

WINSWAY®

WINSWAY COKING COAL HOLDINGS LIMITED

永暉焦煤股份有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1733

GLOBAL OFFERING



Joint Sponsors and Joint Global Coordinators

Deutsche Bank



**Goldman
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Joint Bookrunners and Joint Lead Managers

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**Goldman
Sachs**

BofA Merrill Lynch

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 990,000,000 Shares (subject to the Over-allotment Option)
Number of International Placing Shares : 891,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares : 99,000,000 Shares (subject to adjustment)
Maximum Offer Price : HK\$4.50 per Offer Share, plus 1% brokerage, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : Not applicable
Stock code : 1733

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Goldman Sachs

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Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VIII, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 30 September 2010 and, in any event, not later than Wednesday, 6 October 2010. The Offer Price will be not more than HK\$4.50 and is currently expected to be not less than HK\$3.25. If, for any reason, the Offer Price is not agreed by Wednesday, 6 October 2010 between the Joint Bookrunners (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Bookrunners (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the section headed “Structure of the Global Offering” in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus.

The Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or transferred within the US except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A or outside the US in accordance with Rule 903 or Rule 904 of Regulation S.

27 September 2010

EXPECTED TIMETABLE⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Thursday, 30 September 2010
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Thursday, 30 September 2010
Latest time to complete electronic application under White Form eIPO service through the designated website www.eipo.com.hk ⁽³⁾	11:30 a.m. on Thursday, 30 September 2010
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfers or PPS payment transfer(s)	12:00 noon on Thursday, 30 September 2010
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, 30 September 2010
Application lists close	12:00 noon on Thursday, 30 September 2010
Expected Price Determination Date ⁽⁵⁾	Thursday, 30 September 2010

Announcement of:

- the Offer Price;
- the level of an indication of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering;
- the basis of allocation of the Hong Kong Offer Shares

to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.winsway.com on or before

Friday, 8 October 2010

Announcement of results of allotment of the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where applicable) be available through a variety of channels, including the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.winsway.com, as described in the section headed "How to Apply for Hong Kong Offer Shares – 8. Publication of Results" in this prospectus from

Friday, 8 October 2010

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function

Friday, 8 October 2010

Despatch/Collection of Share certificates/White Form e-Refund payment instructions/refund cheques (if applicable) on or before⁽⁶⁾

Friday, 8 October 2010

Dealings in Shares on the Hong Kong Stock Exchange expected to commence on

Monday, 11 October 2010

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 September 2010, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares — 7. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (3) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 3. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or approximately Thursday, 30 September 2010 and, in any event, not later than Wednesday, 6 October 2010. If, for any reason, the Offer Price is not agreed by Wednesday, 6 October 2010 between the Joint Bookrunners (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.
- (6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price per Share payable on application. Applicants who apply on **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and who have indicated in their Application Forms that they wish to collect any refund cheques (where applicable) and Share certificates (where applicable) in person from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Friday, 8 October 2010. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account, may have e-Refund payment instructions (if any) despatched to the application payment bank account on Friday, 8 October 2010. Applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts, may have refund cheques sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider on Friday, 8 October 2010, by ordinary post and at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares — 10. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

Share certificates are expected to be issued on Friday, 8 October 2010 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at 8:00 a.m. on Monday, 11 October 2010.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Winsway Coking Coal Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

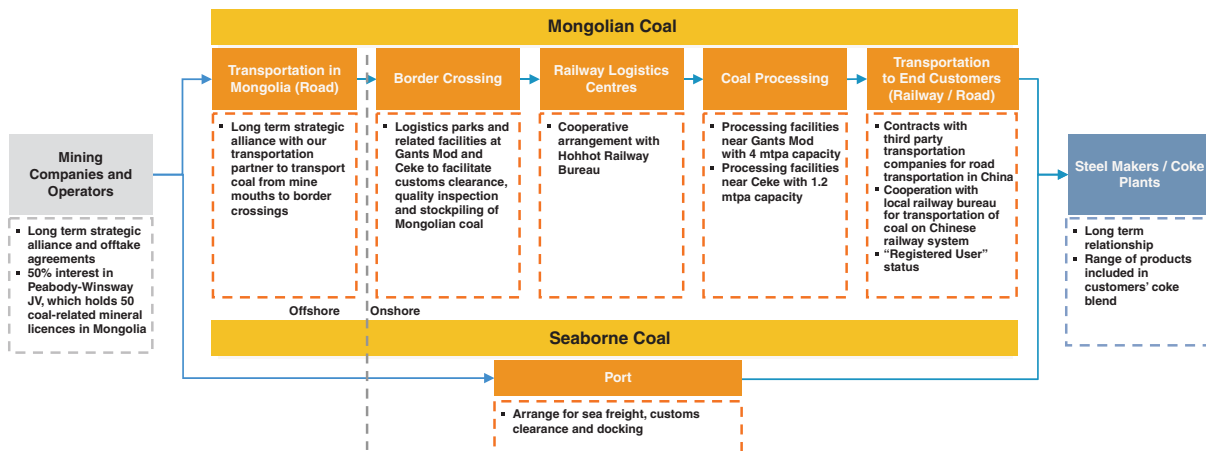
There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an integrated supplier of imported coking coal into China, the world’s largest and fastest-growing coking coal consuming market. In addition to supplying coking coal, we also provide services to our suppliers and customers through our integrated platform, comprising logistics parks, coal processing plants, and road and railway transportation capabilities. We believe we have established ourselves as one of the leading suppliers in China of imported coking coal. We also believe we were the largest offtaker of Mongolian coal in terms of volume purchased in 2009. Based on AME estimates, the total coal imported from Mongolia into China in 2009 amounted to approximately 6.00 mt. Based on our internal data, we procured approximately 3.77 mt of coal from Mongolia and approximately 3.36 mt of seaborne coal, and imported a total of approximately 6.69 mt of coal, comprising approximately 3.33 mt of coal from Mongolia and approximately 3.36 mt of seaborne coal in 2009. Accordingly, our coal imported from Mongolia accounted for approximately 55.5% of all Mongolian coal imported into China in 2009. Based on the AME Report, the total coking coal and thermal coal (including anthracite) imported into China in 2009 was approximately 34.4 mt and 75.4 mt, respectively.

We believe we are one of the pioneers in the large-scale transportation of Mongolian coking coal into China, and also one of the few companies which have substantial investments in logistics and transportation infrastructure at two tier-one Sino-Mongolian border crossings and have access to a transportation network through arrangements with third parties on both sides of the border. We also believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, which is distinguishable through the considerable scale and profitability we have achieved.

Set forth below is the coking coal supply value chain which we participate in:



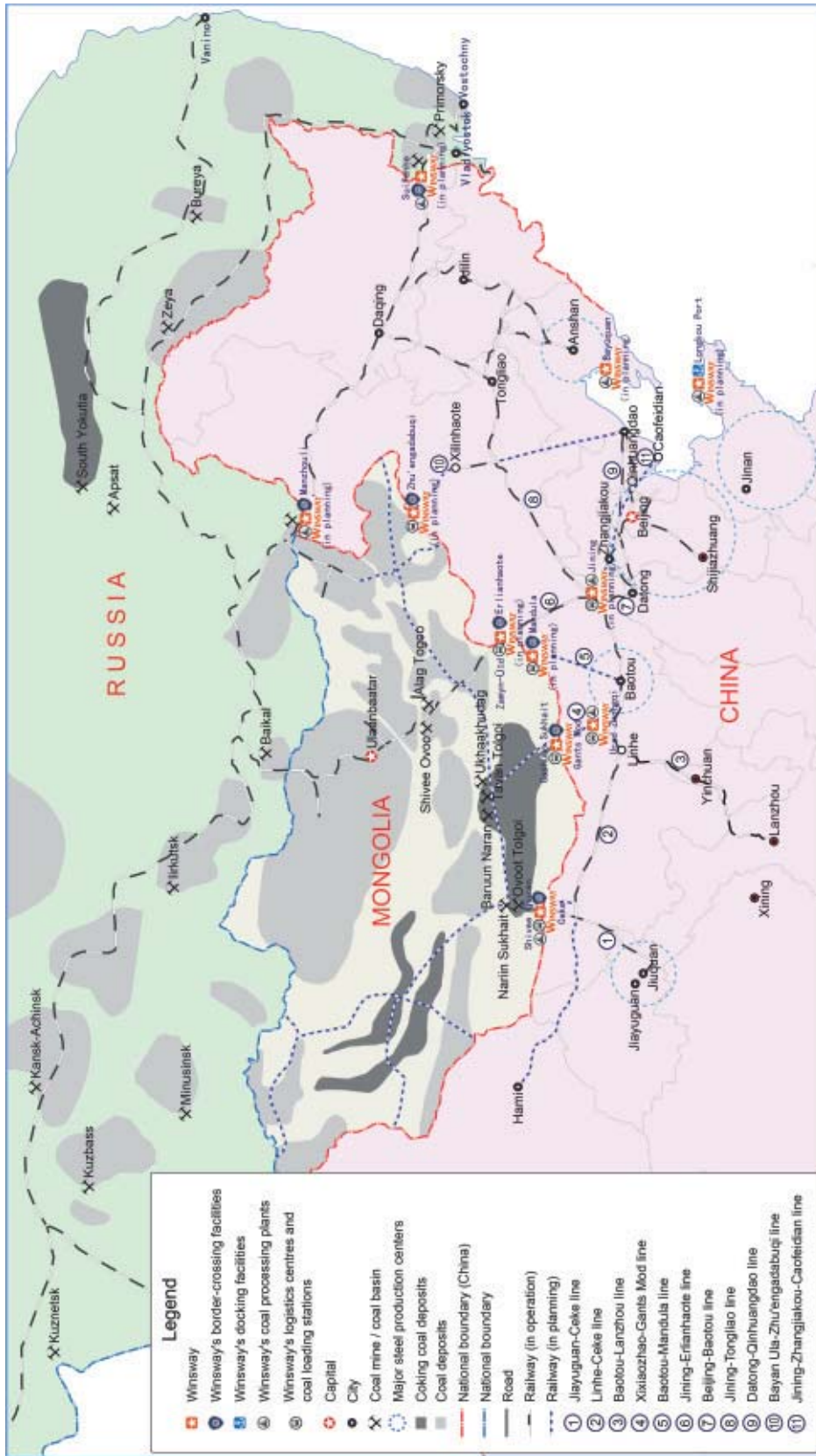
We plan to further strengthen our market position and foothold in the coking coal supply chain by adopting the following approaches. In respect of our supply, we plan to selectively acquire upstream

SUMMARY

resources and develop coal tenements in Mongolia together with affiliates of Peabody Energy. In respect of our infrastructure, we plan to cooperate with one of our Mongolia-based suppliers to construct a heavy duty road connecting Tavan Tolgoi with Gants Mod, expand infrastructure at our existing logistics parks and replicate our proven model to the Erlianhaote, Manzhouli and Suifenhe border crossings, invest in docking facilities in Longkou port, and cooperate with Hohhot Railway Bureau to construct railway logistics centres and railway-related infrastructure at border crossings and along major coal transportation railways, as well as ramp-up the capacity of our coal processing facilities by expanding the existing plant at Urad Zhongqi and constructing new plants at Bayuquan port, Longkou port, Jining, Manzhouli and Suifenhe. In respect of our sales, we plan to develop new clients and increase the penetration level of our products with existing customers. Other than the procurement of coal from Mongolia and Russia and the operation of the Peabody-Winsway JV, a jointly controlled entity owned by us and Peabody Energy, we currently do not have any business operations in Mongolia and Russia. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

SUMMARY

The map below shows the approximate locations of certain identified coal deposits in Mongolia and Russia, certain existing and planned railways, and our current and planned logistics parks and coal processing plants.



SUMMARY

We have established strong relationships with a number of Mongolia-based and other coal mining companies and operators globally. We started our cooperation with our Mongolia-based suppliers in 2006, being one of the first to do so on a large scale. Since our entry into the Mongolian market in 2006, the total Mongolian coal imported into China increased from approximately 2.4 mt in 2006 to approximately 6.0 mt in 2009. We also believe that we are one of the major customers of our Mongolia-based suppliers taking into account our market position in terms of Mongolian coal imported into China. We have also entered into strategic alliance agreements with two of our Mongolia-based suppliers. Please refer to the section headed “Business — Procurement and Suppliers — Suppliers in Mongolia” in this prospectus for more details. Our main Mongolia-based suppliers are all leading mining companies in Mongolia.

At the end of each year, we discuss with our suppliers their production and development plans for the following year. After taking into consideration production plans and requirements of our customers, expected transportation availability and our coal processing capacity, we reach an understanding with our customers on the price, volume and specifications of the coking coal to be supplied for the following year. In addition, our procurement decisions will also be made after taking into consideration various factors, including: (a) expected overall supply of Mongolian coal and the likely demand from our target market; (b) characteristics and specifications of the coal to be supplied; (c) prevailing market prices of comparable coking coal in the Chinese local market; and (d) prevailing transportation and other relevant costs. In the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we procured approximately 1.0 mt, 1.3 mt, 3.8 mt and 2.4 mt of Mongolian coal, respectively. A substantial portion of our Mongolian coal is processed and sold as cleaned coking coal, and a small portion is sold directly to our customers.

We have also procured seaborne coal from countries such as Australia, the US, Canada and Russia since 2009. Our overseas coal procurement department sources coal primarily through direct contact with coal mining companies and operators and formulates our procurement policy for seaborne coal based on orders and requests from customers and on the pricing of coal in the international markets, taking into consideration various factors including (a) current market demand and supply and the anticipated market trends in the Chinese market; and (b) characteristics and specifications of the coal to be supplied. Depending on our negotiations with our suppliers, prices may be fixed for the entire tonnage agreed for, or may be fixed for a specified number of shipments with prices for additional shipments to be further agreed. In the year ended 31 December 2009 and the six months ended 30 June 2010, we procured approximately 3.4 mt and 2.0 mt of seaborne coal, respectively. We have also entered into a non-binding strategic cooperation agreement with one of our seaborne coal suppliers. Please refer to the section headed “Business — Procurement and Suppliers — Suppliers of seaborne coal” in this prospectus.

We have built a stable and growing customer base including more than 60 steel makers and coke plants in China, including Baogang Group, Hebei Steel, Tangshan Jiahua Coal Chemical and Risun Coke. We usually enter into discussions with our customers prior to the end of each year to ascertain their production needs for the following year, and will make allocations of our products accordingly after taking into consideration the expected production capacity of our suppliers and our expected processing capacity. Consistent with Chinese coal market practices, we will then enter into formal sales contracts with our customers on a periodic basis with the term of the contract varying from a few months to one year and with specified quantities and timing of delivery during the term. Selling prices are set out in the sales contracts, and may be adjusted with reference to contracted coking coal prices between major coking coal producers in Shanxi Province and large steel makers in China and such adjustment are usually made on a quarterly basis. We have also entered into long-term strategic alliance agreements and memoranda of understanding with a number of our customers, where we have agreed with such customers to supply different types of coal possessing specific

SUMMARY

characteristics required by such customers. It is market practice that steel makers or coke producers enter into such type of strategic alliance agreements and memoranda with their key suppliers in order to agree upon the framework for future supplies and that subsequent formal sales contracts are executed pursuant to such agreements and memoranda.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our total turnover was RMB198.6 million, RMB993.5 million, RMB4,655.6 million and RMB4,298.8 million, respectively, and our profit attributable to equity shareholders of our Company was RMB17.8 million, RMB244.6 million, RMB454.0 million and RMB528.9 million, respectively.

We have not entered into any hedging transactions to reduce our exposure to risks associated with price volatility of coal. There can be no assurance that global and domestic coal prices will remain steady or move in tandem, and any fluctuation may affect the profitability, and in extreme cases the feasibility, of our business.

Border crossings

The map below shows the approximate locations of our current and planned logistics parks at border crossings.



Recognising the strategic importance of border crossings for the supply of coking coal into China, the development and expansion of our infrastructure and capacity at border crossings has been one of our core focuses. In 2007 and 2008, we started building strategic infrastructure at two major Sino-Mongolian border crossings, Gants Mod (甘其毛都) and Ceke (策克), respectively, which are close to our Mongolia-based suppliers' resources, including Tavan Tolgoi, one of the world's largest undeveloped coking coal deposits. Our infrastructure on the China side of the Gants Mod and Ceke border crossings currently includes logistics parks with border-crossing facilities, stockpile areas, and additionally at Ceke, a coal processing plant.

SUMMARY

Railway logistics and transportation

The map below shows the approximate locations of existing and planned railways relevant to our infrastructure.

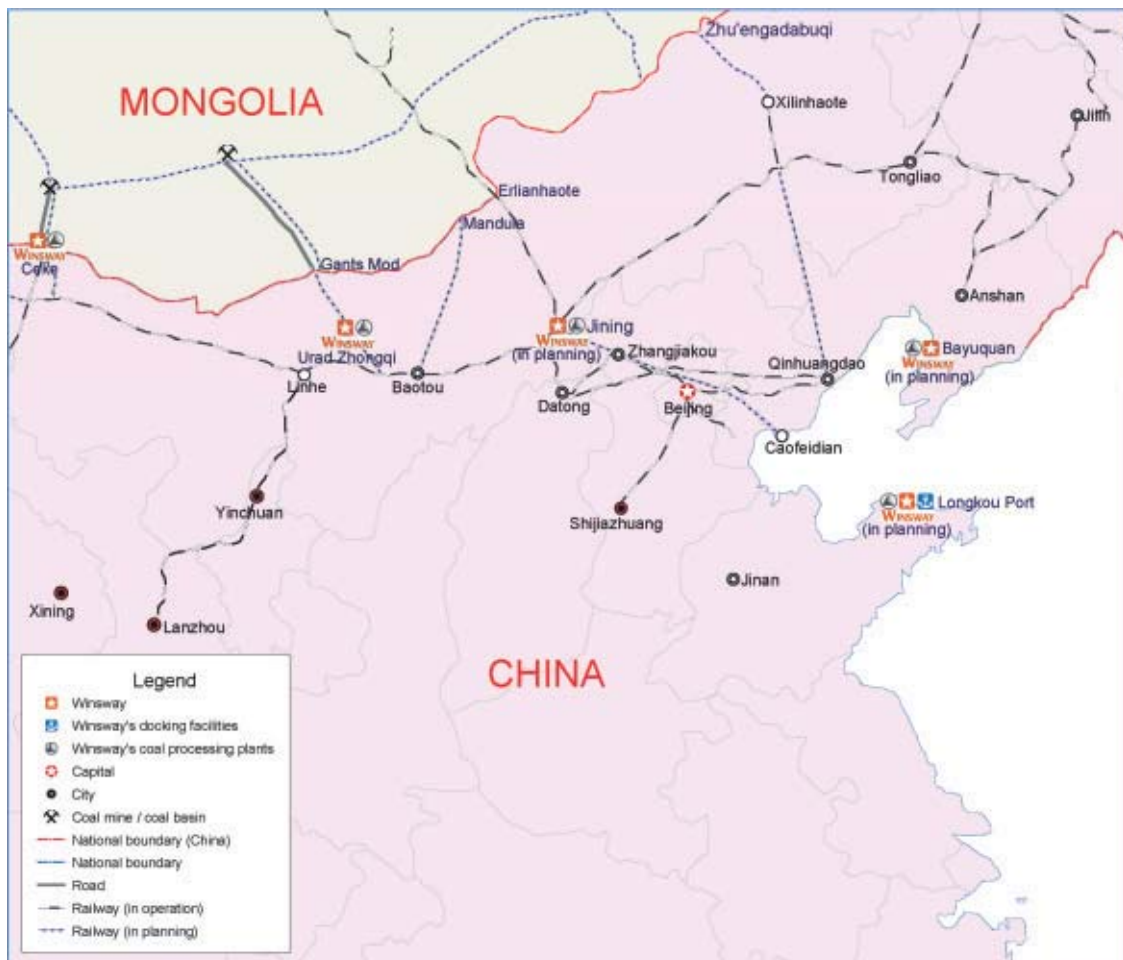


We believe railways are and will remain an integral part of the logistical solution for coal transportation. As part of our development strategy, we have invested and plan to invest in infrastructure to facilitate coal transportation to the eastern coastal area and other major coal-consuming regions in China, including railway, railway logistics centres and railway-related infrastructure. For example, we have entered into an agreement to subscribe for equity capital with a value of RMB75.0 million in Xixiaozhao Gants Mod Railway Co., Ltd., representing 5% of the equity interest in 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 made a total capital contribution of RMB40.65 million in Xixiaozhao Gants Mod Railway Co., Ltd. We are also at the planning stage of our various planned railway logistics centres and related infrastructure, including the railway logistics centres at Gants Mod and Urad Zhongqi which will be located along the Xixiaozhao — Gants Mod railway line, and the railway logistics centre at Ceke. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details on our plans in respect of these railway logistics centres. We expect to make investments in respect of our various planned railway logistics centres in the aggregate amount of approximately RMB1,004.5 million by end of 2012.

SUMMARY

Coal processing

The map below shows the approximate locations of our current and planned coal processing plants.



To enable us to provide a broad range of coking coal and more value-added services to our customers, we have built two coal processing plants located at Urad Zhongqi and Ceke. The plants had a processing capacity of 4.0 mtpa and 1.2 mtpa as at 30 June 2010, respectively.

Our integrated end-to-end service platform, comprising our logistics parks and coal processing plants and road and railway transportation capabilities through our arrangements with third-party transportation companies, enables us to secure stable and cost-effective supplies and maintain our position as a long-term supplier to steel makers and coke plants in various parts of China. At the same time, our service platform and sales network also provide international coking coal mining companies and operators with access to the China coking coal market. Furthermore, our logistical expertise enables us to extend our reach from Inner Mongolia to the eastern coastal area of China where demand and the average selling price for coking coal are generally higher and through our coal processing services, we are able to enhance our profitability. Given our first-mover advantage in establishing a land-borne coking coal route to China and the scale we have achieved thus far, we believe our business model is difficult to replicate and creates a high entry barrier for potential competitors.

SUMMARY

In line with our business strategy, we plan to expand and enhance the various components of our service platform through our future development plans. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details of our plans.

We are expanding our infrastructure and facilities rapidly, and plan to undertake various further projects, including the expansion and construction of (i) logistics parks and railway logistics centres at Sino-Mongolian border crossings, Sino-Russian border crossings and in PRC inland, (ii) port docking facilities, and (iii) coal processing plants. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details. Our rapid growth over the past few years and our expansion plans have presented, and continue to present, significant challenges for our management and administrative systems and resources. For instance, our logistics parks at Gants Mod and Ceke and our coal processing plants at Urad Zhongqi and Ceke have only been in operation for less than three years. Our design capacity at our Urad Zhongqi coal processing plant increased from 1.0 mtpa to 2.0 mtpa in the third quarter of 2008, and to 4.0 mtpa in the fourth quarter of 2009. We also plan to undertake substantial development plans and expansion in the future. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details. There are various risks associated with the development and construction of these projects. For example, each of these projects are subject to the approvals of various governmental departments in the PRC, and there is no assurance that we will be able to obtain all necessary approvals expediently or be allowed to implement our projects in accordance with our plans. Further, our rapid development in the past few years has created a strong demand for new capital in order to finance our projects and we expect we will continue to require substantial initial capital outlay in order to implement the above projects in accordance to our plan. There can be no assurance that we will be able to secure sufficient financing to fund these projects, given that these projects may require a higher capital outlay than that expected by us and that, if sufficient financing is available, we are able to efficiently deploy our capital to meet the investment schedule or in accordance with the actual requirements of these projects. In addition, there can be no assurance that our management team possesses the required technical and operational expertise required for the development and operation of these projects, and there can be no assurance that we will be able to attract and retain sufficient experienced technical personnel to implement and manage these projects. Please also refer to the section headed “Risk Factors” in this prospectus for more details on the risks associated with our rapid development.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success in the China coking coal industry and distinguish us from our competitors:

We are a major gateway for global coking coal into China and we believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, with considerable scale and profitability

Based on AME estimates and our internal data, we are one of the largest imported coking coal suppliers in China by volume. In addition, we were the largest importer of Mongolian coal by volume, accounting for approximately 55.5% of all Mongolian coal imported into China in 2009.

Offtaking Mongolian coal on a large scale requires significant infrastructure and logistical capability, which creates considerable barriers to entry. Therefore, we do not expect the number of large-scale integrated coking coal suppliers to increase substantially in the near term. We believe that our capability to secure our coal supplies combined with our integrated end-to-end service platform will further enhance our position as a major gateway for global coking coal entering China.

SUMMARY

Our integrated service platform provides us with a competitive advantage in providing a stable supply of high-quality coking coal to end customers in China

Our infrastructure investment at border crossings, our ability to supply Mongolian coal to our customers profitably and on a large scale and our significant coal processing capacity are the three cornerstones of our integrated service platform.

Our strategic infrastructure investment at border crossings

Our main Mongolia-based suppliers are operating at Tavan Tolgoi and Nariin Sukhait deposits, all located in the southern regions of Mongolia. The Sino-Mongolian border crossing closest to the Tavan Tolgoi deposit is the Gants Mod border crossing, which is approximately 270 km away and the Sino-Mongolian crossing closest to the Nariin Sukhait deposit is the Ceke border crossing, which is approximately 40 km away.

Our strength lies in the strategic location of our logistics parks at the Gants Mod and Ceke border crossings. As the respective mines of our main suppliers in Mongolia are only connected to both the Gants Mod border crossing and the Ceke border crossing by road, transportation of coal on a large scale can only be carried out by trucks. However, trucks from Mongolia and China cannot operate in each other's territory beyond the immediate border crossing areas, where our logistics parks are located. As such, Mongolian trucks carrying coal can travel directly from the loading points in Mongolia and unload the same at our logistics parks. This allows us to arrange for onward transportation of coal in China to our coal processing plants or to our customers expediently. An efficient logistics hub at the relevant Sino-Mongolian border crossing becomes critical in transporting Mongolian coking coal into China. In addition, as Erlianhaote is the only Sino-Mongolian border crossing serviced by railway and as China and Mongolia use different railway gauges, it is currently not possible to have through travel at Sino-Mongolian border crossings. We expect this to continue for the foreseeable future and accordingly believe that our competitive advantage of having strategically placed logistics infrastructure at border crossings will continue to be significant.

Our Gants Mod and Ceke logistics parks, respectively occupying an area of approximately 666,659 sqm and 679,100 sqm, are strategically located in close proximity to the two border crossings which will provide us with the potential to further expand and continue to build our infrastructure to facilitate large-scale transportation of imported Mongolian coal at the two border crossings. We believe our logistics parks, which were among the first ones developed in the area and at a relatively low land cost, have the potential to further expand and continue to be a critical part of the infrastructure in facilitating large-scale transportation at both the Gants Mod and Ceke border crossings.

Our ability to supply Mongolian coal to our customers profitably and on a large scale

We believe we stand out from our competitors as being one of a few suppliers with an ability to supply Mongolian coking coal on a large scale and profitably to major steel makers and coke plants as far as 2,000 km away from the border crossings from which we operate, and to do so in a cost-effective manner. We are able to do this by utilising our logistical expertise to procure large-scale and cost-effective transportation capacity through third parties to deliver goods to our customers.

Our significant coal processing capacity

We believe the strategic location of our coal processing plants and our large-scale coal processing capacity are our critical strengths. We have two coal processing plants, one in Urad

SUMMARY

Zhongqi along the transportation route connecting Gants Mod border crossing and Baotou and another one in Ceke.

As at 30 June 2010, the Urad Zhongqi coal processing plant had an annual processing capacity of 4.0 mtpa and the Ceke coal processing plant had an annual processing capacity of 1.2 mtpa.

We believe our capability to process raw coking coal sourced from various mines has helped us stand out from other coal suppliers in China by offering our customers with a variety of coking coal products to suit their distinctive needs. Through expansion of our coal processing capacity strategically located across China, we believe we are able to provide value-added services to our customers located in a broader geographical coverage and to capitalise on the attractive growth opportunities in China's coking coal market.

We have established long-term and strategic relationships with a number of mining companies globally

We have secured coking coal supplies through long-term supply agreements with coal mining companies and operators in Mongolia for offtaking agreed amounts of coal produced by them. We started our cooperation with our Mongolia-based suppliers in 2006, being one of the first to do so on a large scale. We have established strong relationships with a number of Mongolia-based and global suppliers. Since our entry into the Mongolian market in 2006, the total Mongolian coal imported into China increased from approximately 2.4 mt in 2006 to approximately 6.0 mt in 2009. We also believe that we are one of the major customers of our Mongolia-based suppliers taking into account our market position in terms of Mongolian coal imported into China. Our main Mongolia-based suppliers are all leading mining companies in Mongolia. We also have in place strategic alliance agreements with two of our main Mongolia-based suppliers to ensure our stable supply of coking coal.

We secure our seaborne coal supply from a number of international coal mining companies and operators in Australia, the US, Canada and Russia, such as Peabody Energy, Anglo Coal, SUEK AG and Marubeni Corporation. We have also entered into a non-binding strategic cooperation agreement with Marubeni Corporation where we agree to develop our cooperation on coal business.

Our established relationships and our market position, particularly with respect to Mongolian coking coal, contribute to our ability to secure a stable supply of high-quality coking coal from around the world.

We have established strong relationships with some of the leading steel makers and coke producers in China

We are able to source a range of Mongolian coking coal, most of which can be substituted for domestically produced high-quality coking coal. Together with a steady supply of seaborne coal, we are able to supply our customers with a variety of coking coal products at competitive prices. We believe this ability gives us an advantage compared to other coal suppliers in China who focus principally either on seaborne coal or land-borne coal. Through this "one-stop shop" solution and our value-added coal processing services, we have been able to build a stable and growing customer base. Our customers include some of the largest steel makers and coke producers in China.

We have entered into long-term strategic alliance agreements and memoranda with a number of our customers where we have agreed with such customers to supply different types of coal possessing specific characteristics required by such customers in the future. We believe that the strategic alliance agreements and memoranda entered between us and our customers, as well as the

SUMMARY

recurrent business we have with our major customers since the establishment of our relationships with them, demonstrate our customers' confidence in us and our ability to supply coking coal products with consistent physical characteristics.

We have an experienced management team with a proven track record and outstanding execution capabilities

Our management team, which is built around our founder, Chairman and Chief Executive Officer, Mr. Wang, consists of seasoned managers with diverse skill sets, extensive international working experience and domestic know-how in natural resources and transportation industries. Mr. Wang himself has over 20 years of international commodities business experience, including importing oil and petrochemical products from Russia and Mongolia into China. The core members of our management team, comprising Mr. Wang, Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto, Mr. Apolonius Struijk and Mr. Cui Yong, have spent on average more than nine years with the Winsway Group.

In early 2010, HOPU, Minmetals, Silver Grant and ITOCHU became our investors and each of HOPU, Minmetals and Silver Grant has appointed a director representative to our Board. As a result, our Board has been able to benefit from the industry and financial expertise these investors can bring to us.

OUR BUSINESS STRATEGIES

Our vision is to become the leading gateway to the coking coal market of China by providing global premium coking coal products and solutions to China's steel industry through our integrated end-to-end service platform. We plan to accomplish our goal through the following strategies:

Strengthening our leading position in supplying Mongolian coking coal through further infrastructure investments and replicating our successful model at other Sino-Mongolian border crossings with further enhanced facilities

We intend to make further investments in infrastructure to facilitate increased volumes of imported coking coal from Mongolia to China. For example, we are in discussions to form a joint venture to build a heavy-duty road connecting Tavan Tolgoi to Gashuun Sukhait in Mongolia. We are also at the initial stage of planning the construction of conveyor belt systems which will connect our Gants Mod and Ceke logistics parks to the contiguous lands in Gashuun Sukhait and Shivee Khuren respectively in Mongolia to enhance our Sino-Mongolian border crossing efficiency and capacity. The construction and operation of these conveyor belt systems would be subject to the receipt of necessary governmental and regulatory approvals in both China and Mongolia.

In addition to the border crossings at Gants Mod and Ceke, we plan to replicate our operational model at other Sino-Mongolian border crossings, starting with Erlianhaote, and we are further exploring the possibility of expanding to Mandula and Zhu'engadabuqi in the future. The proposed railway logistics centres at Mandula and Zhu'engadabuqi are dependent on the development of the railways connecting Mandula and Zhu'engadabuqi respectively to the PRC railway network by the relevant PRC governmental departments and authorities. As far as we are aware, the connecting railways are currently in the planning stage, and their actual completion dates are uncertain. We also plan to invest in key infrastructure including railway logistics centres at these border crossings to capitalise on expected increased imports of natural resources from Mongolia into China.

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Capitalising on expected future flows of Russian coking coal into China by replicating our successful Mongolian business model at the Chinese side of key Sino-Russian border crossings with further enhanced facilities

To facilitate the future transportation of Russian coal to China, we plan to construct infrastructure including logistics parks, railway logistics centres and coal processing plants, each of which is expected to have an initial coal processing capacity of 5.0 mtpa at the Chinese side of two key Sino-Russian border crossings, Manzhouli and Suifenhe. We also plan to leverage our management's extensive experience acquired through importing oil and petrochemical products from Russia in order to secure stable coal supplies. For example, we plan to form long-term strategic cooperation relationships with key Russian coal producers like SUEK AG and Mechel, who are already our suppliers. We also intend to further develop our relationship with Chinese railway authorities in order to facilitate transportation of Russian coal into China and, through our existing sales network in China, to promote Russian coking coal to Chinese steel makers and coke plants.

Further securing Chinese domestic railway capacity by becoming a strategic partner with Chinese railway authorities and a key stakeholder in the supply chain

We believe that our leading position in supplying Mongolian coking coal and potential expansion into Russian coal can be strengthened by further securing transportation capacity within China's national railway system. To that end, we have subscribed for a 5% equity interest in Xixiaozhao Gants Mod Railway Co., Ltd., a joint venture company with Hohhot Railway Bureau and other third parties which will construct a railway connecting Xixiaozhao to Gants Mod, expected to be completed in 2011. Further, we also plan to undertake the following:

- developing and operating, jointly with Hohhot Railway Bureau, the primary regulator and operator of a number of China's most important coal transportation railways in northern China, railway logistics centres at five Sino-Mongolian border crossings, Gants Mod, Ceke, Erlianhaote, Mandula and Zhu'engadabuqi;
- developing jointly with Hohhot Railway Bureau two inland railway logistics centres in Inner Mongolia, at Urad Zhongqi and Jining;
- developing jointly with another railway bureau logistics parks and railway logistics centres at the Chinese side of two Sino-Russian border crossings, Manzhouli and Suifenhe; and
- investing jointly with Hohhot Railway Bureau in railway rolling stock and maintenance facilities.

As at the Latest Practicable Date, Hohhot Railway Bureau and we invested in five joint venture companies, Bayannao'er Winsway, Ejinaqi Winsway, Erlianhaote Haotong, Urad Zhongqi Haotong and Inner Mongolia Hutie Winsway Logistics, for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke, Erlianhaote, Urad Zhongqi and Jining respectively. We own a 51% equity interest and have majority board representation in each of these joint venture companies. We believe that our cooperative arrangements with the Hohhot Railway Bureau will improve our logistics capability.

Further expanding our coal processing capacity

To enable us to provide a broader range of coking coal and more value-added services to our customers, we plan to expand our coal processing capability by way of capacity expansion at our existing coal processing plants and development of new coal processing plants at various strategic locations.

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Further securing our supply by entering into long-term offtake contracts and selectively pursuing opportunities to acquire upstream resources

We are in discussion with Mongolia-based coal producers to secure further long-term supply agreements to offtake additional coal in line with our business expansion and expected increase in their production volume. Meanwhile, we are exploring joint venture and acquisition opportunities in upstream resources to secure cost-effective, long-term coking coal supply. This includes our recent acquisition of Polo Resources Coóperatief's 50% interest in the Peabody-Winsway JV, the 100% holder of Peabody-Winsway Mongolia, a Mongolian legal entity engaging in coal exploration and mining in Mongolia. In total, Peabody-Winsway Mongolia holds 50 coal-related mineral licences as at the Latest Practicable Date.

We aim to develop a Russian coal procurement business by replicating our Mongolian model and exploiting Mr. Wang's extensive experience in importing oil and chemical and other commodity products from Russia to China. We will also explore acquisition opportunities to secure upstream coal resources in Russia.

In order to complement our supply of Mongolian coking coal, we have established a presence in Singapore, Brisbane and Hong Kong, to exploit seaborne market opportunities. We plan to establish a long-term supply relationship with our seaborne coal suppliers to offtake their coal products to secure our seaborne supplies and we will also pursue upstream investment opportunities relating to seaborne supplies.

Expanding our presence in China sea ports

We plan to further strengthen our ability to provide a variety of products to satisfy different quality specifications required by our customers. To that end, we plan to construct coal processing facilities at Bayuquan port and Longkou port and explore possibility of constructing a coal processing plant at Yangkou port. We also plan to invest in docking facilities dedicated to coal transportation and shipment in Longkou port. We expect Bayuquan and Longkou ports primarily to serve as receiving ports for coal from Russia and to also service the Northeast China and Shangdong province markets.

The coal processing facilities at Bayuquan and Longkou ports are each expected to have an initial coal processing capacity of 4.0 mtpa. We expect the coal processing plant at Bayuquan and Longkou ports, when completed, to also serve as important contributors to our value chain due to their strategic location and proximity to our key markets in Hebei province and other coastal regions in China.

Exploring new markets

To increase penetration of our products, we plan to continue to expand our sales network to cover the major steel makers and coke plants in China. We conducted a one-off export sales to Japan in 2008 and are currently exploring further opportunities in Japan through our internal feasibility studies with a view to undertaking more export sales to Japan in future. At the same time, we are also conducting preliminary assessment on potential opportunities in India although no feasibility study has been performed on the Indian market as at the Latest Practicable Date. As we are still at a preliminary stage of our business expansion to these new markets we have not engaged any external party to conduct any evaluation/feasibility study. We believe our "one-stop shop" coking coal supply solution to our customers is critical to our success. As a result, we will cater to our customers' needs by continuing to develop a broader range of standardised coking coal products.

