
FUTURE PLANS AND OUTLOOK

Our aim is to maintain and further develop our position as a leading Mongolian coking coal supplier. We aim to achieve this by continuing our enhancement and development of the various components of our integrated service platform. At the same time, we intend to continue to operate and undertake our expansion in line with government policies on environmental protection.

One of the key strategies in our future expansion is to enhance the throughput capacities of our logistics parks and strengthen our foothold in the coal supply chain by establishing our presence in other strategic locations. In addition to the two logistics parks that we currently own and operate at Gants Mod and Ceke, we plan to develop logistics parks at Manzhouli and Suifenhe, both at the Sino-Russian border, each of which is expected to comprise office buildings, coal stockpile area, coal processing plant, staff quarter and other ancillary facilities. These logistics parks will serve as our management centres and transportation hubs at these locations.

Rail transportation has been the principal transportation method for us to transport coal from our logistics parks and coal processing plants in Inner Mongolia to our customers located in coastal and other regions of China. As our existing and proposed logistics parks and coal processing plants are located or will be located along major coal transportation railways, we plan to capitalise on the opportunities arising from our strategic presence by co-operating with local railway bureau to develop and operate various railway logistics centres. Each of these railway logistics centres will comprise railway loading stations, coal storage facilities and other ancillary facilities and serve as the local railway transportation hub for transportation of coal and other goods, and will be available for use by us as well as other third parties. We believe that being an owner and operator, as well as holder of strategic coal stakes in these railway logistics centres, will benefit from these facilities, and allow us easy access to rail transportation in the future.

FUTURE PLANS AND OUTLOOK

Our main expansion plans in 2010 through 2012, including details we are able to determine as at the Latest Practicable Date, are summarised below. The implementation and completion of the planned projects below are subject to a number of factors, please refer to the section headed “Risk Factors — Risks Related to Our Business and Our Strategy — We are exposed to certain risks in respect of the development and construction of new logistics parks, railway logistics centres and coal processing plants and expansion of our seaborne coal operations to certain seaports” in this prospectus:

Location	Project	Status	Estimated commencement date	Estimated completion date	Capital expenditure requirements				
					Amount spent (as at 30 June 2010) (RMB million)	Amount estimated to be spent (July-December 2010) (RMB million)	Year 2011 (RMB million)	Year 2012 (RMB million)	Total (RMB million)
<i>Railway Logistics Centres</i>									
Gants Mod	Railway logistics centre ⁽¹⁾	Planning/ Joint venture company incorporated	Q1 2011	Q1 2012	-	-	96.0	4.0	100.0
Ceke	Railway logistics centre ⁽¹⁾	Planning/ Joint venture company incorporated	Q4 2010	Q4 2011	-	20.7	44.8	3.4	68.9
Erlianhaote	Railway logistics centre ⁽¹⁾	Planning/ Joint venture company incorporated	Q4 2010	Q2 2011	-	79.7	280.8	19.0	379.5
Manzhouli	Railway logistics centre ⁽²⁾	Planning/In discussion with railway bureau	Q3 2010	Q4 2011	-	-	100.0	60.0	160.0
Suifenhe	Railway logistics centre ⁽²⁾	Planning/In discussion with railway bureau	Q1 2011	Q1 2012	-	-	79.5	70.5	150.0
Jining	Railway logistics centre ⁽¹⁾	Planning/ Joint venture company incorporated	Q4 2010	Q2 2011	-	39.5	56.7	4.3	100.5
Urad Zhongqi	Railway logistics centre ⁽¹⁾	Planning/ Joint venture company incorporated	Q1 2011	Q4 2011	-	9.1	34.2	2.3	45.6
SUB-TOTAL					-	149.0	692.0	163.5	1,004.5
<i>Logistics Parks</i>									
Gants Mod	Expansion of existing logistics park	Ongoing/ Construction	Existing project	On-going	7.8	38.2	5.5	0.5	44.2
Ceke	Expansion of existing logistics park	Ongoing/ Construction	Existing project	On-going	15.4	45.3	2.6	-	47.9
Manzhouli	Logistics park	Planning	Q3 2010	Q4 2011	-	20.0	50.0	20.0	90.0
Suifenhe	Logistics park	Planning	Q1 2011	Q4 2011	-	10.0	75.1	4.0	89.1
SUB-TOTAL					23.2	113.5	133.2	24.5	271.2

