loss)/income	**(2,922)**	9,075
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**67,999**	70,921
Group's effective interest	**24%**	24%
Group's share of net assets of the associate	**16,320**	17,021
Carrying amount in the consolidated financial statements	**16,320**	17,021

21 INTEREST IN A JOINT VENTURE

	2015 $'000	2014 $'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 2015 was taken up in the Group's consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 OTHER INVESTMENTS IN EQUITY SECURITIES

	2015 **$'000**	2014 $'000
Other investments in equity securities	**375,721**	399,015
Less: impairment losses	**(250,656)**	–
	125,065	399,015

Other investments in equity securities represent the Group's equity interests in third party companies engaged in coal mining, railway logistics, ports management and coal storage business. As at 31 December 2015, the Group holds equity interests in a range of 1–15% in these companies.

An impairment loss of $250,656,000 to fully write down the carrying amount of the Group's investments in equity securities of certain of these companies has been charged to the consolidated statement of profit or loss for the current year due to the unsatisfactory operating performance of these companies. The impairment has been provided based on a fair value valuation on the respective investments in the equity securities performed by an independent appraiser used discounted cash flows method based on cash flow projections taking into account the transportation price and volume assumptions and source data provided by the management of the investees. The expected net cash flows are discounted using a risk adjusted pre-tax discount rate of 12.36%.

23 OTHER NON-CURRENT ASSETS

	2015 **$'000**	2014 $'000
Loan to a third party (note (i))	**–**	127,187
Advance payments for equipment purchase and construction in progress (note (ii))	**–**	23,626
	–	150,813

(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 does not have an interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended).

23 OTHER NON-CURRENT ASSETS (CONTINUED)

(i) (Continued)

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

During the year ended 31 December 2015, Moveday has repaid interest of US$345,000 to the Group and the outstanding loan balance as at 31 December 2015 is US$20.40 million (2014: US$20.40 million). In addition to the above, the Group has incurred $81 million (2014: $40 million) for coking coal transportation service provided.

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

For the year ended 31 December 2015, the Group has made an impairment provision of $120,189,000 against the loan to Moveday balance based on the communication with management of Moveday about the adverse financial and operating circumstances of Moveday in 2015.

As at 31 December 2015, as included in prepayment to suppliers (see notes 25) the Group made a prepayment of $nil (2014: $21,078,000) to Moveday in respect of its coking coal transportation service.

(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 current period. During the year ended 31 December 2015, $22,307,000 (2014:$7,408,000) was written off against advance payments for equipment purchase and construction in progress.

24 INVENTORIES

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

	2015 $'000	2014 $'000
Coking coal	**143,291**	109,005
Thermal coal	**6,957**	48,162
Coke	**–**	61,411
Coal related products	**864**	13,199
Petrochemical products	**22,698**	140,528
Others	**19,099**	21,487
	192,909	393,792
Less: write down of inventories	**(8,124)**	(58,678)
	184,785	335,114

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

	2015 $'000	2014 $'000
Carrying amount of inventories sold	**5,506,867**	7,294,601
Write down of inventories	**8,124**	58,678
	5,514,991	7,353,279

(Expressed in Hong Kong dollars unless otherwise indicated)

25 TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	**211,566**	818,387
Bills receivable	**261,505**	507,481
Receivables from import agents	**9,916**	291,192
Less: allowance for doubtful debts	**(58,870)**	(56,526)
	424,117	1,560,534
Amounts due from related parties	**–**	761
Loan to a third party company (note 23(i))	**37,886**	31,031
Prepayments to suppliers	**111,082**	64,626
Derivative financial instruments*	**31,760**	31,480
Deposits and other receivables	**442,957**	383,718
Less: allowance for doubtful debts	**(161,368)**	(11,210)
	886,434	2,060,940

* As at 31 December 2014, 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 2015, derivative financial instruments represent fair value of foreign exchange forward contracts and commodity futures contracts entered into by the Group.

All of the trade and other receivables are expected to be recovered 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 36(a).