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RISK FACTORS

There are certain risks involved in our operations. These risks can be categorised into (i) risks relating to our business and our industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering and our Shares. A detailed discussion of the risk factors are set forth in the section headed “Risk Factors” in this prospectus. The following is a list of the risk factors:

Risks Related to Our Business and Our Industry

- We are experiencing a period of rapid growth and may not be able to manage our growth effectively
- The supply of coal from Mongolia to China may be limited by the availability and stability of transportation services and border-crossing handling capacity at Sino-Mongolian border crossings. Our future growth may accordingly be adversely affected
- We may not be able to recover all or part of our loan to Moveday
- Shortage or suspension of coking coal supply from our Mongolia-based suppliers could result in an adverse impact on our business operation, profitability and our return on investment in the infrastructure at border crossings, railway network and coal processing plants
- We utilise the PRC national railway to transport our coal products to our coal processing plants and customers, any major disruption of which may adversely affect our business and results of operations. We may have limited ability to secure sufficient freight capacity on national railway to transport our coal products to target markets
- We rely on a number of third-party transportation companies to transport coal to our coal processing plants and customers in China. Any major disruption of their business may adversely affect our business and results of operations
- There are a number of risks associated with our dependence on a limited number of customers
- Our results of operations are vulnerable to any significant downturn in the PRC steel industry
- Our results of operations may be affected by a number of factors beyond our control, including the average selling prices, fluctuations in raw material prices and sales volumes of our processed and raw coking coal products
- We generate a part of our turnover from seaborne coking coal trade. Fluctuation in international coking coal price or freight cost may potentially cause our seaborne coking coal business to be unprofitable
- We need to maintain a number of licenses and permits required by relevant laws and regulations, and if we are not able to remain in compliance with all such laws and regulations, such licenses and permits may be revoked
- Our investments in Mongolia, our operations at Sino-Mongolian border crossings and procurement of coal from Mongolia are subject to uncertainty associated with the legal system in Mongolia, which could limit the legal protection available to us and potential investors

SUMMARY

- The global financial markets have experienced significant deterioration and volatility recently, which may adversely affect our financial condition and results of operations. We may have limited ability to obtain financing to invest in new capacity and face capacity restraints
- Our business may be adversely affected if we are unable to extend or refinance our short-term borrowings
- We are dependent on future cash flows generated from our business and obtaining additional financing to support our business operations
- 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
- We face competition from a number of PRC and international competitors
- Our current and planned strategic cooperations and investments (coal mining, construction of paved road and railways) may not be successful
- Prolonged periods of severe weather conditions could materially and adversely affect our business and results of operations
- Our business may be adversely affected by shortages in electricity, water and gasoline supply or increases in electricity, water and gasoline prices
- Failure in our information and technology systems could result in delays to our business operations
- We have not obtained the relevant regulatory permit for the operation of certain facilities and processing plants and are applying for the land use rights and construction permits for some of our new projects in China
- Some of the properties that we lease or occupy have defective or unclaimed title
- Our operations are exposed to risks in relation to environmental protection
- We may not maintain sufficient insurance coverage for the risks associated with the operation of our business and insurance coverage could prove inadequate to satisfy potential claims
- The interests of our principal shareholder, Mr. Wang, may differ from those of our other Shareholders
- Foreign currency fluctuations could affect expenses and future earnings
- Our organisation and operating structure may subject us to unintended tax liability
- We may be unable to retain or secure key qualified personnel, key senior management or other personnel for our operations
- Our future plans at the Sino-Russian border crossings and procurement of coal from Russia are subject to uncertainty associated with the legal framework in Russia

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Risks Related to Doing Business in the PRC

- Our results of operations are subject, to a significant extent, to economic, political and legal developments in the PRC
- Our turnover is primarily denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility
- Our operations are subject to uncertainty associated with the legal system in the PRC, which could limit the legal protection available to us and potential investors
- There may be difficulties in seeking recognition and enforcement of foreign judgments
- We rely on dividends paid by our subsidiaries for our cash needs
- We may be deemed a PRC resident enterprise under the PRC EIT Law and may be subject to PRC taxation on our worldwide income, and dividends payable by us to our foreign investors and gains on the sale of Shares may become subject to withholding taxes under the current PRC tax laws
- The PRC regulation of direct investment and loans by offshore holding companies to the PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries

Risks Related to the Global Offering and Our Shares

- You may face difficulties in protecting your interests because we are incorporated under the laws of the BVI, and the laws of the BVI relating to the protection of the interests of minority shareholders may be different from those under the laws of Hong Kong and other jurisdictions
- Volatility in the global financial markets could cause significant fluctuations in the price of our Shares
- There has been no public market for our Shares prior to the Global Offering, and the liquidity and market price of our Shares may be volatile
- We cannot assure you that we will declare dividends in the future
- Purchasers of our Shares in the Global Offering will experience immediate dilution in the pro forma net tangible assets value because the Offer Price is higher than the net tangible assets per Share and may experience further dilution if we issue additional equity interest in the future
- Future sales or perceived sales of substantial amounts of our Shares in the public market could cause the prevailing market price of our Shares to decline
- The market price of our Shares could be lower than the Offer Price
- Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured
- You should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus

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SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The following tables set forth a summary of our selected line items from our combined financial information for the periods and as of the dates indicated. This summary has been extracted from and should be read in conjunction with, our combined financial information included in the accountants' report in Appendix I to this prospectus. The basis of preparation is set out in section A of the accountants' report in Appendix I to this prospectus.

Selected Combined Income Statements Information

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB '000	RMB '000	RMB '000	RMB '000 (unaudited)	RMB '000
Continuing operations					
Turnover	198,641	993,540	4,655,636	817,984	4,298,827
Cost of sales	(159,553)	(552,837)	(3,808,740)	(666,248)	(3,353,009)
Gross profit	39,088	440,703	846,896	151,736	945,818
Other revenue	444	6,166	7,844	2,366	12,792
Distribution costs	(2,869)	(109,558)	(236,998)	(74,734)	(126,411)
Administrative expenses	(13,774)	(62,275)	(91,623)	(28,555)	(114,561)
Other operating expenses, net	(729)	(10,012)	(643)	(1,077)	(9,698)
Profit from operating activities	22,160	265,024	525,476	49,736	707,940
Finance income	3,790	4,480	6,205	1,264	7,773
Finance costs	(3,690)	(3,331)	(37,041)	(11,020)	(74,895)
Net finance income/(costs)	100	1,149	(30,836)	(9,756)	(67,122)
Profit before taxation	22,260	266,173	494,640	39,980	640,818
Income tax	150	10,639	(62,008)	4,146	(111,910)
Profit from continuing operations	22,410	276,812	432,632	44,126	528,908
Profit attributable to:					
Equity shareholders of our Company	17,811	244,606	454,049	64,983	528,925
Non-controlling interests	(2,164)	(935)	-	-	(17)
	15,647	243,671	454,049	64,983	528,908

Selected Combined Balance Sheets Information

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB '000	RMB '000	RMB '000	RMB '000
ASSETS				
Current assets	499,087	1,035,252	3,478,485	5,532,437
Non-current assets	151,488	374,115	482,344	839,743
Total assets	650,575	1,409,367	3,960,829	6,372,180
LIABILITIES				
Current liabilities	339,248	872,643	2,953,423	3,970,430
Non-current liabilities	2,589	1,894	-	757,754
Total liabilities	341,837	874,537	2,953,423	4,728,184
Total equity	308,738	534,830	1,007,406	1,643,996
Total liabilities and equity	650,575	1,409,367	3,960,829	6,372,180

SUMMARY

The following table sets forth our turnover from our continuing operations by source for each of 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively.

	Years ended 31 December			Six Months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover					
Mongolian coal					
Cleaned coking coal	-	821,996	1,574,844	570,510	1,644,082
Raw coking coal ⁽¹⁾	191,427	160,931	183,038	3,685	312,941
Seaborne coal					
Hard coal ⁽²⁾	-	-	2,833,871	242,985	2,329,380
Others	7,214	10,613	63,883	804	12,424
Total	<u>198,641</u>	<u>993,540</u>	<u>4,655,636</u>	<u>817,984</u>	<u>4,298,827</u>

Notes:

- (1) Sold directly to customers without processing on our part.
- (2) Sold directly to customers without processing on our part, save for a minimal amount of less than 50,000 tonnes processed by third-party coal processing plant in 2009.

The table below sets forth the breakdown of gross profit by cleaned coking coal, raw coking coal, hard coal and others for each period during the Track Record Period and for the six months ended 30 June 2009 and 2010.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)
(unaudited)										
Mongolian coal										
Cleaned coking coal	-	-	417,802	50.8	442,141	28.1	146,811	25.7	629,364	38.3
Raw coking coal	37,958	19.8	18,300	11.4	44,681	24.4	825	22.4	85,163	27.2
Seaborne coal										
Hard coal	-	-	-	-	351,769	12.4	3,696	1.5	226,864	9.7
Others	1,130	15.7	4,601	43.4	8,305	13.0	404	50.2	4,427	35.6
Total gross profit	<u>39,088</u>	<u>19.7</u>	<u>440,703</u>	<u>44.4</u>	<u>846,896</u>	<u>18.2</u>	<u>151,736</u>	<u>18.5</u>	<u>945,818</u>	<u>22.0</u>

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the forecast combined profit attributable to our equity shareholders for the year ending 31 December 2010 will be not less than RMB764 million. In deriving the forecast combined profit attributable to equity shareholders of our Company for the year ending 31 December 2010, we have taken into account estimated accounting charges totalling RMB155.4 million, which comprise (i) share-based payment expenses of RMB62.4 million in respect of the share options granted pursuant to the Pre-IPO Option Scheme, (ii) interest on liability component of Convertible Bonds of RMB46.2 million, and (iii) interest on liability component of Preference Shares of RMB46.8 million, for the year ending 31 December 2010. It is also forecasted that listing expenses of approximately RMB33 million to be incurred will be chargeable to profit and loss in the year ending 31 December 2010.

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The profit forecast for the year ending 31 December 2010 has been prepared by our Directors based on the audited combined results of our Group for the six months ended 30 June 2010, the unaudited combined results for one month ended 31 July 2010 and a forecast of the combined results of our Group for the remaining five months ending 31 December 2010. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us and are based on the assumptions set out in Appendix III to this prospectus.

On a pro forma fully diluted basis using RMB764 million as our forecast profit and on the assumption that the Global Offering had been completed and assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share), a total of 3,787,313,494 Shares will be in issue (taking no account of any Shares that may be allotted and issued upon the exercise of any options granted under the Pre-IPO Option Scheme), our forecast earnings per Share are HK\$0.233, representing a price/earnings multiple of 16.6 times based on the Offer Price of HK\$3.875 per Share.

If the Offer Price is fixed at HK\$4.50 per Offer Share, being the highest end of the indicative range of the Offer Price, a total of 3,784,530,089 Shares will be in issue, and our forecast earnings per Share will be HK\$0.233, representing a price/earnings multiple of 19.3 times. If the Offer Price is fixed at HK\$3.25 per Offer Share, being the lowest end of the indicative range of the Offer Price, a total of 3,791,167,440 Shares will be in issue, and our forecast earnings per Share will be HK\$0.233, representing a price/earnings multiple of 14.0 times.

Sensitivity analysis

The following table illustrates the sensitivity of the profit forecast of our Group for the year ending 31 December 2010 with reference to the potential movements in the average selling price and average purchase price of coal:

	For the year ending 31 December 2010 (RMB'000)
	Increase/(decrease) in profit before taxation for the year
(A) Movement in the average selling price of coal	
Increase 5%	401,713
Decrease 5%	(401,713)
Increase 10%	803,426
Decrease 10%	(803,426)
Increase 15%	1,205,139
Decrease 15%	(1,205,139)
(B) Movement in the average purchase price of coal	
Increase 5%	(242,287)
Decrease 5%	242,287
Increase 10%	(484,574)
Decrease 10%	484,574
Increase 15%	(726,861)
Decrease 15%	726,861

SUMMARY

The above sensitivity illustration is intended for reference only, and any variation could exceed the ranges given, and potential investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive, and (ii) the profit forecast is subject to further and additional uncertainties. While we have considered for the purpose of the profit forecast what our Directors believe is the best estimate of the average selling price and average purchase price of coal for the year ending 31 December 2010, such financial data may differ materially from our forecast, and is dependent on market conditions and other factors that are beyond our control and our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$3,649.5 million (assuming an Offer Price of HK\$3.875 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering and assuming that the options granted under the Pre-IPO Option Scheme are not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 72%, which represents approximately HK\$2,627.6 million, will be used for future acquisition of, and investment in, new infrastructure, including logistics parks, railway logistics centres, docking facilities, railways and new coal processing facilities as more particularly set out in the section headed “Future Plans and Outlook” in this prospectus. As of the Latest Practicable Date, our Directors confirm that our Company has not entered into any agreement or negotiation, nor do we have any definite plans at present, in relation to any potential acquisition of new infrastructure other than as disclosed in this prospectus;
- approximately 14%, which represents approximately HK\$510.9 million, will be used for future acquisition of upstream coal resources and related mining and exploration expenditure, including expenditure relating to the Peabody-Winsway JV. As of the Latest Practicable Date, our Directors confirm that our Company has not entered into any agreement or negotiation, nor do we have any definite plans at present, in relation to any potential acquisition of upstream coal resources;
- approximately 4.25%, which represents approximately HK\$155.1 million, will be used to settle the US\$20 million payable to Polo Resources for our acquisition of a 50% interest in the Peabody-Winsway JV; and
- approximately 9.75%, which represents approximately HK\$355.8 million, will be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$4.50 per Offer Share, being the highest end of the stated Offer Price range, the net proceeds will be increased by approximately HK\$597.1 million. If the Offer Price is fixed at HK\$3.25 per Offer Share, being the lowest end of the stated Offer Price range, the net proceeds will be reduced by approximately HK\$597.1 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis (other than the payment to Polo Resources, which will not change).

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

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The gross proceeds from the sale of the Sale Shares by the Selling Shareholders as a result of the full exercise of the Over-allotment Option would be approximately HK\$575.4 million (assuming an Offer Price of HK\$3.875 per Share, being the mid-point of the indicative Offer Price range). The Selling Shareholders will not receive any proceeds if the Over-allotment Option is not exercised. We will not receive any of the net proceeds of the Global Offering from the sale of the Sale Shares by the Selling Shareholders.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Act, we may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by our Board. Our 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 our Company's assets will exceed its liabilities and our Company will be able to pay its debts as they fall due.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. The PRC laws require that dividends be paid only out of net profits, calculated in accordance with the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. The PRC laws also require foreign-invested enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debt or losses or as a result of any restrictive covenants in bank facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Pursuant to written resolutions of our Directors on 16 September 2010, the Board resolved that an indicative dividend payout ratio of 25% of our Company's annual net profit generated be considered as a reference percentage for dividend declarations in future financial years. Our Directors are expected to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and we expect to pay such dividends in Hong Kong dollars. Such indicative dividend payout ratio is neither definitive nor binding on our Company and any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There can be no assurance that dividends of any amount will be declared or distributed in any given year. There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

TAX LIABILITY ARISING FROM OUR ORGANISATION AND OPERATING STRUCTURE

We utilise our BVI-incorporated entities to procure our seaborne coal. The management team of our BVI-incorporated entities usually travel around Mongolia, Australia, Canada, the United States and other jurisdictions to undertake and negotiate for the procurement of coal from our overseas suppliers. Placing of the purchase orders and signing of procurement agreements are effected after our BVI trade agent affixes the relevant company chop on the agreements. Relevant shipping documents are being processed by our agent in Macau and will be endorsed by our management team at the locality of our overseas supplier. Our Directors consider that the tax exposure to the relevant BVI-incorporated entities in relevant jurisdictions, including BVI, PRC, Macau, Mongolia, Australia, Canada, the United States and the locality of the suppliers where the agreements are signed, to be remote. We have also been advised by our tax adviser that these BVI-incorporated entities should not be subject to any significant tax exposure in relevant jurisdictions. However, our tax adviser has also advised us that there may be certain risk that part of the profits derived by our BVI-incorporated entities from the purchase and sale of coal will be considered to be sourced in Australia, particularly

SUMMARY

because certain relevant contracts are negotiated, concluded and executed in Australia. Please see the sections headed “Financial Information — Description of Certain Income Statement Items — Income Tax” and “Risk Factors — Risks Related to Our Business and Our Industry — Our organisation and operating structure may subject us to unintended tax liability” in this prospectus for more information.

PRE-IPO INVESTORS

On 30 March 2010, our Company entered into a preferred share subscription agreement with HOPU under which HOPU subscribed for Preference Shares in an amount of US\$60,000,000. On 30 March 2010, our Company entered into a convertible bond subscription agreement with China Minmetals Corporation and Silver Grant under which each of China Minmetals Corporation and Silver Grant subscribed for the Convertible Bonds in the respective amount of US\$25,000,000. On 22 April 2010, our Company also entered into a convertible bond subscription agreement with ITOCHU under which ITOCHU subscribed for the Convertible Bonds in an amount of US\$10,000,000. Each of HOPU, China Minmetals Corporation, Silver Grant and ITOCHU became our Pre-IPO Investors in April 2010 and all of them will exercise their respective conversion right under the Preference Shares or the Convertible Bonds and the conversion is expected to take effect from 24 September 2010.

Details of the pre-IPO investments are set forth in the paragraphs headed “Information on the Pre-IPO Investors” and “Rights and Obligations of the Pre-IPO Investors” in the section headed “History, Reorganisation and Group Structure” in this prospectus.

GLOBAL OFFERING STATISTICS⁽¹⁾

	<u>Based on an Offer Price of HK\$3.25</u>	<u>Based on an Offer Price of HK\$4.50</u>
Market capitalisation of our Shares ⁽²⁾	HK\$12,321 million	HK\$17,030 million
Prospective price/earnings multiple ⁽³⁾	14.0 times	19.3 times
Unaudited pro forma adjusted net tangible asset value per Share ⁽⁴⁾	HK\$1.13 (RMB1.30)	HK\$1.41 (RMB1.63)

Notes:

- (1) All statistics in this table assume that the options granted under the Pre-IPO Option Scheme are not exercised.
- (2) The calculation of market capitalisation is based on 3,791,167,440 and 3,784,530,089 Shares respectively expected to be in issue following completion of the Global Offering and assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued at the respective Offer Prices of HK\$3.25 and HK\$4.50.
- (3) On a pro forma basis using RMB764 million as our forecast profit and on the assumption that the Global Offering had been completed and assuming that the Convertible Bonds (as converted on 24 September 2010) and the automatic conversion of the Preference Shares and the Peabody Energy Consideration Shares have been issued based on indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share and 3,791,167,440 Shares and 3,784,530,089 Shares respectively expected to be in issue, our forecast earnings per Share will be HK\$0.233 and HK\$0.233, representing a price/earnings multiple of 14.0 times and 19.3 times respectively.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus, and on the assumption of a total of 3,791,167,440 Shares and 3,784,530,089 Shares based upon the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share respectively, being the number of Shares in issue upon completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, the full conversion of Convertible Bonds (as converted on 24 September 2010), the automatic conversion of the Preference Shares and the Peabody Energy Consideration Shares for acquisition of jointly controlled entity), which takes no account of any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Option Scheme, or which may be allotted and issued or repurchased by the Company.

On 16 September 2010, the Company declared and approved the payment of a dividend totalling RMB287,732,611 (including additional preferred dividend and interest of RMB74,248,513 payable to our Pre-IPO Investors under the terms of their respective subscription agreements payable), representing approximately 25% of retained earnings as at 30 June 2010 to the Company’s existing equity shareholders as at 16 September 2010, holders of the Convertible Bonds and holders of the Preference Shares. The dividend will be paid upon Listing. Taken into account the dividend declared, the unaudited pro forma adjusted net tangible assets per Share should be reduced by RMB0.08 to RMB1.05 and RMB1.33 (equivalent to approximately HK\$1.21 and HK\$1.54) based on the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share, respectively.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

“Application Form(s)”	.....	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“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
“AUD”	.....	Australian dollars, the lawful currency of Australia
“Baogang Group”	.....	Baotou Iron & Steel (Group) Co., Ltd., a leading iron and steel manufacturer in Inner Mongolia and one of our key customers
“Baotou Haotong”	.....	包頭市浩通能源有限責任公司 (Baotou-city Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 September 2008 and our indirectly wholly-owned subsidiary
“Baotou Mandula”	.....	包頭市滿都拉永暉能源有限公司 (Baotou Mandula Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 21 January 2010 and our indirectly wholly-owned subsidiary
“Bayannao’er Winsway”	.....	巴彥淖爾市如意永暉能源有限公司 (Bayannao’er City Ruyi Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 14 July 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie
“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
“Beijing Winsway Investment”	.....	北京永暉投資有限公司 (Beijing Winsway Investment Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 November 1999 and indirectly owned by Mr. Wang
“Board”	.....	our board of Directors
“Business Day”	.....	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	.....	the British Virgin Islands

DEFINITIONS

“CAGR(s)”	.....	compound annual growth rate
“CCASS”	.....	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	.....	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	.....	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	.....	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	.....	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Champaign”	.....	Champaign Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 23 April 2010 and wholly-owned by Wong Im Lei, an Independent Third Party
“Cheer Top”	.....	Cheer Top Enterprises Limited, a company incorporated under the laws of the BVI with limited liability on 5 January 2005 and our indirectly wholly-owned subsidiary
“China” or “PRC”	.....	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
“Chongqing Huize”	.....	重慶滙澤石油化工有限公司 (Chongqing Huize Petrochemicals Co., Ltd.*), a company established under the laws of the PRC with limited liability on 11 December 2003
“CIS”	.....	the Commonwealth of Independent States
“CIT”	.....	the PRC corporate income tax
“Color Future”	.....	Color Future International Limited, a company incorporated under the laws of the BVI with limited liability on 5 January 2005 and our indirectly wholly-owned subsidiary
“Companies Act”	.....	the BVI Business Companies Act 2004 and any amendment thereto
“Company”, “our Company”, “we” or “us”	.....	Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司), a company incorporated under the laws of the BVI with limited liability on 17 September 2007

DEFINITIONS

- “connected person” has the meaning ascribed to it in the Listing Rules
- “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
- “Convertible Bonds” collectively (i) the three-year convertible bonds due 2013 in the principal aggregate amount of US\$50,000,000 issued by our Company to Coppermine and Silver Grant on 20 April 2010 and (ii) the three-year convertible bonds due 2013 in the principal amount US\$10,000,000 issued by our Company to ITOCHU on 30 April 2010
- “Coppermine” Coppermine Resources Limited, a company incorporated under the laws of the BVI on 12 January 2001 with its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
- “Deutsche Bank” Deutsche Bank AG, Hong Kong Branch
- “Director(s)” the director(s) of our Company
- “East Wuzhumuqin Qi Haotong” 東烏珠穆沁旗浩通能源有限公司 (East Wuzhumuqin Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 29 July 2008 and our indirectly wholly-owned subsidiary
- “Ejinaqi Haotong” 額濟納旗浩通能源有限公司 (Ejina Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 19 May 2008 and our indirectly wholly-owned subsidiary
- “Ejinaqi Winsway” 額濟納旗如意永暉能源有限公司 (Ejina Qi Ruyi Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 30 June 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie
- “EnerStar” EnerStar Investment Limited, a company incorporated under the laws of the BVI with limited liability on 21 March 2001 which is an entity wholly-owned by Mr. Wang
- “Erlianhaote Haotong” 二連浩特浩通能源有限公司 (Erlianhaote Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 January 2007 and our indirect non-wholly-owned subsidiary
- “Erlianhaote Winsway Logistics” 二連浩特如意永暉物流有限責任公司 (Erlianhaote Ruyi Winsway Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability on 14 May 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie

DEFINITIONS

“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Goldliq”	Goldliq B.V.B.A., a company incorporated under the laws of Belgium with limited liability on 29 January 1991, in which Mr. Wang held 100% equity interest during the period from 6 November 1995 till 13 May 2005
“Gold Shine”	Gold Shine Enterprise Limited, a company incorporated under the laws of the BVI with limited liability on 10 April 2008 which is owned by Guo Qi, an Independent Third Party
“Goldman Sachs”	Goldman Sachs (Asia) L.L.C.
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group”	our Company and its subsidiaries, and where the context so requires, in respect of the period prior to our Company becoming the holding company of its current subsidiaries, such subsidiaries as if they were our Company’s subsidiaries during such period
“Hebei Steel”	Hebei Metals and Minerals Corp., Ltd., a leading steel supplier in Hebei and one of our key customers
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hohhot Railway Bureau”	呼和浩特鐵路局 (the Hohhot Railway Bureau*), a regional railway bureau under the jurisdiction of the Ministry of Railway of the PRC and an Independent Third Party
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Hong Kong Offer Shares”	the 99,000,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)

DEFINITIONS

- “Hong Kong Public Offering” the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price and subject to the terms and conditions set out in this prospectus and the Application Forms
- “Hong Kong Share Registrar” Computershare Hong Kong Investor Services Limited
- “Hong Kong Stock Exchange” The Stock Exchange of Hong Kong Limited
- “Hong Kong Underwriters” the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
- “Hong Kong Underwriting Agreement” the underwriting agreement dated 24 September 2010 relating to the Hong Kong Public Offering entered into by our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters as further described in the section headed “Underwriting” in this prospectus
- “Independent Third Party(ies)” a person(s) or company(ies) who/which is/are independent of and not connected with our Company and our connected persons
- “IFRSs” International Financial Reporting Standards
- “Inner Mongolia” Inner Mongolia Autonomous Region
- “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
- “Inner Mongolia Hutie Winsway Logistics” 內蒙古呼鐵永暉物流有限公司 (Inner Mongolia Hutie Winsway Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability on 22 July 2010 which is owned as to 51% by Inner Mongolia Haotong, 35% by Mongolia Hutie Investment and 14% by Ulanqab Huatong Logistics
- “International Placing” the conditional placing by the International Underwriters of the International Placing Shares with QIBs in the US in reliance on Rule 144A or another available exemption under the US Securities Act, and outside the US in reliance on Regulation S, as further described in the section headed “Structure of the Global Offering” in this prospectus
- “International Placing Shares” the 891,000,000 Shares initially being offered by our Company for subscription at the Offer Price pursuant to the International Placing together, where relevant, with any additional Shares

DEFINITIONS

	sold pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Underwriters”	the underwriters of the International Placing, led by the Joint Bookrunners and who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing to be entered into by our Company, the Selling Shareholders, the Controlling Shareholders, the International Underwriters and the Joint Global Coordinators and the Joint Bookrunners on or around 30 September 2010, as further described in the section headed “Underwriting” in this prospectus
“ITOCHU”	ITOCHU Corporation, a company with its principal place of business at 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan
“Joint Bookrunners”	Deutsche Bank, Goldman Sachs and Merrill Lynch International
“Joint Global Coordinators” or “Joint Sponsors”	Deutsche Bank and Goldman Sachs
“Joint Lead Managers”	Deutsche Bank, Goldman Sachs and Merrill Lynch Far East Limited for the Hong Kong Public Offering, and Deutsche Bank, Goldman Sachs and Merrill Lynch International for the International Placing
“King & Wood”	King & Wood PRC Lawyers
“King Resources”	King Resources Holdings Limited, a company established under the laws of the BVI with limited liability on 2 January 2009 and our indirectly wholly-owned subsidiary
“Latest Practicable Date”	17 September 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on 11 October 2010, on which dealings in our Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

DEFINITIONS

- “Longkou Winsway” 龍口市永暉能源有限公司 (Longkou Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 27 April 2010 and our indirectly wholly-owned subsidiary
- “Lucky Colour” Lucky Colour Limited, a company established under the laws of the BVI with limited liability on 11 March 2008 and our wholly-owned subsidiary
- “Macau” the Macau Special Administrative Region of the People’s Republic of China
- “Main Board” the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
- “Manzhouli Haitie Yonghui” 滿洲里海鐵永暉儲運有限公司 (Manzhouli Haitie Yonghui Storage & Transportation Co., Ltd.*), a joint venture established under the laws of the PRC with limited liability on 1 March 1995 as to 50% equity interest held by Goldliq and 50% equity interest held by 哈爾濱鐵路局對外經濟技術合作公司海拉爾分公司 (Harbin Railway Bureau Foreign Economic and Technological Cooperation Company Halaer Branch Company*)
- “Manzhouli Haotong” 滿洲里浩通能源有限公司 (Manzhouli Haotong Energy Co., Ltd.*), a company established under the laws of the PRC on 23 December 2009 and our indirectly wholly-owned subsidiary
- “Memorandum of Association” or
“Memorandum” the memorandum of association of our Company as amended from time to time
- “Mongolia Hutie” 內蒙古呼鐵對外經濟技術合作集團有限責任公司 (Inner Mongolia Hutie Foreign Economic and Technological Cooperation Group Co., Ltd.*), a company established under the laws of the PRC with limited liability on 24 February 2003 and an Independent Third Party
- “Mongolia Hutie Investment” 內蒙古呼鐵投資發展中心 (Inner Mongolia Hutie Investment Development Center*), a state owned company established under the laws of the PRC and an Independent Third Party
- “Moveday” Moveday Enterprises Ltd, a company established under the laws of British Virgin Islands and an Independent Third Party
- “Mr. Huo” 霍力先生 (Huo Li), a PRC citizen and an Independent Third Party
- “Mr. Jia” 賈利俊先生 (Jia Lijun), a PRC citizen and a director, member of the senior management and/or legal representative of certain of our subsidiaries

DEFINITIONS

“Mr. Li”	李明先生 (Li Ming), a PRC citizen and the legal representative of one of our subsidiaries
“Mr. Wang” or “Founder”	王興春先生 (Wang Xingchun), our chairman, Chief Executive Officer and the ultimate Controlling Shareholder of our Company
“Mr. Zhu”	朱慶讓先生 (Zhu Qingrang), a PRC citizen and a member of the senior management of our Company, as well as a director, a legal representative and/or member of the senior management of certain of our subsidiaries
“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
“Non-competition Deed”	a non-competition deed entered into between the Controlling Shareholders and the Company dated 22 September 2010 in respect of certain non-competition undertakings given by the Controlling Shareholders in favour of the Group
“NPC”	中國全國人民代表大會 (the National People’s Congress of the PRC)
“Offer Price”	the final Hong Kong dollar offer price per Offer Share (exclusive of brokerage fee of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) of not more than HK\$4.50 and expected to be not less than HK\$3.25, at which the Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares sold pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by the Selling Shareholders to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters, pursuant to the International Underwriting Agreement, pursuant to which the Selling Shareholders may be required to sell up to an aggregate of 148,500,000 additional Offer Shares, representing 15% of the Shares initially being offered under the Global Offering, at the Offer Price, to solely cover over-allocations in the International Placing, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	中國人民銀行 (the People’s Bank of China), the central bank of the PRC

DEFINITIONS

- “Peabody Energy” Peabody Energy Corporation (NYSE: BTU), a leading listed international coal company and one of our suppliers of seaborne coal
- “Peabody Energy Consideration Shares” such number of Shares as shall be equal to US\$10,000,000 divided by the final Offer Price to be issued to Peabody Energy as settlement of a facilitation fee payable to Peabody Energy in connection with the cooperation and facilitation fee agreement dated 29 June 2010 between our Company, Lucky Colour, Peabody Holland and Peabody Energy
- “Peabody Holland” Peabody Holland B.V., a private company with limited liability incorporated under the laws of Netherlands and a subsidiary of Peabody Energy
- “Peabody-Winsway JV” Peabody-Winsway Resources B.V. (formerly known as Peabody-Polo Resources B.V.), a private company incorporated under the laws of Netherlands
- “Peabody-Winsway Mongolia” Peabody-Winsway Resources, LLC (formerly known as Peabody-Polo Resources, LLC), a private company incorporated under the laws of Mongolia
- “Polo Resources” Polo Resources Limited (AIM: POL and TSX: POL), a listed mining and exploration group focused on investing in or acquiring and developing advanced stage coal and uranium projects
- “Polo Resources Coöperatief” Polo Resources Coöperatief U.A., a co-operative incorporated under the laws of Netherlands and a subsidiary of Polo Resources
- “PRC Company Law” the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the tenth session of the NPC on 27 October 2005 and effective 1 January 2006, as amended, supplemented or otherwise modified from time to time
- “PRC Government” or “State” the government of the PRC, including all governmental subdivisions (including central, provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
- “Preference Shares” the 363,636,364 redeemable convertible preference shares in the amount of US\$60,000,000 issued by our Company to Winstar on 18 April 2010
- “Pre-IPO Investors” HOPU, China Minmetals Corporation, Silver Grant, ITOCHU and any one of them, a Pre-IPO Investor

DEFINITIONS

“Pre-IPO Individual Investors”	Sparkle Land, Top Dream, Gold Shine, Unique Grace, Samtop, Champaign and any one of them, a Pre-IPO Individual Investor
“Pre-IPO Option Scheme”	the pre-IPO option scheme conditionally adopted by us on 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 this prospectus
“Price Determination Date”	the date, expected to be on or around Thursday, 30 September 2010, but no later than Wednesday, 6 October 2010, on which the Offer Price is to be fixed by agreement between our Company and the Joint Bookrunners (on behalf of the Underwriters) for the purposes of the Global Offering
“Qualified Institutional Buyers” or “QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Ray Splendid”	Ray Splendid Limited, a company incorporated under the laws of the BVI with limited liability on 17 August 2007 and is wholly-owned by Mr. Cui Yong who is an executive Director
“Reach Goal”	Reach Goal Management Ltd., a company incorporated under the laws of the BVI with limited liability on 2 January 2009 and our indirectly wholly-owned subsidiary
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the reorganisation arrangements undergone by the Group in preparation for Listing as described in the section headed “History, Reorganisation and Group Structure” in this prospectus
“Risun Coke”	Risun Coking Holding Co., Ltd., a company specialising in the production, processing and selling of coke and coke by-products and one of our key customers
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Royce Petrochemicals”	Royce Petrochemicals Limited, a company incorporated under the laws of the BVI with limited liability on 28 October 2005 and our indirectly wholly-owned subsidiary
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“Sale Shares”	a total of up to 148,500,000 Shares being offered for sale by the Selling Shareholders upon the exercise of the Over-allotment Option

DEFINITIONS

“Samtop”	Samtop Development Limited, a company incorporated under the laws of the BVI on 6 April 2010 which is owned as to 60% by Wu Hongmei (吳紅梅) and 40% as to Fu Rong (付榮), each of whom being an Independent Third Party
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Selling Shareholders”	Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winstar, Coppermine and Silver Grant
“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 our Shares
“Silver Grant”	Silver Grant International Industries Ltd., a company with its principal place of business at Suite 4901, 49 th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and listed on the Hong Kong Stock Exchange (Stock Code: 171)
“Sincere Hill”	Sincere Hill Management Limited, a company established under the laws of the BVI with limited liability on 25 October 2009 and indirectly wholly-owned by Mr. Wang
“Singapore Dollars”	Singapore dollars, the lawful currency of Singapore
“Sparkle Land”	Sparkle Land Limited, a company incorporated under the laws of the BVI with limited liability on 29 December 2009 and wholly-owned by Wu Sek Un, an Independent Third Party
“Stabilising Manager”	Goldman Sachs or any of its affiliates or any persons acting for it
“State Administration of Taxation”	中國國家稅務總局 (the State Administration of Taxation of the PRC)
“State Council”	the State Council of the PRC (中國國務院)
“Stock Borrowing Agreement”	a stock borrowing agreement to be entered into between the Stabilising Manager or any of its affiliates or any persons acting for it and Winsway Resources Holdings before the Listing Date

DEFINITIONS

- “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
- “SUEK AG” SUEK AG, the exclusive exporting company of Open Joint Stock Company “Siberian Coal Energy Company” (OJSC “SUEK”), the Russian largest coal producer, and also one of our suppliers of seaborne coal
- “Suifenhe Winsway” 綏芬河永暉能源有限公司 (Suifenhe Winsway Resources Co., Ltd.*), a company established under the laws of the PRC on 24 December 2009 and our indirectly wholly-owned subsidiary
- “Takeovers Code” the Hong Kong Code on Takeovers and Mergers
- “Tangshan Jiahua” Bcdw (Tangshan) Jiahua Coking & Chemical Co., Ltd., a company principally engaged in petroleum and coal products manufacturing and one of our key customers
- “Top Dream” Top Dream Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 30 October 2009 and wholly-owned by Guo Qi, an Independent Third Party
- “Track Record Period” the period comprising the three years ended 31 December 2009
- “Ulanqab Haotong” 烏蘭察布市浩通能源有限責任公司 (Ulanqab Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 2 March 2010 and our indirectly wholly-owned subsidiary
- “Ulanqab Huatong Logistics” 烏蘭察布華通物流有限責任公司 (Ulanqab Huatong Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability on 12 October 1989 and an Independent Third Party
- “Underwriters” the Hong Kong Underwriters and the International Underwriters
- “Underwriting Agreements” the Hong Kong Underwriting Agreement and the International Underwriting Agreement
- “Unique Grace” Unique Grace Management Limited, a company incorporated under the laws of the BVI with limited liability on 12 January 2010 and wholly-owned by Chen Shuaiyun
- “United States”, “US” or “USA” the United States of America, its territories, its possessions and all areas subject to its jurisdiction
- “Urad Zhongqi Haotong” 烏拉特中旗如意浩通能源有限公司 (Urad Zhongqi Ruyi Haotong Energy Co., Ltd.*), a company established under the laws of

DEFINITIONS

	the PRC with limited liability on 14 July 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at <u>www.eipo.com.hk</u>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Winstar”	Winstar Capital Group Limited, a company incorporated under the laws of the BVI on 18 August 2009 with its registered office at Horizon Chambers, P.O. Box 4622, Road Town, Tortola, BVI
“Winsway Australia”	Winsway Australia Pty. Ltd., a company incorporated under the laws of Australia with limited liability on 9 November 2009 and our indirectly wholly-owned subsidiary
“Winsway Coking Coal Holdings (HK)”	Winsway Coking Coal (HK) Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability on 23 October 2009 and our wholly-owned subsidiary
“Winsway Coking Coal Macao”	Winsway Coking Coal (Macao Commercial Offshore) Limited (永暉焦煤(澳門離岸商業服務)有限公司), a company incorporated under the laws of Macau with limited liability on 2 August 2010 and our wholly-owned subsidiary
“Winsway Group”	the group of companies established and/or incorporated by Mr. Wang and/or his associates which is not a member of our Group
“Winsway Group Holdings”	Winsway Group Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 March 2001 and wholly-owned by Mr. Wang
“Winsway International Petroleum & Chemicals”	Winsway International Petroleum & Chemicals Limited, a company incorporated under the laws of the BVI with limited liability on 18 August 2005 and indirectly wholly-owned by Mr. Wang

DEFINITIONS

“Winsway Logistics”	Winsway Coking Coal Logistics Co., Limited, a company incorporated under the laws of Hong Kong with limited liability on 22 December 2009 and our wholly-owned subsidiary
“Winsway Macao”	Winsway (Group) Enterprises Limited (永暉集團有限公司), a company incorporated under the laws of Macao with limited liability on 12 June 1995 and wholly-owned by Mr. Wang
“Winsway Mongolian Transportation”	Winsway Mongolian Transportation Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 10 May 2010 and our directly wholly-owned subsidiary
“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 23 September 2008 and indirectly wholly-owned by Mr. Wang
“Winsway Singapore”	Winsway Resources Holdings Private Limited, a company incorporated under the laws of Singapore with limited liability on 31 December 2009 and our wholly-owned subsidiary
“Xinjiang Winsway”	新疆永暉能源有限公司 (Xinjiang Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 9 August 2010 and our indirectly wholly-owned subsidiary
“Xixiaozhao Railway”	西甘鐵路有限公司 (Xixiaozhao Gants Mod Railway Co., Ltd.*), a company established under the laws of the PRC with limited liability on 7 December 2009 in which we hold a 5% equity interest
“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
“Yiteng”	烏拉特中旗毅騰礦業有限責任公司 (Urad Zhongqi Yiteng Mining Co., Ltd.*), a company established under the laws of the PRC with limited liability on 7 September 2005 and our indirectly wholly-owned subsidiary
“%”	per cent

* The English names of the PRC entities or organisations or individuals mentioned in this prospectus marked “*” are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option or any options granted under the Pre-IPO Option Scheme.

GLOSSARY

This glossary contains definitions of certain technical terms used in this prospectus. Some of these definitions may not correspond to standard industry definitions.