FUTURE PLANS AND OUTLOOK

Location	Project	Status	Estimated commencement date	Estimated completion date	Capital expenditure requirements				
					Amount estimated to be spent				
					Amount spent (as at 30 June 2010) (RMB million)	(July-December 2010) (RMB million)	Year 2011 (RMB million)	Year 2012 (RMB million)	Total (RMB million)
<i>Port Facilities</i>									
Longkou	Docking facilities ⁽³⁾	Planning/ In discussion with Longkou port authority	Q1 2011	Q1 2012	-	-	240.0	60.0	300.0
<i>Coal Processing Plants</i>									
Urad Zhongqi	Expansion of existing capacity of dense medium coal plant to 10.0 mtpa	Planning	Q4 2010	Q4 2011	34.8	49.0	115.5	26.9	191.4
Ceke	1.2 mtpa dry separation processing plant	Ongoing/ Construction	Existing project	On-going	2.8	2.3	2.4	0.2	4.9
Jining	4.0 mtpa dense medium coal processing plant	Planning	Q4 2010	Q2 2011	-	122.1	15.0	26.2	163.3
Bayuquan port	4.0 mtpa dense medium coal processing plant	Planning	Q3 2010	Q2 2011	19.8	121.8	6.5	32.0	160.3
Longkou port	4.0 mtpa dense medium coal processing plant	Planning	Q4 2010	Q3 2011	-	51.5	116.0	14.5	182.0
Manzhouli	5.0 mtpa dense medium coal processing plant	Planning	Q3 2010	Q1 2012	-	5.0	100.0	25.0	130.0
Suifenhé	5.0 mtpa dense medium coal processing plant	Planning	Q1 2011	Q2 2012	-	-	76.9	53.1	130.0
SUB-TOTAL					57.4	351.7	432.3	177.9	961.9
TOTAL					80.6	614.2 ⁽⁴⁾	1,497.5	425.9	2,537.6

FUTURE PLANS AND OUTLOOK

Notes:

- (1) 51% held by our Group and 49% held by subsidiaries of Hohhot Railway Bureau.
- (2) Subject to discussion, proposed to be 51% held by our Group and 49% held by another railway bureau.
- (3) Subject to discussion, proposed to be 51% held by our Group and 49% held by Longkou port authority company.
- (4) Approximately RMB508.9 million has been committed for as at 30 June 2010.

In addition, we have also invested in 5% of the equity capital of Xixiaozhao Gants Mod Railway Co., Ltd., which will undertake the construction of a railway line connecting Xixiaozhao to Gants Mod. As at the Latest Practicable Date, we have contributed RMB40.65 million, and RMB19.65 million is payable by November 2010 according to a capital contribution schedule agreed by the parties, and the remaining RMB15.0 million payable at a later date to be determined by the parties. We are also exploring the investment opportunity in respect of another project company which will undertake the construction of a railway line connecting some of our key infrastructure to the PRC railway network. We expect to subscribe for a minority interest in the project company and our total investment in the project company to be in the region of RMB150.0 million. The actual investment amount and our shareholding interest in that project company is still pending commercial agreement with the relevant parties.

Expansion of Gants Mod and Ceke logistics parks

We are aggressively expanding the infrastructure and throughput capacities at the Gants Mod and Ceke logistics parks where additional land has been earmarked for expansion.

In order to build on our existing handling capability of our Gants Mod and Ceke logistics parks, we plan to upgrade our existing facilities and invest in new facilities. Our plan is expected to result in an increase in our designed handling capability in anticipation of the potential ramping-up of production by our suppliers in Mongolia and additional inflow of coal from Mongolia into China.

We commenced the construction of the Gants Mod logistics park in 2008 and have been expanding and undertaking upgrading work at the logistics park, such as expansion of staff quarters, construction of wind shield, truck maintenance workshops and hardening of ground surface. We expect the on-going expansion and upgrading work to be carried out in the next two to three years.

We obtained the registration with the competent level of the National Development and Reform Commission, environmental assessment report in respect of the project, construction land planning permit, construction planning permit and construction permit in relation to the expansion and upgrading work at the Gants Mod logistics park and will, upon the completion of such expansion and upgrading work, undergo examination and inspection of the same in accordance with the requirements of relevant laws and regulations.