At 31 December 2015, trade and bills receivables of the Group of $230,365,000 (31 December 2014: $586,953,000) have been pledged as collateral for the Group's borrowings (see note 29).

At 31 December 2015, bills receivable of the Group of $nil (31 December 2014: $483,472,000) have been derecognised from the consolidated statement of financial position as the relevant bills have been discounted to banks on a non-recourse basis.

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

	2015 $'000	2014 $'000
Less than 3 months	**109,642**	837,833
More than 3 months but less than 6 months	**168,056**	351,249
More than 6 months but less than 1 year	**133,940**	165,389
More than 1 year	**12,479**	206,063
	424,117	1,560,534

(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)).

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

	2015 $'000	2014 $'000
At 1 January	**56,526**	–
Impairment loss recognised	**38,403**	56,526
Reversal of impairment loss	**(36,059)**	–
At 31 December	**58,870**	56,526

At 31 December 2015, the Group's trade receivables, bills receivable and receivables from import agents of $71,044,000 (2014: $108,562,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $58,870,000 (2014: $56,526,000) were recognised.

(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:

	2015 $'000	2014 $'000
Neither past due nor impaired	**318,826**	1,343,549
Less than 3 months past due	**27,088**	40,965
More than 3 months but less than 12 months past due	**66,029**	123,984
	411,943	1,508,498

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

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

(d) Impairment of other receivables

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

	2015 $'000	2014 $'000
At 1 January	**11,210**	–
Impairment loss recognised	**150,158**	11,210
At 31 December	**161,368**	11,210

Included in the impairment loss are impaired value added tax ("VAT") recoverable of $144,079,000 (2014: $nil) that have been accumulated to date in certain subsidiaries of the Group which can be deductible from VAT on future sales made. The directors of the Company are of the opinion that the recoverability of such amount after commercial production is remote due to the unfavourable future prospects of the coking coal business.

26 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $499,104,000 (2014: $956,077,000) as at 31 December 2015 as collateral for the Group's borrowings (see note 29) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 33).

27 CASH AND CASH EQUIVALENTS

	2015 $'000	2014 $'000
Cash at bank and in hand	**259,574**	438,552

At 31 December 2015, cash and cash equivalents of $191,617,000 (2014: $213,411,000) 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:

	2015 $'000	2014 $'000
US$	**13,708**	112,663
RMB	**3,867**	1,984
Euro	**4**	–
HK$	**3,080**	4,703
Singapore Dollars ("SGD")	**3,475**	3,955
Great Britain Pounds ("GBP$")	**12**	–

28 TRADING SECURITIES

	2015 $'000	2014 $'000
Listed equity securities at fair value	**613**	–

29 SECURED BANK LOANS

(a) The secured bank loans comprise:

	2015 $'000	2014 $'000
Short-term loans and current portion of long-term loans	**1,073,197**	1,191,889
Long-term loans	**27,453**	–
	1,100,650	1,191,889

The interest rates per annum of bank loans were:

	2015	2014
Short-term loans and current portion of long-term loans	**1.63%–5.35%**	1.53%–7.20%
Long-term loans	**5.15%**	–

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

	2015 $'000	2014 $'000
Within 1 year	**1,073,197**	1,191,889
After 1 year but within 2 years	**27,453**	–
	1,100,650	1,191,889

At 31 December 2015, bank loans amounting to $205,932,000 (2014: $523,935,000) have been secured by bank deposits placed in banks with an aggregate carrying value of $201,280,000 (2014: $521,473,000).

At 31 December 2015, bank loans amounting to $138,980,000 (2014: $584,418,000) have been secured by bills receivables with an aggregate carrying value of $122,941,000 (2014: $584,418,000).

At 31 December 2015, bank loans amounting to $673,891,000 (2014: $67,183,000) have been secured by land use rights and property, plant and equipment with an aggregate carrying value of $553,567,000 (2014: $108,365,000).