- “1/3 Coking Coal” a coal that is softer and weaker than Primary Coking Coal. Similar to semi-hard coking coals, it displays relatively high caking properties and medium levels of Volatile Matter
- “1/2 Middle Sticky Coal” a coal that displays properties similar to PCI coals, having relatively low levels of Volatile Matter and low to medium caking ability
- “anthracite” is the highest rank coal. It is the hardest coal type and is characterised by low volatile matter and high carbon content. It has a semi-metallic lustre and is smokeless when burnt. It has a high fuel efficiency, and its fuel ratio is between 10 and 60
- “Ash” the ash content in coal that represents the non-combustible inorganic residue remaining after the coal is burned
- “bt” billion tonnes
- “Bituminous Coal” a coal group that contains many coal types which are all only slightly affected by weathering unless left exposed for an extended period of time, in which case they break into fine prismatic pieces, not like the platy pieces of lignite. The group has a fuel ratio of about three. Most internationally traded coal and all coking coal is bituminous rank
- “CFR” cost and freight, a term of sale requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier. Under such arrangement, the seller does not have to procure marine insurance against the risk of loss or damage to the goods during transit
- “Chinese Caking Index (G)” is determined through a laboratory test measuring the caking capacity of a sample of coal to ascertain how well the coal binds or fuses together. Higher G index indicates greater caking capacity
- “Chinese Plasticity Index (Y)” is a measure of the maximum thickness of the plastic mass when the coal is heated to the peak temperature and before it resolidifies. This measure is similar to the Crucible Swelling Number and the level of Gieseler Maximum Fluidity
- “CIF” cost, insurance, freight, a term of sale signifying that the price invoiced or quoted by a seller includes insurance and all other charges up to the named port of destination
- “coke” used as a reductant in the manufacturing of iron and steel. To a lesser extent, coke is also used in the casting and smelting of base metals

GLOSSARY

- “Coke blend” combination of various types of coking coal with different physical properties into a final “blend” by coke producer in order to maximise certain technical parameters of the coke which ultimately improves pig iron quality, and at the same time minimises cost
- “Coke Strength after Reaction” a measure of the relative coke strength of coke located in the mid-region of a blast furnace. For a high quality hard coking coal the Coke Strength after Reaction (CSR) should be at least 65% of that before the reaction occurred
- “coking coal” also commonly referred to as metallurgical coal, is used to produce coke. Market participants typically refer to six types of coking coals based on specific characteristics of the coal including the ash content, volatile materials, coke strength and fluidity
- “cost curve” a graphic representation in which the production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers within a given country or region
- “Crucible Swelling Number (also known as Free Swelling Index)” the degree of free swelling of a one gram sample of crushed coal heated under elevated conditions (>800°C) in a specialised silica crucible. Higher index values (ranging from 1-9) equate to superior caking and/or swelling properties of the coal which are required for coke making
- “EU-15” 15 specified member countries of the European Union
- “EU-27” 27 specified member countries of the European Union
- “Fat Coal” a coal that is similar to Primary Coking Coal. However it shows greater levels of volatile matter. It generally also has a higher caking index
- “fluidity” fluidity refers to coal’s plasticity during carbonization, where coal changes from a solid material to a fluid (plastic) state, and then to a fused porous solid (coke) during cooling. High fluidity is beneficial in the cokemaking process. Typical measure of fluidity is the Gieseler Maximum Fluidity reading
- “FOB” free on board, where the seller is required to clear the goods for export and buyer is responsible for all the costs incurred after the cargo has been loaded on board
- “FOR” free on rail

GLOSSARY

- “Gas Coal” a coal with high levels of Volatile Matter but displaying a low to medium caking index
- “Gas Fat Coal” a coal with high levels of Volatile Matter but displaying high caking properties
- “hard coking coal (HCC)” a higher-ranked coking coal with strong caking properties. Hard coking coals generally have Crucible Swelling Number greater than six
- “km” kilometres
- “Lean Coal” a relatively low volatile coal with average caking abilities. This coal typically has properties similar to semi-soft coking coals
- “lignite” is a low rank of coal containing high moisture. Lignite is distinctly brown and is either markedly woody or clay-like in appearance. As it comes from the mine, lignite generally carries 30–40% water and its net calorific (energy potential) value is low. When exposed to the weather, lignite readily loses its water content and is capable of spontaneous ignition. When crushed, lignite produces a brown powder, whereas coal sensu stricto (except for cannel coals) produces a black powder
- “Meagre Coal” a coal that is considered to have one of the highest degrees of coalification of a bituminous coal. It has relatively low caking properties, and when burnt it has short flame combustion and is relatively fire resistant
- “Meagre Lean Coal” a coal that has relatively weak caking properties but with low levels of Volatile Matter. This coal is similar to typically low-volatile PCI coals
- “metallurgical coal” see coking coal
- “mt” million tonnes
- “mtpa” million tonnes per annum
- “Offtake agreement” an agreement between a producer of a resource and a buyer of a resource to purchase or sell the producer’s future output
- “Offtaker” the buyer of a offtake agreement to purchase a specified amount of the producer’s future production
- “Pacific” the largest of the Earth’s oceanic divisions. It extends from the Arctic in the north to the Southern Ocean in the south, bounded by Asia and Australia in the west, and the Americas in the east
- “Primary Coking Coal” a high quality hard coking coal with low to medium levels of Volatile Matter and relatively high bonding properties

GLOSSARY

- “proven reserves” or “proved reserves” considered to be highly confident of being recoverable (economically)
- “Pulverised Coal Injection (PCI)” ... the process whereby coals are injected into a blast furnace to provide the required carbon in the iron-making process. PCI coals are typically divided into low-volatile and high volatile PCI
- “reserve base” demonstrated, in place (measured plus indicated) resources from which reserves are estimated. The reserve base of an identified resource generally must meet specified minimum physical and chemical criteria related to current mining and production practices, including those for grade, quality, thickness, and depth
- “Semi-hard Coking Coal” lower in rank to hard coking coals. Semi-hard coking coals typically have Crucible Swelling Numbers between 4 and 6
- “Semi-soft Coking Coal” lower ranked coking coals used as either a coking blend component or as Pulverised Coal Injection (PCI) coal
- “Sub-bituminous Coal” a coal that can be distinguished from lignite by its black colour and its lack of a distinctly woody structure and texture, and from Bituminous Coal from its slacking in the weather (formation of cracks in and pervasive dehydration of those portions exposed to weathering)
- “thermal coal” also referred to as steaming coal, is primarily used as an energy source in the generation of electricity. Other applications include direct heating, space and water heating, process heating and cement manufacturing. Thermal coal covers all black coals other than those which are specifically designated as coking coal
- “Volatile Matter” the percentage of components in the coal primarily representing organic compounds and mineral impurities, excluding inherent (dry) moisture
- “Weak-Sticky Coal” a coal typically used as thermal coal for gasification and power-generation. However with additional treatment it can be used as low-grade coking coal

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, including the risk factors described in this prospectus, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies, plans, objectives and goals;
- our capital expenditure and future development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- our financial condition and results of operations;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under construction or planning;
- the timely settlement of amounts owed to us by our debtors;
- fluctuation in raw material prices;
- future demand of our coking coal products;
- our ability to renew our long-term supply agreements and/or our sales contracts;
- our ability to secure coking coal supplies through long-term or off-take agreements with mining companies;
- our ability to expand our throughput capacities at various border crossings and logistics parks;
- changes to regulatory and operating conditions in and the general regulatory environment of the industry and markets in which we operate;

FORWARD-LOOKING STATEMENTS

- general economic conditions;
- the performance, future developments, trends, outlook and conditions in the industry and markets in which we operate;
- changes in political, economic, legal and social conditions in the PRC and Mongolia, including the specific policies of the PRC Government, the government of Mongolia and the local authorities in the regions where we operate, which affect the sale and purchase of coal, availability and cost of financing, pricing of coal and our development projects;
- changes in competitive conditions and our ability to compete under these conditions;
- capital market developments;
- changes in currency exchange rates; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus, including the risks factors and uncertainties described below, before making any investment decision in relation to the Offer Shares. Should any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the offer Shares could decline significantly and you may lose all or part of your investment.

Risks Related to Our Business and Our Industry

We are experiencing a period of rapid growth and may not be able to manage our growth effectively

We have grown rapidly over the past few years and intend to further expand our operation and infrastructure in the future. For instance, our logistics parks at Gants Mod and Ceke and our coal processing plants at Urad Zhongqi and Ceke have only been in operation for less than three years. Our design capacity at our Urad Zhongqi coal processing plant increased from 1.0 mtpa to 2.0 mtpa in the third quarter of 2008, and to 4.0 mtpa in the fourth quarter of 2009. In addition, we plan to expand our logistics parks at Gants Mod and Ceke, expand our coal processing capacity at our Urad Zhongqi coal processing plant, construct and operate new coal processing plant at Jining while continue to operate our coal processing plant in Ceke, as well as jointly develop and operate railway logistics centres at Gants Mod, Ceke, Urad Zhongqi, Jining, and potentially Mandula and Zhu'engadabuqi, with Hohhot Railway Bureau. We also plan to replicate our Mongolia business model in respect of our procurement of Russian coal by developing and operating logistics parks, jointly construct and operate railway logistics centres with another local railway bureau, and construct coal processing plants at both Manzhouli and Suifenhe. It is also our plan to invest in and construct docking facilities at Longkou port, as well as coal processing plants at Bayuquan port and Longkou port, and possibly Yangkou port. Please refer to the section headed "Future Plans and Outlook" in this prospectus for more details.

There are various risks associated with the development and construction of these projects. For example, each of these projects are subject to the approvals of various governmental departments in the PRC, and there is no assurance that we will be able to obtain all necessary approvals expediently or be allowed to implement our projects in accordance with our plans. Further, our rapid development in the past few years has created a strong demand for new capital in order to finance our projects and we expect we will continue to require substantial initial capital outlay in order to implement the above projects in accordance to our plan. There can be no assurance that we will be able to secure sufficient financing to fund these projects, given that these projects may require a higher capital outlay than that expected by us and that, if sufficient financing is available, we are able to efficiently deploy our capital to meet the investment schedule or in accordance with the actual requirements of these projects. In addition, there can be no assurance that our management team possesses the required technical and operational expertise required for the development and operation of these projects, and there can be no assurance that we will be able to attract and retain sufficient experienced technical personnel to implement and manage these projects. Please also refer to the section headed "Risk Factors — Risks Related to Our Business and Our Industry — 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.

RISK FACTORS

To accommodate our planned growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management effort, human resources, expertise and significant additional expenditures. As we have a limited history operating on such a large scale, we may not have sufficient experience and expertise to address the risks frequently encountered by companies that attempt to realise a large increase in capacity in a short time, including our potential failures to:

- effectively manage large scale production;
- manage the logistics, utility and supply needs of our expanded operations;
- maintain adequate control over our expenses; or
- attract, train, motivate and retain qualified personnel.

We cannot assure you that we will be able to manage our growth effectively, and failure to do so may have an adverse effect on our business, prospects, financial condition and results of operations.

The supply of coal from Mongolia to China may be limited by the availability and stability of transportation services and border-crossing handling capacity at Sino-Mongolian border crossings. Our future growth may accordingly be adversely affected

Currently all our Mongolian coal is transported into China through the two border crossings at Sino-Mongolian border, namely the Gants Mod and Ceke border crossings. Currently all our major Mongolia-based suppliers' mines are only connected to Sino-Mongolian borders by unpaved gravel roads. Further, we and our Mongolia-based suppliers primarily rely on an Independent Third Party, Moveday, for transportation of coal from our suppliers' mine to our logistics parks at Gants Mod and Ceke border crossings. In each of the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 respectively, Moveday was responsible for the transportation of more than 85% of the coal supplied by our Mongolia-based suppliers to us. Although we have not experienced any major disruption to the transportation service in Mongolia in the past, there can be no assurance that inadequate or disruption to transportation service, which may be caused by severe weather conditions, changes to political and legal environment in Mongolia or impairment to the available infrastructure, as well as any major disruption to business and operations of Moveday, will not occur in the future. In particular as Moveday is an Independent Third Party, there is no assurance that we will be able to continue to procure services from Moveday which are sufficient to meet our future needs and that we will be able to find a satisfactory replacement of Moveday and, if so, in a timely manner if it is unable or unwilling to meet our needs. Any shortage or disruption to the transportation service is likely to affect the volume and stability of supply from Mongolia. At these Sino-Mongolian border crossings, a bottleneck in the transportation and import of coal may arise if the border-crossing handling capacity at these Sino-Mongolian border crossings is not sufficient to support an increase in the amount of coal transportation and import. Potential customers are likely to factor in any delays and the costs and availability of transportation in determining whether they are willing to purchase coal from us and the price they are prepared to pay.

Our operations are also highly dependant on the throughput volume of the Sino-Mongolian border crossings. Although there have been improvements to the clearance infrastructure to increase the throughput capacity and efficiency at the Gants Mod and Ceke border crossings in the first half of 2010, there can be no assurance that there will be further improvements made to the infrastructure at the Gants Mod and Ceke border crossings, and there can be no assurance any the improvement will

RISK FACTORS

achieve its intended results in increasing throughput capacity and efficiency at these border crossings. There can be no assurance that the PRC and Mongolian governments will continue to support the further development and expansion of border-crossing handling capacity at these border crossings, and if such support is not forthcoming, there may not be any future increase in throughput volume and capacity. There can also be no assurance that our coal will be handled by the respective customs authorities in priority over other coal or freight being transported by third parties including our competitors. The opening hours of the Gants Mod and Ceke border crossings also affect our ability to increase the volume and rate of our coal shipment. In addition, there can be no assurance that the customs authorities at the border crossings can handle the throughput in an efficient manner throughout the year due to various factors that are beyond our control. As a result, we may experience difficulty in moving our coal shipments across the Sino-Mongolian borders efficiently, which could affect our sales volume and reduce our profitability. If the capacity of transportation infrastructure and infrastructure at border crossings does not increase, our future growth may be adversely affected.

We may not be able to recover all or part of our loan to Moveday

We have provided a loan to Moveday to purchase additional vehicles to meet with the increasing volume of coal procured by us in Mongolia. The loan is for an amount of US\$40 million and is required to be used by Moveday solely for the purpose of purchasing vehicles for transporting coal purchased by us in Mongolia. The loan is made at an interest rate of LIBOR plus 3% and is repayable in five years in equal instalments of US\$8 million, commencing from 18 months after the receipt of the loan by Moveday. As at the Latest Practicable Date, the entire amount of the loan has been drawn down. Please refer to the section headed “Business — Transportation” in this prospectus for further details. The loan was made by us in order to assist Moveday to meet with the increasing volume of coal procured by us in Mongolia. As Moveday is an Independent Third Party and the loan to Moveday is an unsecured loan, we do not have an interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended). Based on our business relationship with Moveday, which is an Independent Third Party, we believe Moveday represents a good credit. There is, however, no assurance that our all or part of our loan will be recovered, through exercise of our right to offset or otherwise, and if so, in accordance with the schedule of repayment as agreed. As a result of major disruption to its business or operations or other unforeseen changes, it is possible that Moveday may not be able to repay all or part of our loan. Further, we have not obtained any collateral over the loan and in the event Moveday is unable to repay our loan, our financial condition may be adversely affected.

Shortage or suspension of coking coal supply from our Mongolia-based suppliers could result in an adverse impact on our business operation, profitability and our return on investment in the infrastructure at border crossings, railway network and coal processing plants

We have enjoyed supply relationships with four Mongolia-based mining companies, which have allowed us to secure a stable supply of Mongolia coal to meet the increasing demands for our products during the Track Record Period and the six months ended 30 June 2010. The total turnover derived from coal supplied from our four main Mongolia-based suppliers amounted to RMB191.4 million, RMB982.9 million, RMB1,757.9 million and RMB1,957.0 million, representing 96.4%, 98.9%, 37.8% and 45.5% of our total turnover for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. We anticipate that we will continue our supply relationship with our Mongolia-based suppliers in order to be able to obtain a stable and constant supply of coking coal. Supply contracts between these Mongolia-based suppliers and ourselves are entered into on a quarterly or yearly basis and we may enter into discussions with our suppliers to discuss any adjustment to the purchase price based on prevailing market conditions on a quarterly basis. The coal supply contract between us and our largest Mongolia-based supplier (“**Supplier**

RISK FACTORS

No. 1”) is expiring on 28 October 2010. We have an understanding with the Supplier No. 1 and another supplier (“**New Supplier**”) which granted the Supplier No. 1 the right to mine at the same two pits located in Tavan Tolgoi that we will enter into a new coal offtake agreement with the New Supplier upon the expiration of the supply contract with Supplier No. 1 on 28 October 2010. There can be no assurance that the transition will not have an adverse effect on our supply or relationship with our suppliers. Although we have not experienced any major dispute, interruption, delay or shortage in supply from our suppliers in Mongolia in the past, there is, however, no assurance that we will be able to agree with our suppliers the terms of our annual or quarterly supply agreements or that we will not encounter any form of disputes, interruption, delay or shortage in supply from our suppliers in Mongolia in the future. If this happens, we may need to source our coking coal supply from other suppliers including those from Australia, the US, Canada and Russia. We may not be able to secure sufficient supply from other existing and new suppliers and if so, at the same price or volume. As such, any interruption, delay or shortage of coal supplies which we encounter from our Mongolia-based suppliers may have an adverse impact on our business operation or profitability.

In addition, to increase our capacity to handle the expected increasing supply of Mongolia coal to China, we have made a series of investments in the infrastructure at border crossings and railway network. Investment return on such infrastructure depends on our ability to obtain stable and sufficient quantities of coal from our suppliers in Mongolia. If we cannot secure sufficient supply volumes from our Mongolia-based suppliers, our return on investment in the infrastructure at border crossings, railway network and coal processing plants may be adversely affected and our investment may not be justified at all.

We utilise the PRC national railway to transport our coal products to our coal processing plants and customers, any major disruption of which may adversely affect our business and results of operations. We may have limited ability to secure sufficient freight capacity on national railway to transport our coal products to target markets

We utilise the PRC national railway system to deliver our coal products to our customers. Due to the limited railway transportation capacity available and the great demand for such capacity by customers, the allocation of transportation capacity is subject to a number of factors including market conditions, government policy and regulatory decisions. Accordingly, there is no assurance that our transportation requirements can be fully satisfied in the future, nor is there assurance that we will not experience any material delay in the transportation of our coal as a result of insufficient railway transport capacity. After raw coking coal is processed at our coal processing plants, we will still rely primarily on the national railway system to transport our products from those locations to our end customers. There can also be no assurance that the local railway system will be able to secure sufficient railway transportation capacity to transport the processed coking coal products we produce. It cannot be assured that the railway transportation capacity connecting to major steel consumption regions will improve. In addition, in the PRC, railway infrastructure and capacity have in the past been affected by extreme weather conditions, earthquakes, delays caused by major rail accidents, the diversion of rolling stock needed to deliver emergency food relief and seasonal congestion during public holidays. There can be no assurance that these problems will not recur or that new problems will not occur. Under any of these circumstances, the customers may not be able to take delivery of our coal, which may lead to delays in payment, or refusal to pay, for our coal and, as a result, our business and results of operations could be adversely affected.

In addition, any significant increase in transportation costs would add to our overall cost base, which may in turn have an adverse effect on our business and results of operations.

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We rely on a number of third-party transportation companies to transport coal to our coal processing plants and customers in China. Any major disruption of their business may adversely affect our business and results of operations

In addition to the railway transportation, we also rely on a number of third-party transportation companies to transport coal from our suppliers' mines to our logistic parks at the border crossings or to China's sea ports and to our coal processing plants and customers within China. Although we have not experienced any major disruption in respect of the transportation services provided to us, there can be no assurance that sufficient transportation services will remain available to us. Any major disruption of their business and operation may adversely affect our business and results of operations and if we cannot replace them with alternative transport capacity, our business and results of operations may be adversely affected.

There are a number of risks associated with our dependence on a limited number of customers

Most of our products are sold to steel makers and coke plants in the PRC. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our five largest customers accounted for 95.3%, 91.1%, 33.0% and 41.4%, respectively, of our total sales. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our single largest customer accounted for 82.1%, 56.7%, 9.7% and 14.2%, respectively, of our total sales.

We anticipate that we will continue to rely on the business activities of our major customers, particularly those in the steel manufacturing industry. Our business, results of operations and financial position may be adversely affected by any economic or market downturn suffered by the PRC steel industry.

We have established long-term business relationships with Baogang Group, Hebei Steel, Tangshan Jiahua, and Risun Coke. However, as with the industry practice, our customers have not agreed to any long-term purchase commitment at the outset. In addition, our sales contracts generally have yearly or quarterly terms, which specify the quantities and timing of purchases planned over the following year or quarter. Prices with respect to purchases made under letters of intent are generally determined near to the time of sale.

We cannot assure you that any of our customers will continue to place orders with us in the future, or if so at the same level or at the same price, as in previous periods. In particular, if we lose any of our major customers, we cannot assure you that we will be able to attract any new customer with the same scale or requirements or that any of our remaining customers will increase their demand to offset such shortfall on an expedited basis. As a result, our results of operations may fluctuate significantly in the future. Our profitability, working capital position and financial condition could also be adversely affected.

Our results of operations are vulnerable to any significant downturn in the PRC steel industry

Our business and prospects are heavily dependent on the demand for coking coal by steel makers and coke plants in China and especially in Hebei province and Inner Mongolia. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales to our top five customers accounted for 95.3%, 91.1%, 33.0% and 41.4%, respectively, of our total sales and all of these top five customers are steel makers or coke plants.

Our growth during the Track Record Period was to a great extent fueled by the growth of the PRC steel industry in recent years. However, there can be no assurance that this growing demand will

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continue for our coking coal products from steel manufacturers in Hebei province and Inner Mongolia or other parts of China. Any significant downturn in the steel industry in China including performance of major steel manufacturers in Hebei province and Inner Mongolia could adversely affect our business, results of operations and financial condition.

Our results of operations may be affected by a number of factors beyond our control, including the average selling prices, fluctuations in raw material prices and sales volumes of our processed and raw coking coal products

Our future results of operations may be significantly affected by a number of factors beyond our control, including the average selling prices, fluctuations in raw material prices and sales volumes of our processed coking coal, which will be further affected by factors including, but not limited to, coal and coal-related product market conditions, steel market conditions, transportation costs and our ability to maintain safe operations and expand the scale of our operations. See also the section headed “We utilise the PRC national railway to transport coal to our coal processing plants and customers, any major disruption of which may adversely affect business and results of operations. We may have limited ability to secure sufficient freight capacity on national railway to transport our coal products to target markets” in this prospectus.

Our operating results may be negatively affected by fluctuations in the price of raw coking coal. For example, in the seaborne market, recent coking coal price increases have affected the Australian spot market. According to AME, for the year 2010, spot prices for Australian hard coking coal exported from Newcastle have increased by approximately 30% from US\$193 per tonne in January to US\$250 per tonne in May (excluding VAT). These price increases have affected China to a lesser extent where spot prices have increased 15% for the same period. However, spot prices have fallen in July and August, 2010. The average spot price for Australian hard coking coal was US\$203 per tonne FOB in July 2010. Please refer to the section headed “Industry Overview” in this prospectus for more details. We are subject to short-term coal price volatility and may have to purchase raw coking coal at prices higher than we expect. We may not always be able to pass the cost increase of raw coal on to customers and we may not be able to do so in the future either. This may adversely affect our gross margins and profitability. If we fail to agree on a price with our customer under our purchase agreements, consistent with the market practices in China, customers may terminate the contract or refuse to buy all of the quantities contracted for. Further, sales prices of our coal to our customers are subject to quarterly adjustment after taking into account the prevailing market rate of coking coal in the PRC market, which typically correlate with the prevailing contracted coking coal price between major coking coal producers in Shanxi Province and large steel makers in China. The purchase price of the coal supplied by our Mongolia-based suppliers is primarily set annually or quarterly based on the prevailing market price. There can be no assurance that we will be able to perfectly match our sales prices with our purchase prices during a particular time period, and such mismatch, to the extent exists, may affect our profit margin and business operation adversely.

Our business and results of operations are susceptible to the cyclical nature of coal markets and are vulnerable to fluctuations in prices for coal. We expect to derive substantially all of our turnover and cash flow from the sale of coking coal. Therefore, our ability to raise additional financing and maintain ongoing operations and our financial condition and results of operations will be directly related to the demand for, and price of, coking coal products. Coking coal demand and price are determined by numerous factors beyond our control, including the international demand for steel and steel products, the availability of competitive coal supplies, international exchange rates, political and economic conditions in Mongolia, the PRC and elsewhere in the world, weather conditions, and production costs in major coal producing regions. The PRC and international coal markets are cyclical and have in the past exhibited significant fluctuations in supply, demand and prices from year to year.

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There has been significant price volatility on the coal spot market. In the seaborne market, for example, according to the AME Report, for the first six months of 2010, spot price for Australian seaborne coking coal exported overseas has increased by approximately 30% from January (approximately US\$193 per tonne) to May (approximately US\$250 per tonne), and Chinese spot prices have increased by approximately 15% from the beginning of the year to May 2010. However, spot prices have fallen in July and August, 2010. Average spot price for Australian hard coking coal was US\$203 per tonne FOB in July 2010. An oversupply of coal in the PRC or a general downturn in its economy could materially and adversely affect our business and results of operations. In addition, our dependence on the PRC markets may result in instability in our operations due to political and economic factors in the PRC beyond our control which could affect domestic demand. The combined effects of any or all of these factors on coal prices or volumes are impossible for us to predict. If realised coal prices fall below the full cost of production of any of our future operations and remain at such a level for any sustained period, we could experience losses which could have a material and adverse effect on our financial condition.

We have not entered into any hedging transactions to reduce our exposure to risks associated with price volatility of coal. There can be no assurance that global and domestic coal prices will remain steady or move in tandem, and any fluctuation may affect the profitability, and in extreme cases, the feasibility of our business.

We generate a part of our turnover from seaborne coal trade. Fluctuation in international coking coal price or freight cost may potentially cause our seaborne coal business to be unprofitable

Other than Mongolian coal, we also source coal from other countries such as Australia, the US, Canada and Russia to supply to our customers. For the year ended 31 December 2009 and the six months ended 30 June 2010, 60.9% and 54.2% of our turnover was derived from the sale of seaborne coal (hard coal). We anticipate that we will continue to derive a portion of our turnover from seaborne coal business.

However, seaborne coal markets are cyclical and have in the past exhibited significant fluctuations in supply, demand and prices from year to year. For example, according to the AME Report, the benchmark price for premium hard coking coal was approximately US\$96 per tonne in 2007, US\$300 per tonne in 2008 and US\$129 per tonne in 2009, respectively. According to AME, for the year 2010 to date, spot prices for Australian hard coking coal exported from Newcastle, have increased by approximately 30% from US\$193 per tonne in January to US\$250 per tonne in May (excluding VAT). These price increases have affected China to a lesser extent where spot prices have increased 15% for the same period. Since September 2009, the spot price for Australian hard coking coal on a FOB basis has been higher than the spot price for China hard coking coal equivalent. However, spot prices have fallen in July and August, 2010. The average spot price for Australian hard coking coal was US\$203 per tonne FOB in July 2010. Please refer to the section headed "Industry Overview" in this prospectus for more details. Any increase in worldwide demand for seaborne coking coal, in whole or in part, may lead to an increase in the prices we will pay for the seaborne coal. Although China has continued to import Australian hard coking coal, there is no assurance that the coal price in China will remain at its current level or China will continue to import seaborne coal despite the relatively high price. Any decrease in the coal price in China may affect the profitability of our seaborne coal business. Freight charges form a significant component of the cost of seaborne coal. There is no assurance that freight charges will remain at its current level. Our seaborne coal business may be unprofitable if the price for the seaborne coal we buy is and remains higher than the price for which we sell to our PRC customers or if the freight cost for the transportation of seaborne coal to us increases significantly.

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In addition, in light of changing regulations and market conditions in countries from which we source our seaborne coal, the supply of seaborne coal is determined by factors beyond our control and in the event that our suppliers are not able to supply us with the amount and quality of coking coal that we request for or that we encounter any form of disputes, interruption, delay or shortage in supply from our seaborne suppliers in the future including failure to renew our supply contracts, we may not be able to secure sufficient supply from other existing and new suppliers.

We need to maintain a number of licenses and permits required by relevant laws and regulations, and if we are not able to remain in compliance with all such laws and regulations, such licenses and permits may be revoked

Our business operations are subject to a number of licenses and permits required under relevant laws and regulations of the PRC. For example, we are required to obtain a coal operation certificate for coal trading in China. Details of the relevant PRC regulations are set out in “Regulatory Overview” in this prospectus. We may not be able to continue to comply with such laws and regulations due to factors that are beyond our control, and under those circumstances, our licenses and permits may be revoked and we may be subject to penalty. Our operational income derived under such licenses or permits may also be forfeited. To the extent that these laws, regulations and legal requirements are evolving, additional licenses and permits may be required or we may be required to adjust our activities in order to comply with such regulations and in doing so, may incur substantial costs. Our failure to comply with applicable laws and regulations could subject us to administrative liabilities, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material and adverse effect on our business, operations and finances.

Under applicable PRC laws and regulations, only large state-owned coal enterprises or state-controlled coal enterprises can be licensed to export coal from China. If we wish to export coal from China in the future, we will be required to comply with applicable laws and regulations in respect of export of coal from China and conduct such export business through these enterprises. There can be no assurance that we will be able to secure sufficient export quota through these enterprises.

In addition, the laws and regulations promulgated by the PRC central government may be principle-based only and therefore involve significant vagueness. It is therefore possible that local authorities, including those in Inner Mongolia, may interpret the laws and regulations differently from the central government authorities, which could lead to substantial uncertainties regarding our operations and activities in Inner Mongolia.

Our investments in Mongolia, our operations at Sino-Mongolian border crossings and procurement of coal from Mongolia are subject to uncertainty associated with the legal system in Mongolia, which could limit the legal protection available to us and potential investors

The Mongolian legal system shares several of the qualitative characteristics typically found in a developing country. Many of its laws are still evolving.

The legal system in Mongolia has inherent uncertainties that could limit the legal protections available to us, which include (i) inconsistencies between laws and regulations; (ii) limited judicial and administrative guidance on interpreting Mongolian legislation; (iii) substantial gaps in the regulatory structure due to delay or absence of implementing regulations; (iv) the lack of established interpretation of new principles of Mongolian legislation, particularly those relating to business, corporate and securities laws; (v) a lack of judicial independence from political, social and commercial forces; (vi) a judiciary unaware of how to handle complex commercial transactions; (vii) bankruptcy procedures that are not well developed and are subject to abuse; and (viii) a national bias. Due to the

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understaffed and developing nature of the judiciary and the high volume of cases, it may be difficult to obtain swift and equitable enforcement, especially when complex commercial matters are the centrepiece of legal debate. Further, though the judiciary has no obligation to, and will not, enforce a judgement by a court of another jurisdiction, Mongolia is a signatory of the New York Convention and is bound to enforce foreign arbitral award. However, such enforcement has not been tested in practice in Mongolia and Mongolia has registered a reservation so that only foreign arbitral awards of a commercial, and not administrative, nature can be enforced.

Although our Group does not currently have any direct operation in Mongolia, our business is strongly connected to, and places significant reliance on, operations in Mongolia. We rely on our major suppliers in Mongolia to supply raw coal to us and third-party transportation companies to deliver raw coal to us. In addition, we are in the process of pursuing opportunities to acquire upstream coal resource in Mongolia in order to secure stable supply volume. For example, on 29 June 2010, we acquired a 50% interest in the Peabody-Winsway JV, the 100% holder of Peabody-Winsway Mongolia, a Mongolian legal entity engaging in coal exploration and mining in Mongolia. In total, Peabody-Winsway Mongolia holds 50 coal related mineral licenses.

The protections provided by Mongolian anti-expropriation and anti-nationalisation laws may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of our assets, or portions thereof, potentially without adequate compensation, could materially and adversely affect our business and results of operations.

Development of roads infrastructure in Mongolia can be done by private parties; however, the land associated with the road-base cannot be transferred into private ownership. Please refer to the section headed “Regulatory Overview — Mongolian Operations — 7. Investment in Road Infrastructure” in this prospectus.

Further, there can be no assurance that future political and economic conditions in Mongolia will not result in the Mongolian Government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, environmental protection, labour relations, repatriation of income, return of capital, investment agreements, income tax laws, royalty regulation, government incentive and other areas, each of which may materially and adversely affect our or our suppliers’ ability to undertake exploration and development activities in the manner currently contemplated. Similarly, any restrictions imposed, or Mongolian Government charges levied or raised (including royalty fees), under Mongolian law on the export of coal could harm our competitiveness.

The global financial markets have experienced significant deterioration and volatility recently, which may adversely affect our financial condition and results of operations. We may have limited ability to obtain financing to invest in new capacity and face capacity restraints

The current global financial crisis has adversely affected the world economy. With a deteriorating worldwide economy, demand for coking coal may diminish in China. In addition, the credit tightening environment may affect our ability to obtain financing, or banks may even reduce the amount of or discontinue the banking facilities currently available to us. This can adversely affect our ability to secure sufficient financing to fund our projects. In the short to medium-term, we are expanding our infrastructure and throughput capacities at Sino-Mongolian border crossings, and we plan to expand our seaborne coal operations to Bayuquan port, Longkou port and possibly Yangkou Port. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details. Such expansion would require investment in new facilities or acquisition of stakes in other existing facilities. The construction of logistics parks and docking facilities is capital intensive and any new

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facilities that we establish will require substantial expenditure. Any expansion of our capacity will be highly dependent upon our ability to obtain additional financing, which is subject to a variety of uncertainties, including:

- our future financial condition and credit rating;
- general market conditions for financing activities;
- our Share price; and
- the PRC government policies and regulations relating to ports operators and lending in general.

External financing may not be available in a timely manner, on acceptable terms, or at all. If we are unable to expand our capacity we may be unable to grow our business and remain competitive, or provide services to companies with significant capacity requirements, which may have a material adverse effect on our ability to grow our turnover.

There can be no assurance that actions taken by the PRC government or other governments will be effective in addressing the global financial and economic crisis. In the event the global financial and economic crisis continues, becomes more severe, or lasts longer than currently estimated, our business, liquidity, financial condition, results of operations and prospects could be materially and adversely affected.

Our business may be adversely affected if we are unable to extend or refinance our short-term borrowings

We rely on short term financing to fund our projects. We may fund capital expenditures with internally generated cash flow and short-term bank loans in the future. Our future liquidity, payment of trade and other payables and repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. We may not be able to renew or refinance our existing short-term bank loans or secure additional external financing and, in that event, our business may be materially and adversely affected.

We are dependent on future cash flows generated from our business and obtaining additional financing to support our business operations

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes and for interest and principal payments on our outstanding indebtedness. As of 30 June 2010 we had cash and cash equivalents of RMB542.0 million and net current assets of RMB1,562.0 million, respectively. For further details on changes in our cash flows, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Cash flow” in this prospectus.

Our ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in coal product prices. We cannot assure you that we will be able to generate sufficient net cash inflow from our operations in the future. If we are unable to generate sufficient cash from our operations or secure additional financing to meet our obligations, we may be forced to reduce our capital expenditures or may not be able to continue as a going concern. Reduction of our capital expenditures could have a negative impact on our business and would make it more difficult for us to execute our strategy, including our expansion plans, in accordance with our expectations.

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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

Our business strategy depends in large part on expanding and further developing our logistic parks, railway logistics centres and coal processing plants and expansion of our seaborne coal operations to certain seaports. To expand our throughput capacities at Sino-Mongolian crossings, we are currently at the initial stage of planning for the construction of our conveyor belt systems which will connect the Ceke logistics park and the Gants Mod logistics park across the Sino-Mongolian border to their contiguous land in Mongolia.

There is no assurance that we will be able to complete our various projects within budget or in a timely manner, or at all. If we are unable to successfully construct these projects, we may not grow as rapidly as we expect, and our competitiveness may be adversely affected.

The development of the logistics parks, railway logistics centres and coal processing plants and expansion of our seaborne coal operations to certain seaports may be affected by interference of natural conditions or an increase in construction costs. Further, the total investment of the logistics parks, railway logistics centres and coal processing plants and expansion of our seaborne coal operations to certain seaports will require capital expenditure. There is no assurance that we will be able to obtain sufficient funding for these projects.

We are still in the process of applying for construction permits for certain our projects. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details. Furthermore, there is no assurance that approvals will be granted by relevant local government or regulatory authority to the development of the logistic parks, railway logistics centres, coal processing plants and seaports in the future or that there will not be a delay in securing such approvals. The planned projects could also be delayed or adversely affected by a number of other factors beyond our control, including, among others, the availability of sufficient funding, natural conditions and a lack of human resources. Moreover, the actual costs for such planned projects may exceed our original budget. As a result of project delays, cost overruns, changes in market circumstances or other reasons, we may not be able to achieve intended economic benefits or demonstrate commercial viability of the planned projects, which may in turn adversely affect our business, operating results and growth prospects.

We face competition from a number of PRC and international competitors

Competition in the PRC coking coal industry is based on many factors, including, among others, on numerous bases such as price and cost, production capacity and transport capabilities and coal quality and characteristics. We compete in the PRC with other large PRC and international coal mining companies in the supply of coal for the coke blend requirements of steel makers and coke plants. Due to their location and scale of operation, some of our PRC competitors may have lower transportation costs than we do. The PRC coking coal market is fragmented and we face price competition from other mining companies or mining operators that produce coal for significantly lower costs than us due to various factors, including their lower expenditure on safety and regulatory compliance. In addition, international coal producers, including those from Mongolia, may have more stable upstream supply, greater coal production capacity as well as greater financial, marketing, distribution and other resources than we do, and may benefit from more established brand names in international markets.

We believe our integrated service platform provides us with a competitive advantage in providing a stable supply of high-quality coking coal. Our competitors may attempt to establish

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business models similar to ours and it is possible that coking coal mines or steel plants may scale up their operations by expanding downstream or upstream and hence become our direct competitors in certain stages of the business of supplying coal into to China. In addition, it is possible for coking coal mines and our customers such as steel plants to directly contract with each other and thereby bypass the services that we currently provide to them. In such circumstances, these coking coal mines or steel plants may have advantages over us and we may not be able to compete effectively against them.

Our future success will depend on our ability to respond in an effective and timely manner to competitive pressure.

Our current and planned strategic cooperations and investments (coal mining, construction of paved road and railways) may not be successful

We plan to carry out and develop some of our business and infrastructure through joint ventures in the future. Details of our contractual arrangement with our partners are set out in the section headed “Future Plans and Outlook” in this prospectus. Such joint venture arrangements involve a number of risks, including but not limited to:

- disputes with project development partners in connection with the performance of their obligations under the relevant project or joint venture agreements;
- disputes as to the scope of each party’s responsibilities under these arrangements;
- financial difficulties encountered by a project development partner affecting its ability to perform its obligations under the relevant project or joint venture agreements; and
- conflicts between the policies or objectives adopted by the project development partners and those adopted by us.

Any of the above and other factors may adversely affect our ability to complete projects on a timely basis and within budget, which would affect our results of operations.

Prolonged periods of severe weather conditions could materially and adversely affect our business and results of operations

Severe weather conditions, such as sandstorm and blizzard, may require us to evacuate personnel or curtail operations and may cause damages to the logistics parks and railways which we rely on for our business, and which could result in the temporary suspension of operations or generally reduce our productivity. Prolonged sandstorm and heavy snow fall may also halt or cause delay in coal transportation to us. Any damage to our projects or delays in our operations caused by prolonged periods of severe weather could materially and adversely affect our business and results of operations.

Our business may be adversely affected by shortages in electricity, water and gasoline supply or increases in electricity, water and gasoline prices

We consume a substantial amount of electricity, water and gasoline in connection with our coal processing and transportation operations. We expect our demand for electricity, water and gasoline to increase as our production capabilities increase and our business grows. Although we have not experienced any major shortage or disruption in electricity or water or gasoline supply in the past, there can be no assurance that sufficient supply of electricity, water and gasoline will be available to us in the future. Any shortages or disruption in electricity or water or gasoline supply could lead to lengthy production shutdowns and increased costs related to recommencement of operations.

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Insufficient electricity or water or gasoline supply may force us to limit or delay our production, which could have a material adverse effect on our business, financial condition or results of operations. Any significant increase in electricity, water and gasoline prices will increase our production costs and may adversely affect our results of operations if we are not able to pass the increased costs on to our customers.

Failure in our information and technology systems could result in delays to our business operations

Our operations are controlled and managed by modern software and hardware systems. These systems are intended to enable us to maximise efficiencies and monitor and control all aspects of our operations and are fundamental to ensuring that we maintain our competitiveness in our industry. We use information and technology systems that link our computers, communications control systems, global positioning system and geographic information system to control our transportation and logistics system. Although we have not experienced any major failure or breakdown in these systems in the past, there can be no assurance that there will not be any failure or breakdown of these systems in the future. Any failure or breakdown in these systems could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency during such failure or breakdown. Any prolonged failure or breakdown could dramatically impact our ability to offer services to our customers, which could have a material adverse effect on our business and results of operations.

We have not obtained the relevant regulatory permits for the operation of certain facilities and processing plants and are applying for the land use rights and construction permits for some of our new projects in China

As of the Latest Practicable Date, we have not obtained permits and approvals in respect of construction and use of certain buildings and facilities at our coal processing plants. Our Ceke coal processing plant and the expansion at our Urad Zhongqi coal processing plant have commenced operation notwithstanding they have not passed certain regulatory inspections with respect to completion of construction. Our PRC legal adviser has advised us that we may, as a result, be subject to various legal consequences such as being ordered to suspend any operation actually carried out at the Ceke coal processing plant and the expansion portion of our Urad Zhongqi coal processing plant and being imposed with a fine of up to RMB100,000 respectively.

Separately, we are in the process of obtaining the relevant land use right certificates and construction permits for some of our new projects in China, such as the railway logistics centres and the coal processing plants. However, we may not be able to obtain such certificates, in which case our rights as owner or occupier of relevant properties and our ability to complete the construction on some of the coal processing plants may be adversely affected. Accordingly, the expansion of our coal processing capacity, and in turn our business and financial condition could also be adversely affected.

Some of the properties that we lease or occupy have defective or unclaimed title

We leased 30 properties for office, dormitory and auxiliary uses in the PRC out of which 11 had defective title as at the Latest Practicable Date.

The properties with defective titles or unregistered titles are mainly used for dormitories and administrative purposes. We cannot predict how our rights as a lessee of these properties, and our operations carried out on or from these properties, may be adversely affected as a result of the absence of vested legal title in these properties or sufficient right to lease or use these properties, or any dispute, claims or litigation arising thereof. We may be required to relocate our business operations carried out on properties that we do not have unassailable legal rights to use or occupy and such relocation could

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adversely affect our financial condition and results of operations. See the section headed “Business — Property — Properties leased” in this prospectus for further details.