We also commenced the construction of the Ceke logistics park in 2009 and have been expanding and undertaking upgrading work at the logistics park, such as construction of an office area and a coal testing centre, expansion of staff quarters, construction of wind shield, truck maintenance workshops and hardening of ground surface. We expect the on-going expansion and upgrading work to be carried out in the next two to three years.

We obtained the registration with the competent level of the National Development and Reform Commission, environmental assessment report in respect of the project, construction land

FUTURE PLANS AND OUTLOOK

planning permit, construction planning permit and construction permit in relation to the expansion and upgrading work at the Ceke logistics park and will, upon the completion of such expansion and upgrading work, undergo examination and inspection of the same in accordance with the requirements of laws and regulations.

We are at the initial stage of planning the construction of conveyor belt systems which will connect the Gants Mod and Ceke logistics parks to the contiguous lands in Gashuun Sukhait and Shivee Khuren in Mongolia, respectively, to potentially enhance our Sino-Mongolian border crossing efficiency and capacity.

Railway logistics centres

We believe railways are and will remain an integral part of the logistical solution for coal transportation to our customers located in eastern provinces, such as Hebei province, and to ports for shipping transportation to our other customers which are mainly located in coastal regions, such as Shanghai. As part of our development strategy, and in addition to our minority stake in Xixiaozhao Gants Mod Railway Co., Ltd. which will undertake the construction of a railway line connecting Xixiaozhao to Gants Mod, we plan to develop railway logistic centres at Gants Mod and Ceke, which is or will be connected to major coal transportation railways, to attain greater access to rail transportation.

The development of each of the railway logistics centres at Gants Mod and Ceke border crossings has been approved by Hohhot Railway Bureau, and will be operated by a joint venture company to be set up by Hohhot Railway Bureau and us. We will hold a 51% equity interest in this joint venture, with Hohhot Railway Bureau taking the remaining 49%. Under our development plans, each of the railway logistics centres is expected to have coal loading stations close to railway, enclosed coal warehouses, a train dumping system, a switch station and ancillary infrastructure for railway gauges. We plan to transform each of our logistics parks at Gants Mod and Ceke into a logistics hub for coking coal transshipment and storage. Provision of such services will significantly augment and complement our existing integrated supply chain services.

We are still at the planning stage for both railway logistics centres at Gants Mod and Ceke. We expect the construction of the railway logistics centres including railway loading stations at Gants Mod and Ceke to commence in or around first quarter of 2011 and fourth quarter of 2010 respectively subject to the overall development plan of the national railway system. The construction of the railway logistics centres at Gants Mod and Ceke are expected to be completed in the first quarter of 2012 and the fourth quarter of 2011 respectively.

Other than the approval of Hohhot Railway Bureau, no regulatory approval, permit or license has been obtained in respect of the railway logistics centres at Gants Mod and Ceke. The major approvals, permits and licenses required for each railway logistics centre comprise registration with the competent level of the National Development and Reform Commission, environmental assessment report in respect of the project from the relevant environmental protection department, and subject to the status of our construction, we are also required to apply for planning permits from the relevant planning bureaus in stages, such as construction land planning permit and construction planning permit, and construction permit. Upon the completion of the construction, these projects are required to undergo examination and inspection by the relevant government authorities before proper title in respect of the project buildings are issued.

FUTURE PLANS AND OUTLOOK

We are also planning the following:

- Railway logistics centres at Sino-Mongolia border crossings

We are planning additional railway logistics centres to be developed and operated jointly with Hohhot Railway Bureau at other Sino-Mongolian border crossings such as Erlianhaote, Mandula and Zhu'engadabuqi. We are currently in discussions with relevant Chinese railway authorities in respect of our proposed joint investment in and operation of these railway logistics centres. Based on our current plan, the railway logistics centre at Erlianhaote will be constructed on our existing land and a piece of land to be acquired. We expect the construction of the railway logistics centre which will include railway loading stations and ancillary facilities at Erlianhaote to commence in or around the fourth quarter of 2010 subject to and in line with the overall development plan of the national railway system by the relevant PRC governmental departments and authorities. The construction of the railway logistics centre at Erlianhaote is expected to be completed in the second quarter of 2011.