At 31 December 2015, bank loans amounting to $81,847,000 (2014: $nil) were secured by bills receivables, land use rights and property, plant and equipment with an aggregate carrying value of $114,834,000 (2014: $nil).

Further details of the Group's management of liquidity risk are set out in note 36(b).

30 SENIOR NOTES

	2015 $'000	2014 $'000
Senior notes due in 2016	**2,388,573**	2,364,347

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US$500,000,000 ("Senior Notes") and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears, and will be due in 2016.

The Senior Notes are guaranteed by the Group's existing subsidiaries other than those established/incorporated under the laws of the PRC, Winsway Coking Coal Holdings S.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 Guarantors"). 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 an aggregate principal amount of US$153,190,000 for 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 the 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 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.

During the year ended 31 December 2015, the Group did not make the scheduled Interest Payment. The Group has defaulted on outstanding Senior Notes amounting to $2,388,573,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the Interest Payment under the terms of the indenture, as amended and supplemented. On 25 November 2015, the Company, certain of its subsidiaries and certain of the Bondholders entered into a Restructuring Support Agreement, pursuant to which such Bondholders agreed to support the Debt Restructuring. Further details of the Debt Restructuring are disclosed in note 2.

31 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.

(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 "First 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 "First Initial Vesting Date") in equal portions (5% each) on the first day of each three-month period after the First Initial Vesting Date and are exercisable from 1 April 2011 (12 months after the First Initial Vesting Date of 1 April 2010) until 29 June 2015 (a period of five years from the First 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:

	2015 Weighted average exercise price	**2015** Number of options	2014 Weighted average exercise price	2014 Number of options
Outstanding at 1 January	**$1.677**	**74,351,000**	$1.677	98,211,913
Exercised during the year	**$1.677**	**–**	$1.677	–
Forfeited during the year	**$1.677**	**(66,685,450)**	$1.677	(2,145,750)
Expired during the year	**$1.677**	**(7,665,550)**	$1.677	(21,715,163)
Outstanding at 31 December	**–**	**–**	$1.677	74,351,000
Exercisable at 31 December	**–**	**–**	$1.677	70,584,238

The options outstanding at 31 December 2015 had an exercise price of $nil (2014: $1.677) per share and a weighted average remaining contractual life of nil year (2014: 0.5 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 \$3,000 during year ended 31 December 2015 (2014: \$3,203,000) 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 "Second 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 "Second Initial Vesting Date") in equal portions (12.5% each) on the first day of each six-month period after the Second 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:

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 January	**$0.420**	**111,400,000**	–	–
Granted during the year	**$0.420**	**–**	$0.420	111,400,000
Expired during the year	**$0.420**	**(2,250,000)**	$0.420	–
Forfeited during the year	**$0.420**	**(26,125,000)**	$0.420	–
Outstanding at 31 December	**$0.420**	**83,025,000**	$0.420	111,400,000
Exercisable at 31 December	**$0.420**	**36,525,000**	$0.420	13,925,000

The options outstanding at 31 December 2015 had an exercise price of $0.420 (2014: $0.420) per share and a weighted average remaining contractual life of 3.6 years (2014: 4.6 years).

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

(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 \$4,532,000 (2014: \$7,174,000) during year ended 31 December 2015 was recognised in profit or loss.

33 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade and bills payables	**242,055**	1,385,420
Payables to import agents	**8,737**	288,781
Amounts due to related parties	**383**	–
Prepayments from customers	**34,284**	21,765
Payables in connection with construction projects	**103,593**	93,670
Payables for purchase of equipment	**2,323**	47,730
Derivative financial instruments*	**–**	16,007
Others	**365,127**	201,242
	756,502	2,054,615

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

At 31 December 2015, bills payable amounting to $159,597,000 (2014: $1,155,721,000) were secured by deposits placed in banks with an aggregate carrying value of $158,093,000 (2014: $412,322,000).