Our operations are exposed to risks in relation to environmental protection

We are subject to certain laws and regulations concerning the protection of the environment. The particular environmental laws and regulations that apply to each property development project vary according to its location, the environmental factors associated with such development, construction and/or operations and the current and future use of the land and the properties. As the PRC Government increases its focus on the environment, our facilities including logistics parks and coal processing plants may be more strictly reviewed and inspected, and approval processes for future facilities or any alteration to existing facilities may be prolonged. Compliance with environmental laws and regulations may result in delays, cause us to incur substantial compliance and other costs and prohibit or severely restrict our activity in environmentally-sensitive regions or areas.

We cannot assure you that future environmental investigations will not reveal material environmental liabilities. Also, we cannot assure you that the PRC Government will not change existing laws and regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur a significant cost. In addition, we cannot assure you that we will be able to comply with all such laws and regulations in the future. If we are unable to effectively and promptly comply with these changes, we may incur significant costs and may be subject to fines or be forced to suspend or shut down certain operations, which could have a material and adverse effect on our operations.

We may not maintain sufficient insurance coverage for the risks associated with the operation of our business and insurance coverage could prove inadequate to satisfy potential claims

We only have limited insurance coverage. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities, including those caused by fire, weather, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. We also do not have any business interruption insurance or third party liability insurance. Although we have not suffered any major losses where our insurance coverage was insufficient to satisfy our claims, there can be no assurance that our insurance coverage will be sufficient in the future. Any business disruption or natural disaster may result in substantial costs and diversion of resources. Further, as at the Latest Practicable Date, we engaged 466 staff through a labour despatch arrangement. Under such arrangement, if the labour despatch agent violates the applicable laws and causes damages to the staff despatched, we could be held jointly and severally liable for losses suffered by the staff concerned if we are found to be in default of our obligations or not fulfilled our legal obligations. Losses incurred or payments we may be required to make may have a material adverse effect on our business, prospects, financial condition and results of operations to the extent such losses or payments are not insured or the insured amount is not adequate.

The interests of our principal shareholder, Mr. Wang, may differ from those of our other Shareholders

Mr. Wang, our Chairman and Chief Executive Officer, will beneficially own approximately 49.73% of our outstanding Shares upon completion of the Global Offering (assuming full conversion of the Convertible Bonds and the Preference Shares and the issuance of the Peabody Energy Consideration Shares at HK\$3.875 (being the mid-point of the indicative Offer Price range), but no exercise of any options granted under the Pre-IPO Option Scheme). Accordingly, Mr. Wang has

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substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions, timing and amount of our dividend payments, and otherwise controls or influences actions that require the approval of our Shareholders. These actions may be taken even if they are opposed by our other Shareholders, including those who purchase the Shares in the Global Offering.

We believe that third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership. For further information on the ownership of the Shares, see the section headed “Shares” in this prospectus.

Foreign currency fluctuations could affect expenses and future earnings

Over 90% of our income in 2009 are denominated in Renminbi, a currency not freely convertible into other currencies. Our cost of coal purchased, accounting for over 90% of our total cost of sales in 2009, and some of our operating expenses are denominated in US dollar. The value of Renminbi against other foreign currencies is subject to changes in the PRC’s policies and international economic and political developments. The PRC Government has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies, pursuant to which the Renminbi is no longer pegged solely to the US dollar. From 2005 to 2007, there were several instances where the PRC Government and the PBOC widened the daily trading band for Renminbi against non-US dollar currencies and enlarged the floating band for the trading prices in the inter-bank spot exchange market of the Renminbi against the US dollar around the central parity rate. Since then, the PRC central bank has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. There can be no assurance that such exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

There has been pressure from foreign countries on the PRC Government to adopt a more flexible currency system that could lead to appreciation of the Renminbi. The exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies, or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings or any declared dividends as Renminbi is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could materially affect our results of operations. We have not entered into any agreements to hedge our exchange rate exposure.

Our organisation and operating structure may subject us to unintended tax liability

We utilise a number of BVI-incorporated entities within our Group to purchase coking coal from third party suppliers and resell to other entities within our Group for further processing or selling to external customers directly. The management team of our BVI-incorporated entities usually travel around Mongolia, Australia, Canada, the United States and other jurisdictions to undertake and negotiate for the procurement of coal from our overseas suppliers. Placing of the purchase orders and signing of procurement agreements are effected after our BVI trade agent affixes the relevant company chop on the agreements. Relevant shipping documents are being processed by our agent in Macau and will be endorsed by our management team at the locality of our overseas supplier. Our Directors are of the view that the effective management of these BVI-incorporated entities are situated outside of the PRC and on this basis they should not be treated as PRC tax resident. Please refer to the section headed “Financial Information — Description of Certain Income Statement Items — Income tax” in this

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prospectus for more information. With respect to these BVI-incorporated entities, we have not made any income tax provision as, pursuant to relevant BVI rules and regulations, our Group is not subject to any income tax in the BVI. However, as a result of the activities of the management of our BVI-incorporated entities, which consist of travelling, negotiating, entering into supply contracts with our suppliers in a number of jurisdictions including Mongolia, Australia, Canada, United States, there is no assurance that such activities will not be challenged or deemed by relevant tax authorities to have triggered filing or tax obligations pursuant to relevant regulations. In particular, our tax adviser has advised us that there may be certain risk that part of the profits derived by our BVI-incorporated entities from the purchase and sale of coal will be considered to be sourced in Australia, particularly because the relevant contracts are negotiated, concluded and executed in Australia. Turnover arising from transactions involving supply contracts that were negotiated, concluded and executed in Australia was RMB199.5 million for the year ended 31 December 2009, representing 4.3% of our total turnover, and the cost of coal purchased recorded by us in relation to these supply contracts was RMB180.8 million in 2009, leading to a gross profit (calculated by subtracting the cost of coal purchased from the turnover arising from or associated with the supply contracts) of RMB18.7 million. Our procurement activities in Australia only commenced in 2009 and we have not negotiated, concluded and executed any contract in Australia during the six months ended 30 June 2010. On the basis of the gross profit arising from or associated with these supply contracts that were negotiated, concluded and executed in Australia and a statutory income tax rate of 30% in Australia, we have been advised that our total tax exposure can amount to RMB5.7 million, although it is uncertain that any exposure, if at all, would reach such an amount. In addition, our tax adviser has advised us that interest may be chargeable on the amount of tax underpaid at a uniformed general interest charge (“GIC”) rate announced by the Australian Taxation Office on a quarterly basis and which ranged from 10.16% to 11.76% per annum in 2009. The Australian Taxation Office may also at its sole discretion impose a 25% penalty charge on the amount of tax underpaid. As our procurement activities in Australia only took place in 2009, based on our total tax exposure of RMB5.7 million, the high end of the GIC rate of 11.76% for 2009 and on the assumption that the amount of tax, if at all, will be deemed underpaid since 1 January 2009, the amount of interest and penalty which may be charged or imposed on tax underpaid can amount to RMB671,000 and RMB1,425,000 respectively. If any of our BVI-incorporated entities is challenged or deemed by relevant tax authorities to have triggered any obligation to prepare tax filings or returns or even to pay tax or charges, our business, operations and financial condition may be adversely affected.

In addition, from 2010 onwards, our subsidiary in Singapore, Winsway Singapore, is subject to Singapore corporate income tax at a 10% concessionary tax rate under the Global Trader Programme, a programme launched by Singapore’s Trade Development Board which encourages qualified products and commodities trading companies to choose Singapore as their regional or global base of operations. There is, however, no assurance that Winsway Singapore will continue to qualify under the Global Trader Programme and enjoy such concessionary tax rate as a result of future changes to Winsway Singapore or future changes to relevant regulations relating to the Global Trader Programme including the termination of the programme itself. If any of this happens, our business, operations and financial condition may be adversely affected.

We may be unable to retain or secure key qualified personnel, key senior management or other personnel for our operations

We believe that the effective operation of our company depends, to a significant extent, upon the experience and continued efforts of our key management personnel. In particular, we rely on the expertise and experience of Mr. Wang, our founder, Chairman and Chief Executive Officer. Mr. Wang, with the co-operation of the other members of our senior management team, has formulated our strategies and been fundamental to our achievements to date. If we lose the service of Mr. Wang or any other key management personnel and are not able to replace any such personnel with someone who has

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similar knowledge or experience, our business may be disrupted and our results of operations may be materially and adversely affected. In addition, our ability to train operating and maintenance personnel is a key factor for the success of our business activities. If we are not successful in recruiting, training and retaining such personnel, our business and results of operations could be materially and adversely affected.

Our future plans at the Sino-Russian border crossings and procurement of coal from Russia are subject to uncertainty associated with the legal framework in Russia

Russia is still developing the legal framework required to support a market economy. The following risk factors relating to the Russian legal system create uncertainty with respect to the legal and business decisions that we make, many of which uncertainties do not exist in countries with more developed market economies:

- inconsistencies between and among the constitution, federal laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and federal rules and regulations;
- the lack of judicial and administrative guidance on interpreting legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- the relative inexperience of judges and courts in interpreting legislation;
- lack of an independent judiciary;
- corruption within the judiciary;
- a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions such as suspension or termination of our licenses; and
- poorly developed bankruptcy procedures that are subject to abuse.

The nature of Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and results in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often contemplates implementing regulations which have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability in Russia to enforce our rights, or to defend ourselves against claims by others.

Our future plans include constructing and developing logistic parks and other facilities at the Chinese side of the Sino-Russian border crossings at Manzhouli and Suifenhe. As a result of the uncertainty associated with the legal framework in Russia, the feasibility of construction and development of our planned investments at the Sino-Russian border crossings, as well as our procurement of coal from Russia in the manner currently contemplated may be materially and adversely affected.

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Risks Related to Doing Business in the PRC

Our results of operations are subject, to a significant extent, to economic, political and legal developments in the PRC

Most of our business operations are conducted in the PRC and we anticipate continuing to supply all of our coal products in China in the near future. Accordingly, our business, financial condition, results of operations and prospects are significantly exposed to the economic, political and legal environment in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources.

The PRC's economic growth over the past 30 years has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. These measures may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy is in transition from a planned economy to a more market-oriented economy and a substantial portion of the productive assets in the PRC is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In the past, the PRC government has implemented a number of measures, such as raising bank reserves against deposit rates to place additional limitations on the ability of commercial banks to make loans and raise interest rates, in order to decrease the growth rate of specific segments of the PRC's economy which it believed to be overheating. These actions, as well as future actions and policies of the PRC government, could materially and adversely affect our liquidity and access to capital and our ability to operate our business.

Our turnover is primarily denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility

Our turnover is primarily denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Further, the value of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and the US dollar, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. This change in policy has resulted in an approximately 21.9% appreciation of Renminbi against the US dollar between 21 July 2005 and 30 June 2010. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which may result in a further and more significant appreciation of the Renminbi against the US dollar.

As we do not use any hedging instruments to protect us from the fluctuation of foreign exchange rates, any appreciation of the Renminbi against the Hong Kong dollar or the US dollar or any other foreign currencies may result in the decrease in the value of the proceeds from the Global Offering. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our ordinary shares in foreign currency terms. In addition, any devaluation in the value of Renminbi against foreign currencies may make our products more expensive and thus less attractive to our customers in China. All of these factors could materially and adversely affect our financial condition and results of operations.

Our operations are subject to uncertainty associated with the legal system in the PRC, which could limit the legal protection available to us and potential investors

Almost all of our business are conducted in China through our PRC subsidiaries and are governed by the PRC laws, regulations and legislative policies. Some of our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. The interpretations of many PRC laws, regulations and rules are not always consistent among different government authorities with judicial power, and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. Laws, regulations and rules in the PRC and requirements of government authorities in the PRC may change over time and new requirements may impose restrictions or limit the scope of our operation or substantially increase the difficulty in our operation, or may impose additional licensing requirements on us. In addition, the PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to assess the outcome of administrative and legal proceedings and the level of legal protection we enjoy than in other well-developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and suppliers and could adversely affect our business and results of operations.

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There may be difficulties in seeking recognition and enforcement of foreign judgments

We conduct all of our operations in China and significantly all of our assets are located in China. In addition, most of our Directors and executive officers reside within China or Hong Kong. As a result, it may not be possible to effect service of process within the US or elsewhere outside of China upon some of our directors and senior executive officers, including with respect to matters arising under US federal securities laws or applicable state securities laws. Moreover, our PRC legal counsel, King & Wood, has advised us that the PRC does not have treaties with the US or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil or Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned" (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, which came into effect on 1 August 2008, whenever a designated People's Court of the Mainland or a designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to any written agreement between the parties on choice of forum for dispute resolution, the party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, we understand that the rights under the arrangement may be limited and the interpretation of and cases decided under the arrangement have not been fully developed, and, therefore, the outcome and effectiveness of any action brought under the arrangement are unclear.

We rely on dividends paid by our subsidiaries for our cash needs

We are a holding company incorporated in the BVI and conduct substantially all of our operations through our PRC subsidiaries. We will rely on dividends paid by our PRC subsidiaries for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses in excess of such amounts will depend on dividends from our PRC subsidiaries. Regulations in the PRC currently permit payment of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on the PRC generally accepted accounting principles each year for its statutory reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer the net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policy and regulations, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

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We may be deemed a PRC resident enterprise under the PRC EIT Law and may be subject to PRC taxation on our worldwide income, and dividends payable by us to our foreign investors and gains on the sale of Shares may become subject to withholding taxes under the current PRC tax laws

Under the current the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “**PRC EIT Law**”), an enterprise established outside of the PRC with “de facto management bodies” within the PRC may be considered a resident enterprise and will normally be subject to enterprise income tax at the rate of 25% of its global income. The Implementation Rules for the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅實施條例) (the “**Implementation Rules for the PRC EIT Law**”) provide that the term “de facto management bodies” refers to management bodies that substantially carry out comprehensive management and control of operations, personnel, finance and assets of the enterprise. In April 2009, the PRC State Administration of Taxation (國家稅務總局) promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being PRC enterprises. However, there have been no official implementation rules regarding the determination of “de facto management bodies” for enterprises that are not controlled by PRC enterprises, such as companies like us. Most of our directors and senior management are currently based inside China. The above elements may be relevant for the tax authorities to determine whether we are a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

There is currently no official statutory or judicial interpretation on “de facto management bodies” or guidance on the application of the PRC EIT Law in that respect. It is unclear under the PRC tax law whether we have a “de facto management body” located in China for the PRC tax purposes. Our Company takes the position that we are not a PRC resident enterprise for tax purposes. However, there can be no assurance that the tax authorities will agree with our position. If our Company is deemed a PRC resident enterprise for tax purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our global income.

Under the PRC EIT Law and the Implementation Rules for the PRC EIT Law, the PRC income tax at the rate of 10% (or lower treaty rate) is applicable to dividends payable to investors that are “non-resident enterprises” to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such investors is also subject to a 10% the PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC “resident enterprise”, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to the PRC taxation. If we are required under the PRC EIT Law to withhold the PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay the PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

The PRC regulation of direct investment and loans by offshore holding companies to the PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of the Global Offering, are subject to the PRC regulations. For example, loans to each of our PRC subsidiaries which is a foreign invested enterprise, cannot exceed the difference between the total amount of investment it is approved to make under the relevant PRC laws and its registered capital, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to each of our PRC subsidiaries must be approved by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we will be able

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to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

Risks Related to the Global Offering and Our Shares

You may face difficulties in protecting your interests because we are incorporated under the laws of the BVI, and the laws of the BVI relating to the protection of the interests of minority shareholders may be different from those under the laws of Hong Kong and other jurisdictions

We are incorporated under the laws of the BVI, and the laws of the BVI differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles, the Companies Act and the common law as applied in the BVI. The laws of the BVI relating to the protection of the interests of minority shareholders differ in some respects from those established under the statutes or judicial precedent in existence in other jurisdictions. For instance, the Companies Act provides minority shareholders of companies incorporated or registered under the Companies Act with statutory rights to apply to the High Court of the BVI to take derivative actions where the BVI company or its director engages in, or proposes to engage in, conduct that contravenes the Companies Act or the memorandum of association or articles of association of the BVI company. In addition, a shareholder who considers that the affairs of the BVI company have been or are likely to be conducted in a manner that is likely to be oppressive, unfairly discriminatory or unfairly prejudicial to him in the capacity as a shareholder may apply to the High Court of the BVI for relief. The High Court of the BVI may, if it considers it just and equitable to do so, make one or more orders including requiring the BVI company or any other person to acquire the shares of the applicant, requiring the BVI company or another person to pay compensation to the applicant, regulating the future conduct of the BVI company's affairs, amending the memorandum of association or articles of association of the BVI company, appointing a receiver or liquidator, directing rectification of the corporate records of the BVI company or setting aside any decision or action taken by the BVI company or its directors in breach of the Companies Act or the memorandum of association or articles of association of the BVI company. This may mean that the remedies available to our minority Shareholders, which are available regardless of whether they are resident in the BVI, may be different from those they would have under the laws of other jurisdictions. For a summary of the BVI law as well as our Memorandum and Articles, please refer to Appendix VI to this prospectus.

Volatility in the global financial markets could cause significant fluctuations in the price of our Shares

Financial markets around the world have been experiencing heightened volatility and turmoil since 2008 and may still be vulnerable if the global economy deteriorates again. Upon listing, the price and trading of our Shares will likely be exposed to the similar market fluctuations and risk which are irrelevant to our operating performance or prospects. Factors that may significantly impact the volatility of our stock price include:

- developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors; and

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- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

Given the potential market fluctuations described above, the price of our Shares may decline significantly, and you may incur losses on your investments.

There has been no public market for our Shares prior to the Global Offering, and the liquidity and market price of our Shares may be volatile

Prior to the listing of our Shares on the Hong Kong Stock Exchange, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Joint Bookrunners (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after Listing. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our Shares. However, there can be no assurance that the listing of our Shares on the Hong Kong Stock Exchange will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our turnover, earnings, cash flows, announcements of new investments and changes in laws and regulations in the PRC. We can give no assurance that these developments will not occur in the future. In addition, Shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

We cannot assure you that we will declare dividends in the future

There can be no assurance that we will declare and pay dividends as other companies in our industry because the declaration, payment and amount of dividends are subject to the full discretion of our Directors depending on, among other considerations, our operations, financial conditions, cash requirements and applicable laws. Please see “Financial Information — Dividends and Distributable Reserves — Dividends”.

Purchasers of our Shares in the Global Offering will experience immediate dilution in the pro forma net tangible assets value because the Offer Price is higher than the net tangible assets per Share and may experience further dilution if we issue additional equity interest in the future

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. As a result, purchasers of our Shares will experience immediate dilution of approximately HK\$2.71 per Share based on the maximum offer price of HK\$4.50 per Share. Furthermore, in order to expand our business, we may consider issuing additional equity interests in the future. Purchasers of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible assets book value per Share.

Future sales or perceived sales of substantial amounts of our Shares in the public market could cause the prevailing market price of our Shares to decline

The Shares held by certain shareholders are subject to lock-up periods after the date on which trading in our Shares commences on the Hong Kong Stock Exchange. We cannot assure you that, after such restrictions expire, those shareholders will not sell any Shares held by them. Sales of substantial

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amounts of our Shares in the public market after the Global Offering or even perception that such sales might occur could cause decline of the prevailing market price of our Shares.

The market price of our Shares could be lower than the Offer Price

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the sixth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured

Certain facts and statistics in this prospectus related to the PRC and other countries, their respective economies and the industries in which we operate are derived directly or indirectly from official government sources, generally believed to be reliable. However, we cannot guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us, the Joint Sponsors, the Underwriters or any of our or their respective affiliates or advisors or any other parties involved in the Global Offering and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate and the statistics may not be comparable to statistics produced by other authorities. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree or accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on all such facts and statistics.

You should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and that such information was not sourced from or authorised by our Directors or our management. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or our Shares. To the extent that any statements are inconsistent with, or conflict with, the information contained in this prospectus, our Directors would not accept any responsibility for such statements. Accordingly, prospective investors are cautioned that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this prospectus and the application forms. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the application forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Placing is expected to be entered into on or about 30 September 2010, subject to, amongst other things, us and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed among us and the Joint Bookrunners (on behalf of the Underwriters), the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE MAIN BOARD

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue, Shares issued upon conversion of the Preference Shares and Convertible Bonds, the Peabody Energy Consideration Shares and the Shares to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Monday, 11 October 2010. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Company is 1733.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Maples Finance Limited, in the BVI and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it and selling in the open market, which may have an adverse impact on the market price of our Shares.

No stabilising action can be taken to support the price of our Shares for longer than the stabilisation period which will begin on the Listing Date, and is expected to expire on Saturday, 30 October 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall.

Any stabilising action taken by the Stabilising Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 148,500,000 additional Shares, which is 15% of the Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement (as detailed in the section headed “Structure of the Global Offering — Stock Borrowing Arrangement” in this prospectus) or a combination of these means.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offering, the International Placing and the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in Renminbi and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$1.00: RMB0.8660

HK\$7.7657: US\$1.00

No representation is made that any amounts in Renminbi, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Wang Xingchun (王興春)	67A Tras Street Singapore 079006	Belgian
Zhu Hongchan (朱紅嬋)	Room 601, Unit 1, No. 10 Yayunxinjinjiayuan Chaoyang District Beijing	Chinese
Yasuhisa Yamamoto	Flat B, 75/F, Block 2, The Arch 1 Austin Road West Kowloon, Hong Kong	Japanese
Apolonius Struijk	Shangri-La Apartments & Residences Apartment number 215 1 Anderson Road Singapore 259983	Dutch
Cui Yong (崔勇)	No. 10 Hongdazhonglu Business Development Area Beijing, 100176 PRC	Chinese
<i>Non-executive Directors</i>		
Cui Guiyong (崔桂勇)	Unit 1133A, Yosemite Villa Shunyi District Beijing, 101302	Australian
Liu Qingchun (劉青春)	Flat B, 26/F, Wisteria Mansion, Tai Koo Shing Hong Kong	Chinese
Lu Chuan (呂川)	Unit 2507, 25/F, Block N 31-33 Hong Yue Street Kornhill Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
James Downing	2 Inkerman Terrace London, W8 6QX United Kingdom	British/American
Ng Yuk Keung (吳育強)	Flat E, 3rd Floor, Block 6 Castello Shatin Hong Kong	Chinese
Wang Wenfu (王文福)	51 Gillan St. Norman Park, 4000 Queensland Australia	Australian
George Jay Hambro	16 Radnor Walk London, England SW3 4BN	British

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators

Deutsche Bank AG, Hong Kong Branch
48th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Joint Bookrunners

Deutsche Bank AG, Hong Kong Branch
48th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Merrill Lynch International
2 King Edward Street
London, EC1A 1 HQ
United Kingdom

Joint Lead Managers

Hong Kong Public Offering:
Deutsche Bank AG, Hong Kong Branch
48th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Merrill Lynch Far East Limited
15th Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

International Placing:
Deutsche Bank AG, Hong Kong Branch
48th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to Our Company

Merrill Lynch International
2 King Edward Street
London, EC1A 1 HQ
United Kingdom

As to Hong Kong Law:
Richards Butler
in association with Reed Smith LLP
20th Floor, Alexandra House
16-20 Chater Road
Hong Kong

As to United States Law:
Reed Smith LLP
20th Floor, Alexandra House
16-20 Chater Road
Hong Kong

As to PRC Law:
King & Wood PRC Lawyers
40th Floor, Office Tower A, Beijing Fortune
Plaza
7 Dongsanhuan Zhonglu
Chaoyang District, 100020
Beijing

As to BVI Law:
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

As to Mongolian Law:
Lehman, Lee & Xu Mongolia
Marco Polo Place
Jamiyan Gunii Street-5-3, Suite 3-4
Sukhbaatar District-1
Ulaanbaatar-14240
Mongolia

Legal Advisers to the Underwriters

As to Hong Kong and United States Laws:
Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

As to the PRC Law:
Jun He Law Offices
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing, 100005
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditors and Reporting Accountants

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

Property Valuer

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Independent Industry Consultant

AME Mineral Economics (Hong Kong) Limited
403, 4/F, Lucky Building
39 Wellington Street
Central, Hong Kong

Receiving Bankers

Bank of Communications Co., Ltd. Hong Kong
Branch
20 Pedder Street
Central, Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office in the BVI	Akara Bldg. 24 De Castro Street Wickhams Cay 1 Road Town, Tortola BVI
Principal place of business and head office in the PRC	No. 10 Hongdazhonglu Business Development Area Beijing, 100176 PRC
Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	Suite 4602A, Cheung Kong Center 2 Queen's Road Central Hong Kong
Company's website	www.winsway.com <i>(this website address and its contents do not form part of this prospectus)</i>
Company Secretary	Cao Xinyi (曹欣怡) <i>HKICPA</i>
Authorised Representatives	Yasuhisa Yamamoto Flat B, 75/F Block 2, The Arch 1 Austin Road West Kowloon, Hong Kong Cao Xinyi Room 701 Unit 5 Block 6 Fangcaodixijie Chaoyang District Beijing, PRC
Audit Committee	Ng Yuk Keung (<i>Chairman</i>) George Jay Hambro Wang Wenfu James Downing Cui Guiyong
Remuneration Committee	Apolonius Struijk (<i>Chairman</i>) James Downing Wang Wenfu
Nomination and Corporate Governance Committee	Yasuhisa Yamamoto (<i>Chairman</i>) James Downing Ng Yuk Keung

CORPORATE INFORMATION

**Health and Safety and Environmental
Committee**

George Jay Hambro (*Chairman*)

Yasuhisa Yamamoto

Apolonius Struijk

**BVI Principal Share Registrar and Transfer
Office**

Maples Finance Limited
PO Box 1093 Queensgate House,
Grand Cayman, KY1-1102,
Cayman Islands

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

Compliance Adviser

Guotai Junan Capital Limited
27/F., Low Block Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Bankers

ING Bank
Oversea-Chinese Banking Corporation Limited
Raiffeisen International Bank - Holding AG

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to 1995 when Mr. Wang founded the Winsway Group.

Under the leadership of Mr. Wang, who has over twenty years of experience in international commodities business including importing oil and petrochemical products from Russia and Mongolia into the PRC, our Group has developed into a major supplier of coking coal with large-scale processing capacity and value-added services to major steel makers and coke plants in the PRC.

Business of Winsway Group with Russia and Mongolia

In March 1995, Winsway Group established Manzhouli Haitie Yonghui jointly with the 哈爾濱鐵路局對外經濟技術合作公司海拉爾分公司 (Harbin Railway Bureau Foreign Economic and Technology Cooperation Company Halaer Branch Company*). Manzhouli Haitie Yonghui was responsible for building up the transshipping equipment of the Manchurian railway and was engaged in the transshipping and importing of Russian crude oil and chemical products.

In May 2001, Winsway Group invested in a 51% interest in a joint venture company with the 呼和浩特鐵路局多種經營總公司 (Diversified Business Corporation affiliated to the Hohhot Railway Bureau*). The joint venture company was responsible for building up the transshipping equipment at Erlianhaote railway and was engaged in the business of transshipping and importing of crude oil and chemical products from Russia and Mongolia into the PRC.

Business milestones

Leveraging on the success of Winsway Group in the construction and operation of logistics infrastructure for natural resources, we began focusing on developing the business of importing coking coal from Mongolia into the PRC and sourcing seaborne coking coal for sale into the PRC. Our major business milestones are as follows:

2005 In November, we set up Inner Mongolia Haotong to conduct our coal business in the PRC.

2006 In April, Winsway Group acquired Yiteng to develop a platform for coking coal transportation from the PRC side of the Sino-Mongolian border to customers in the PRC.

2007 We commenced construction of infrastructure in our logistics park at Gants Mod.

In September, as a result of the reorganisation of the coking coal business of our Group, our Company was established and began to independently engage in coking coal business.

2008 By the end of 2007, we imported approximately 1 million tonnes of coking coal.

Our Urad Zhongqi dense-medium coal processing plant, with an annual processing capacity of approximately 2 million tonnes, commenced operation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

We commenced construction of infrastructure in our logistics park at Ceke.

By the end of 2008, our annual sales of coking coal reached nearly RMB1 billion with a net profit of approximately RMB240 million.

2009 In March, we entered into a cooperative arrangement with the Hohhot Railway Bureau for the Xixiaozhao–Jinquan Industrial Park railway construction project.

The coal we imported from Mongolia into the PRC accounted for approximately 55.5% of all Mongolian coal imported into the PRC in that year.

We began actively developing our business of importing seaborne coal into the PRC. By the end of 2009, we imported over 3 million tonnes of seaborne coal and established ourselves as a leading supplier of coking coal by selling into the markets for seaborne coal in the area around Bohai Bay, Liaoning, Hebei, Shandong and Jiangsu provinces and Shanghai municipality.

By the end of 2009, our annual sales of coking coal reached nearly RMB4.7 billion with a net profit of approximately RMB450 million.

2010 In March and April, HOPU, China Minmetals Corporation, Silver Grant and ITOCHU became our investors. Details of their investments are set forth in the paragraphs headed “Information on the Pre-IPO Investors” and “Rights and Obligations of the Pre-IPO Investors” under this section.

In April, the annual processing capacity of our Urad Zhongqi dense-medium coal processing plant increased to approximately 4 million tonnes.

In June, we acquired a 50% interest in the Peabody-Winsway JV which holds the entire equity interest in Peabody-Winsway Mongolia. Peabody-Winsway Mongolia is engaged in coal exploration and mining in Mongolia. Details of this investment are set forth in the paragraph headed “Business — Our Operation — Upstream investments” of this prospectus.

REORGANISATION

Our corporate structure has been reorganised over recent years leading up to the establishment of our Company and later in preparation for the Listing. The principal steps involved in the Reorganisation are summarised below.

Step 1: Reorganisation of shareholding interest in Beijing Winsway

Beijing Winsway, which holds indirect interests in all of our PRC Subsidiaries (except for Erlianhaote Haotong), was established in 1995. The business operation of Beijing Winsway is

HISTORY, REORGANISATION AND GROUP STRUCTURE

investment management and consulting services. It has undergone several shareholding changes since its establishment and is now wholly owned by Cheer Top, through which Mr. Wang holds majority equity interests in Beijing Winsway.

On 7 November 1995, Beijing Winsway was established jointly by 北京永暉工貿發展有限公司 (Beijing Winsway Industry and Trade Development Co., Ltd.*) (“**Winsway Ind&Trade**”) and Goldliq with a registered capital of US\$6 million as to a 40% equity interest owned by Winsway Ind&Trade and 60% by Goldliq. Winsway Ind&Trade and Goldliq were both established and 100% owned by Mr. Wang and therefore Beijing Winsway was 100% beneficially owned by Mr. Wang at the time of its establishment.

On 8 August 1996, the registered capital of Beijing Winsway was reduced from US\$6 million to US\$2,425,170 while the shareholding structure in Beijing Winsway remained unchanged.

First share transfer — on 28 April 2004, Goldliq transferred a 35% and a 25% equity interest in Beijing Winsway respectively to Beijing Winsway Investment for a consideration of US\$848,809.5 and Winsway Macao for a consideration of US\$606,292.5. Winsway Ind&Trade transferred 40% equity interest in Beijing Winsway to Beijing Winsway Investment for a consideration of US\$970,068. Upon the completion of first share transfer, Beijing Winsway was owned as to 75% by Beijing Winsway Investment and 25% by Winsway Macao. As Beijing Winsway Investment and Winsway Macao are 100% beneficially owned by Mr. Wang, the ownership of Mr. Wang in Beijing Winsway remained unchanged upon the completion of the first share transfer.

Second share transfer and first capital increase — on 7 February 2005, Beijing Winsway Investment transferred a 70% and 5% equity interest in Beijing Winsway respectively to Winsway Macao for a consideration of US\$1,697,619 and 大連保稅區盈暉經貿有限公司 (Dalian Bonded Zone Yinghui Economic and Trade Co., Ltd.*) (“**Dalian Yinghui**”) for a consideration of US\$121,259. The registered capital of Beijing Winsway was increased from US\$2,425,170 to US\$12,425,170 with subscription of the additional equity interest by Winsway Macao. As a result, Beijing Winsway was owned as to 99.02% by Winsway Macao and 0.98% by Dalian Yinghui. Mr. Wang is the 100% beneficial owner of Dalian Yinghui and therefore, upon the completion of the second share transfer of Beijing Winsway, the ownership of Mr. Wang in Beijing Winsway remained 100%.

Third share transfer — on 8 April 2005, Winsway Macao transferred a 16.58% equity interest in Beijing Winsway to 永暉國際石油化工有限公司 (Winsway International Petroleum & Chemicals Limited*), a HK incorporated company (“**Winsway International Petroleum & Chemicals HK**”) for a consideration of US\$2,060,100 whereby Beijing Winsway was owned as to 82.44% by Winsway Macao, 16.58% by Winsway International Petroleum & Chemicals HK and 0.98% by Dalian Yinghui. As Winsway International Petroleum & Chemicals HK is 100% beneficially owned by Mr. Wang, the third share transfer did not change the 100% beneficial ownership of Mr. Wang in Beijing Winsway.

Fourth share transfer — on 13 June 2005, Winsway Macao transferred a 82.44% equity interest in Beijing Winsway to Cheer Top for a consideration of US\$10,243,811. Winsway International Petroleum & Chemicals HK transferred a 16.58% equity interest in Beijing Winsway to Cheer Top for a consideration of US\$2,060,100 whereby Beijing Winsway was owned as to 99.02% by Cheer Top and 0.98% by Dalian Yinghui upon the completion of fourth share transfer. As Cheer Top was then beneficially 100% owned by Mr. Wang, Mr. Wang remained the sole beneficial owner of Beijing Winsway upon the completion of fourth share transfer.

Second capital increase — on 26 June 2006, the registered capital of Beijing Winsway was increased from US\$12,425,170 to US\$12,428,193 with subscription of additional equity by Dalian

HISTORY, REORGANISATION AND GROUP STRUCTURE

Yinghui whereby Beijing Winsway was owned as 99% by Cheer Top and 1% by Dalian Yinghui. Mr. Wang remained the sole beneficial owner of Beijing Winsway.

Fifth share transfer — on 18 April 2007, Dalian Yinghui transferred its 1% equity interest in Beijing Winsway to Chongqing Huize for a consideration of US\$124,282. As Chongqing Huize holds the 1% equity interest on behalf of Cheer Top, Beijing Winsway was 100% beneficially owned by Cheer Top. Therefore, Mr. Wang remained the sole beneficial owner of Beijing Winsway.

Third capital increase and change of shareholding — on 22 January 2008, the registered capital of Beijing Winsway was increased from US\$12,428,193 to US\$23,428,193 with the subscription of additional equity by Cheer Top. As a result, Beijing Winsway was owned as to 99.5% by Cheer Top and 0.5% by Chongqing Huize. Since Chongqing Huize holds the 0.5% equity interest on behalf of Cheer Top which was then 80% beneficially owned by Mr. Wang, upon the completion of the third capital increase, Mr. Wang beneficially owned an 80% equity interest in Beijing Winsway.

Fourth capital increase and change of shareholding — on 11 August 2009, the registered capital of Beijing Winsway was increased from US\$23,428,193 to US\$34,303,911 with the subscription of additional equity by Chongqing Huize. As a result, the registered capital of Beijing Winsway was owned as to 32% by Chongqing Huize and 68% by Cheer Top. As Chongqing Huize holds the 32% equity interest on behalf of Cheer Top which was then 98.61% beneficially owned by Mr. Wang, upon the completion of fourth capital increase, Mr. Wang had 98.61% ownership in Beijing Winsway.

Sixth share transfer — on 22 October 2009, Chongqing Huize transferred a 30% equity interest in Beijing Winsway to Cheer Top for a consideration of US\$10,313,922. As a result, Beijing Winsway was owned as to 2% by Chongqing Huize and 98% by Cheer Top. Since Chongqing Huize holds the 2% equity interest on behalf of Cheer Top which was then 98.61% beneficially owned by Mr. Wang, Mr. Wang's equity interest in Beijing Winsway remained 98.61%.

Seventh share transfer — on 25 May 2010, Chongqing Huize transferred a 2% equity interest in Beijing Winsway to Cheer Top for a consideration of US\$686,078. As a result, Beijing Winsway was wholly owned by Cheer Top and 91.4% beneficially owned by Mr. Wang upon the seventh share transfer on the basis that the Preference Shares and Convertible Bonds are not converted.

Fifth capital increase — on 20 August 2010, the registered capital of Beijing Winsway was increased from US\$34,303,911 to US\$63,500,000 with the subscription of additional equity by Cheer Top. Mr. Wang's equity interest in Beijing Winsway remains 91.4%.

Step 2: Establishment of Inner Mongolia Haotong

Inner Mongolia Haotong, a wholly-owned subsidiary of Beijing Winsway, was established in the PRC on 18 November 2005 as the immediate holding company for the domestic investments of our Group. Its principal business is the processing and trading of coal.

Inner Mongolia Haotong had established or acquired the following 18 subsidiaries and invested in one domestic company as minority shareholder:

(1) Yiteng

For the purpose of reorganising the coking coal business under Inner Mongolia Haotong, we acquired the entire equity in Yiteng, a holder of permit to operate coal business in the PRC, from 寧波竣業石油化工有限公司 (Ningbo Junye Petrochemical Co., Ltd.*) (“**Ningbo Junye**”), a company

HISTORY, REORGANISATION AND GROUP STRUCTURE

100% beneficially owned by Mr. Wang, on 12 March 2007 for a consideration of RMB5,000,000, which was equal to the amount of capital injected by Ningbo Junye in Yiteng. The business of Yiteng is the processing and trading of coal and its total coal sales volume at the end of 2007 was approximately 4,798 tonnes with a total turnover of RMB1,762,000. The current registered capital of Yiteng is RMB210 million.

(2) Erlianhaote Haotong

On 18 January 2007, we established Erlianhaote Haotong with a registered capital of RMB61,500,000. Its current registered capital is RMB95,370,000, of which 49% was contributed by Mongolia Hutie and 51% by Royce Petrochemicals. Erlianhaote Haotong's business is the trading of coal.

(3) Ejinaqi Haotong

On 19 May 2008, we established Ejinaqi Haotong with a registered capital of RMB10 million of which 100% was contributed by Inner Mongolia Haotong. The business of Ejinaqi Haotong is the processing and trading of coal.

(4) East Wuzhumuqin Qi Haotong

On 29 July 2008, we established East Wuzhumuqin Qi Haotong with a registered capital of RMB10 million, which is 100% owned by Inner Mongolia Haotong. East Wuzhumuqin Qi Haotong is yet to commence business.

(5) Baotou Haotong

On 18 September 2008, we established Baotou Haotong with a registered capital of RMB5 million, which is 100% owned by Inner Mongolia Haotong. Baotou Haotong engages in the trading of coal.

(6) Nantong Haotong

On 24 February 2009, we established Nantong Haotong with a registered capital of RMB50 million. Nantong Haotong is wholly owned by Inner Mongolia Haotong and engages in the trading of coal.

(7) Yingkou Haotong

On 16 November 2009, Yingkou Haotong was established with a registered capital of RMB30 million. Yingkou Haotong is wholly owned by Inner Mongolia Haotong and is yet to commence business.

(8) Suifenhe Winsway

On 24 December 2009, Suifenhe Winsway was established with a registered capital of RMB10 million. Suifenhe Winsway is wholly owned by Inner Mongolia Haotong and is yet to commence business.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(9) Baotou Mandula

On 21 January 2010, Baotou Mandula was established in the PRC with a registered capital of RMB1 million as a wholly owned subsidiary of Inner Mongolia Haotong. Baotou Mandula is yet to commence business.

(10) Ulanqab Haotong

On 2 March 2010, Ulanqab Haotong was established with a registered capital of RMB58 million and is 100% owned by Inner Mongolia Haotong. Ulanqab Haotong is yet to commence business.

(11) Longkou Winsway

On 27 April 2010, Longkou Winsway was established in the PRC with a registered capital of RMB15 million and is a wholly owned subsidiary of Inner Mongolia Haotong. Longkou Winsway is yet to commence business.

(12) Erlianhaote Winsway Logistics

On 14 May 2010, Erlianhaote Winsway Logistics was established jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was contributed by Inner Mongolia Haotong and 49% by Mongolia Hutie. Erlianhaote Winsway Logistics is yet to commence business and is now in the process of dissolution.