Other than the approval of Hohhot Railway Bureau, no regulatory approval, permit or license has been obtained in respect of the railway logistics centre at Erlianhaote. The major approvals, permits and licenses required comprise registration with the competent level of National Development and Reform Commission, environmental assessment report in respect of the project from the relevant environmental protection department, and subject to the status of our construction, we are also required to apply for planning permits from the relevant planning bureaus in stages, such as construction land planning permit and construction planning permit, and construction permit. Upon the completion of the construction, these projects are required to undergo examination and inspection by the relevant government authorities before proper title in respect of the project buildings are issued.

As at the Latest Practicable Date, Hohhot Railway Bureau and we invested in five joint venture companies, Bayannao'er Winsway, Ejinaqi Winsway and Erlianhaote Haotong for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke and Erlianhaote respectively, and Urad Zhongqi Haotong and Inner Mongolia Hutie Winsway Logistics for the purpose of developing and operating inland railway logistics centres as detailed below. We own a 51% equity interest and have a majority board representation in each of these joint venture companies. We are currently exploring the feasibility of the railway logistics centres at Mandula and Zhu'engadabuqi together with Hohhot Railway Bureau. The proposed railway logistics centres at Mandula and Zhu'engadabuqi are dependent on the development of the railway connecting Mandula and Zhu'engadabuqi respectively to the PRC railway network. As far as we are aware, the connecting railways are currently in planning, and the actual completion date are still uncertain. Any plan to construct the railway logistics centres at Mandula and Zhu'engadabuqi will also be subject to the overall development plan of the national railway system and the relevant approvals, permits and licenses mentioned above.

- Railway logistics centres in China inland

We are planning railway logistics centres jointly with Hohhot Railway Bureau in Inner Mongolia at Jining and Urad Zhongqi. We are still at the planning stage for the railway logistics centres including railway loading stations at Jining and Urad Zhongqi. We expect the construction of the railway logistics centres which will each contain railway loading stations and ancillary facilities at Jining and Urad Zhongqi to commence in or around the fourth quarter of 2010 and the first quarter of 2011 respectively, subject to the overall development plan of the national railway system. The construction of the railway logistics centres at Jining and

FUTURE PLANS AND OUTLOOK

Urad Zhongqi are expected to be completed in the second and the fourth quarter of 2011 respectively.

Other than the approval of Hohhot Railway Bureau, no regulatory approval, permit or licence has been obtained in respect of the railway logistics centres at Jining and Urad Zhongqi. The major approvals, permits and licenses required comprise registration with the National Development and Reform Commission, environmental assessment report in respect of the project from the relevant environmental protection department, and subject to the status of our construction, we are required to apply for planning permits from the relevant planning bureaus in stages, such as construction land planning permit and construction planning permit, and construction permit. Upon the completion of the construction, these projects are required to undergo examination and acceptance by the relevant government authorities before proper title in respect of the project buildings are issued.

As at the Latest Practicable Date, we have incorporated two other joint venture companies with Hohhot Railway Bureau, Urad Zhongqi Haotong and Inner Mongolia Hutie Winsway Logistics, for the purpose of developing and operating railway logistics centres at Urad Zhongqi and Jining respectively. We own a 51% equity interest and have a majority board representation in each of these joint venture companies.

Logistics parks and railway logistics centres at the Chinese side of Sino-Russian border crossings

We plan to develop and operate logistics parks and railway logistic centres at Manzhouli and Suifenhe along the Sino-Russian border, with the expectation that an increasing amount of coal will be imported from Russia in the future. We are still at the planning stage for these logistics parks and railway logistics centres. We expect the construction of the railway logistics centres at Manzhouli and Suifenhe to commence at the same time as their respective logistics park in or around the third quarter of 2010 and the first quarter of 2011 respectively subject to the overall development plan of the national railway system. The construction of the logistics park and the railway logistics centre at Manzhouli and the logistics park at Suifenhe are expected to be completed in the fourth quarter of 2011 whereas the railway logistics centre at Suifenhe is expected to be completed in the first quarter of 2012.

No regulatory approval, permit or license has been obtained in respect of the logistics parks and the railway logistics centres at Manzhouli and Suifenhe. The major approvals, permits and licenses required comprise registration with the competent level of the National Development and Reform Commission, environmental assessment report in respect of the project from the relevant environmental protection department, and subject on the status of our construction, planning permits from the relevant planning bureaus in stages, such as construction land planning permit and construction planning permit, and construction permit. Upon the completion of the construction, these projects are required to undergo examination and acceptance by the relevant government authorities before proper title in respect of the project buildings are issued.