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:

	2015 $'000	2014 $'000
Within 3 months	**106,116**	1,394,800
More than 3 months but less than 6 months	**132,084**	81,920
More than 6 months but less than 1 year	**8,778**	32,505
More than 1 year	**3,814**	164,976
	250,792	1,674,201

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:

	2015 $'000	2014 $'000
Due within 1 month or on demand	**164,315**	570,703
Due after 1 month but within 3 months	**–**	1,100,798
Due after 3 months but within 6 months	**86,477**	2,700
	250,792	1,674,201

34 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2015 **$'000**	2014 $'000
At 1 January	**39,580**	66,525
Provision for the year (note 9(a))	**1,508**	1,403
Under/(over)-provision in respect of prior years (note 9(a))	**2,026**	(2,568)
Income tax paid	**(5,627)**	(26,767)
Exchange adjustments	**515**	987
At 31 December	**38,002**	39,580

(b) 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 $2,451,956,000 and $2,237,186,000 respectively (2014: $1,057,620,000 and $1,900,378,000) as management of the Group considers that it is not possible as at 31 December 2015 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 2015 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 $1,490,231,000, and $395,533,000 and $293,856,000 will expire in five years after the tax losses generated under current tax legislation in 2018, 2019 and 2020 respectively. The tax losses in those Hong Kong incorporated companies of approximately $57,566,000 can be utilised to offset any future taxable profits under current tax legislation.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 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

	Share capital $'000	Employee share trusts $'000	Other Reserve $'000	Exchange reserve $'000	Accumulated loss $'000	Total $'000
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)
Balance at 1 January 2015	**4,992,337**	**(3,000)**	**117,629**	**(16,689)**	**(6,062,963)**	**(972,686)**
Changes in equity for 2015:						
Equity settled share-based transactions	**–**	**–**	**4,535**	**–**	**–**	**4,535**
Expiry of share options granted under share option scheme	**–**	**–**	**(110,441)**	**–**	**110,441**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**(3,271)**	**(620,109)**	**(623,380)**
Balance at 31 December 2015	**4,992,337**	**(3,000)**	**11,723**	**(19,960)**	**(6,572,631)**	**(1,591,531)**

(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 2015 (2014: $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 2015 (2014: $nil).

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2015 No. of shares '000	2014 No. of shares '000
Authorised: Ordinary shares with no par value	**6,000,000**	6,000,000

	2015 No. of shares '000	2015 $'000	2014 No. of shares '000	2014 $'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.

(d) Share issued under share option scheme

No option was exercised during the year ended 31 December 2015 (2014: $nil).

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

Exercise period	Exercise price $	2015 Number	2014 Number
1 April 2011 to 29 June 2015	1.677	**–**	74,351,000
1 October 2014 to 22 July 2019	0.420	**83,025,000**	111,400,000
		83,025,000	185,751,000

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves

(i) Other reserve

The other reserve comprises the following:

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

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

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

(ii) Statutory reserve

Pursuant to the Articles of Association of the companies comprising the Group in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective companies comprising the Group. During the year ended 31 December 2015, amounts in retained earnings of $nil (2014: $8,181,000) 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. During the year, statutory surplus reserve of the Company amounting to $147,314,000 (2014: $nil) were used to make good the previous years' accumulated losses.

(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).

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Nature and purpose of reserves (Continued)

(iv) Employee share trusts

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

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

(v) Distributability of reserves

At 31 December 2015, there is no aggregate amount of reserves available for distribution to equity shareholders of the Company (2014: $nil).

(g) Capital management

Notwithstanding the Group's current default of the outstanding Senior Notes and the multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern as explained in note 2(b), 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 the completion of the Debt Restructuring, which is currently in progress.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group's gearing ratio as at 31 December 2015 was 163.71% (2014: 96.28%). Note 2(b) explains management's measures to improve the Group's financial position and reduce the gearing ratio.

36 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

Notwithstanding the Group's current default of the outstanding Senior Notes and the multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern as explained in note 2(b), management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. 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.

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% (2014: 0%) and 0% (2014: 20%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the processing and trading of coking coal and other products segment.

Except for the financial guarantees, given by the Group as set out in note 40, 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 40.