(13) Manzhouli Haotong

As part of our long-term business plan and with a view to extending our coking coal business to Russia and expanding our facilities at the Sino-Russian border, we, through our subsidiary Inner Mongolian Haotong, acquired a 99% equity interest in Manzhouli Haotong from 浙江誠暉化工有限公司 (Zhejiang Chenghui Chemical Co., Ltd.*) (“**Chenghui Chemical**”) and a 1% equity interest in Manzhouli Haotong from Mr. Li Ming on 31 May 2010. Chenghui Chemical is 100% beneficially owned by Mr. Wang and Mr. Li is the legal representative of one of our subsidiaries, Suifenhe Winsway. The consideration we paid to Chenghui Chemical and Mr. Li for acquiring their respective equity interests was RMB9,900,000 and RMB100,000, respectively, which were equal to the amounts of capital injected by Chenghui Chemical and Mr. Li Ming, respectively, in Manzhouli Haotong. The current registered capital of Manzhouli Haotong is RMB10 million and it is yet to commence business.

(14) Ejinaqi Winsway

On 30 June 2010, Ejinaqi Winsway was established jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was to be contributed by Inner Mongolia Haotong and 49% by Mongolia Hutie. Ejinaqi Winsway is yet to commence business.

(15) Bayannao'er Winsway

On 14 July 2010, Bayannao'er Winsway was established jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was to be contributed by Inner Mongolia Haotong and 49% by Mongolia Hutie. Bayannao'er Winsway is yet to commence business.

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(16) Urad Zhongqi Haotong

On 14 July 2010, Urad Zhongqi Haotong was established jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was to be contributed by Inner Mongolia Haotong and 49% by Mongolia Hutie. Urad Zhongqi Haotong is yet to commence business.

(17) Inner Mongolia Hutie Winsway Logistics

On 22 July 2010, Inner Mongolia Hutie Winsway Logistics was established jointly by Inner Mongolia Haotong, Mongolia Hutie Investment and Ulanqab Huatong Logistics with a registered capital of RMB30 million, of which 51% was to be contributed by Inner Mongolia Haotong, 35% by Mongolia Hutie Investment and 14% by Ulanqab Huatong Logistics. Inner Mongolia Hutie Winsway Logistics is yet to commence business.

(18) Xinjiang Winsway

On 9 August 2010, we established Xinjiang Winsway with a registered capital of RMB10 million, which is 100% owned by Inner Mongolia Haotong. Xinjiang Winsway is yet to commence business.

Step 3: Incorporation of our Company

Our Company was incorporated on 17 September 2007 and indirectly wholly owned by Mr. Wang through his wholly owned subsidiary, Winsway Group Holdings.

Our Company has the following directly wholly-owned offshore subsidiaries:

(1) Lucky Colour

On 11 March 2008, Lucky Colour was incorporated in the BVI with limited liability as a wholly owned subsidiary of our Company. Lucky Colour's business is investment holding.

(2) Reach Goal

On 2 January 2009, Reach Goal was incorporated in the BVI with limited liability as a wholly owned subsidiary of our Company. On 16 April 2009, one share of no par value was issued and allotted to our Company for a consideration of US\$1. Reach Goal is engaged in investment holding.

(3) Winsway Coking Coal Holdings (HK)

On 23 October 2009, Winsway Coking Coal Holdings (HK) was incorporated in Hong Kong with limited liability as a wholly owned subsidiary of our Company. On 28 October 2009, 31,312,613 shares of par value of US\$1 each were issued and allotted to our Company for a consideration of US\$31,312,613. Winsway Coking Coal Holdings (HK) is engaged in investment holding and is the sole shareholder of Cheer Top.

(4) Winsway Australia

On 9 November 2009, Winsway Australia was incorporated in Australia with limited liability and issued and allotted one share to our Company for a consideration of AUD1. Winsway Australia is yet to commence business.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(5) Winsway Logistics

On 22 December 2009, Winsway Logistics was incorporated in Hong Kong with limited liability as a wholly owned subsidiary of our Company. On 23 December 2009, 100,000 shares of par value of US\$1 each were issued and allotted to our Company for a consideration of US\$100,000. Winsway Logistics is engaged in investment holding.

(6) Winsway Singapore

On 31 December 2009, Winsway Singapore was incorporated in Singapore as a limited private company and was a wholly owned company of Winsway Resources Holdings. On the same date, Winsway Resources Holdings was issued and allotted one share for a consideration of one Singapore Dollar. Winsway Singapore is engaged in international trading of coal.

(7) Winsway Mongolian Transportation

On 10 May 2010, Winsway Mongolian Transportation was incorporated in Singapore as a limited liability company. One share was issued and allotted to Mr. Wang for a consideration of one Singapore Dollar and 9 shares were issued and allotted to our Company for a consideration of 9 Singapore Dollars. The business of Winsway Mongolian Transportation is investment holding.

(8) Winsway Coking Coal Macao

On 2 August 2010, Winsway Coking Coal Macao was incorporated in Macau with limited liability as a wholly-owned subsidiary of our Company, with a registered capital of MOP\$100,000 which was to be contributed by our Company. Winsway Coking Coal Macao is engaged in providing data processing and administrative assistance service to our Group.

Step 4: Reorganisation of our PRC subsidiaries

During the years from 2007 to 2009, with an aim to further consolidating our coking coal business, we reorganised our PRC subsidiaries and disposed of certain subsidiaries whose principal business activities were not aligned with our core business. Set forth below are details of the disposal of these subsidiaries.

On 8 February 2007, we disposed of our entire equity interest in Chongqing Huize to Ms. Chang Rongchuan (“**Ms. Chang**”) and Mr. Jia for a consideration of RMB8,800,000 and RMB11,700,000 respectively which, in aggregate, were equal to the capital we had injected in Chongqing Huize at the time of its disposal. Ms. Chang and Mr. Jia are relatives of Mr. Wang. At the time of such disposal, Chongqing Huize was principally engaged in the wholesale of oil and petrochemical products.

On 18 September 2007, we disposed of our entire equity interest in Billionway Holdings Ltd. (“**Billionway**”) to China Capital Resources Holdings (“**China Capital Resources**”) which is wholly-owned by Mr. Wang for a consideration of US\$1 which was equal to the subscription price we had paid for our shares in Billionway. At the time of such disposal, Billionway did not have any active business.

On 18 December 2007, we disposed of our entire equity interest in 秦皇島悅誠石油化工有限公司 (Qinhuangdao Yuecheng Petrochemicals Co., Ltd.*) (“**Qinhuangdao Yuecheng**”) to 牡丹江首控石油化工有限公司 (Mudanjiang Shoukong Petrochemicals Co., Ltd.*) which is an Independent Third Party for a consideration of RMB24,702,000 which was equal to the capital we had injected in

HISTORY, REORGANISATION AND GROUP STRUCTURE

Qinhuangdao Yuecheng at the time of its disposal. At the time of such disposal, Qinhuangdao Yuecheng was principally engaged in the trading of petrochemical products.

On 1 March 2008, we disposed of our entire equity interest in Winswell Energy Limited (“**Winswell**”) to China Capital Resources for a consideration of US\$51, which was equal to the subscription price we had paid for our shares in Winswell. At the time of such disposal, Winswell did not have any active business.

On 17 September 2008, we dissolved 山西鼎順進出口貿易有限公司 (Shanxi Dingshun Import Export Trading Co., Ltd.*) (“**Shanxi Dingshun**”). At the time of dissolution, Shanxi Dingshun was principally engaged in the trading of petrochemical products which are different from the products which our Group processes or sells. Therefore, the dissolution of Shanxi Dingshun does not have any adverse impact on our Company.

On 31 December 2008, we disposed of our entire equity interest in 秦皇島藍玉貿易有限公司 (Qinhuangdao Lanyu Trading Co., Ltd.*) (“**Qinhuangdao Lanyu**”) to 上海浩正煤炭有限公司 (Shanghai Haozheng Coal Co., Ltd.*), an Independent Third Party, for a consideration of RMB3,000,000, which was equal to the capital we had injected in Qinhuangdao Lanyu at the time of its disposal. At the time of such disposal, Qinhuangdao Lanyu did not have any active business.

On 31 December 2008, we disposed of our entire equity interest in 寧波市北侖富茂燃料貿易有限公司 (Ningbo Beilun Fuel Trading Co., Ltd.*) (“**Ningbo Beilun**”) to 寧波竣業石油化工有限公司 (Ningbo Junye Petrochemicals Co., Ltd.*) (“**Ningbo Junye**”) for a consideration of RMB5,000,000, which was equal to the capital we had injected in Ningbo Beilun at the time of its disposal. Ningbo Junye is owned as to 90% by Ms. Chang and 10% by Mr. Jia. At the time of such disposal, Ningbo Beilun did not have any active business.

On 31 March 2009, we disposed of our entire equity interest in 內蒙古烏拉特中旗三和能源開發有限公司 (Inner Mongolia Urad Zhongqi Sanhe Energy Development Co., Ltd.*) (“**Sanhe**”) to Mr. Dong Guoxuan and Mr. Sun Hongzhou, both of whom are Independent Third Parties, for a consideration of RMB13,020,000 and RMB8,680,000, respectively, which, in aggregate, were equal to the capital we had injected in Sanhe at the time of its disposal. At the time of such disposal, Sanhe did not have any active business.

On 30 September 2009, we disposed of our entire equity interest in Asia Eagle Development Limited (“**Asia Eagle**”) to EnerStar for a consideration of US\$5,450,001, which was equal to the subscription price we had paid for our shares in Asia Eagle. At the time of such disposal, Asia Eagle was a holding company with no operation.

On 30 September 2009, we disposed of our entire equity interest in Global Luck International Ltd. (“**Global Luck**”) to EnerStar for a consideration of US\$1, which was equal to the subscription price we had paid for our shares in Global Luck. At the time of such disposal, Global Luck was a holding company with no operation.

On 30 September 2009, we disposed of our entire equity interest in MonChallenge Investment Ltd. (“**MonChallenge**”) to EnerStar for a consideration of US\$10,001, which was equal to the subscription price we had paid for our shares in MonChallenge. At the time of such disposal, MonChallenge was a holding company with no operation.

On 18 November 2009, we disposed of our entire equity interest in MonCrown Investment Ltd. (“**MonCrown**”) to EnerStar for a consideration of US\$100,001, which was equal to the

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subscription price we had paid for our shares in MonCrown. At the time of such disposal, MonCrown was a holding company with no operation.

On 18 March 2010, we dissolved 南通盛通能源有限公司 (Nantong Shengtong Energy Co., Ltd.*) (“Nantong Shengtong”). At the time of such dissolution, Nantong Shengtong did not have any active business.

Step 5: Pre-IPO share issue and Pre-IPO share transfers

Pre-IPO share transfers

Pre-IPO share issue and Pre-IPO share transfers include the issue and transfer, as the case may be, of shares in our Company to the following Pre-IPO Individual Investors as detailed below.

Immediately before and after the pre-IPO investment by the Pre-IPO Investors in our Company, Winsway International Petroleum & Chemicals transferred Shares in our Company to the entities set out below.

On 26 March 2010, 37,735,849 Shares (equivalent to approximately 1.00% of the outstanding Shares immediately after the Global Offering, assuming an Offer Price of HK\$3.875, being the mid-point of the indicative Offer Price range) were transferred to Sparkle Land for a consideration of US\$10,000,000. The consideration price per Share will be a discount of HK\$1.82 per Share over the Offer Price, assuming an Offer Price of HK\$3.875. Sparkle Land is an investment holding company and is wholly owned by Wu Sek Un, who is a friend of Mr. Wang and is an Independent Third Party.

On 26 March 2010, 30,303,030 Shares (equivalent to approximately 0.80% of the outstanding Shares immediately after the Global Offering, assuming an Offer Price of HK\$3.875, being the mid-point of the indicative Offer Price range) were transferred to Top Dream for a consideration of US\$5,000,000. The consideration price per Share will be a discount of HK\$2.59 per Share over the Offer Price, assuming an Offer Price of HK\$3.875. Top Dream is an investment holding company and is wholly owned by Guo Qi, who is a friend of Mr. Wang and is an Independent Third Party.

On 26 March 2010, 12,121,212 Shares (equivalent to approximately 0.32% of the outstanding Shares immediately after the Global Offering, assuming an Offer Price of HK\$3.875, being the mid-point of the indicative Offer Price range) were transferred to Gold Shine for a consideration of US\$2,000,000. The consideration price per Share will be a discount of HK\$2.59 per Share over the Offer Price, assuming an Offer Price of HK\$3.875. Gold Shine is an investment holding company and is wholly owned by Guo Qi, who is a friend of Mr. Wang and is an Independent Third Party.

On 26 March 2010, 3,636,364 Shares (equivalent to approximately 0.10% of the outstanding Shares immediately after the Global Offering, assuming an Offer Price of HK\$3.875, being the mid-point of the indicative Offer Price range) were transferred to Unique Grace for a consideration of US\$600,000. The consideration price per Share will be a discount of HK\$2.59 per Share over the Offer Price, assuming an Offer Price of HK\$3.875. Unique Grace is an investment holding company and is wholly owned by Chen Shuaiyun, who is the spouse of one of our Company’s members of senior management (but not a Director).

On 30 April 2010, 5,000,000 Shares (equivalent to approximately 0.13% of the outstanding Shares immediately after the Global Offering, assuming an Offer Price of HK\$3.875, being the mid-point of the indicative Offer Price range) were transferred to Champaign for a consideration of

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US\$1,000,000. The consideration price per Share will be a discount of HK\$2.32 per Share over the Offer Price, assuming an Offer Price of HK\$3.875. Champaign is an investment holding company and is wholly-owned by Wong Im Lei, who is a friend of Mr. Wang and is an Independent Third Party.

Pre-IPO share issue

On 30 April 2010, 60,606,060 Shares (equivalent to approximately 1.6% of the outstanding Shares immediately after the Global Offering, assuming an Offer Price of HK\$3.875, being the mid-point of the indicative Offer Price range) were issued by our Company to Samtop for a consideration of US\$10,000,000. The consideration price per Share will be a discount of HK\$2.59 per Share over the Offer Price, assuming an Offer Price of HK\$3.875. Samtop is an investment holding company and is owned as to 60% by Wu Hongmei and 40% by Fu Rong, both of whom are friends of Mr. Wang and are Independent Third Parties.

No special rights were granted to any of the Pre-IPO Individual Investors in relation to their acquisition of Shares. Each of the Pre-IPO Individual Investors has undertaken to us for a period of six months following the Listing Date it will not transfer any interest in the Shares acquired prior to the IPO and will not enter into any agreement or obligation to do the same.

Unless otherwise stated, each of the Pre-IPO Individual Investors referred to above and their respective beneficial shareholders are Independent Third Parties.

Step 6: Pre-IPO investments

On 30 March 2010, our Company entered into a preferred share subscription agreement with HOPU under which HOPU subscribed Preference Shares in an amount of US\$60,000,000. On 30 March 2010, our Company entered into a convertible bond subscription agreement with China Minmetals Corporation and Silver Grant under which China Minmetals Corporation and Silver Grant subscribed US\$25,000,000 Convertible Bonds and US\$25,000,000 Convertible Bonds respectively. On 22 April 2010, our Company entered into another convertible bond subscription agreement with ITOCHU under which ITOCHU subscribed US\$10,000,000 Convertible Bonds. Each of HOPU, China Minmetals Corporation, Silver Grant and ITOCHU became our Pre-IPO Investors in April 2010. Each of HOPU, China Minmetals Corporation and Silver Grant completed their investment payments on 21 April 2010 and ITOCHU completed its investment payment on 28 April 2010. All of our Pre-IPO Investors have exercised their respective conversion right under the Preference Shares or the Convertible Bonds and the conversion took effect on 24 September 2010.

Details of the pre-IPO investments are set forth in the paragraphs headed “Information on the Pre-IPO Investors” and “Rights and Obligations of the Pre-IPO Investors” in this section.

INFORMATION ON THE PRE-IPO INVESTORS

HOPU

Winstar is a limited liability company incorporated under the laws of the BVI on 18 August 2009 and a wholly-owned subsidiary of HOPU USD Master Fund I L.P. (“HOPU”). HOPU is one of the largest China-focused private equity funds with US\$2.5 billion under management. HOPU, through Winstar, invested in our Company in April 2010 by way of the subscription for the Preference Shares in an amount of US\$60,000,000. For further information on HOPU’s relationship with the Goldman Sachs group, please refer to the section headed “Underwriting” in this prospectus.

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China Minmetals Corporation

Coppermine is a limited liability company established under the laws of the BVI on 12 January 2001 and is a wholly-owned subsidiary of China Minmetals Hong Kong (Holdings) Limited, which is in turn wholly-owned by China Minmetals Corporation.

China Minmetals Corporation, founded in 1950, is a large group dealing worldwide in the development, production, trading and operation for metals and minerals. It is also engaged in finance, real estate and logistics. In 1999, China Minmetals Corporation was listed among the 39 “key enterprises” with a great bearing on national security and economic lifeline under the direct jurisdiction of the PRC Government. In 2007, China Minmetals Corporation was ranked Class A when SASAC evaluated the performance of State-owned enterprises under the jurisdiction of the Central Government. In 2008, the Group was ranked No. 331 among the Fortune Global 500. In 2009, China Minmetals Corporation achieved a total business volume of US\$26.8 billion with operating revenue of RMB 173 billion. China Minmetals Corporation is the holding company of (i) Minmetals Land Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 230), (ii) Minmetals Resources Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1208) and (iii) Hunan Nonferrous Metals Corporation Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 2626).

China Minmetals Corporation, through Coppermine, invested in our Company in April 2010 by way of the subscription of US\$25,000,000 Convertible Bonds.

Silver Grant

Silver Grant is an investment holding company established under the laws of HK on 27 January 1960 and is listed on the main board of the Hong Kong Stock Exchange (Stock Code: 171). Silver Grant has actively participated in various financial investments particularly in natural resources and energy-related sectors in China. Silver Grant invested in our Company in April 2010 by way of the subscription of US\$25,000,000 Convertible Bonds.

ITOCHU

ITOCHU is a company incorporated under the laws of Japan on 1 December 1949 and its shares are listed on the stock exchanges in Osaka, Tokyo, Nagoya, Fukuoka and Sapporo of Japan. ITOCHU is one of the leading *sogo shosha* (multinational diversified trading companies) and has 150 overseas bases in 75 countries, and is principally engaged in domestic trading, import/export, and overseas trading of various products such as textiles and machinery, information and communication technology, aerospace, electronics, energy, metals, minerals, chemicals, forest products, general merchandise, food, finance, realty, insurance and logistics service, as well as business investments both inside and outside of Japan. ITOCHU invested in our Company in April 2010 by way of the subscription of US\$10,000,000 Convertible Bonds.

Each of the Pre-IPO Investors, HOPU, China Minmetals Corporation, Silver Grant and ITOCHU and their respective beneficial shareholders, are Independent Third Parties.

RIGHTS AND OBLIGATIONS OF THE PRE-IPO INVESTORS**Rights and obligations of Winstar as the holder of the Preference Shares*****Conversion and redemption***

Winstar is entitled to exercise the right to convert its Preference Shares in the amount of US\$60,000,000 into 363,636,364 Shares at any time after the issue of the Preference Shares up to and including the Listing Date when such conversion becomes automatic. Assuming an Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of Offer Price), the Shares so converted will be at a discount of HK\$2.59 per Share over the Offer Price. All amounts outstanding under the Preference Shares, including accrued but unpaid dividends, to which such exercise of the conversion right relates shall become immediately due and payable on the date of such conversion. If our Company fails to complete the Listing by 30 March 2012, Winstar may at its option and sole discretion at any time thereafter up to and including 30 September 2012 require us to redeem the Preference Shares in full and pay such additional amount to them on the Preference Shares as is necessary to ensure an assured rate of return on the Preference Shares to Winstar up to the date of actual payment is met.

Winstar has exercised its right to convert its Preference Shares and the conversion took effect on 24 September 2010.

Dividend

Winstar is entitled to a preferred dividend per Preference Share from the date of issue at the rate of 3.5% per annum, calculated and accruing daily on the basis of a 360-day year on the subscription price paid by Winstar for the Preference Shares. This right to dividend shall terminate upon conversion and/or redemption of the Preference Shares.

Right to elect director

So long as Winstar holds Preference Shares in the principal amount as would entitle it to convert into Shares equal to not less than 2.5% of the issued Shares on a fully-diluted and fully-converted basis, Winstar is entitled to nominate a Director and to nominate any replacement of such Director. This right to elect director shall terminate upon conversion and/or redemption of the Preference Shares.

Information right

Winstar has the right to require our Company to deliver certain financial information including but not limited to (a) annual audited consolidated financial statements within 90 days after the end of each financial year; (b) quarterly unaudited consolidated financial statements within 30 days after the end of each of the first three quarters of each financial year; and (c) monthly unaudited management accounts within 45 days after the end of each month of each financial year. This right to information shall terminate upon conversion and/or redemption of the Preference Shares.

Lock-up

Winstar has undertaken to us that for a period of six months following the Listing Date and assuming the conversion rights attached to the Preference Shares are exercised in full, it will not

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transfer any interest in the Shares acquired pursuant to such conversion or enter into any agreement or obligation to do the same.

Share charge

On 20 April 2010, Winsway Resources Holdings charged 545,454,515 Shares to Winstar as security for the performance of the obligations of Mr. Wang, Winsway Resources Holdings and Winsway International Petroleum & Chemicals under the subscription agreement for the Preference Shares. The charge is expected to be released upon conversion of the Preference Shares.

Rights and obligations of Coppermine, Silver Grant and ITOCHU as holders of the Convertible Bonds

Conversion and redemption

Each of Coppermine, Silver Grant and ITOCHU is severally entitled to exercise the right to convert its Convertible Bonds in the amount of US\$25,000,000, US\$25,000,000 and US\$10,000,000 respectively into 151,515,152, 151,515,152 and 50,000,250 Shares respectively up to and including on the Listing Date. Assuming an Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of Offer Price), the Shares so converted will be at a discount of HK\$2.59, HK\$2.59 and HK\$2.32 per Share over the Offer Price respectively. Such conversion right will lapse on the Listing Date if it has not been exercised on or before that date. All amounts outstanding under the Convertible Bonds, including accrued but unpaid interest, to which such exercise of the conversion right relates shall become immediately due and payable on the conversion date. Alternatively, our Company would be obliged to redeem the Convertible Bonds held by each of Coppermine, Silver Grant and ITOCHU in the event that a notice of bulk printing of the red herring offering circular of our Company is delivered to each of Coppermine, Silver Grant and ITOCHU and they had chosen not to exercise their respective conversion right.

Each of Coppermine, Silver Grant and ITOCHU has exercised its right to convert its Convertible Bonds and the conversion took effect on 24 September 2010.

Interest

Each of Coppermine, Silver Grant and ITOCHU is entitled to interest at a rate of 3.5% (in the case of Coppermine and Silver Grant) and 3% (in the case of ITOCHU) per annum, calculated and accruing daily on the basis of a 360-day year on the principal amount of the Convertible Bond outstanding. This right to interest shall terminate upon conversion and/or redemption of the Convertible Bonds.

Right to elect director

So long as each of Coppermine and Silver Grant holds Convertible Bonds in the principal amount as would entitle each of them to convert into Shares equal to not less than 2.5% of the issued Shares on a fully-diluted and fully-converted basis, each of them is entitled to nominate a Director and to nominate any replacement of such Director. This right to elect director shall terminate upon conversion and/or redemption of the Convertible Bonds.

Information right

Each of Coppermine, Silver Grant and ITOCHU has the right to require our Company to deliver certain financial information including but not limited to (a) annual audited consolidated

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financial statements within 90 days after the end of each financial year; (b) quarterly unaudited consolidated financial statements within 45 days after the end of each of the first three quarters of each financial year; and (c) monthly unaudited management accounts within 45 days after the end of each month of each financial year. This right to information shall terminate upon conversion and/or redemption of the Convertible Bonds.

Lock-up

Each of Coppermine, Silver Grant and ITOCHU has undertaken to us that for a period of six months following the Listing Date and assuming the conversion rights attached to the Convertible Bonds are exercised in full, it will not transfer any interest in the Shares acquired pursuant to such conversion or enter into any agreement or obligation to do the same. If any of the conversion rights had not been exercised on or before the Listing Date, such right would lapse and our Company would have been under an obligation to redeem the relevant Convertible Bonds. In such case, there would have been no conversion into our Shares and consequently no lock-up.

Share charges

On 20 April 2010, Winsway Resources Holdings charged 227,272,727 Shares and 227,272,727 Shares to Coppermine and Silver Grant, respectively as security for performance of the obligations of Mr. Wang, Winsway Resources Holdings and Winsway International Petroleum & Chemicals under the subscription agreement for the Convertible Bonds entered into by Coppermine and Silver Grant. The charges will be released as soon as practicable following conversion of the Convertible Bonds.

COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

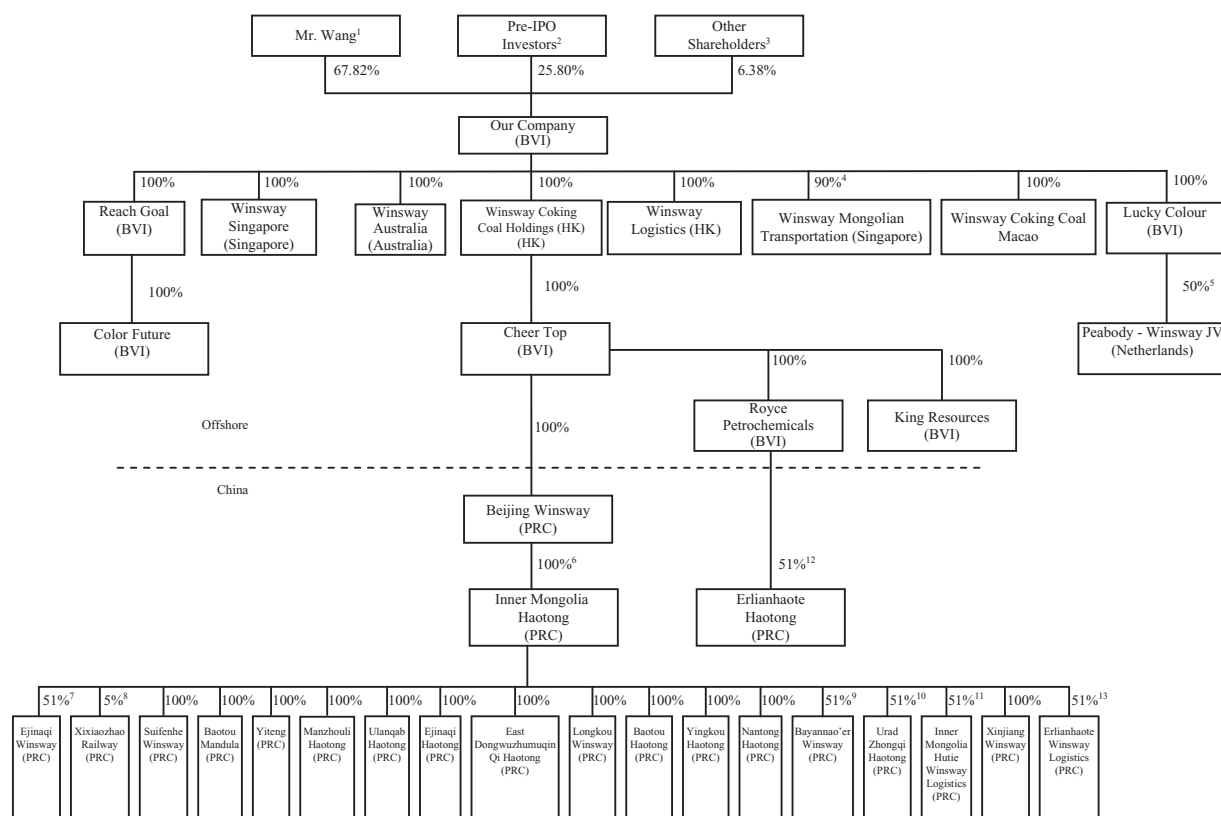
In the course of the Reorganisation described above, we and Mr. Wang have complied with all the relevant requirements of the then prevailing PRC laws and regulations. The registered capital of our PRC subsidiaries except Beijing Winsway, Erlianhaote Winsway Logistics, Bayannao'er Winsway, Urad Zhongqi Haotong, Inner Mongolia Hutie Winsway Logistics and Ejinaqi Winsway was fully paid up in the required manner and within the statutory timeframe. Up to the Latest Practicable Date, the registered capital of Beijing Winsway, Erlianhaote Winsway Logistics, Bayannao'er Winsway, Urad Zhongqi Haotong, Inner Mongolia Hutie Winsway Logistics and Ejinaqi Winsway was paid up in the required manner and within the statutory timeframe as set out in the applicable laws and their respective articles of association.

As Mr. Wang, the ultimate Controlling Shareholder of our Company, was not a resident of the PRC and Beijing Winsway was established as a foreign-invested Company of the PRC prior to 8 September 2006 when Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (the “**M & A Regulations**”) took effect, the acquisition of Beijing Winsway by Mr. Wang through Cheer Top was not subject to the approvals of the Ministry of Commerce and China Securities Regulatory Commission according to the M & A Regulations.

HISTORY, REORGANISATION AND GROUP STRUCTURE

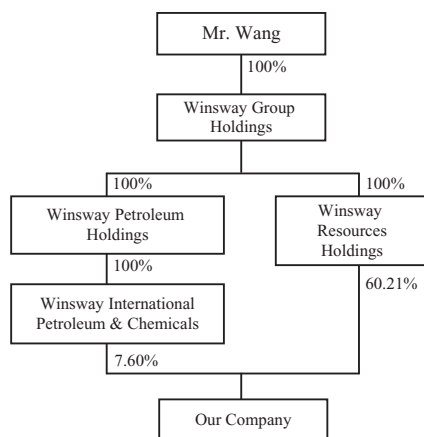
OUR SHAREHOLDING AND CORPORATE STRUCTURES AS AT THE LATEST PRACTICABLE DATE AND IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING RESPECTIVELY

The following chart sets out our shareholding and corporate structure as at the Latest Practicable Date, assuming full conversion of the Preference Shares and the Convertible Bonds issued to Winstar, Coppermine, Silver Grant and ITOCHU.



Notes:

- Mr. Wang indirectly owns 67.82% of our issued Shares through his direct and indirect shareholdings in Winsway Group Holdings, Winsway Petroleum Holdings, Winsway Resources Holdings and Winsway International Petroleum & Chemicals. Please refer to the chart below reflecting the ownership of Mr. Wang in our Company.



HISTORY, REORGANISATION AND GROUP STRUCTURE

2 The Pre-IPO Investors are HOPU, China Minmetals Corporation, Silver Grant and ITOCHU.

On the basis of full conversion of the Convertible Bonds and the Preference Shares before the Global Offering, the respective shareholdings of the Pre-IPO Investors in our Company will be:

- a. HOPU — 13.09%;
- b. China Minmetals Corporation — 5.46%;
- c. Silver Grant — 5.46%; and
- d. ITOCHU — 1.8%.

3 Other Shareholders include:

(1) Pre-IPO Individual Investors, who are the following Shareholders. Their respective shareholdings in our Company before the Global Offering are:

- a. Sparkle Land — 1.36%;
- b. Top Dream — 1.09%;
- c. Gold Shine — 0.44%;
- d. Unique Grace — 0.13%;
- e. Samtop — 2.18%; and
- f. Champaign — 0.18%.

All the Pre-IPO Individual Investors are investment holding companies and conduct no business other than investment holding. Except for Unique Grace which is owned by the spouse of one of our senior management, all the other Pre-IPO Individual Investors are directly owned by friends of Mr. Wang.

(2) Ray Splendid, holds 1.00% of our issued Shares. The beneficial owner of Ray Splendid is Cui Yong, who is an executive Director, as disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus. Ray Splendid is not an Independent Third Party.

4 A 10% equity interest in Winsway Mongolian Transportation is held by Mr. Wang.

5 A 50% equity interest in Peabody-Winsway JV is held by Peabody Holland.

6 A 0.77% equity interest in Inner Mongolia Haotong is held by Mr. Jia on our behalf.

7 A 49% equity interest in Ejinaqi Winsway is held by Mongolia Hutie.

8 The remaining 95% equity interest in Xixiaozhao Railway is held by the following entities:

- a. 呼和浩特鐵路局 (Hohhot Railway Bureau*) (62%);
- b. 內蒙古蒙泰煤電集團有限公司 (Inner Mongolia Mengtai Coal and Electric Group Co., Ltd.*) (10%);
- c. 巴彥淖爾市亨通物流國際有限責任公司 (Bayannao'er City Hengtong Logistics International Co., Ltd.*) (10%);
- d. 上海市萬業企業股份有限公司 (Shanghai Wanye Enterprises Stock Co., Ltd.*) (5%);
- e. 巴彥淖爾普興礦業有限責任公司 (Bayannao'er Puxing Mining Co., Ltd.*) (5%);
- f. 五原縣隆盛源開發投資有限責任公司 (Wuyuan County Longshengyuan Development & Investment Co., Ltd.*) (2%);

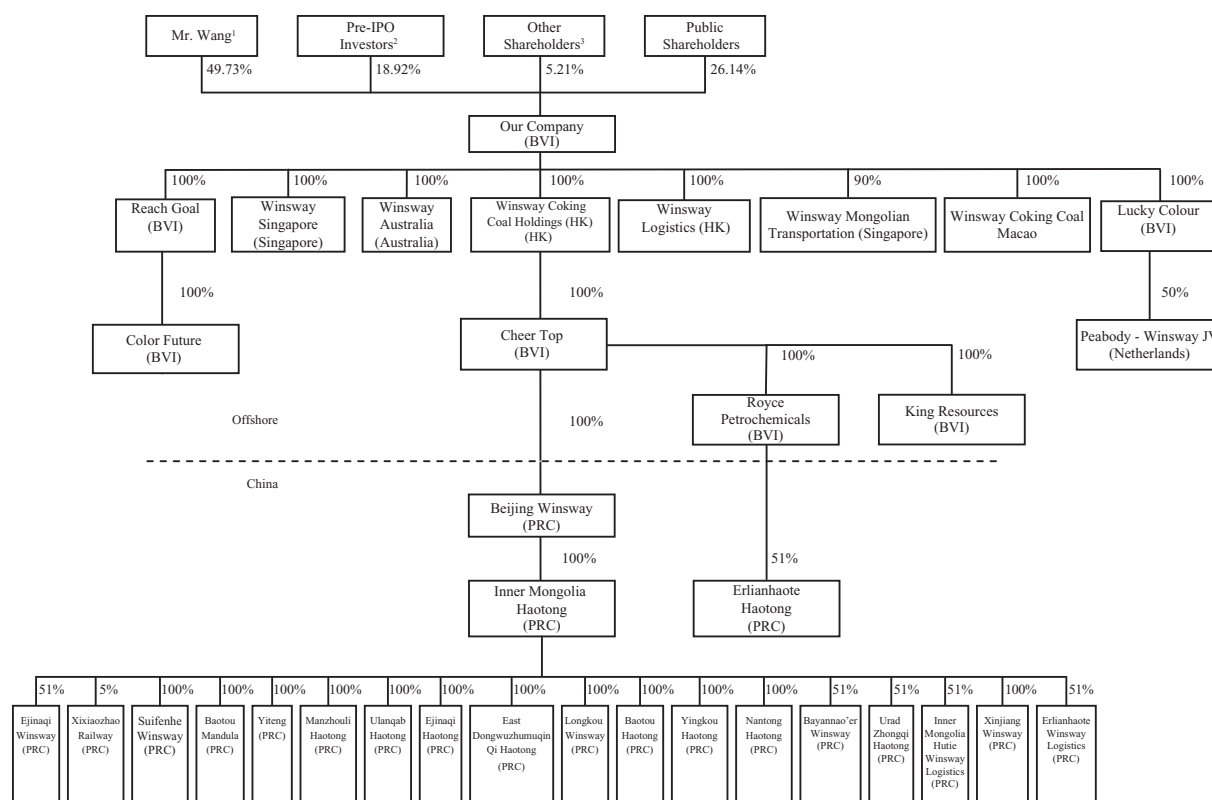
HISTORY, REORGANISATION AND GROUP STRUCTURE

g. 烏拉特中旗隆富源投資發展有限公司 (Urad Zhongqi Longfuyuan Investment & Development Co., Ltd.*) (1%)

each of them being an Independent Third Party.

- 9 A 49% equity interest in Bayannao'er Winsway is held by Mongolia Hutie.
- 10 A 49% equity interest in Urad Zhongqi Haotong is held by Mongolia Hutie.
- 11 The remaining 49% equity interest in Inner Mongolia Hutie Winsway Logistics is held by Mongolia Hutie Investment (35%) and Ulanqab Huatong Logistics (14%).
- 12 A 49% equity interest in Erliahaote Haotong is held by Mongolia Hutie.
- 13 A 49% equity interest in Erliahaote Winsway Logistics is held by Mongolia Hutie. Erliahaote Winsway Logistics is in the process of dissolution.

The following chart sets out our shareholding and corporate structure immediately upon completion of the Reorganisation and the Global Offering (assuming an Offer Price of HK\$3.875, being the mid-point of the indicative range of Offer Price), without taking into account any Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Option Scheme and any Shares sold pursuant to an exercise of the Over-allotment Option, but assuming full conversion of the Preference Shares and the Convertible Bonds issued to Winstar, Coppermine, Silver Grant and ITOCHU, our Pre-IPO Investors and the issuance of the Peabody Energy Consideration Shares.



Notes:

1. Mr. Wang would indirectly own 49.73% of our issued Shares through his direct and indirect shareholdings in Winsway Group Holdings, Winsway Petroleum Holdings, Winsway Resources Holdings and Winsway International Petroleum & Chemicals.

HISTORY, REORGANISATION AND GROUP STRUCTURE

2. On the basis of full conversion of the Convertible Bonds and the Preference Shares upon Listing, the respective shareholdings of the Pre-IPO Investors in our Company would be:
 - a. HOPU — 9.60%
 - b. China Minmetals Corporation — 4.00%
 - c. Silver Grant — 4.00% and
 - d. ITOCHU — 1.32%.
3. Other Shareholders include:
 - (1) Pre-IPO Individual Investors, which include the following Shareholders and their respective shareholdings in our Company upon Listing are:
 - a. Sparkle Land — 1.00%;
 - b. Top Dream — 0.80%;
 - c. Gold Shine — 0.32%;
 - d. Unique Grace — 0.10%;
 - e. Samtop — 1.60%; and
 - f. Champaign — 0.13%.
 - (2) Ray Splendid, holding 0.73% of our issued Shares.
 - (3) Peabody Energy, which would hold 0.53% of our Shares upon the issuance of the Peabody Energy Consideration Shares.

INDUSTRY OVERVIEW

We commissioned AME Mineral Economics (Hong Kong) Limited (“AME”), an industry consultant in the mining sector, to provide a report (the “AME Report”) for use in whole or in part in this prospectus. In particular, unless otherwise specified, all of the data presented in this Industry Overview has been based on or derived from the AME Report.

AME prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organisations. The information contained herein has been obtained from the official government and non-official sources believed by AME to be reliable. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of included information. As certain economic data is collected on a sample basis or estimated by AME, each table and figure should be assumed to include estimated information.

Forecasts and assumptions included in the AME Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, coal prices, risks inherent in the mining industry, financing risks, labour risks, uncertainty of mineral reserve and resource estimates, equipment and supply risks, regulatory risks and environmental concerns.

Investors should note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false, inaccurate or misleading or that any part has been omitted that would render such information false, inaccurate or misleading. The Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, their respective directors and advisors and other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

A total fee of US\$69,500 is payable to AME for the preparation and update of the AME Report.

AN INTRODUCTION TO COKING COAL

Coal is a common and widely distributed carbon-based energy natural resource, mined by both open-cut and underground mining methods. Typically, there are two main types of coal produced, based on the end-use of the coal, namely coking coal and thermal coal, both of which fall into the broad categories of Bituminous and Sub-bituminous Coals. The markets for coking coal and thermal coal operate relatively independently of each other.

Coking coal, also commonly referred to as metallurgical coal, is used to produce coke, which is used as a reductant in the manufacturing of iron and steel. To a lesser extent, coke is also used in the casting and smelting of base metals. Market participants typically refer to six types of coking coals based on specific characteristics of the coal, including the ash content, volatile materials, coke strength and fluidity. Lower ranked coking coals such as Semi-soft Coking Coals are used as either a coking blend component or as PCI coal. PCI coal is generally injected into a blast furnace to provide the required carbon in the iron-making process. However, there is no clear definition of coking coal apart from use in steelmaking.

INDUSTRY OVERVIEW

Thermal coal, also referred to as steaming coal, is primarily used as an energy source in the generation of electricity. Thermal coal covers all black coals other than those which are specifically designated as coking coal. In broad terms, all coals can be used as thermal coal, however, not all coals can be used for coking purposes.

Coking Coal Classification

There is no global standard by which coking coals are graded and classified.