Coal processing plants

We plan to expand our coal processing capability by way of capacity expansion at our existing coal processing plant at Urad Zhongqi to 10.0 mtpa and development of new dense medium coal processing plants at Bayuquan port, Longkou port and Jining each of which will have a total planned processing capacity of 4.0 mtpa and at Manzhouli and Suifenhe which each will have a total planned processing capacity of 5.0 mtpa. We expect the Urad Zhongqi plant expansion to be completed in stages, through an additional 2.0 mtpa in the fourth quarter of 2010 and a further 4.0 mtpa in the fourth quarter of 2011, and the construction of the new Jining coal processing plant to be completed in the

FUTURE PLANS AND OUTLOOK

second quarter of 2011. Our coal processing plants at Ceke and Urad Zhongqi and the new Jining coal processing plant are expected to process coal sourced and transported from Mongolia.

We are in the final phase of the current expansion of the Urad Zhongqi coal processing plant, upon completion of which our total production capacity at that plant will be increased to 6.0 mtpa. We expect the final examination and acceptance to take place in the fourth quarter of 2010. We are also in the final stage of testing and fine tuning the production line at the Ceke coal processing plant. We expect the examination and acceptance of the Ceke coal processing plant to be completed before Listing.

Our new dense medium coal processing plants at Bayuquan and Longkou ports are each expected to be completed in the second quarter and the third quarter of 2011 respectively to process seaborne coal sourced from Russia and our new dense medium coal processing plants at Manzhouli and Suifenhe are expected to be completed in the first quarter of 2012 and the second quarter of 2012 respectively to process Russian coal imported into China through landborne routes.

We are at the planning stage for the further expansion of the coal processing plant at Urad Zhongqi to 10.0 mtpa and the construction of the coal processing plants at Jining, Bayuquan port, Longkou port, Manzhouli and Suifenhe.

As at the Latest Practicable Date, no regulatory approval, permit or license has been obtained in respect of further expansion of the coal processing plant at Urad Zhongqi and the construction of the coal processing plants at Jining, Bayuquan port, Longkou port, Manzhouli and Suifenhe. The major approvals, permits and licenses required for each coal processing plant comprise registration with the competent level of the National Development and Reform Commission, environmental assessment report in respect of the project from the relevant environmental protection department, and subject to the status of our construction, we are required to apply for planning permits from the relevant planning bureaus in stages, such as construction land planning permit and construction planning permit, and construction permit. Upon the completion of the construction, these projects are required to undergo examination and acceptance by the relevant government authorities before proper title in respect of the project buildings are issued.

We are also exploring the feasibility of constructing a coal processing plant at Yangkou port, which, if proceeded with, will be subject to us obtaining approvals, permits and licenses similar to those required for the other coal processing plants.

Sea ports

We plan to invest in capesize vessel docking facilities dedicated to coal transportation and shipment in Longkou port.

We are still at the planning stage for the docking facilities at Longkou. Based on our current plan, the docking facilities at Longkou will be constructed on a piece of land to be acquired. We expect the construction of the docking facilities at Longkou to commence around the first quarter of 2011, and to be completed around the first quarter of 2012.

As at the Latest Practicable Date, no regulatory approval, permit or license has been obtained in respect of the docking facilities at Longkou. We expect the major approvals, permits and licenses required comprise registration with the competent level of the National Development and Reform Commission, environmental assessment report in respect of the project from the relevant environmental protection department, and subject on the status of our construction, planning permits

FUTURE PLANS AND OUTLOOK

from the relevant planning bureaus in stages, such as construction land planning permit and construction planning permit, and construction permit. Upon the completion of the construction, this project is required to undergo examination and acceptance by the relevant government authorities before proper title in respect of the project buildings are issued.

The docking facilities, together with the planned coal processing plants at Bayuquan port and Longkou port are strategically located along the east coast of China. We expect the Bayuquan and Longkou ports to primarily serve as receiving ports for coal from Russia and will also service the Northeast China and Shangdong province markets.

All the above projects will be financed by our internal generated funds bank borrowings and proceeds from the Global Offering as detailed in the section headed “Use of Proceeds” in this prospectus.