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.

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. 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.

The following table shows the remaining contractual maturities at the end the reporting period of the Group'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 can be required to pay:

	2015					2014				
	Contractual undiscounted cash outflow					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	1,094,694	28,482	–	1,123,176	1,100,650	1,218,858	–	–	1,218,858	1,191,889
Senior notes	2,703,034	–	–	2,703,034	2,388,573	203,962	2,501,531	–	2,705,493	2,364,347
Trade and other payables (excluding prepayments from customers)	722,218	–	–	722,218	722,218	2,032,850	–	–	2,032,850	2,032,850
	4,519,946	28,482	–	4,548,428	4,211,441	3,455,670	2,501,531	–	5,957,201	5,589,086

(Expressed in Hong Kong dollars unless otherwise indicated)

36 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 borrowings at the end of the reporting period.

	2015 Interest rate %	**2015** $'000	2014 Interest rate %	2014 $'000
Fixed rate borrowings:				
Bank loans	**1.63%–5.35%**	**1,043,357**	1.53%–5.50%	820,111
Senior notes	**10%**	**2,388,573**	10%	2,364,347
		3,431,930		3,184,458
Variable rate borrowings:				
Bank loans	**5.15%**	**57,293**	2.63%–7.20%	371,778
		57,293		371,778
Total borrowings		**3,489,223**		3,556,236
Fixed rate borrowings as a percentage of total borrowings		**98.36%**		89.54%

(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 2014.

At 31 December 2015, 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 $2,064,000 (2014: $697,000). Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

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

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to currency risk

The following table details the Group's 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.

	Exposure to foreign currency (expressed in HK$)													
	2015							2014						
	CA$	**US$**	**RMB**	**SGD**	**HK$**	**GBP**	**Euro**	CA$	US$	RMB	SGD	HK$	GBP	Euro
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	**–**	**3,867**	**13,708**	**3,475**	**3,080**	**12**	**4**	–	112,663	1,984	3,955	4,703	–	–
Trade and other receivables	**4**	**148,134**	**414,496**	**–**	**659**	**–**	**–**	23	1,654,508	1,135,008	704	701	–	–
Trade and other payables	**–**	**(36,371)**	**(112,676)**	**(23)**	**(75)**	**–**	**–**	(24)	(1,804,854)	(1,069,923)	(81)	(183)	–	–
Bank loans	**–**	**(671.076)**	**–**	**–**	**–**	**–**	**–**	–	(540,287)	–	–	–	–	–
Net exposure arising from Recognized assets and liabilities	**4**	**(555,446)**	**315,528**	**3,452**	**3,664**	**12**	**4**	(1)	(577,970)	67.069	4,578	5,221	–	–

36 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.

	2015		2014	
	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%	–
	(5)%	**–**	(5)%	–
US$	**5%**	**(19,441)**	5%	(20,377)
	(5)%	**19,441**	(5)%	20,377
RMB	**5%**	**4,733**	5%	1,109
	(5)%	**(4,733)**	(5)%	(1,109)
SGD	**5%**	**129**	5%	172
	(5)%	**(129)**	(5)%	(172)
HK$	**5%**	**137**	5%	196
	(5)%	**(137)**	(5)%	(196)
GBP	**5%**	**–**	5%	–
	(5)%	**–**	(5)%	–
Euro	**5%**	**2**	5%	–
	(5)%	**(2)**	(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 2014.

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

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs

2015

		Fair value measurements as at 31 December 2015 categorised into		
	Fair value at 31 December 2015 $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
— Forward foreign exchange contracts	**21,373**	**–**	**21,373**	**–**
— Commodity futures contracts	**10,387**	**10,387**	**–**	**–**
Trading securities				
— Listed trading securities	**613**	**613**	**–**	**–**

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(e) Fair values measurement (Continued)

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

2014

	Fair value at 31 December 2014 $'000	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	–

During the years ended 31 December 2014 and 2015, 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 2015 and 2014 except for the Senior Notes (see note 30).