Table 1: Types of Coking Coals

Coal Type	Approximate Chinese Equivalent Coal Type	Ash	Volatile Matter	Crucible Swelling Number	Coke Strength after Reaction
		% air dried	% air dried		%
Premium hard coking	Primary Coking Coal and	<8.5	19 - 38	8 - 9	55 - 74
Standard hard coking	Fat Coal	<9.7	19 - 38	6 - 9	>55
Semi-hard coking	1/3 Coking Coal and	8.0 - 10.5	17 - 26	4 - 6	50 - 60
Semi-soft coking	Lean Coal	8.0 - 11.0	25 - 41	3 - 8	45 - 55
Low-volatile PCI	Gas Coal, Meagre, Lean and	6.0 - 10.5	10 - 19	1 - 2	n/a
High-volatile PCI	Sticky Coals	4.0 - 10.0	26 - 42	1 - 5	n/a

Source: AME Report

Outside of China, references are typically made to six types of coking coal, broadly in accordance with the parameters set forth in Table 1. Chinese classification of coal however is based on a different system. Chinese coal classification developed in the late 1950s covering coal types from lignite to anthracite as set out in Table 2 below. This classification has been designated as one of China's National Standards, GB5751-1986.

There is no direct comparison between the Chinese and other international classifications. Chinese coal classifications have a finer and more detailed gradation. Generally, hard coking coals under typical international standards are equivalent to Primary Coking Coals and Fat Coals in China, while semi-soft coking coals are similar to 1/3 Coking Coals and Lean Coals in China.

Table 2: Chinese Coking Coal Classification (China National Standards — GB5751-1986)

Terminology in English	Coal Class Type	Terminology in Chinese	Volatile Matter (% air dried)	Chinese Caking Index (G)	Chinese Plasticity Index (Y)
Meagre Coal	PM	貧煤 Pin Mei	>10 - 20	<5	n/a
Meagre Lean Coal	PS	貧瘦煤 Pin Shou Mei	>10 - 20	>5 - 20	n/a
Lean Coal	SM	瘦煤 Shou Mei	>10 - 20	>20 - 65	n/a
Primary Coking Coal	JM	焦煤 Jiao Mei	>10 - 28	>50 - 65	<25
Fat Coal	FM	肥煤 Fei Mei	>10 - 37	>85	>25
1/3 Coking Coal	1/3 JM	1/3 焦煤 1/3 Jiao Mei	>28 - 37	>65	<25
Gas Fat Coal	QF	氣肥煤 Qi Fei Mei	>37	>85	>25
Gas Coal	QM	氣煤 Qi Mei	>28 - 37	>35 - 65	<25
1/2 Middle Sticky Coal	1/2 ZN	1/2 中粘煤 1/2 Zhong Nian Mei	>20 - 37	>30 - 50	n/a
Weak-Sticky Coal	RN	弱粘煤 Ruo Nian Mei	>20 - 37	>5 - 30	n/a

Source: AME Report

INDUSTRY OVERVIEW

GLOBAL COKING COAL INDUSTRY OVERVIEW

Pricing

Prices for all coking coal types are expected to grow for the period from 2010 to 2012. This is supported by the following factors:

- Current shortage of coking coal supply, particularly premium coking coal;
- Increased steel production targets supporting strong demand growth of coking coals in China and India;
- China's continuance to be a significant importer of coking coals;
- Traditional coking coal importers such as Europe, North America and Japan resuming contracted off-takes following recovery from the global financial crisis;
- Supply growth limited by port and rail infrastructure constraints, availability of capital funding and adverse weather conditions;
- Greater pricing power of producers resulting from industry consolidation and increased use of quarterly rather than annual pricing regimes during buoyant market conditions; and
- Scarcity of high-quality coking coal and acceptance of lower coking blends in blast furnaces may increase demand for lower quality coking coals.

Table 3: Benchmark Coking Coal Prices 2004 to 2012

	Japan-Australia Benchmark Coal Contract Prices								
	(Japanese fiscal year, US\$ per tonne, FOB, Nominal 2004-2009, Real 2010-2012)								
	2004	2005	2006	2007	2008	2009	2010F	2011F	2012F
Premium hard coking	58	127	114	96	300	129	217	226	235
Standard hard coking	56	125	107	89	289	120	206	214	222
Semi-hard coking	51	110	92	72	265	115	197	205	213
Semi-soft coking	43	80	58	64	240	83	164	169	175
High-volatile PCI	44	81	60	66	215	80	158	164	168
Low-volatile PCI	47	102	66	68	245	90	165	171	177

Source: AME Report

AME anticipates price growth may ease in the medium term, as new supply catches up with demand, especially with the expected emergence of relatively low-cost producers in Mozambique and Mongolia. Mozambique and Mongolia is likely to be well placed to meet the expected increase in demand from the Indian and Chinese steel industries over the long-term. In addition, bottlenecks that are currently faced with land-borne and seaborne trade are expected to ease as greater rail and port capacity is eventually commissioned.

Changes in Coking Coal Benchmark Pricing

Coking coal purchasers in Asia-Pacific have historically followed settlements in the dominant Japanese market, with contracts based on the Japanese fiscal year, from 1 April to 31 March. Negotiations for new contracts generally commence in December or January and are completed by March.

INDUSTRY OVERVIEW

For the quarter ending June 2010, many coking coal producers moved to a quarterly pricing regime, in line with contracts signed by iron ore companies. Under the previous annual contract pricing regime, coking coal producers were generally required to wait at least one year before prices could be renegotiated to reflect changes in market dynamics. Sensitive to market changes, during buoyant market conditions spot prices for coking coal are generally higher than contract prices. As such coal producers have a preference to negotiate prices more frequently to reflect spot price closer in bullish markets.

Recently, increased market consolidation through mergers and acquisitions, and supply shortages has provided producers with greater pricing power. Given the current buoyant market conditions and relatively high spot prices, major coking coal producers have opted for quarterly contract pricing. Continuing market buoyancy and increased frequency in price adjustments may support the rise in coking coal prices over the short term.

Demand

AME expects that tight demand and supply conditions in the global coking coal market may persist in the medium term. Demand growth, mainly driven by China and India, may outstrip the rate of new supply entering the seaborne coking coal market over the short to medium term.

Demand growth may remain at relatively high levels as China continues to maintain a substantial share of the globally traded coking coal market and India aims to ramp up its steel production. China's emergence as a significant importer of coking coal in 2009 has strained globally traded coking coal supply. Expected growth in Chinese and Indian crude steel production, together with the return of import demand from traditional coking coal importers such as Japan, Europe and North America, may add to the pressure on supply and create competition for available global coking coals.

A scarcity of premium coking coal supply and issues such as infrastructure capacity and bottlenecks in key export countries such as Australia, Mongolia, Mozambique and Russia may limit the ability of coking coal producers to increase supply to meet increasing demand. This may result in a shortage in supply in the short to medium term.

Tight demand and supply conditions in the global coking coal market, especially in the case of hard coking coal, are reflected in increases in price experienced. Benchmark contract price for Australian premium hard coking coal for the first quarter of the Japanese fiscal year increased by approximately 55% from the annual contract price in 2009 (US\$129 per tonne FOB). Similarly, spot price for Australian hard coking coal reached US\$248 per tonne FOB in May 2010, approximately 136% increase from the average spot price in May 2009 (US\$105 per tonne FOB).

The quarter ending September 2010 has seen a fall for both spot and quarterly contract prices. Contract prices for the quarter ending December 2010 have been settled at US\$209 per tonne FOB, down approximately 7% from the previous quarter. Spot prices have also fallen in July and August, 2010. Average spot price Australian hard coking coal was US\$203 per tonne FOB in July 2010.

In the long-term, it is expected that the key market drivers may be China's and India's increasing reliance on coking coals and the lack of domestic coking coal supply to meet the demand of these two countries.

INDUSTRY OVERVIEW

Figure 1: Demand Growth between 2008 and 2012

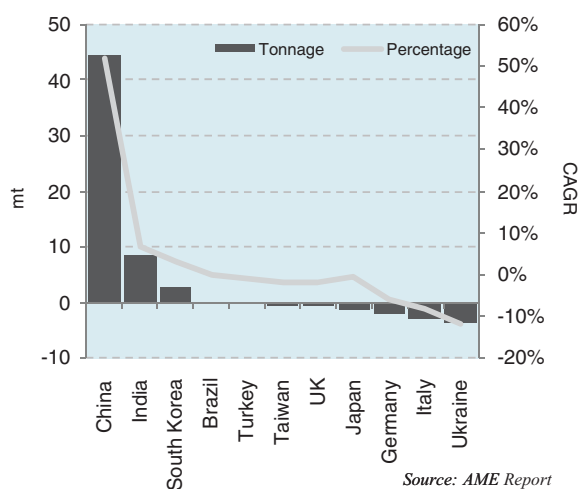


Figure 2: Global Traded Coking Coal Market Share in 2008 and 2012

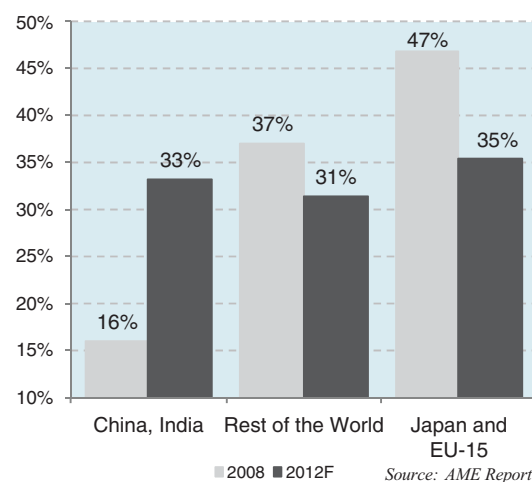


Figure 1 and Figure 2 show where the growth in coking coal imports may come from until 2012. China, India and, to a lesser extent, South Korea together comprise approximately 51 mt of growth in global coking coal demand between 2008 and 2012.

Reasonable demand growth is expected for traded coking coal based upon an annual global growth rate of approximately 4.5% as predicted by the International Monetary Fund. This is expected to be driven by long-term sustainable increases in import demand in China and India. Given China's gradual depletion of domestic coking coal reserves and the lack of coking coal reserves in India, there may be a shortage of domestic coking coal supply to meet demand from these two countries especially when it comes to premium hard coking coals. In addition, AME expects a steady demand recovery from traditional coking coal customers such as Japan, Europe and North America. Factors considered in AME's coking coal demand outlook include, amongst others, the following:

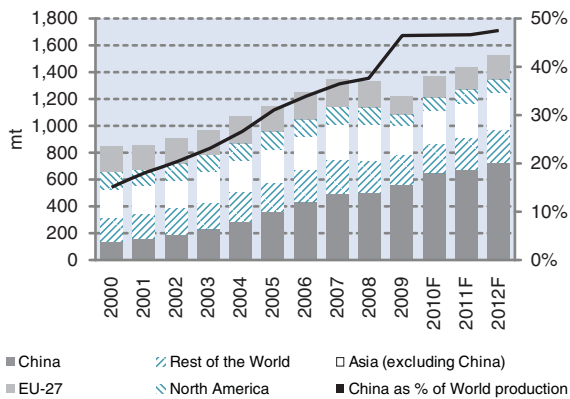
- China could be expected to continue to be a major factor in the internationally traded coking coal market. China's recent emergence as a net importer of coking coal has renewed optimism in the strength of demand but has caused supply shortages. AME assumes that China's coal industry may have insufficient production capacity to meet demand from its steel industry in the medium term. This could be driven by greater consolidation in the steel and coal mining industries. Ongoing coal mine safety campaigns and government pressure to close smaller, inefficient and unsafe coal mines may result in a lack of high-rank, high-quality coking coal supply;
- Indian demand could also be important, driven by a lack of domestic hard coking coal production and an ambitious steel industry expansion. India's national steel policy is targeting an additional 50 mtpa of steel production capacity by 2011. Given that India lacks domestic supply of high-quality coking coal, India is highly dependant on imports;
- Traditional coking coal customers such as those in Europe, Japan and North America are showing signs of recovery from the global financial crisis and returning to the seaborne coking coal market. Major coking coal producers have cited strengthening of re-stocking cycles in these countries, reflective of market stability and increased consumption. However, the expected long-term growth in these countries is expected to be relatively flat, especially in the Europe region;

INDUSTRY OVERVIEW

- Scarcity of premium hard coking coal is expected to have two implications. Firstly, the shortage may place greater demand pressure on high-quality coking coals and widen the premium for hard coking coal over coal with lower grades. Secondly, it may create a “flow-on” effect to other types of coking coals, driving demand for semi-soft and semi-hard coking coals and PCI coals, as a greater proportion of softer coals are used in coke blends; and
- Due to the scarcity of high-ranked coking coals, coupled with strong demand, steel makers have been evaluating coke mixes with larger proportions of lower ranked coking coals. The evaluation of new coke mixes is likely to be driven by potential cost-saving considerations. Increased acceptance of such new coke mixes may support growth in demand for lower-ranked coking coals such as semi-soft and semi-hard coking coals and high and low volatile PCI coals.

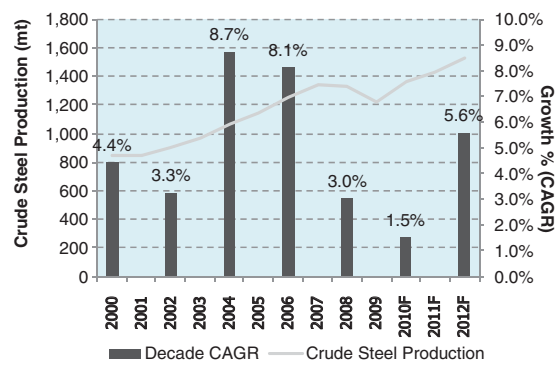
In Figure 4, AME forecasts global crude steel production to increase by an estimated 12% in 2010 as the world economy emerges from recession and GDP reverts to trend. Figure 3 shows that in 2009, approximately 1.2 bt of crude steel were produced. Crude steel production growth is expected to steadily increase at an approximate CAGR of 7.7% during 2010 to 2012. This outlook on crude steel production has prompted AME to upgrade forecasts for international coking coal demand. In 2009, approximately 222 mt of coking coal were traded. AME estimates global coking coal imports may grow at an approximate CAGR of 7.4% from 2009 to 2012.

Figure 3: Global Crude Steel Production 2000 to 2012



Source: AME Report

Figure 4: Global Crude Steel Production and Growth Rates 2000 to 2012



Source: AME Report

Over the longer term, as shown in Figure 6, AME expects coking coal demand growth to stabilise at lower and more sustainable levels. China is expected to maintain a significant position in the global seaborne market. AME expects that Chinese demand for coking coal imports may be driven by a fundamental shortage in domestic coking coal reserves, particularly of hard coking coal, beyond the short term. The proportion of high-quality coking coal used in a typical Chinese coke blend is greater than the proportion of high-quality coking coal that is estimated to comprise the Chinese coking coal reserve base. This potential lack of coking coal reserves increases the likelihood of China continuing to depend on coking coal imports. The economic recovery of Europe and North America is also likely to add to stable long term demand growth.

INDUSTRY OVERVIEW

Figure 5: World Coking Coal Consumption 2004 to 2012

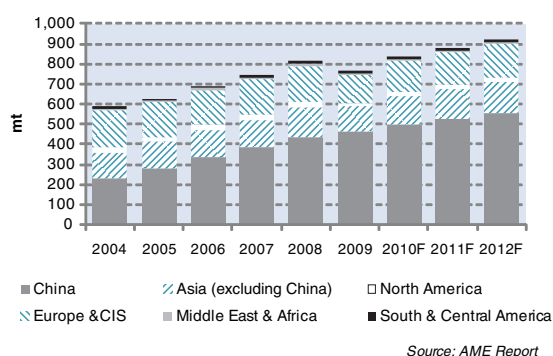
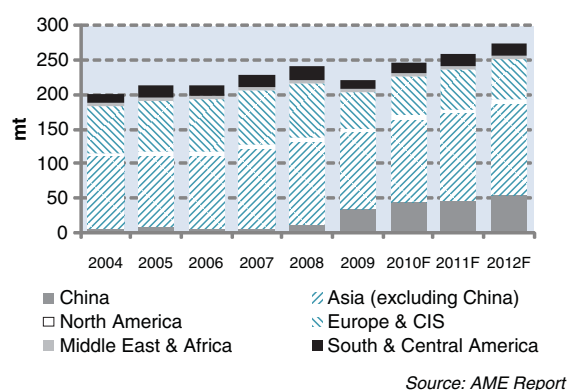


Figure 6: Internationally Traded Coking Coal Demand 2004 to 2012



Reserves

The process of quantifying minable coal is based on the assessment of several criteria including factors such as site geology and mining and economic viability. The quantity of coal deposited for a certain area and the amount of mineable coal may vary depending on the resource measurement criteria applied. The basis of resource and reserve assessment and classification applied varies from country to country.

References made to coal “resource” or “reserve” in this report refer to generally recognised definitions stated below (unless stated otherwise);

- **Resource:** This refers to coal that may be present in a deposit or a coalfield. This does not take into account the feasibility of mining the coal economically. Not all resources are recoverable using current technology.
- **Reserve:** This represent a part of resources that are economically viable to mine at a given point in time. Reserves can be defined in terms of proved (or measured) and probable (or indicated) reserves based on exploration results and the degree of confidence in those results. Proved reserves are considered to be highly confident of being recoverable economically, under current market conditions.

The data series for reserves and resources in this report does not necessarily meet the definitions, guidelines and practices used for determining reserves and resources at company level, for example the JORC Code (the Joint Ore Reserve Committee of the Australian Institute of Mining and Metallurgy) which has been adopted by the Australian and New Zealand Stock Exchange; UK accounting rules contained in the Statement of Recommended Practice, ‘Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities’ (UK SORP) or as published by the US Securities and Exchange Commission. Rather, the data series has been developed by compiling a combination of third-party and country based data sources, which do not necessarily identify the specific resource measurement method used.

According to AME, at the end of 2008, total proved reserves of coal for the world were estimated to be approximately 826 bt. Of this total, global hard coal reserves accounted for approximately 411 bt of reserves. Hard coal consists of anthracite and bituminous coal which includes both coking and bituminous thermal coals.

INDUSTRY OVERVIEW

According to AME estimates for 2008, the hard coal reserve base for Russia and Australia was approximately 49 bt and 37 bt respectively. Russia is considered to have the third largest reserve base of anthracite and Bituminous Coals after the US and China, which have a reserve base of approximately 109 bt and 62 bt, respectively. Other countries include South Africa, accounting for approximately 30 bt, Canada, accounting for 4 bt, and Indonesia, accounting for 2 bt. Mongolia is estimated to have potential total coal reserves of approximately 100 bt. Most reserves are reported to be economically recoverable. For example, Tavan Tolgoi coal deposit has a reserve base of over 6.0 bt comprising coking and thermal coals. Despite a recent drive in exploration activity, especially in Mongolia, Mozambique and Australia, total reserves of hard coals have decreased by approximately 21% from reserve levels in 2000. The greatest fall in reserves came from Europe (excluding CIS countries) while reserves in Asia and Australia fell by approximately 18%.

Supply

The expected shortage of coking coals has spurred suppliers to attempt to expedite plans for new supply through numerous brownfield expansions and new projects in Australia, Canada, the US, Russia, Mongolia and Mozambique.

According to AME, the buoyant global market and high prices have initiated various plans to restart idled or closed mines over the next three years.

Despite the abundance of potential coking coal supply, growth in export supply is subject to the following two key limiting factors:

- Availability of rail and port infrastructure to support increases in production capacity. There are however several upcoming infrastructure developments due to come on stream in the medium term. The scarcity of supply has led to a growing emphasis on accelerating the development of new rail and port infrastructure to help ease the bottlenecks. This is especially evident along the east coast of Australia.
- Availability of capital funding. Following the global financial crisis the appetite for high-cost capital investments has dampened significantly. The scarcity of both equity and debt funding has had a direct impact on producers, who have delayed or cancelled numerous brownfield expansions and new projects over the last 24 months.

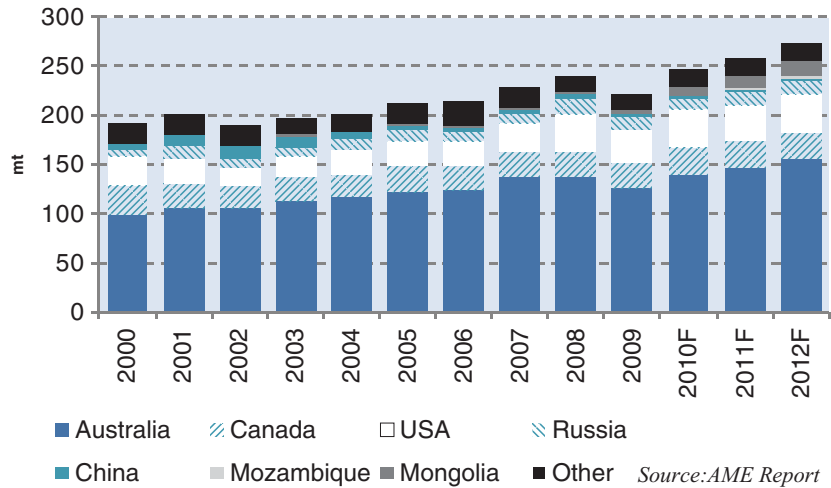
Coking coal exports from Russia may still be important to steel producers in Europe and the CIS, and increasingly to Asia. This is evidenced by continued coal trading between Russian coking coal suppliers and Japanese steel producers, recently settling quarterly contract price for low-volatile PCI at around US\$170 per tonne FOB for the quarter ending September 2010. However, due to a Government crackdown on the safety of Russian coal mines, and the remoteness and infrastructure constraints experienced by Russian coal producers, Russia is not expected to be a significant supplier to the seaborne coking coal market in the short term.

Australia has historically been the largest coking coal supplier in the world. In 2009, Australia exported approximately 125 mt coking coal, accounting for approximately 56% of global coking coal exports. AME expects that Australia is likely to remain as a major coking coal supplier in the short to mid-term. Despite the abundance of potential coking coal supply streams available in Australia, growth in export coking coal supply is limited by issues of port and rail access and availability of financing.

INDUSTRY OVERVIEW

As shown in Figure 7 below, Mongolia is emerging as a new supplier in the world coking coal market. If sufficient infrastructure is developed to alleviate transportation bottlenecks, the volume of Mongolian coking coal exports is expected to increase.

Figure 7: Coking Coal Exports by Key Countries 2000 to 2012



Transportation

The majority of coking coal traded is conducted via seaborne trade routes. Australia is the largest exporter of coking coal in the seaborne market, accounting for approximately 50% of global coking coal export supply. Australia supplies coking coal mainly across the Pacific region.

As shown in Figure 8 below, key global seaborne trade routes include the route from Eastern Australia to Northeast Asia, including China, Japan and South Korea, the route from Indonesia to Northeast and the Atlantic region, the route from South Africa to Europe and Asia, the route from the US to Northeast Asia (via the Pacific ocean), the route from Canada to Europe and Asia, and the route from China to Northeast Asia.

INDUSTRY OVERVIEW

Land-based coking coal routes are typically used amongst countries of the CIS, Europe and Northern Asia, principally Mongolia and China.

Figure 8: Key World Coking Coal Trade Routes



CHINESE COKING COAL INDUSTRY OVERVIEW

Pricing

In China, there are two types of pricing for coking coal: term contracts and spot sales. Large coal mining companies usually sign long-term contracts, typically for one year, with coke plants or steel makers. Generally, the term prices are lower than spot prices, but prices are adjusted through negotiation if there are significant market changes.

Spot prices in China may differ between regions. Numerous grades and differing properties of coking coals between regions contribute to price variations. On a general basis, coal produced in Northeast China are priced higher. Generally, coking coals in the North and Northeast China are better in quality and have more consistent seam lines, while coals sourced from the southwest, near the Tibetan border, and southeast are typically lower quality coals.

Table 4: Estimated Spot Price⁽¹⁾ — by Region and by Coal Type

<u>Province/City</u>	<u>Clean 1/3 Coking Coal</u>	<u>Province/City</u>	<u>Clean Coking Coal</u>
Hebei	1,293	Hebei	1,430 ⁽²⁾
Inner Mongolia	1,050	Inner Mongolia	1,190
Liaoning	1,238	Linfen	1,415
Linfen	1,293	Taiyuan	1,365
Shandong	1,275		

Source: AME Report

Note: Prices are provided on a FOR basis (RMB per tonne including VAT, as at July 2010)

(1) An estimate of average spot prices by region and by coal type has been provided.

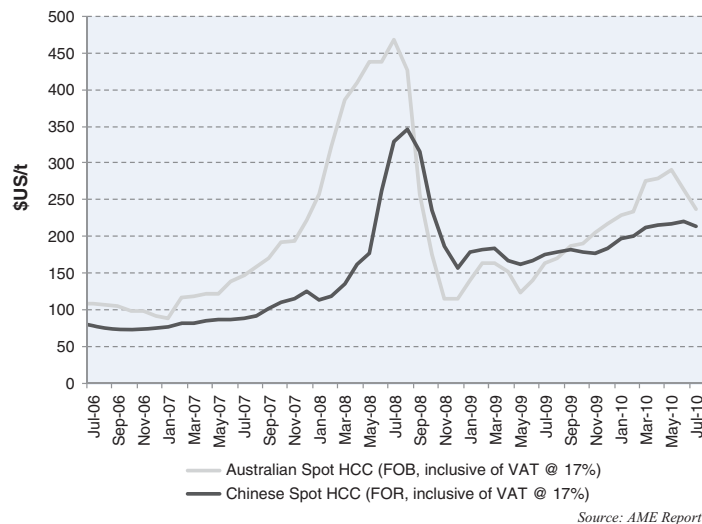
(2) Ex-works price basis.

INDUSTRY OVERVIEW

In the seaborne market, recent coking coal price increases have affected the Australian spot market. For the current year to date, spot prices for Australian hard coking coals exported from Newcastle, have increased by approximately 30% from US\$193 per tonne in January to approximately US\$250 per tonne in May (excluding VAT). These price increases have affected China to a lesser extent where spot prices have increased 15% for the year to date. This is reflective of the scarcity of hard coking coals and China's appetite for coking coal imports. Notwithstanding relatively higher prices, China has continued to import Australian hard coking coals.

After peaking in May, Australian hard coking coal spot prices fell during June and July, reaching an average of around US\$237 per tonne (inclusive of VAT) in July. Similarly, the Chinese hard coking coal equivalent spot price fell from June, reaching an average of around US\$213 per tonne FOB (inclusive of VAT) in July 2010.

Figure 9: Historical Spot Price — Australian Hard Coking Coal vs China Hard Coking Coal Equivalent



Demand

China's recent emergence as a net importer of coking coal has renewed optimism in the strength of demand but has caused supply shortages in the medium term. Chinese demand, combined with the economic recovery of traditional coking coal importers such as Europe, North America and Japan, have amplified the shortage of high-quality coking coal. AME predicts China may continue to be a major player in the internationally traded coking coal market as demand from Chinese steel production is expected to exceed domestic coal production.

By producing approximately 568 mt of crude steel in 2009, China accounted for approximately 47% of the world's total output, a sharp increase from 2008, when China produced approximately 38% of global crude steel. The significant rise was mainly due to the slowdown in the crude steel output experienced in other major steel producing regions.

INDUSTRY OVERVIEW

Over the next five years, the global steel market is expected to witness increases in steel output to meet recovering steel demand. As shown in Figure 10, Chinese crude steel production may reach an estimated 724 mt in 2012. In AME's view, China's steel industry has matured and although future growth may continue, it is likely to be at a slower pace than the rapid growth experienced between 2000 and 2007. Future increases in new steel production capacity are expected to be heavily regulated by the Chinese government.

Figure 10: Global Crude Steel Production 2000 to 2012

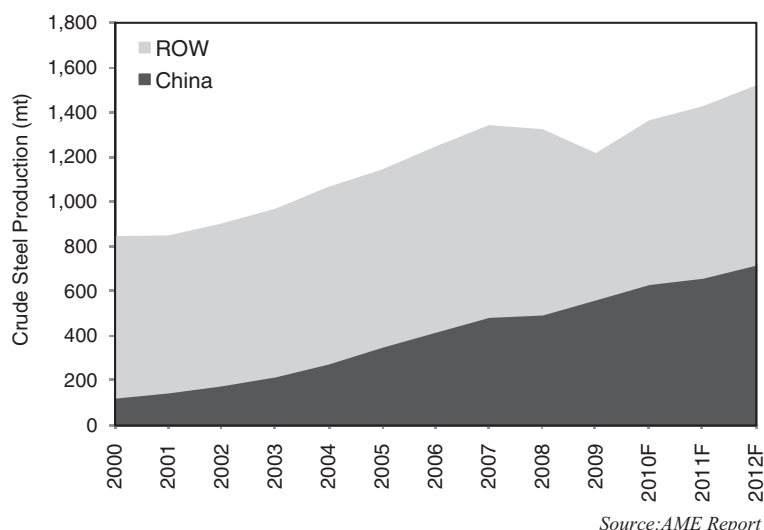


Table 5: Top 10 Steel Producing Provinces/Municipalities

<u>Provinces/Municipalities</u>	<u>Crude Steel Production (mt)</u>						<u>2009 Domestic Production Share</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
Hebei	59	74	91	107	116	135	24%
Jiangsu	25	33	42	47	49	55	10%
Shandong	20	32	38	44	45	49	9%
Liaoning	26	31	38	41	41	48	8%
Shanxi	13	17	20	25	23	26	5%
Henan	10	12	18	23	22	23	4%
Shanghai	18	19	19	21	20	20	4%
Hubei	14	16	17	18	20	20	3%
Anhui	9	11	13	17	18	18	3%
Tianjin	7	10	13	16	17	21	4%
Top-5 Total	143	186	229	265	273	313	55%
Top-10 Total	201	254	307	359	369	415	73%
China	280	356	423	489	500	568	

Source: AME Report

INDUSTRY OVERVIEW

Increasing Chinese demand may exert significant influence on the global hard coking coal export market, with the potential displacement of hard coking coal demand towards lower-quality coking coals. In addition to China's lack of high-quality coking coal reserves, there are two other key drivers AME considers pertinent:

- Industry consolidation in Chinese coal sector: Increased consolidation in the coal mining industry is also occurring. For instance, Shanxi province, China's largest coal-producing province, is planning measures to expedite the closure of smaller and unsafe coal mines and consolidation within the coal mining industry, which could lead to an estimated 30% reduction in raw coal output from Shanxi province; and
- Increased competitiveness of hard coking coal imports due to lower freight rates: China's new steel production capacity is under continuing expansion in the eastern coastal regions, closer to ports, and utilities. This is likely to increase the competitiveness of Australian coking coal producers compared to local suppliers from Shanxi and Inner Mongolia. Similarly, the emergence of Mongolia as a significant producer of coking coal is supporting the competitiveness of coking coal imports.

Table 6 and Table 7 below provide an estimated outlook on the amount of coking and hard coking coals required by China and the estimated life of reserves remaining respectively.

Table 6: Chinese Production of Low-volatile Coking Coal and Fat Coal 2008 to 2012⁽¹⁾

	<u>Estimated Primary Coking Coal production (mt)</u>	<u>Estimated Fat Coal production (mt)</u>	<u>Estimated growth in coking coal industry</u>	<u>Estimated hard coking coal reserves (mt)</u>	<u>Estimated life of reserves⁽¹⁾ (yr)</u>
2008	105	45	13%	3,563	19
2009	106	45	1%	3,379	18
2010F	113	48	6%	3,146	15
2011F	118	50	5%	2,903	12
2012F	123	52	4%	2,638	11

Source: AME Report

Note:

(1) For simplicity in this piece of analysis, AME assumes the proportion of low-volatile coking coal and fat coal remains constant to 2012. Growth rates are based on of AME's forecast for the production of all types of coking coal. "Life of reserves" calculated based on previous year's consumption.

Table 7: Chinese Steelmaking Coal Requirements 2008 to 2012⁽¹⁾

	<u>Estimated pig iron production (mt)</u>	<u>Estimated coking coal requirement⁽¹⁾ (mt)</u>	<u>Estimated hard coking coal requirements (mt)</u>
2008	471	366	183
2009	543	424	212
2010F	547	466	233
2011F	569	487	243
2012F	600	529	265

Source: AME Report

Note:

(1) Coking coal requirement based on 1.3 tonnes of coking coal required to produce 1 tonne of coke and 0.6 tonnes of coke to produce one tonnes of pig iron. Pig iron production refers to AME's forecasts.

INDUSTRY OVERVIEW

In line with growth in steel production, Chinese consumption of coking coal is expected to increase at rates above 10% over the next one to two years. In the longer term, the International Monetary Fund predicts that the annual growth rate of Chinese coking coal consumption is likely to be at approximately 4% to 5% as the Chinese economy matures and steel production slows.

Reserves

Classification and estimation of reserves may vary country-to-country due to different quality standards. According to Chinese-based data, Chinese coking coal reserves totalled approximately 62 bt in 2008. An estimated breakdown of China coking coal reserves by regions is provided in Table 8 below.

Similar to general international standards, the China Solid Mineral Resource or Reserve classification system is based on economic viability, geological knowledge and relative confidence in the feasibility or exploration results. China generally classifies mineral resources or reserves into three classes, reserves, basic reserves and resource reserves.

Table 8: China Coal & Coking Coal Reserves (2008) (bt)

Region	Coking Coal Reserves⁽¹⁾	Coking Coal Basic Reserves⁽²⁾	Coking Coal Resource Reserves⁽³⁾	Total Coking Coal Identified Reserves⁽⁴⁾	Total Coal Identified Reserves⁽⁴⁾
Beijing	-	-	0.1	0.1	2.3
Tianjin	-	0.3	0.1	0.3	0.4
Hebei	1.3	3.5	5.1	8.6	14.6
Shanxi	33.2	60.7	92.9	153.6	263.4
Inner Mongolia	2.1	3.9	3.3	7.1	289.3
Liaoning	1.1	1.9	0.5	2.4	7.1
Jilin	0.2	0.3	0.2	0.6	2.9
Heilongjiang	0.9	4.8	4.7	9.5	22.0
Jiangsu	1.0	1.8	1.8	3.6	3.7
Zhejiang	0.0	0.0	0.0	0.1	0.1
Anhui	4.1	10.1	9.9	20.0	25.2
Fujian	0.0	0.0	0.0	0.0	1.2
Jiangxi	0.3	0.5	0.3	0.8	1.4
Shandong	4.2	9.2	9.8	18.9	24.7
Henan	2.4	3.8	5.5	9.3	26.0
Hubei	0.0	0.1	0.1	0.2	0.7
Hunan	0.2	0.4	0.3	0.7	3.1
Guangdong	0.0	0.0	0.0	0.0	0.6
Guangxi	0.0	0.1	0.1	0.1	2.3
Sichuan	0.9	1.5	1.3	2.8	10.8
Chongqing	0.3	0.6	0.6	1.2	3.0
Guizhou	3.9	6.2	3.7	9.9	51.4
Yunnan	1.9	2.9	2.4	5.3	26.8
Tibet	-	0.0	0.0	0.0	0.1
Shaanxi	1.2	2.0	3.3	5.3	165.8
Gansu	0.3	0.5	0.7	1.2	10.7
Qinghai	0.3	1.1	2.5	3.6	4.9
Ningxia	0.7	1.7	2.2	3.9	31.2
Xinjiang	1.0	2.7	6.7	9.4	161.0
Hainan	-	-	-	-	0.2
Shanghai	-	-	-	-	-
TOTAL	62	121	158	279	1,157

INDUSTRY OVERVIEW

Source: AME Report

Notes:

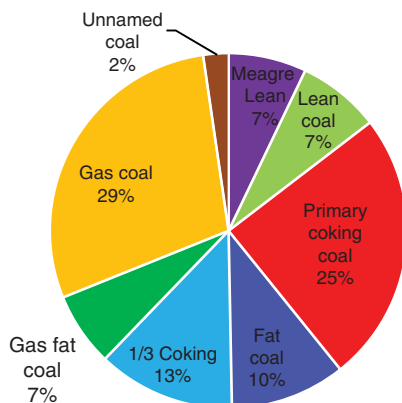
- (1) "Reserves" means the actual recoverable quantity of coking coal.
- (2) "Basic Reserves" means resource reserves that have been indicated or proven (reserve is a subset of basic reserves).
- (3) "Resource Reserves" means reserves of lower confidence and marginal economic viability.
- (4) "Total Identified Reserves" is the sum of Basic Reserves and Resource Reserves.

In 2008, according to Chinese mineral resource and reserves classifications, total coking coal identified reserves represented approximately 24% of total coal identified reserves in China. Considering the depletion of coking coal reserves and the relatively high use of coking coal in Chinese blast furnaces, there is a growing concern that there may be a lack of domestic coking coal supply in the long-term.

China's coal resources lack low-to-medium volatility, high-fluidity hard coking coal in any great abundance. This may be an issue as the Chinese steel sector moves towards increased consolidation and larger blast furnace sizes, as larger blast furnaces generally demand higher-quality coking coals.

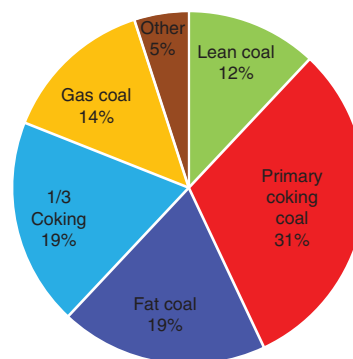
Figure 11 and Figure 12 below represent the estimated Chinese coking coal reserves by type and the estimated typical Chinese coke blend, respectively. The primary coking coal and Fat Coal are Chinese termed names and are relatively equivalent to hard coking coals. While these coals represent only one third of Chinese reserves, they represent approximately half of the coke blend. This raises concerns over the long-term availability of domestic premium coking coal supply. In addition, the typical Chinese coke blend could increase its hard coking coal proportion as the Chinese steel industry modernises with the addition of larger blast furnaces, which may add to the pressure on the long-term supply of domestic premium coking coal. Larger blast furnaces require the use of higher-quality coking coals to maintain the burden strength.

Figure 11: Chinese Coking Coal Reserves by Type



Source: AME Report

Figure 12: Typical Chinese Coke Blend

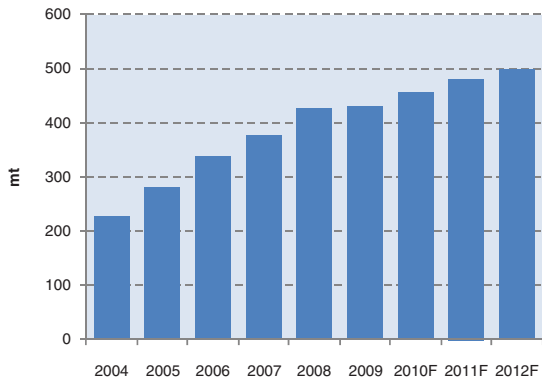


Source: AME Report

Supply

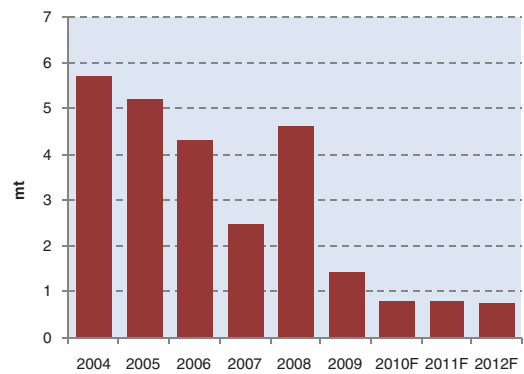
Insufficiencies in Chinese domestic coking coal production may be driven by greater consolidation in the coal mining industry. Ongoing coal mine safety campaigns and growing government pressure to close smaller, inefficient and unsafe coal mines are expected to add to the lack of high-rank, high-quality coking coals. Over the longer term, the depletion of Chinese hard coking coal reserves could add to China’s dependence on coking coal imports. This is particularly the case for premium hard coking coals, as they account for approximately 50% of the coke blend.

Figure 13: Chinese Coking Coal Production 2004 to 2012



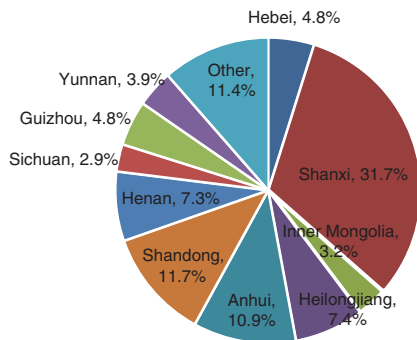
Source: AME Report

Figure 14: Chinese Coking Coal Exports 2004 to 2012



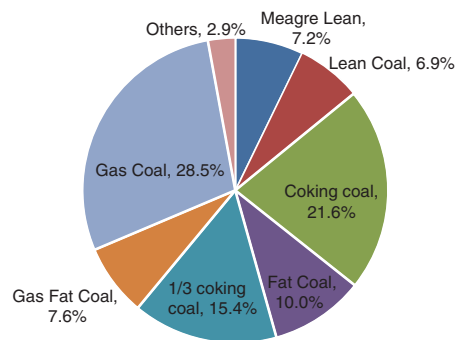
Source: AME Report

Figure 15: Percentage of Chinese Coking Coal Production by Region



Source: AME Report

Figure 16: Percentage of Chinese Coking Coal Production by Coal Type



Source: AME Report

Given China’s crude steel production targets, growth in China’s demand for coking coal is expected to exceed potential increases in domestic coking coal supply. This is reflected in the expectation that China is likely to continue to be a net importer of coking coal.

Growth in China’s domestic supply of coking coal is expected to be limited. In the short term, the consolidation of the coal industry is likely to restrict the growth potential of China’s domestic coking coal supply. However, the expansion of larger and more productive mines that remain post-consolidation will likely be easier to implement and may lead to relatively higher yields. In the longer term, the availability of coking coal reserves is likely to be a limiting factor on supply growth.

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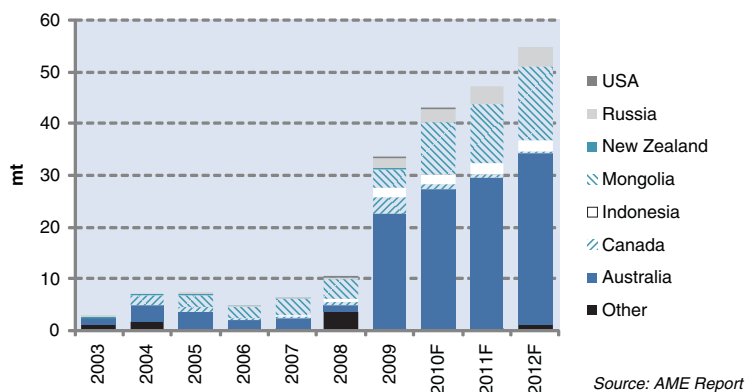
Imports

Chinese demand for coking coal imports is estimated to increase by over 20% in 2010. As shown in Figure 17 below, coking coal imports have grown by over four times since 2008 when China had less than a 3% share of the global coking coal trade market. This increase is due to the shift in purchases by Chinese steel plants away from the tight domestic coal market and towards the overseas market in 2009.

AME forecasts China's share of the global coking coal trade may grow to approximately 19% in the medium term and rise over 20% in the long-term. AME expects long-term demand for coking coal may be supported by shortages in domestic reserves and supply, particularly of premium hard coking coal. Factors considered in AME's coking coal China imports outlook include, amongst others, the following:

- As growth in domestic coking coal production gradually slows, growth in coking coal imports is likely to consequently increase to satisfy the growing demand. By 2012, China may import around 55 mt of coking coal;
- In the long run, it is expected that China may become a key importer of coking coal. This is not only because China lacks high-quality hard coking coal, but also because much of China's new steel production is expected to be located on the east coast, closer to ports, energy and water sources. With sea freight rates expected to remain depressed for some time, the competitiveness of Australian producers compared to mines in Shanxi and Inner Mongolia is likely to increase; and
- The emergence of Mongolia as a significant coking coal supplier to China may displace relatively less competitive countries such as Canada and the US, which have generally been swing suppliers of coking coal in the seaborne market, particularly in the Asia-Pacific region.

Figure 17: China Coking Coal Imports 2003 to 2012



Cost Benchmarking

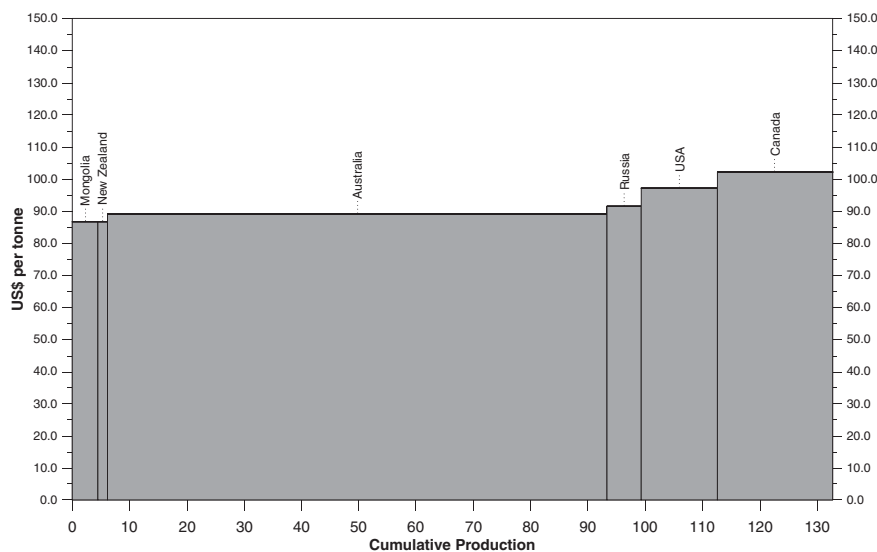
Figure 18 below represents a preliminary operating cost analysis performed by AME in which Mongolian operating costs are compared to other hard coking coal export countries along a "cost curve".

Based on a preliminary operating cost analysis of hard coking coal export countries, at approximately US\$85 per tonne CIF (to Hebei, China), Mongolian hard coking coal cost is relatively

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comparable to Australian and New Zealand CIF cash cost to China and is competitive against North American hard coking coal cost. Assuming delivery to the Hebei area in China, Australian hard coking coal cash cost is estimated to be at approximately US\$89 per tonne. Canadian and US CIF cash cost to China is estimated to be approximately US\$97 to US\$102 per tonne including port handling and rail transportation cost within China. Russian hard coking coal cash cost is also relatively higher at approximately US\$91 per tonne CIF. The higher costs are mainly due to the cost of hauling coals over long distances into China.

**Figure 18: Estimated Export Hard Coking Coal Mine Cash Costs by Country
(US\$ per tonne CIF)**



Source: AME Report

Notes:

- (1) Figure 18 illustrates the global hard coking coal industry cash costs based on estimated company operating cost breakdowns, including labour, mining and processing, royalties, haulage, freight and port handling. The estimated cost position of Mongolia is shown as a grey strip along the cost curve. The cost curve is based on 2010 calibrated and benchmarked cash costs and subsequent updates.
- (2) Mongolian hard coking coal CIF cash costs are estimated to be approximately US\$80-90 per tonne based on available relevant information. Mongolian hard coking coal export production is estimated to be in the order of 4.4 mt.
- (3) To construct cost curves and undertake industry analysis, AME analysts compile information from a variety of sources, including reports made available by producers, direct contact and trade publications. Consequently, AME makes no warranty or representation regarding this cost curve or metallurgical coal industry information, and it should not be relied upon. In addition, the time required to produce cost curves means that even the most recent available examples will be unable to take account of recent developments. In some cases, the most recent available cost curve may be based on data that is several years old. Cost data for specific producers may be based on costs incurred by the producers over their respective accounting years; to the extent these differ, the direct comparability of their costs may be limited. Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other variables. Thus, the manner in which cost curves are constructed means that they have a number of significant inherent limitations.
- (4) Cost curves are based upon a set of assumptions and limited data, and as such are estimates of actual costs. Mongolian hard coking coal production costs are estimated to be around US\$80-90/t based on available relevant information. Mongolian hard coking coal export production is estimated to be in the order of 4.4 mt. AME's work uses a wide range of public domain and industry data sources. AME then compiles, interprets and analyses this data to make estimates of mines in production which may contain inconsistencies or be otherwise unreliable.

Transportation

Railway

The capacity of rail infrastructure has been a limiting factor to the expansion of China's domestic coking coal industry. There is a current push for China to expand and increase the capacity of its rail network.

The top three coal producing provinces in China are Shanxi, Inner Mongolia and Shaanxi, all located in northwest China. Shanxi is the largest coking coal producing province in China, accounting for over 30% of the Chinese coking coal production. Coal produced in this region is generally hauled by rail to ports in the northeast. Coal is then typically transported by vessel to customers in the Yangtze River Delta and Pearl River Delta.

Currently, the Daqin and Shenhuang rail lines are considered to be the two main trunk rail lines that are capable of transporting large volumes from the northwest China region. Total capacity of the two lines is estimated to be approximately 450 mtpa. This capacity is insufficient to support the transport of coal produced in and around the region, the growth and size of coal traded has strained the Chinese rail system.

Accordingly, among other things, the following efforts have been taken in China to expand and increase the capacity of its railway network:

- Coal production in Inner Mongolia has grown significantly, adding pressure on the railways in the region. In 2009, raw coal production volume in Inner Mongolia was similar to that of Shanxi. In an effort to ease bottlenecks along railways, the Ministry of Railway and Inner Mongolia Government signed a memorandum of understanding in March 2010 to expedite the improvement of the railway network in Inner Mongolia. The implementation of such plans is likely to facilitate the transportation of coal out of Inner Mongolia to other parts of China;
- In line with the memorandum of understanding between the Ministry of Railway and Inner Mongolia Government, currently new railway lines are in the process of planning and development. The railways are expected to transport coal out of the Erdos region and connect the railway network in Inner Mongolia with the Caofeidian port in Hebei province. The proposed new lines include the DaMa Line (大馬線), the New BaoShen Line (新包神線) and the Zhangjiakou — Tangshan Line (張家口-唐山線). In eastern Mongolia, the Chisui Line (赤綏線) is being built to transport coals from Eastern Mongolia to Huludao port (葫蘆島港) in Liaoning province;
- Bank of China, China's third largest lender, expects to invest RMB7.5 billion to assist in developing a 1,260km railway between northern China's major coal producers and port cities to the south. The proposed railway is planned to pass through Shanxi, Henan and Shandong provinces;
- As part of the nation's push to increase the capacity of China's railway network and ameliorate the growing demand pressure driven by recent economic growth, funds from the Chinese Government's recent four trillion RMB stimulus package are being contributed to expand the rail system;
- The upgrade and maintenance of the Daqin railway, which is considered to be the country's leading coal-dedicated railway, has been completed, and rail capacity was increased to

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400 mtpa from 350 mtpa. This recent upgrade has helped increase coal transport volumes at one of China's largest ports, Qinhuangdao port; and

- The construction of the Shanxi to Shandong railway is scheduled for completion in the next four to five years. The railway will link Shanxi coal mines with ports such as Rizhao. The project cost is estimated to be RMB99.8 billion.

Ports

China is reported to have around 30 ports along its coastline. These ports have strategic importance in transporting seaborne coking coal into China and coal from Northwest China to Southeast China. The three largest coal freight ports include Qinhuangdao, Huanghua and Tianjin. These three ports account for over 70% of coal transport volume. Table 9 below sets out the approximate coal transport volume at Chinese ports for 2006 to 2009.

Table 9: Coal Transport Volume at Chinese Ports (mt)

<u>Total transport volumes</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Domestic Sales	345	411	463	442
Foreign Sales	62	53	47	24
Total coal transport volume	408	463	510	467

Source: AME Report

MONGOLIAN COKING COAL INDUSTRY OVERVIEW

Mongolia is considered by some market observers to be one of the last untouched frontiers in terms of potential coking coal supply. Recent surveys suggest that there are approximately 300 coal deposits identified across 15 coal basins stretching throughout Mongolia. Most of the coal resources are situated in the eastern and southern portions of Mongolia in proximity to China.

Given the insufficient supply of oil and natural gas, coal is considered to be Mongolia's main energy source. As a country of an estimated 2.7 million people with relatively little industrial activity outside of agriculture and mining, growth in domestic consumption of coal, especially coking coal, is likely to be limited.

It is only since 2004 that Mongolia began expanding coal production to cater to the export coal market. Approximately 162.3 bt of coal resources have been recognised. Preliminary and detailed exploration activities in 2008 show a coal reserves base of approximately 23 bt. Proved coal reserves account for approximately 12.2 bt, comprising of approximately 2 bt of coking coal.

Most of the Mongolian coal mines, including Tavan Tolgoi, are open-cut mines, where the majority of the coal deposits are close to the surface. Favourable mining conditions at open-cut mines allow miners to generally extract raw coals more economically than underground mines. Mongolian open-cut coal mines may also potentially expand production capacity relatively easily while keeping lower production costs.

Given the lack of infrastructure in the immediate term, including but not limited to established sources of water and electricity, Mongolia is generally considered to be not an ideal location to set up and operate coal processing facilities. Therefore, at this stage, Mongolian coal producers typically supply raw coking coal directly to their customers.

Mongolian Coal Trade

The key driver behind Mongolia’s future production expansion is likely to be demand from China, and, to a lesser extent, demand from Russia, South Korea and Japan. Mongolian coal exports have been, and will likely continue to be, predominantly driven by Chinese import demand. As a landlocked country, the cost advantage of transportation and the relatively high premium coking coal demands from China have driven a robust growth in exports of coking coals from Mongolia.

According to the Mineral Resource Authority of Mongolia, exports of Mongolian coal commenced in 2003. For the period 2003 to 2008 coal exports from Mongolia have grown by approximately 52% CAGR. Total production of Mongolian coal in 2009 is estimated at approximately 13.2 mt, with exports accounting for approximately 7.0 mt or approximately 53% of the total production.

From 2003 and 2004 most or all of the Mongolian coal exported was sent to China. Other countries such as Russia began importing coal from Mongolia in 2005. Figure 19 shows that between 2005 and 2009, China accounted for an average of approximately 93% of total Mongolian coal exports. An average of approximately 88% of total Mongolian coal was exported to China in 2009. Additional thermal coal of approximately 2 mt was exported to China in 2009.

Figure 19: Mongolian Coal Exports 2005 to 2009

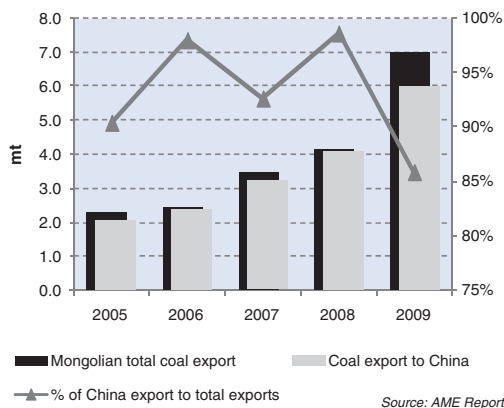
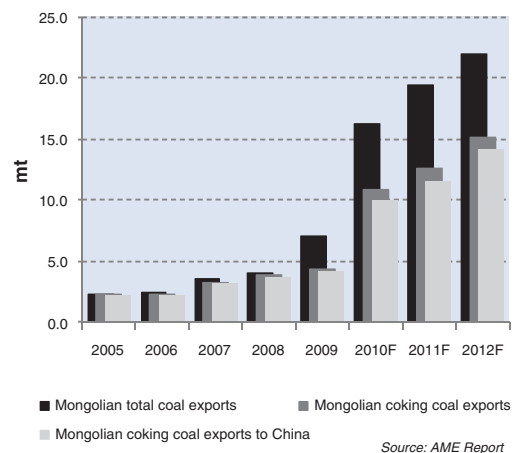


Figure 20: Mongolian Coking Coal Production and Exports to China 2005 to 2012



Recently there has been a significant ramp up in Mongolian production and exports to China. Over the first six months of 2010, approximately 5.8 mt of coking coal has been exported to China. This represents a greater than four-fold increase in exports compared to the same period in 2009. Robust growth relative to previously conservative export growth rates is expected to continue in the short to medium term due to increased demand. In the long-term, Mongolian premium coking coal supply, at a competitive cost, may replace supply from other producing countries such as Russia and Australia.

Accordingly, AME has revised and increased its forecasts for Mongolian coking coal exports. Mongolian coking coal exports are expected to be ramped up to approximately 10 mt in 2010. Robust growth is expected to continue amid increasing foreign and domestic investment in the Mongolia coal industry. Such investments are aimed at developing and expanding new and existing mines to complement growing Chinese demand.

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Mongolian Export Coking Coal Production

Given the buoyant market conditions, proximity to China and high demand growth from China aided by the possibility of exporting coking coal to Japan and South Korea, coal production in Mongolia is expected to accelerate in the future. However, the future production growth rate of Mongolian coal is subject to a number of limiting factors, for example:

- the recent suspension of the issuance and transfer of mining permits may have a limiting impact on the development of new supply streams;
- infrastructure needs to be improved before larger scale exports to China can occur; and
- future potential exports to Russia will be subject to governmental consent and Russian funded investment in infrastructure and mine development.

Mongolia's total coal exports could potentially grow to over 20 mtpa over the next three to four years, subject to the outcome of privatisation programs, other governmental policies and the extent of foreign investment. This would take total coal production to around 30 mtpa in that time.

In the long-term, Mongolian output could potentially ramp up to above 50 mtpa, subject to a range of issues, such as transportation infrastructure capacity.

Transport Infrastructure

Mongolia is landlocked by Russia to the north and China to the south. Neither rail system in the neighbouring countries has sufficient additional capacity to cope with a large-scale expansion of Mongolian coal exports. The Mongolian Government is currently examining its railway policy to seek greater control over its assets. Investment in rail is believed to be premature as the Mongolian Government continues to debate over issues such as rail routes, gauge of lines and ownership of future links.

A high proportion of Mongolia's reserves have not been developed due to the lack of infrastructure. Most of the country's current small mines are limited by lack of infrastructure. According to the Ministry of Fuel and Energy of Mongolia, approximately US\$1 billion of infrastructure investment is expected to be injected by 2012 or 2013. The development of the infrastructure projects will increase the volume of coking coal that Mongolia will be able to export.

RUSSIAN COKING COAL INDUSTRY OVERVIEW

Russia has some of the largest coal reserves in the world, second only to the US, with a total coal reserve base of approximately 157 bt, of which 49 bt are hard coal reserves. In 2008, Russia is estimated to have produced 65 mt of coking coal. Approximately 76% of Russia's production of coking coal is consumed domestically, with the remaining approximately 15 mt being exported mainly to Europe and Northern Asia. Historically, Japan has been the largest importer of Russian coal, followed by European countries such as Romania, Bulgaria, Finland, Spain and Greece. Russia is also reported to supply coking coal to North Korea.

There are close to 300 mines in Russia, three quarters of which are underground mines. Nearly 75% of Russia's proven coal reserves lie in the coal basins east of the Urals in the Siberian Region. Major coal producing basins in this region include the Kuznetski, Kansk-Achinsk and Irkutsk, in the

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south-central part of Russia, and the South Yakutsk coal basin, in the far-east. With the exception of Kansk-Achinsk, the remaining coal basins produce Bituminous or Anthracite Coal.

In addition, the two most significant and predominately undeveloped basins are the Tunguski and Lenski, both of which lie in the north-central and north-eastern portions of Russia in Western Siberia and the Russian Far East, respectively. These basins are considered to be the two largest in Russia in terms of both area and coal resource potential.

Russian Coal Trade

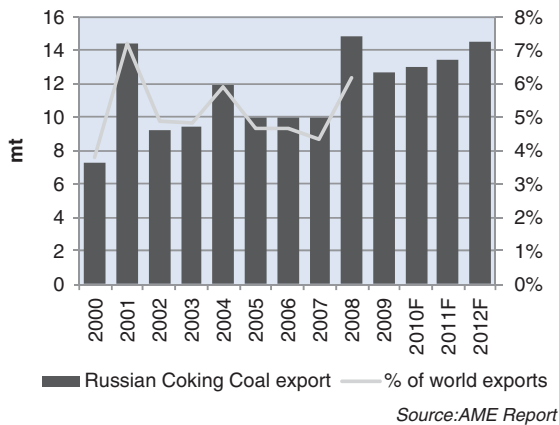
Russian coking coal exports fell by an estimated 20% to 11.6 mt in 2009.

For the first time, Japanese fiscal year 2009, Russian producers started to negotiate long-term coking coal contracts with Japanese steel makers. Hard coking coal prices were settled at mid-US\$90s, while low-volatile PCI prices yielded US\$80 to 85 per tonne. In order to maintain operational ratios, Russian hard coking coal needed an outlet and given the downturn in European demand, Asian steel makers became the desired destination. In further signs that Russian producers are targeting Asian steel makers, Russian suppliers had settled on a quarterly contract price for low-volatile PCI coal for the September quarter with Japanese steel makers.

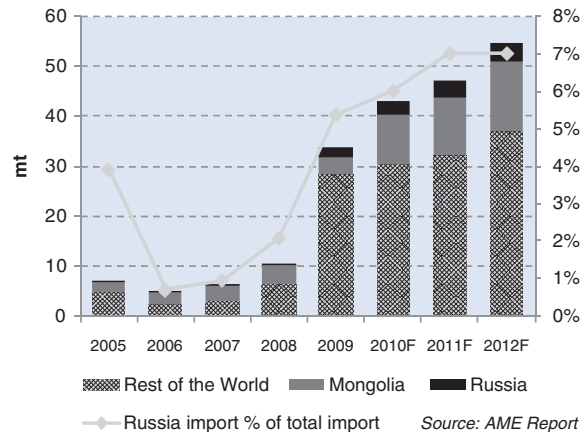
Russian Export Coking Coal Production

As shown on Figure 21, by 2012, AME forecasts Russia's coking coal exports to reach 14.5 mt, approximately 48% of which is expected to hard coking coal. AME believes Russia's coking coal may be required to a greater extent if demand is stronger than expected.

**Figure 21: Russian Coking Coal Exports
2000 to 2012**



**Figure 22: China Coking Coal Imports
2005 to 2012**



Russian coking coal exports are expected to grow at around 4% to 5% CAGR between 2009 and 2012. At this time, exports is likely to be approximately 15 mt. In addition to concerns about the abundance of high-quality coal reserves, the growth of Russia's coking coal exports may be limited by the following factors:

- Russian's primary rail transportation is the Trans-Siberian Railway which extends from west to east across the southern portion of the country and several railways which serve the coal producing regions of south-central Siberia. The railways operate at close to capacity which may have an impact on Russian producers' ability to expand exports of coking coal;

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- Currently there are around 40 seaports in Russia, among which approximately 20 can be used for coal transportation. Most of the 20 seaports are not ice-free year-around and only have the potential to handle panamax vessels;
- Transportation of coking coal through the Russian Far-East to Asia faces higher transport cost constraints due to longer haulage distances and limited availability of rolling stock such as wagons. These may constrain the ability of producers to transport coal to the Chinese market through rail and ports; and
- The winter season may have an impact on Russian coal exports. The severe weather conditions at times may pose certain challenges for Russian coal exports by disrupting normal operations of the port and railway systems. This may result in delays in coal shipments. In addition, freezing weather in Russia can adversely impact quality of delivered coal.

In the long-term, Russia output may increase significantly in the event that the above issues are resolved.

REGULATORY OVERVIEW

The Group's business operations are subject to national and industrial policies, relevant laws and regulations and extensive governmental supervision as applicable in both the PRC and Mongolia.

MAIN REGULATORS IN THE PRC

The Group is principally subject to governmental supervision and regulations by the following PRC governmental authorities:

1. State Council

The State Council is responsible for checking and approving material investment projects in the coal category recognised by “《政府核准的投資項目錄》 (Catalogue of Government Approved Investment Projects)” promulgated in 2004. The State Council also oversees the healthy and stable development of the coal industry and provides relevant guiding opinions and suggestions.

2. The National Development and Reform Commission of the PRC

The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the “NDRC”) formulates industry policies and investment directions for the coal industry, as well as approves and grants permission for prospective coal projects. The NDRC is responsible for the supervision and administration of coal operations in the PRC. Departments designated for the examination of coal operation qualifications by the provincial, autonomous region, municipal government are responsible for the supervision and administration of coal operations within their respective jurisdiction.

3. Ministry of Environmental Protection of the PRC

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) is responsible for formulating national environment protection directions, policies and regulations. It is in charge of carrying out environmental impact assessments of material economic and technical policies, development plans and material economic development projects.

4. Ministry of Railway

The Ministry of Railway of the PRC (中華人民共和國鐵道部) (the “Ministry of Railway”) is in charge of monitoring railway operations in China and of formulating strategic development plans for railway transportation. The Ministry of Railway and the NDRC jointly approve all applications for railway construction plans, including railways used or designated for coal transportation.

5. China National Coal Industry Association

The China National Coal Industry Association (中國煤炭工業協會) is a voluntary body that is mainly responsible for formulating relevant industry standards for the coal industry and liaising with the government and providing guidance to the coal industry.

6. Ministry of Communications

The Ministry of Communications (交通運輸部) oversees the road transportation industry.

7. Ministry of Land and Resources

The Ministry of Land and Resources (國土資源部) is responsible for granting land use rights.

8. Ministry of Commerce

The Ministry of Commerce (商務部), formerly known as the Ministry of Foreign Trade and Economic Co-operation (對外貿易經濟合作部), is an executive agency of the State Council. It is responsible for formulating development strategies, guidelines and policies of domestic and foreign trade and international economic cooperation, formulating regulations governing domestic and foreign trade, consumer protection, market competition and foreign investments, and negotiating bilateral and multilateral trade agreements.

MAJOR LAWS AND REGULATIONS OF THE PRC

The Group's business operations in the PRC are principally subject to the following laws and regulations of the PRC:

1. The Coal Law of the PRC

In August 1996, the Standing Committee of the National People's Congress promulgated the Coal Law of the PRC (中華人民共和國煤炭法) (the "**Coal Law**"), which took effect on 1 December 1996. It is aimed at promoting a rational utilisation and protection of coal resources, standardising coal production and operating activities, and facilitating and protecting the development of the coal industry.

2. The Measures for the Regulation of Coal Operations

The NDRC promulgated the Measures for the Regulation of Coal Operations on 27 December 2004. The Measures aim to strengthen the supervision of coal operations by standardising and maintaining coal operation procedures.

Pursuant to the Measures for the Regulation of Coal Operations, (i) China implemented an examination and qualification system for coal operations (with respect to activities such as wholesaling and retailing of raw coal and its processed products and processing and distribution of coal for civilian use); (ii) the establishment of a coal operation enterprise is subject to the relevant qualification examination.

3. The Measures for the Administration of Inspection of Imported and Exported Coal

On 30 May 2006, the Measures for the Administration of Inspection of Imported and Exported Coal (進出口煤炭檢驗管理辦法) (the "**Coal Import and Export Measures**") were promulgated by the General Administration for Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and took effect on 1 August 2006. The Coal Import and Export Measures set forth the requirements for the examination and supervision of imported coal.

4. Environmental Protection Law of the People's Republic of China

The PRC Environmental Protection Law (中華人民共和國環境保護法) (the "**Environmental Protection Law**") was promulgated by the Standing Committee of the National People's Congress on 26 December 1989 and became effective on the same day. The Environmental Protection Law requires all operations that produce pollutants or other hazards to adopt effective measures to control and properly dispose of waste materials.

5. Regulations on Road Transportation of the PRC

The Regulations on Road Transportation of the PRC (中華人民共和國道路運輸條例) (the “Road Transportation Regulations”) was promulgated by the State Council on 14 April 2004 and took effect on 1 July 2004. The Road Transportation Regulations aim at maintaining an orderly road transportation market, ensuring road safety, protecting the interests of relevant parties and promoting the healthy development of the road transportation industry.

Pursuant to the Road Transportation Regulations, the transportation department of the State Council is responsible for the administration of national road transportation. The transportation department of the State Council is responsible for the administration of road transportation at the national level, and the people’s government of county level or above is responsible for the administration of road transportation within its jurisdiction. The actual administration is carried out by the relevant road transportation authorities of county level or above.

6. The Foreign Trade Law of the People’s Republic of China

The Foreign Trade Law of the PRC (中華人民共和國對外貿易法) (the “**Foreign Trade Law**”) was adopted at the seventh meeting of the Standing Committee of the Eighth National Peoples Congress on 12 May 1994 and amended at the eighth meeting of the Standing Committee of the Tenth National People’s Congress on 6 April 2004. The amended Foreign Trade Law is promulgated with effect on 1 July 2004. The Foreign Trade Law aims at broadening the opening up of the Chinese market, developing foreign trade, maintaining the order of foreign trade, protecting the lawful rights and interests of the foreign trade business operators, and promoting the healthy development of the socialist market economy. It applies to foreign trade and the protection of foreign-trade-related intellectual property.

According to the Foreign Trade Law, (i) the State allows the free import and export of goods and technology, unless otherwise provided for in any law or administrative regulation, (ii) the State will impose a quota or licensing system for goods subject to import or export restrictions, and no import or export of such goods may be made unless permitted by the Ministry of Commerce either independently or in conjunction with other relevant departments of the State Council.

7. The Regulation of the PRC on the Administration of the Import and Export of Goods

The Regulations of the PRC on the Administration of the Import and Export of Goods (中華人民共和國) were promulgated on 31 October 2001 and took effect on 1 January 2002. They aim at standardising the administration of the import and export of goods, maintaining the order of import and export of goods and promoting the healthy development of foreign trade. Pursuant to the regulations, the State allows the free importation and exportation of goods and upholds the fair and orderly import and export of goods according to law. Unless it is clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods.

COAL OPERATIONS IN THE PRC

Import of Coal

Pursuant to the Coal Import and Export Measures, imported coal is subject to inspection by the inspection and quarantine authority at the port of unloading. Prior to unloading, receivers of imported

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coal or their agents are required to report to the relevant inspection and quarantine authority in accordance with the rules of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). Unloading is supervised by the inspection and quarantine authority, and must take place at facilities that are equipped for such inspection. The inspection and quarantine authority will inspect the imported coal for quality, quantity and weight with respect to health, safety and environmental criteria. Imported coal may not be sold or used unless the results of the inspection are satisfactory.

Sale and Processing of Coal

Pursuant to the Measures for the Regulation of Coal Operations, an enterprise may not engage in the processing and sale of coal that is not self-produced without a Coal Operation Certificate. In order to obtain a Coal Operation Certificate, an enterprise must have:

- an appropriate registered capital for the scale of its operation;
- a fixed place of operation;
- appropriate facilities and coal storage commensurate with the scale of its operation;
- facilities for the inspection of the quantity, weight and quality of coal that meet the relevant standards;
- reasonable compliance with national requirements in relation to the overall business planning and environmental protection for coal operations; and
- other conditions as stipulated under relevant laws and administrative regulations.

The Measures for the Regulation of Coal Operations does not restrict or forbid the grant of coal operation certificates to foreign invested enterprises.

TRANSPORTATION AND LOGISTICS IN THE PRC

Road

Pursuant to the Road Transportation Regulations, an operator of freight transportation must have vehicles suitable for the business and which have passed the relevant examination, have drivers that meet the prescribed age and qualification requirements and have in place a safety system. A freight transport operator must hold a road transportation license (道路運輸經營許可證), and register with the relevant administration for industry and commerce authorities accordingly. A foreign invested enterprise may engage in the operations of road transportation and related business.

Railway

The allocation of coal transportation capacity within the national railway system is made by the Ministry of Railway, and the annual railway transportation allocation is determined by the NDRC or its designated authorities.

Freight tariffs for the transportation of coal are set by railway operators in accordance with the uniform railway freight tariff guideline issued by the NDRC. Railway operators may not charge more than the maximum tariffs approved by the NDRC. Any adjustment to the maximum tariff requires approval from the NDRC and the Ministry of Railway.

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ENVIRONMENTAL PROTECTION REGULATIONS OF THE PRC

Pursuant to the Environmental Protection Law, new construction, expansion or reconstruction projects and other installations that directly or indirectly discharge pollutants into the environment are subject to relevant State regulations governing environmental protection for such projects. Entities undertaking such projects must submit a pollutant discharge declaration statement to the competent authorities for examination detailing the amount, type, location and method of treatment. The authorities will allow the construction project operator to release a certain amount of pollutants into the environment and will issue a pollutant discharge licence for that amount of discharge subject to the payment of discharge fees. The release of pollutants is subject to monitoring by the competent environmental protection authorities. Enterprises and public institutions which directly or indirectly discharge industrial waste water or medical sewage to waters or which are required to obtain the pollutant discharge license before discharging waste water and sewage water must obtain the pollutant discharge license. If an enterprise discharges water pollutants beyond the state or local standards for the discharge of water pollutants or exceed the total allowed volume for the discharge of major water pollutants, the local environmental protection bureau may fine the entity up to five times the discharge fees payable by the offending entity for its allowable discharge, remedy the effects of the pollution within the prescribed time, or order the entity to shut down.

In the environmental impact statement of a construction project, the project operator must make an assessment regarding the pollution and environmental hazards the project is likely to produce, evaluate the project's impact on the ecosystem, and outline measures for the prevention and control of environmental damage. The operator must submit the statement according to the specified procedure to the competent environmental protection authority for examination and approval.

The system for the prevention and control of pollution must be designed, constructed and put into use or operation simultaneously with the main project. A project may only commence operations upon satisfactory inspection and acceptance by the relevant environmental authorities of the pollution prevention and control system.

Violators of the PRC environmental protection law and various environmental regulations may be subject to warnings, payment of damages and fines. Any entity undertaking construction work or carrying out activities before the pollution and waste control and processing facilities are inspected and approved by the environmental protection department may be ordered to suspend production or operations and may be fined. Violators of relevant environment protection laws and regulations may also be exposed to criminal liability if violations result in severe loss of property, personal injuries or death.

In addition to the PRC environmental laws and regulations, China is a signatory to the 1992 United Nations Framework Convention on Climate Change and the 1998 Kyoto Protocol, which propose emission targets to reduce greenhouse gas emissions. The Kyoto Protocol came into force on 16 February 2005. At present, the Kyoto Protocol has not set any specific emission targets for China.

OTHERS

(i) Notice on the Opinions of NDRC and Other Departments on Prevention of Overcapacity and Repetitive Constructions in Certain Industries to Promote Healthy Development (《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》) (“Opinion”).

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Under the Opinion issued by the State Council jointly with NDRC, Ministry of Industry and Information Technology (工業和信息化部), Ministry of Supervision (監察部), Ministry of Finance, Ministry of Land and Resources, Ministry of Environmental Protection, PBOC, General Administration of Quality Supervision, Inspection and Quarantine, China Banking Regulatory Commission (中國銀監會), China Securities Regulatory Commission (中國證監會), the examination and approval authorities in charge of investment management at all levels are in principle not to approve projects in relation to expansion of capacity in industries which are considered having excess capacity, including the steel and coal chemical industries.

Further, under the Opinion, in order to prevent overcapacity and repetitive construction, financial institutions are prohibited from granting loans to projects that do not comply with key industry adjustment and revitalisation plans and relevant industry policies, and those which are not approved in accordance with required procedures, and each of these projects and their promoters are not allowed to seek financing through initial public offering and other methods.

(ii) Notice on Further Eliminating Backward Production Capacities (《國務院關於進一步加強淘汰落後產能工作的通知》) (“**Notice**”)

Under the Notice issued by the State Council, the coal industry and the iron and steel industry have been identified as two of the target industries where backward production capacities are aimed to be eliminated. In respect of the coal industry, 8,000 small coal mines which do not meet safe production conditions, do not conform to the industry policy on waste resources and pollute environment or has a total production capacity of 200 million tonnes or less are required to shut down by the end of 2010. In respect of the iron and steel industry, blast furnaces for iron with a capacity of 400 cubic meters or less and converters and electric furnaces for steel with a capacity of 30 tonnes or less will be eliminated by the end of 2011.

Further, the Notice provides for the strengthening of certain economic and legal control measures including the use of pricing mechanism such as differential prices for electricity and reform of prices for resource products in eliminating backward production capacities.

(iii) Provisional Intervention Measures on Price for Thermal Coal (《國家發展和改革委員會公告2008年第46號 — 關於對全國發電用煤實施臨時價格干預措施》) and Notice on Further Improving the Provisional Intervention Measures on Price for Thermal Coal (《國家發展改革委關於進一步完善電煤價格臨時干預措施的通知》) (collectively, “**Measures**”)

Under the Provisional Intervention Measures on Price for Thermal Coal and Notice on Further Improving the Provisional Intervention Measures on Price for Thermal Coal by the NDRC, the State will intervene and control the pricing of thermal coal.

The current business of the Group does not fall within the industries of steel and coal chemistry as restricted by the Opinions or the Notice, and the main business of Group does not involve thermal coal. The Group has been advised by its legal adviser on PRC law, King & Wood, that the Opinions, the Notice and the Measures do not apply to its current and normal business operation.

Further, save for one customer of the Group which accounted for 0.3% of the total revenue of the Group in 2009, none of the other customers of the Group is listed in the lists of steel makers or coking plant with backwards production capacity for 2010 (《2010年煉鋼淘汰落後產能企業名單》 and 《2010年焦炭淘汰落後產能企業名單》) published by the Ministry of Industry and Information Technology. The Directors are therefore of the view that the Opinions and the Notice have no direct material adverse effect on the Group and its major customers.

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MONGOLIAN OPERATIONS

The Group's business operations in Mongolia are principally subject to the following laws and regulations of Mongolia:

1. Minerals Legislation

The minerals sector in Mongolia is governed predominately by three bodies of law: the 2006 Minerals Law of Mongolia ("**Minerals Law**"), the Nuclear Energy Law and the Subsoil Law. In the case of coal mining, the Minerals Law governs the entire life cycle of a minerals deposit from licensing through exploration, development, mining and mine closure. While a much older law, the Subsoil Law regulates the construction of mining support and process facilities.

Administration of minerals legislation and mining activity in Mongolia is largely the responsibility of the Minerals Resource Authority ("**MRA**") which together with the Petroleum Authority falls under the Ministry of Mineral Resources and Energy ("**MMRE**").

2. Minerals Licensing

All minerals exploration and exploitation, with the exception of common construction material, must be conducted under a license issued by MRA (licenses to conduct exploration and exploitation of uranium are issued separately by the Nuclear Energy Authority in accordance with the Nuclear Energy Law). Under the Minerals Law, two separate licenses are issued by MRA whereby the rights to conduct mineral exploration over a licensed area are separated from the rights to mine/exploit. In each case, the license-holder must (i) be a registered Mongolian legal entity (generally a private limited liability company), and (ii) pay annual fees with respect to each hectare of licensed land.

An exploration license is granted through public tender for an initial period of three years and is renewable for (2) three-year periods for a total period of nine years. At the end of nine years, an exploration license must be converted from an exploration license into a mining license or returned to the State.

An exploration license-holder must (i) satisfy annual expenditure requirements outlined in the Minerals Law so as to maintain its right to conduct exploration activities in the licensed area, (ii) prepare annual exploration activities reports, (iii) obtain approval of an environmental protection plan on each three year renewal period, monitor its exploration activities in accordance with its environmental protection plan and report yearly on its compliance with the same, and (iv) pay a yearly reclamation bond to the soum administration.

Under the Minerals Law the Mongolian state ("**Mongolian State**") has a right to participate in a mineral company's exploitation of minerals deposit within its territory. The Mongolian State may participate (as an equity holder) up to 34% or up to 50%, according to the following considerations.

According to the Minerals Law, the Mongolian Parliament has the right to designate a minerals deposit as being strategically important. By definition, a minerals deposit is strategically important where its scope may have a potential impact on national security, national or regional economic and social development, or that is producing or has the potential to produce more than five percent (5%) of the total annual gross domestic product. The law is not clear on when the Mongolian Parliament may make such designation other than it can be made on recommendation from the Mongolian government or on its own initiative and must be made where the minerals license has a proven mineral reserves. As such, a designation may be made at the time the minerals reserve is registered, during development of

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the mining property, or at any future date during mining production. Conversely, the law does not contemplate what would happen in the event a previously designated minerals deposit of strategic importance no longer meets the qualification under the law. If a minerals deposit is designated as strategically important the Mongolian State's equity position can be up to 34% in the case of private party-funded exploration and up to 50% in the case of Mongolian State-funded or partly funded exploration. The precise percentage participation by the Mongolian State will be determined on a case-by-case basis according to recommendations of the Mongolian government and negotiations with the relevant license holder. Additionally, the Minerals Law requires that the license-holder of a strategically important minerals deposit list at least 10 % of its shares on the Mongolian Stock Exchange.

In accordance with Parliament Resolution 27 (2007), the Mongolian Parliament defined 15 mineral deposits as being strategically important together with an additional 39 mineral deposits which could potentially be defined as being strategically important. As of the Latest Practicable Date, and to the knowledge of the Company's Mongolian legal advisers, Parliament has not added any additional minerals deposits to the lists of mineral deposits defined as strategic deposits or potentially strategic deposits.