	2015 Carrying amount $'000	**2015** Fair value $'000	2014 Carrying amount $'000	2014 Fair value $'000
Senior Notes	**2,388,573**	**293,678**	2,364,347	959,814

37 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 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.

(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 2015			
Restricted bank deposits	**354,715**	**(354,715)**	**–**
As at 31 December 2014			
Restricted bank deposits	1,033,390	(1,023,066)	10,324

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

(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 2015			
Secured bank loans	**368,626**	**(354,715)**	**13,911**
As at 31 December 2014			
Secured bank loans	1,023,066	(1,023,066)	–

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

37 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 "restricted bank deposits" and "secured bank loans" presented in the statement of financial position.

	At 31 December 2015 $'000	At 31 December 2014 $'000
Net amount of restricted bank deposits after offsetting as stated above	**–**	10,324
Restricted bank deposits not in scope of offsetting disclosure	**499,104**	945,753
Total restricted bank deposits	**499,104**	956,077

	At 31 December 2015 $'000	At 31 December 2014 $'000
Net amount of secured bank loans after offsetting as stated above	**13,911**	–
Secured bank loans not in scope of offsetting disclosure	**1,086,739**	1,191,889
Total secured bank loans	**1,100,650**	1,191,889

38 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:

	2015 $'000	2014 $'000
Short-term employee benefits	**31,896**	51,138
Equity compensation benefits	**5,046**	7,559

The remuneration is included in "staff costs" (see note 8(b)).

38 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions

During the year, the Group entered into the following material related party transactions:

	2015 $'000	2014 $'000
Sales of products to a related party	**89,786**	735,326
Purchase of products from a related party	**61,341**	486,956
Rental expense for lease of properties from related parties	**6,876**	7,751

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:

	2015 $'000	2014 $'000
Amounts due from related parties	**–**	761
Amounts due to related parties	**383**	–

(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 Directors' Report.

(Expressed in Hong Kong dollars unless otherwise indicated)

39 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements are as follows:

	At 31 December 2015 $'000	At 31 December 2014 $'000
Contracted for	**–**	213,096

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2015 $'000	At 31 December 2014 $'000
Within 1 year	**5,102**	11,090
After 1 year but within 5 years	**7,004**	3,235
	12,106	14,325

The Group leases buildings and others under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

40 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., and 0925165 B.C. Ltd., have provided guarantees for the Senior Notes issued in April 2011 (see note 30).

The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Senior Notes.

(Expressed in Hong Kong dollars unless otherwise indicated)

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2015 $'000**	2014 $'000
Non-current assets			
Property, plant and equipment, net		**–**	1
Interests in subsidiaries		**2,201,173**	2,717,046
Total non-current assets		**2,201,173**	2,717,047
Current assets			
Trade and other receivables		**1,639**	784
Cash and cash equivalents		**4,044**	5,552
Total current assets		**5,683**	6,336
Current liabilities			
Trade and other payables		**1,410,548**	1,332,342
Senior Notes	30	**2,388,573**	–
Income tax recoverable		**(734)**	(620)
Total current liabilities		**3,798,387**	1,331,722
Net current liabilities		**(3,792,704)**	(1,325,386)
Total assets less current liabilities		**(1,591,531)**	1,391,661
Non-current liabilities			
Senior Notes	30	**–**	2,364,347
Total non-current liabilities		**–**	2,364,347
NET LIABILITIES		**(1,591,531)**	(972,686)
CAPITAL AND RESERVES	35(a)		
Share capital		**4,992,337**	4,992,337
Reserves		**(6,583,868)**	(5,965,023)
TOTAL DEFICIT		**(1,591,531)**	(972,686)

(Expressed in Hong Kong dollars unless otherwise indicated)

42 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, 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 are incorporated in British Virgin Islands. These two entities do not produce financial statements available for public use.

43 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the outstanding principal and interest in respect of loan to Moveday on due as at 31 December 2015 was offset against the Group's payables on 22 January 2016. Further details are disclosed in note 23.

Subsequent to the end of the reporting period, all the outstanding options under the 2014 Share Option Scheme were cancelled by the Company as at 1 March 2016 in accordance with the terms of the 2014 Share Option Scheme. Further details are disclosed in note 32.

Subsequent to the end of the reporting period, Famous Speech Limited, Controlling Shareholder Group and the Company entered into an Underwriting Agreement on March 2016. Further details are disclosed in note 2.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
IFRS 14, *Regulatory deferral accounts*	1 January 2016
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
Amendments to IAS 16 and IAS 41, *Agriculture: Bearer plants*	1 January 2016
Amendments to IAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 7, *Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes — Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments (2014)*	1 January 2018
IFRS 16, *Leases*	1 January 2019

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 consolidated financial statement.

Definitions

In this annual report, unless the context requires otherwise, the following expressions have the following meanings:

"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
"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
"Grande Cache" or "GCCC"	Grande Cache Coal Corporation

"Great Start"	Great Start 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
"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 ultimate Controlling Shareholder of our Company

"Nantong Haotong"	南通浩通能源有限公司 (Nantong Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 24 February 2009 and our indirectly wholly-owned subsidiary
"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 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)

	2015 $'000	2014 $'000	2013 $'000 (restated)	2012 $'000	2011 $'000
Continuing operations					
Turnover	**5,735,319**	7,547,738	13,319,742	12,387,405	11,610,413
(Loss)/profit before taxation	**(1,752,266)**	(1,133,469)	(410,076)	(1,965,270)	1,422,836
Income tax	**(3,534)**	(82,081)	(312,461)	293,142	(371,079)
(Loss)/profit from continuing operations	**(1,755,800)**	(1,215,550)	(722,537)	(1,672,128)	1,051,757
Discontinued operations					
Loss from discontinued operations (net of income tax)	**(179,587)**	(4,681,208)	(1,602,797)	–	–
(Loss)/profit for the year	**(1,935,387)**	(5,896,758)	(2,325,334)	(1,672,128)	1,051,757
Attributable to:					
Equity shareholders of the Company	**(1,722,992)**	(3,693,055)	(1,789,385)	(1,490,961)	1,051,003
Non-controlling interests	**(212,395)**	(2,203,703)	(535,949)	(181,167)	754
(Loss)/profit for the year	**(1,935,387)**	(5,896,758)	(2,325,334)	(1,672,128)	1,051,757
Total assets	**2,704,567**	10,286,821	22,133,003	22,868,300	16,399,764
Total liabilities	**4,427,735**	(9,904,233)	(16,136,278)	(14,613,022)	(9,126,643)
Non-controlling interests	**(1,723,168)**	(82,211)	(1,987,490)	(2,529,815)	(42,186)
Total equity attributable to equity shareholders of the Company	**(1,590,801)**	300,377	5,996,725	5,725,463	7,230,935

BOARD MEMBERS

Executive Directors

Wang Xingchun (chairman) (resigned on 16 November 2015)
Cao Xinyi (appointed on 28 October 2015)
Zhu Hongchan
Andreas Werner (resigned on 28 October 2015)
Wang Changqing (resigned on 28 October 2015)
Ma Li (resigned on 28 October 2015)
Wang Yaxu (appointed on 28 October 2015)
Feng Yi (appointed on 16 November 2015)

Non-executive Directors

Daniel J. Miller (resigned on 18 June 2015)
Liu Qingchun (resigned on 31 August 2015)
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

Ng Yuk Keung
George Jay Hambro

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

Chairman

George Jay Hambro

Member

Wang Wenfu
Cao Xinyi

SECRETARY TO THE BOARD

Cao Xinyi

CHIEF FINANCIAL OFFICER

Li Yong Qiang

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

Room 12-6, Tower B Guanghua SOHO II,
No. 9 Guanghua Road, Chaoyang District
Beijing, 100020
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

China Minsheng Bank
Agricultural Bank of China

WEBSITE

www.winsway.com

HKEX STOCK CODE

1733