3. Environmental Legislation

The environmental legislation of Mongolia is largely comprised of the Law of Mongolia on Environmental Protection ("**Environmental Protection Law**") and the Law of Mongolia on Environmental Impact Assessments ("**EIA Law**"). The Environmental Protection Law is the primary law regulating relations between the State, citizens, business entities and organisations in order to guarantee the human right to live in a healthy and safe environment, the ecological balance between social and economic development, the protection of the environment for present and future generations, the proper use of natural resources and the restoration of available resources. Alternatively, the EIA Law regulates relations that arise in connection with the protection of the environment, prevention of ecological misbalance, use of natural resources, assessment of environmental impact and decision-making at the start of projects.

All exploration license-holders must prepare an environmental protection plan, and report yearly to the MRA about its compliance with that plan. Additionally the license-holder is required to pay 50% of its yearly environmental reclamation budget ("**Bond**") to the soum administration. The Minerals Law allows the soum administration to use the Bond for reclamation in the event the license-holder does not undertake reclamation in the licensed area as required by the law and the license-holder's environmental protection plan.

All mining projects undertaken in Mongolia are required to conduct a detailed environmental impact assessment ("**DEIA**"), according to the standards set forth in the EIA Law, to assess the impact the project will have on the environment and human health. The DEIA, as approved by the Ministry of Nature and Tourism, must be submitted to the mining commissioning committee prior to commencement of commercial production. Additionally, a mining license-holder is required to prepare an environmental protection plan and report yearly on its compliance with the terms of this plan. As with an exploration license, a mining license-holder must pay a 50% Bond to the state central authority. In the event the mining license-holder does not properly conduct reclamation activities, the Minerals Law allows the State to undertake those activities from the yearly Bond.

4. Law On Prohibiting The Exploration And Mining of Minerals From Beginning Of River Source, and the Protection Area Of Water Reservoir Land And Wood Reservoir Area (“Water Basin Law”)

In July 2009, Mongolia’s Parliament passed the Water Basin Law which attempts to prohibit mineral exploration and/or mining in river basins and forested areas. The Government has listed a number of minerals licenses that are subject to revocation because of the overlap between “water basins” and/or “forested areas”. According to the terms of the law, existing exploration and mining licenses in those areas will be revoked and the license-holder will be compensated.

5. Taxes and Royalties

Tax Laws

Mongolia does not have a comprehensive tax code, but rather relies on a group of individual laws that regulate the taxation of corporate income, goods and services. With regard to minerals resource companies, the corporate Tax Law, the Value Added Tax Law and Law on the Tax of Some Commodities are the most relevant laws.

Corporate Tax Law

The income tax rates applicable to a Mongolian company are 10% on the first three billion MNT and 25% on amounts in excess of this amount. In September 2009, the Parliament passed an amendment to the Corporate Tax Law that allows for loss-carry forward periods of four to eight years which is double the previous provision. The law allows for a range of deductible expenses in calculating taxable income. Additionally, 10% of invested capital in certain priority sectors can be applied as a credit against other taxes payable.

Value Added Tax

Mongolia imposes a value added tax at a rate of 10% on (with some very limited exceptions) imported and exported goods (including some minerals products), services rendered to residents of Mongolia from outside Mongolia, and goods sold and services rendered within Mongolia. As a general rule most exports are “zero-rated” (i.e. the VAT rate for exports is 0% and the exporter can credit value added tax paid to produce the exports against other taxes payable). The list of exempted imported goods generally changes on an annual basis as approved by the Government.

The Law on Tax of Some Commodities (“Windfall Profits Tax”)

The Windfall Profits Tax passed in May 2006 added a 68% tax on the sales value of copper concentrate and gold metal over a threshold market price. The Parliament repealed the Windfall Profits Tax for all purposes effective as of January 2011.

Minerals Royalties

The Minerals Law provides for a royalty at the rate of 5% on the sales value of minerals with the exception of domestically sold coal and common construction minerals that are sold, shipped for sale, or otherwise used. The royalty rate for domestically sold coal and construction minerals is 2.5%.

6. Foreign Investment Law

Foreign investors in Mongolia are protected by many of its law most notably the Constitution of Mongolia and the Foreign Investment Law. The Foreign Investment Law statutorily provides that foreign investors (those natural or legal persons which have invested at least 25% in a Mongolian registered company) are entitled, amongst other things, to wholly or partially own a Mongolian company and to buy and sell shares of Mongolian entities in any sector or areas of production; and a foreign investor also has the right to participate in concession and product sharing agreements and exploitation of natural resources. Additionally the law provides that foreign investors shall not receive less favourable conditions with regard to its investment than those accorded to domestic investors and that:

- (a) a foreign investment within the territory of Mongolia shall enjoy the legal protection guaranteed by the Constitution, this law and other legislation, consistent with those laws and international treaties to which Mongolia is a party;
- (b) a foreign investment within the territory of Mongolia shall not be unlawfully expropriated;
- (c) investments of foreign investors may be expropriated only for public purposes or interests and only in accordance with due process of law on a non-discriminatory basis and on payment of full compensation where compensation shall be determined by the value of the expropriated assets at the time of expropriation or public notice of expropriation. Such compensation shall be paid without delay (unless specified otherwise in an international treaty to which Mongolia is a party; and
- (d) losses suffered by foreign investors due to a state of emergency or war in Mongolia shall be treated equally with losses suffered by Mongolian investors.

7. Investment in Road Infrastructure

Mongolia's 2007 Road Master Plan ("**Plan**") aspires to construct several sealed roads over the next five years in the South Gobi region. While this plan does not have the force of law, it does indicate the Government of Mongolia's intention to development the infrastructure in the South Gobi region assuming the necessary funds are available. Where the State cannot finance road construction, the Plan suggests that mining companies will be encouraged to finance and build the roads it requires for its operations. Upon completion of such construction, the Plan contemplated that the mining companies will turn the roads over to the State's control and the State will operate them as "toll roads" so as to recoup certain costs.

The Plan is in keeping with the Land Law and the Law on Auto Roads which allows road infrastructure to be built and used by private companies; ; however, prohibits the land under the road-base being transferred into private party ownership. In January 2010 (effective date 1 March 2010), Parliament passed the Concessions Law of Mongolia which allows private companies to build, renovate, possess, operate, transfer, lease and in some cases own ("**Regime**") certain public projects (e.g., energy plants, roads, railways, housing, etc.) ("**Projects**"). All Projects, with rare exception, are let through a tender process from a list of public projects that have been approved by the Government of Mongolia. Much like the Law on Auto Roads, the Concession Law of Mongolia prohibits any land associated with a Project from being owned (in the sense of fee simple absolute ownership) by the concessionaire. Rather according to the Land Law, the concessionaire is entitled to receive a

REGULATORY OVERVIEW

possession or *use* right which is contractually guaranteed by the Government of Mongolia. Such possession and use rights range in duration from 1 to 60 years.

In the event the Company wished to build a road within the territory of Mongolia, it would be required to submit a bid under the State's tender rules (tender rules allow both domestic and foreign companies to participate in Project tenders). If it were successful in such a bid, the Concession Law of Mongolia requires that the company (as the successful bidder) negotiate a concession agreement with the Government of Mongolia which defines the particular Regime for the road project. In no event would the company obtain fee simple absolute title over the land under the road base. Rather the company would be entitled to either a possession or use right (depending on its level of foreign investment) in accordance with the terms of the Land Law.

8. Transportation and Export/Import Laws

With the exception of the Mongolian-China Border Railway Agreement of 1954 and The Minutes of First Consultation Meeting of the Mongolian-Chinese Railway Joint Working Committee held on 15-16 January 2009, Ulaanbaatar, Mongolia which regulate rail transportation between the countries, there are no other transportation treaties which regulate transportation. As such, the domestic law of Mongolia will apply to: (1) the movement of goods within the territory of Mongolia, (2) customs controls and clearing and (3) taxation and duties. The relevant laws are Mongolia's Civil Code, Value-Added Tax Law, Corporate Income Tax Law, Customs Law and the Law on Auto Transportation Law and associated regulations.

The transport of coal by auto roads is regulated by the Auto Transportation Law, Regulation No 201 Transportation of Passenger and Goods by Auto Vehicle and the Licensing Law. In particular, the laws and regulation governing the movement of coal requires that freight or haul trucks must obtain special permission (license) to transport goods (including coal) on the roads of Mongolia.

All goods transported from the territory of Mongolia into China must pass through a border control point and must submit to certain customs clearing procedures. In particular coal product must be sampled by customs officials and freight haulers must demonstrate that the appropriate royalties have been paid by the coal producer.

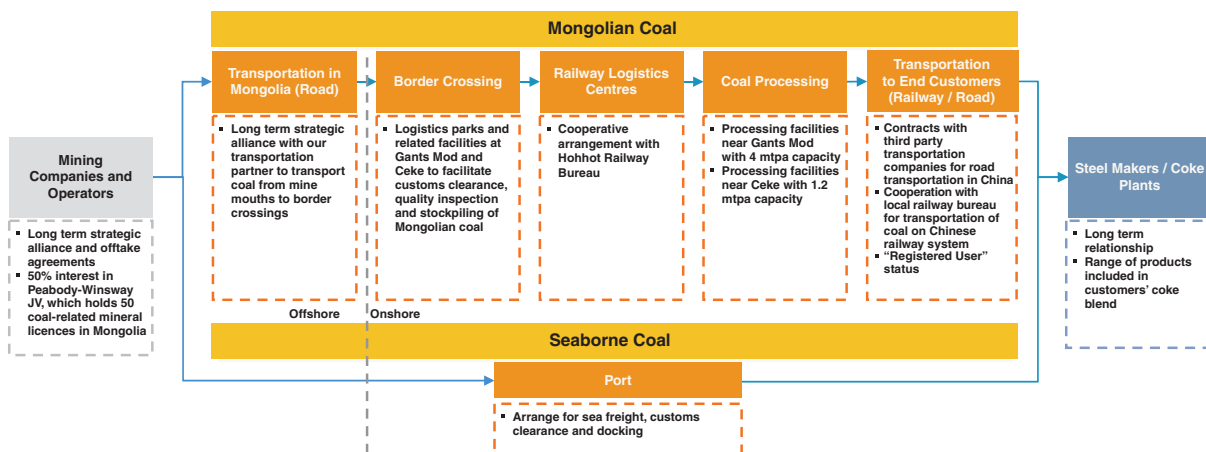
As such, the domestic coal producer will be responsible for withholding corporate income tax (subject to a double taxation treaty) from all payments made to the coal purchaser. Mineral exports from Mongolia are either zero-rated or exempt. In particular coal is zero rated meaning that no value added tax is payable.

OVERVIEW

We are an integrated supplier of imported coking coal into China, the world’s largest and fastest-growing coking coal consuming market. In addition to supplying coking coal, we also provide services to our suppliers and customers through our integrated platform, comprising logistics parks, coal processing plants, and road and railway transportation capabilities. We believe we have established ourselves as one of the leading suppliers in China of imported coking coal. We also believe we were the largest offtaker of Mongolian coal in terms of volume purchased in 2009. Based on AME estimates, the total coal imported from Mongolia into China in 2009 amounted to approximately 6.00 mt. Based on our internal data, we procured approximately 3.77 mt of coal from Mongolia and approximately 3.36 mt of seaborne coal, and imported a total of approximately 6.69 mt of coal, comprising approximately 3.33 mt of coal from Mongolia and approximately 3.36 mt of seaborne coal in 2009. Accordingly, our coal imported from Mongolia accounted for approximately 55.5% of all Mongolian coal imported into China in 2009. Based on the AME Report, the total coking coal and thermal coal (including anthracite) imported into China in 2009 was approximately 34.4 mt and 75.4 mt, respectively.

We believe we are one of the pioneers in the large-scale transportation of Mongolian coking coal into China, and also one of the few companies which have substantial investments in logistics and transportation infrastructure at two tier-one Sino-Mongolian border crossings and have access to a transportation network through arrangements with third parties on both sides of the border. We also believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, which is distinguishable through the considerable scale and profitability we have achieved.

Set forth below is the coking coal supply value chain which we participate in:

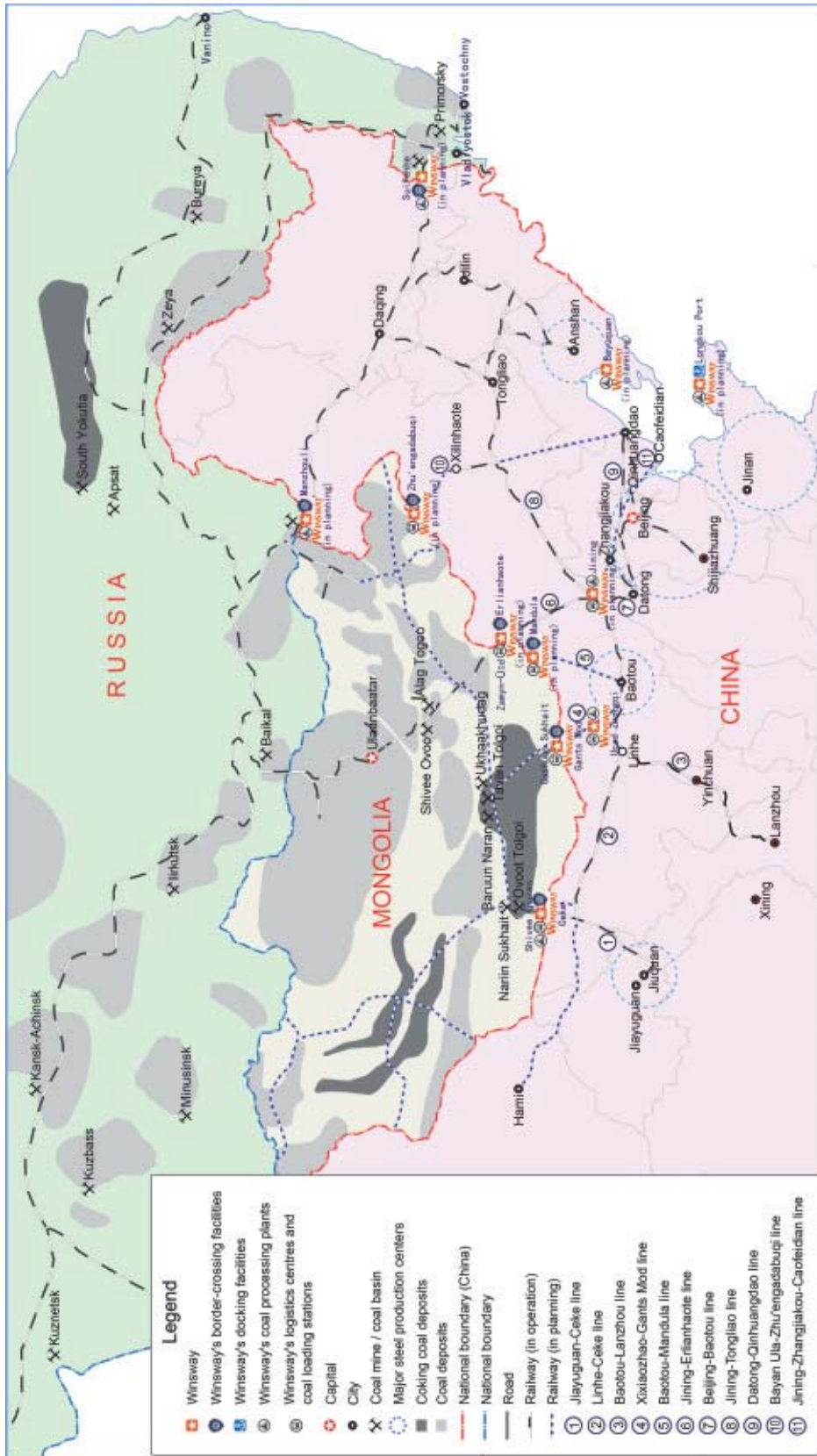


We plan to further strengthen our market position and foothold in the coking coal supply chain by adopting the following approaches. In respect of our supply, we plan to selectively acquire upstream resources and develop coal tenements in Mongolia together with affiliates of Peabody Energy. In respect of our infrastructure, we plan to cooperate with one of our Mongolia-based suppliers to construct a heavy duty road connecting Tavan Tolgoi with Gants Mod, expand infrastructure at our existing logistics parks and replicate our proven model to the Erlianhaote, Manzhouli and Suifenhe border crossings, invest in docking facilities in Longkou port, and cooperate with Hohhot Railway Bureau to construct railway logistics centres and railway-related infrastructure at border crossings and along major coal transportation railways, as well as ramp-up the capacity of our coal processing facilities by expanding the existing plant at Urad Zhongqi and constructing new plants at Bayuquan

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port, Longkou port, Jining, Manzhouli and Suifenhe. In respect of our sales, we plan to develop new clients and increase the penetration level of our products with existing customers. Other than the procurement of coal from Mongolia and Russia and the operation of the Peabody-Winsway JV, a jointly controlled entity owned by us and Peabody Energy, we currently do not have any business operations in Mongolia and Russia. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

The map below shows the approximate locations of certain identified coal deposits in Mongolia and Russia, certain existing and planned railways, and our current and planned logistics parks and coal processing plants.



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We have established strong relationships with a number of Mongolia-based and other coal mining companies and operators globally. We started our cooperation with our Mongolia-based suppliers in 2006, being one of the first to do so on a large scale. Since our entry into the Mongolian market in 2006, the total Mongolian coal imported into China increased from approximately 2.4 mt in 2006 to approximately 6.0 mt in 2009. We also believe that we are one of the major customers of our Mongolia-based suppliers taking into account our market position in terms of Mongolian coal imported into China. We have also entered into strategic alliance agreements with two of our Mongolia-based suppliers. Please refer to the section headed “Business — Procurement and Suppliers — Suppliers in Mongolia” in this prospectus for more details. Our Mongolia-based suppliers are all leading mining companies in Mongolia.

In the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we procured approximately 1.0 mt, 1.3 mt, 3.8 mt and 2.4 mt of Mongolian coal, respectively. A substantial portion of our Mongolian coal is processed and sold as cleaned coking coal, and a small portion is sold directly to our customers.

We have also procured seaborne coal from countries such as Australia, the US, Canada and Russia since 2009. In the year ended 31 December 2009 and the six months ended 30 June 2010, we procured approximately 3.4 mt and 2.0 mt of seaborne coal, respectively. We have also entered into a non-binding strategic cooperation agreement with one of our seaborne coal suppliers. Please refer to the section headed “Business — Procurement and Suppliers — Suppliers of seaborne coal” in this prospectus.

We have built a stable and growing customer base including more than 60 steel makers and coke plants in China, including Baogang Group, Hebei Steel, Tangshan Jiahua Coal Chemical, and Risun Coke. We have also entered into long-term strategic alliance agreements and memoranda of understanding with a number of our customers, where we have agreed with such customers to supply different types of coal possessing specific characteristics required by such customers.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our total turnover was RMB198.6 million, RMB993.5 million, RMB4,655.6 million and RMB4,298.8 million, respectively, and our profit attributable to equity shareholders of our Company was RMB17.8 million, RMB244.6 million, RMB454.0 million and RMB528.9 million, respectively.

Border crossings

The map below shows the approximate locations of our current and planned logistics parks at border crossings.



Recognising the strategic importance of border crossings for the supply of coking coal into China, the development and expansion of our infrastructure and capacity at border crossings has been one of our core focuses. In 2007 and 2008, we started building strategic infrastructure at two major Sino-Mongolian border crossings, Gants Mod (甘其毛都) and Ceke (策克), respectively, which are close to our Mongolia-based suppliers' resources, including Tavan Tolgoi, one of the world's largest undeveloped coking coal deposits. Our infrastructure on the China side of the Gants Mod and Ceke border crossings currently includes logistics parks with border-crossing facilities, stockpile areas, and additionally at Ceke, a coal processing plant.

Railway logistics and transportation

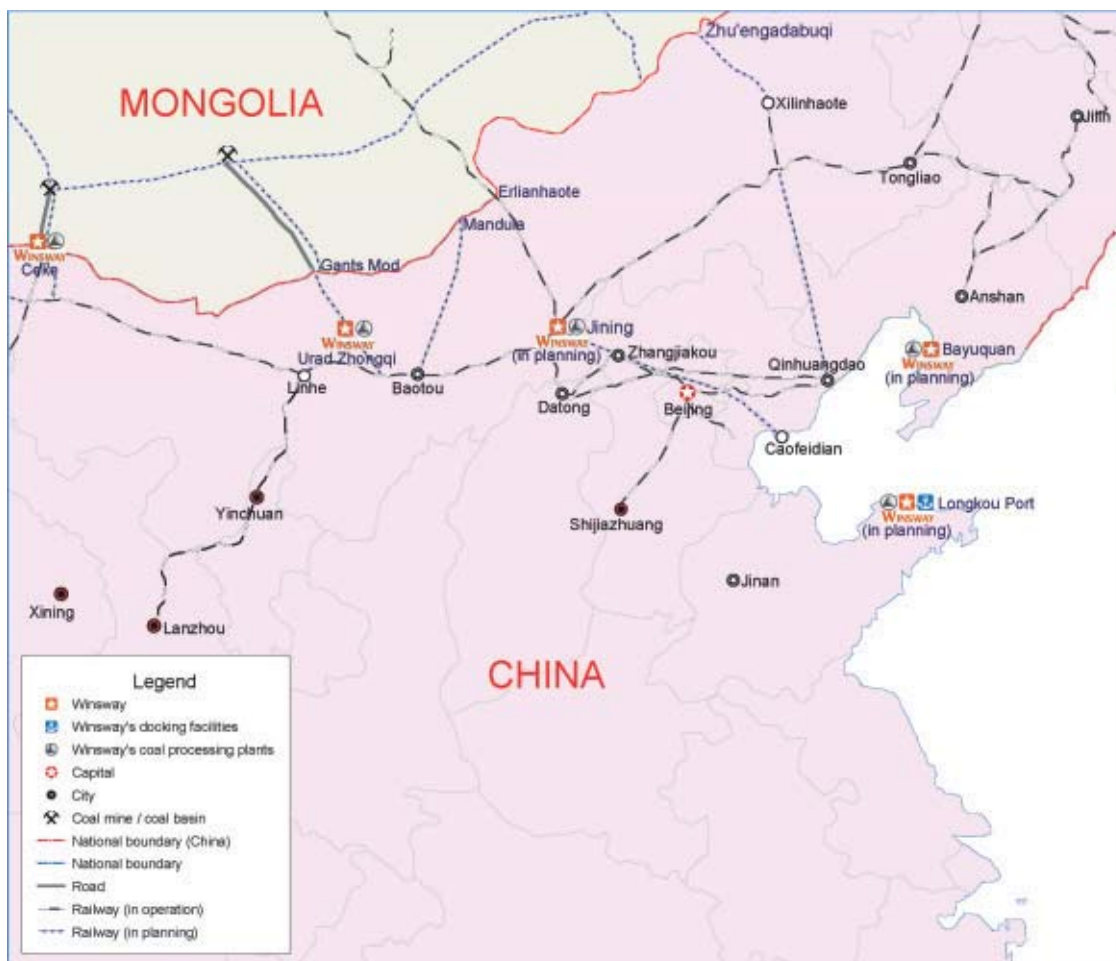
The map below shows the approximate locations of existing and planned railways relevant to our infrastructure.



We believe railways are and will remain an integral part of the logistical solution for coal transportation. As part of our development strategy, we have invested and plan to invest in infrastructure to facilitate coal transportation to the eastern coastal area and other major coal-consuming regions in China, including railway, railway logistics centres and railway-related infrastructure. For example, we have entered into an agreement to subscribe for equity capital with a value of RMB75.0 million in Xixiaozhao Gants Mod Railway Co., Ltd., representing 5% of the equity interest in 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 made a total capital contribution of RMB40.65 million in Xixiaozhao Gants Mod Railway Co., Ltd. We are also at the planning stage of our various planned railway logistics centres and related infrastructure, including the railway logistics centres at Gants Mod and Urad Zhongqi which will be located along the Xixiaozhao - Gants Mod railway line, and the railway logistics centre at Ceke. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details on our plans in respect of these railway logistics centres. We expect to make investments in respect of our various planned railway logistics centres in the aggregate amount of approximately RMB1,004.5 million by end of year 2012.

Coal processing

The map below shows the approximate locations of our current and planned coal processing plants.



To enable us to provide a broad range of coking coal and more value-added services to our customers, we have built two coal processing plants located at Urad Zhongqi and Ceke. The plants had a processing capacity of 4.0 mtpa and 1.2 mtpa as at 30 June 2010, respectively.

Our integrated end-to-end service platform, comprising our logistics parks and coal processing plants and road and railway transportation capabilities through our arrangements with third-party transportation companies, enables us to secure stable and cost-effective supplies and maintain our position as a long-term supplier to steel makers and coke plants in various parts of China. At the same time, our service platform and sales network also provide international coking coal mining companies and operators with access to the China coking coal market. Furthermore, our logistical expertise enables us to extend our reach from Inner Mongolia to the eastern coastal area of China where demand and the average selling price for coking coal are generally higher and through our coal processing services, we are able to enhance our profitability. Given our first-mover advantage in establishing a land-borne coking coal route to China and the scale we have achieved thus far, we believe our business model is difficult to replicate and creates a high entry barrier for potential competitors.

In line with our business strategy, we plan to expand and enhance the various components of our service platform through our future development plans. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details of our plans.

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We are expanding our infrastructure and facilities rapidly, and plan to undertake various further projects, including the expansion and construction of (i) logistics parks and railway logistics centres at Sino-Mongolian border crossings, Sino-Russian border crossings and in PRC inland, (ii) port docking facilities, and (iii) coal processing plants. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details. Our rapid growth over the past few years and our expansion plans have presented, and continue to present, significant challenges for our management and administrative systems and resources. Please refer to the section headed “Risk Factors — Risks Related to Our Business and Our Industry — We are experiencing a period of rapid growth and may not be able to manage our growth effectively” in this prospectus for more details associated with our rapid development and expansion plans.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success in the China coking coal industry and distinguish us from our competitors:

We are a major gateway for global coking coal into China and we believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, with considerable scale and profitability

Based on AME estimates and our internal data, we are one of the largest imported coking coal suppliers in China by volume. In addition, we were the largest importer of Mongolian coal by volume, accounting for approximately 55.5% of all Mongolian coal imported into China in 2009.

Offtaking Mongolian coal on a large scale requires significant infrastructure and logistical capability, which creates considerable barriers to entry. Therefore, we do not expect the number of large-scale integrated coking coal suppliers to increase substantially in the near term. We believe that our capability to secure our coal supplies combined with our integrated end-to-end service platform will further enhance our position as a major gateway for global coking coal entering China.

Our integrated service platform provides us with a competitive advantage in providing a stable supply of high-quality coking coal to end customers in China

Our infrastructure investment at border crossings, our ability to supply Mongolian coal to our customers profitably and on a large scale and our significant coal processing capacity are the three cornerstones of our integrated service platform.

Our strategic infrastructure investment at border crossings

Our main Mongolia-based suppliers are operating at Tavan Tolgoi and Nariin Sukhait deposits, all located in the southern regions of Mongolia. The Sino-Mongolian border crossing closest to the Tavan Tolgoi deposit is the Gants Mod border crossing, which is approximately 270 km away and the Sino-Mongolian crossing closest to the Nariin Sukhait deposit is the Ceke border crossing, which is approximately 40 km away.

Our strength lies in the strategic location of our logistics parks at the Gants Mod and Ceke border crossings. As the respective mines of our main suppliers in Mongolia are only connected to both the Gants Mod border crossing and the Ceke border crossing by road, transportation of coal on a large scale can only be carried out by trucks. However, trucks from Mongolia and China cannot operate in each other’s territory beyond the immediate border crossing areas, where our logistics parks are located. As such, Mongolian trucks carrying coal can travel directly from the loading points in

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Mongolia and unload the same at our logistics parks. This allows us to arrange for onward transportation of coal in China to our coal processing plants or to our customers expediently. An efficient logistics hub at the relevant Sino-Mongolian border crossing becomes critical in transporting Mongolian coking coal into China. In addition, as Erlianhaote is the only Sino-Mongolian border crossing serviced by railway and as China and Mongolia use different railway gauges, it is currently not possible to have through travel at Sino-Mongolian border crossings. We expect this to continue for the foreseeable future and accordingly believe that our competitive advantage of having strategically placed logistics infrastructure at border crossings will continue to be significant.

Our Gants Mod and Ceke logistics parks, respectively occupying an area of approximately 666,659 sqm and 679,100 sqm, are strategically located in close proximity to the two border crossings which will provide us with the potential to further expand and continue to build our infrastructure to facilitate large-scale transportation of imported Mongolian coal at the two border crossings. We believe our logistics parks, which were among the first ones developed in the area and at a relatively low land cost, have the potential to further expand and continue to be a critical part of the infrastructure in facilitating large-scale transportation at both the Gants Mod and Ceke border crossings.

Our ability to supply Mongolian coal to our customers profitably and on a large scale

We believe we stand out from our competitors as being one of a few suppliers with an ability to supply Mongolian coking coal on a large scale and profitably to major steel makers and coke plants as far as 2,000 km away from the border crossings from which we operate, and to do so in a cost-effective manner. We are able to do this by utilising our logistical expertise to procure large-scale and cost-effective transportation capacity through third parties to deliver goods to our customers.

Our significant coal processing capacity

We believe the strategic location of our coal processing plants and our large-scale coal processing capacity are our critical strengths. We have two coal processing plants, one in Urad Zhongqi along the transportation route connecting Gants Mod border crossing and Baotou and another one in Ceke.

As at 30 June 2010, the Urad Zhongqi coal processing plant had an annual processing capacity of 4.0 mtpa and the Ceke coal processing plant had an annual processing capacity of 1.2 mtpa.

We believe our capability to process raw coking coal sourced from various mines has helped us stand out from other coal suppliers in China by offering our customers with a variety of coking coal products to suit their distinctive needs. Through expansion of our coal processing capacity strategically located across China, we believe we are able to provide value-added services to our customers located in a broader geographical coverage and to capitalise on the attractive growth opportunities in China's coking coal market.

We have established long-term and strategic relationships with a number of mining companies globally

We have secured coking coal supplies through long-term supply agreements with coal mining companies and operators in Mongolia for offtaking agreed amounts of coal produced by them. We started our cooperation with our Mongolia-based suppliers in 2006, being one of the first to do so on a large scale. We have established strong relationships with a number of Mongolia-based and global suppliers. Since our entry into the Mongolian market in 2006, the total Mongolian coal imported into China increased from approximately 2.4 mt in 2006 to approximately 6.0 mt in 2009. We also believe

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that we are one of the major customers of our Mongolia-based suppliers taking into account our market position in terms of Mongolian coal imported into China. Our main Mongolia-based suppliers are all leading mining companies in Mongolia. We also have in place strategic alliance agreements with two of our main Mongolia-based suppliers to ensure our stable supply of coking coal.

We secure our seaborne coal supply from a number of international coal mining companies and operators in Australia, the US, Canada and Russia, such as Peabody Energy, Anglo Coal, SUEK AG and Marubeni Corporation. We have also entered into a non-binding strategic cooperation agreement with Marubeni Corporation where we agree to develop our cooperation on coal business.

Our established relationships and our market position, particularly with respect to Mongolian coking coal, contribute to our ability to secure a stable supply of high-quality coking coal from around the world.

We have established strong relationships with some of the leading steel makers and coke producers in China

We are able to source a range of Mongolian coking coal, most of which can be substituted for domestically produced high-quality coking coal. Together with a steady supply of seaborne coal, we are able to supply our customers with a variety of coking coal products at competitive prices. We believe this ability gives us an advantage compared to other coal suppliers in China who focus principally either on seaborne coal or land-borne coal. Through this “one-stop shop” solution and our value-added coal processing services, we have been able to build a stable and growing customer base. Our customers include some of the largest steel makers and coke producers in China.

We have entered into long-term strategic alliance agreements and memoranda with a number of our customers where we have agreed with such customers to supply different types of coal possessing specific characteristics required by such customers in the future, with the actual volume and price to be determined at a later date based on their actual needs and our production capacity. We believe that the strategic alliance agreements and memoranda entered between us and our customers as well as the recurrent business we have with our major customers since the establishment of our relationships with them, demonstrate our customers’ confidence in us and our ability to supply coking coal products with consistent physical characteristics.

We have an experienced management team with a proven track record and outstanding execution capabilities

Our management team, which is built around our founder, Chairman and Chief Executive Officer, Mr. Wang, consists of seasoned managers with diverse skill sets, extensive international working experience and domestic know-how in natural resources and transportation industries. Mr. Wang himself has over 20 years of international commodities business experience, including importing oil and petrochemical products from Russia and Mongolia into China. The core members of our management team, comprising Mr. Wang, Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto, Mr. Apolonius Struijk and Mr. Cui Yong, have spent on average more than nine years with the Winsway Group.

In early 2010, HOPU, Minmetals, Silver Grant and ITOCHU became our investors and each of HOPU, Minmetals and Silver Grant has appointed a director representative to our Board. As a result, our Board has been able to benefit from the industry and financial expertise these investors can bring to us.

OUR BUSINESS STRATEGIES

Our vision is to become the leading gateway to the coking coal market of China by providing global premium coking coal products and solutions to China's steel industry through our integrated end-to-end service platform. We plan to accomplish our goal through the following strategies:

Strengthening our leading position in supplying Mongolian coking coal through further infrastructure investments and replicating our successful model at other Sino-Mongolian border crossings with further enhanced facilities

We intend to make further investments in infrastructure to facilitate increased volumes of imported coking coal from Mongolia to China. For example, we are in discussions to form a joint venture to build a heavy-duty road connecting Tavan Tolgoi to Gashuun Sukhait in Mongolia. We are also at the initial stage of planning the construction of conveyor belt systems which will connect our Gants Mod and Ceke logistics parks to the contiguous lands in Gashuun Sukhait and Shivee Khuren respectively in Mongolia to enhance our Sino-Mongolian border crossing efficiency and capacity. The construction and operation of these conveyor belt systems would be subject to the receipt of necessary governmental and regulatory approvals in both China and Mongolia.

In addition to the border crossings at Gants Mod and Ceke, we plan to replicate our operational model at other Sino-Mongolian border crossings, starting with Erlianhaote, and we are further exploring the possibility of expanding to Mandula and Zhu'engadabuqi in the future. The proposed railway logistics centres at Mandula and Zhu'engadabuqi are dependent on the development of the railways connecting Mandula and Zhu'engadabuqi respectively to the PRC railway network by the relevant PRC governmental departments and authorities. As far as we are aware, the connecting railways are currently in the planning stage, and their actual completion dates are uncertain. We also plan to invest in key infrastructure including railway logistics centres at these border crossings to capitalise on expected increased imports of natural resources from Mongolia into China.

Capitalising on expected future flows of Russian coking coal into China by replicating our successful Mongolian business model at the Chinese side of key Sino-Russian border crossings with further enhanced facilities

To facilitate the future transportation of Russian coal to China, we plan to construct infrastructure including logistics parks, railway logistics centres and coal processing plants, each of which is expected to have an initial coal processing capacity of 5.0 mtpa at the Chinese side of two key Sino-Russian border crossings, Manzhouli and Suifenhe. We also plan to leverage our management's extensive experience acquired through importing oil and petrochemical products from Russia in order to secure stable coal supplies. For example, we plan to form long-term strategic cooperation relationships with key Russian coal producers like SUEK AG and Mechel, who are already our suppliers. We also intend to further develop our relationship with Chinese railway authorities in order to facilitate transportation of Russian coal into China and, through our existing sales network in China, to promote Russian coking coal to Chinese steel makers and coke plants.

Further securing Chinese domestic railway capacity by becoming a strategic partner with Chinese railway authorities and a key stakeholder in the supply chain

We believe that our leading position in supplying Mongolian coking coal and potential expansion into Russian coal can be strengthened by further securing transportation capacity within China's national railway system. To that end, we have subscribed for a 5% equity interest in Xixiaozhao Gants Mod Railway Co., Ltd., a joint venture company with Hohhot Railway Bureau and

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other third parties which will construct a railway connecting Xixiaozhao to Gants Mod, expected to be completed in 2011. Further, we also plan to undertake the following:

- developing and operating, jointly with Hohhot Railway Bureau, the primary regulator and operator of a number of China's most important coal transportation railways in northern China, railway logistics centres at five Sino-Mongolian border crossings, Gants Mod, Ceke, Erlianhaote, Mandula and Zhu'engadabuqi;
- developing jointly with Hohhot Railway Bureau two inland railway logistics centres in Inner Mongolia, at Urad Zhongqi and Jining;
- developing jointly with another railway bureau logistics parks and railway logistics centres at the Chinese side of two Sino-Russian border crossings, Manzhouli and Suifenhe; and
- investing jointly with Hohhot Railway Bureau in railway rolling stock and maintenance facilities.

As at the Latest Practicable Date, Hohhot Railway Bureau and we invested in five joint venture companies, Bayannao'er Winsway, Ejinaqi Winsway, Erlianhaote Haotong, Urad Zhongqi Haotong and Inner Mongolia Hutie Winsway Logistics, for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke, Erlianhaote, Urad Zhongqi and Jining respectively. We own a 51% equity interest and have majority board representation in each of these joint venture companies. We believe that our cooperative arrangements with the Hohhot Railway Bureau will improve our logistics capability.

Further expanding our coal processing capacity

To enable us to provide a broader range of coking coal and more value-added services to our customers, we plan to expand our coal processing capability by way of capacity expansion at our existing coal processing plants and development of new coal processing plants at various strategic locations.

Further securing our supply by entering into long-term offtake contracts and selectively pursuing opportunities to acquire upstream resources

We are in discussion with Mongolia-based coal producers to secure further long-term supply agreements to offtake additional coal in line with our business expansion and expected increase in their production volume. Meanwhile, we are exploring joint venture and acquisition opportunities in upstream resources to secure cost-effective, long-term coking coal supply. This includes our recent acquisition of Polo Resources Coöperatief's 50% interest in the Peabody-Winsway JV, the 100% holder of Peabody-Winsway Mongolia, a Mongolian legal entity engaging in coal exploration and mining in Mongolia. In total, Peabody-Winsway Mongolia holds 50 coal-related mineral licences as at the Latest Practicable Date. As of the Latest Practicable Date, we have not entered into any agreement or negotiation, nor do we have any definite plans at present, in relation to any potential acquisition of upstream coal resources save for our investment in Peabody-Winsway JV.

We aim to develop a Russian coal procurement business by replicating our Mongolian model and exploiting Mr. Wang's extensive experience in importing oil and chemical and other commodity products from Russia to China. We will also explore acquisition opportunities to secure upstream coal resources in Russia.

In order to complement our supply of Mongolian coking coal, we have established a presence in Singapore, Brisbane and Hong Kong to exploit seaborne market opportunities. We plan to establish

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a long-term supply relationship with our seaborne coal suppliers to offtake their coal products to secure our seaborne supplies and we will also pursue upstream investment opportunities relating to seaborne supplies.

Expanding our presence in China sea ports

We plan to further strengthen our ability to provide a variety of products to satisfy different quality specifications required by our customers. To that end, we plan to construct coal processing facilities at Bayuquan port and Longkou port and explore possibility of constructing a coal processing plant at Yangkou port. We also plan to invest in docking facilities dedicated to coal transportation and shipment in Longkou port. We expect Bayuquan and Longkou ports primarily to serve as receiving ports for coal from Russia and to also service the Northeast China and Shangdong province markets.

The coal processing facilities at Bayuquan and Longkou ports are each expected to have an initial coal processing capacity of 4.0 mtpa. We expect the coal processing plant at Bayuquan and Longkou ports, when completed, to also serve as important contributors to our value chain due to their strategic location and proximity to our key markets in Hebei province and other coastal regions in China.

Exploring new markets

To increase penetration of our products, we plan to continue to expand our sales network to cover the major steel makers and coke plants in China. We conducted a one-off export sale to Japan in 2008 and are currently exploring further opportunities in Japan through our internal feasibility studies with a view to undertaking more export sales to Japan in future. At the same time, we are also conducting preliminary assessment on potential opportunities in India although no feasibility study has been performed on the Indian market as at the Latest Practicable Date. As we are still at a preliminary stage of our business expansion to these new markets we have not engaged any external party to conduct any evaluation/feasibility study. We believe our “one-stop shop” coking coal supply solution to our customers is critical to our success. As a result, we will cater to our customers’ needs by continuing to develop a broader range of standardised coking coal products.

OUR OPERATION

Our principal business involves the procurement of coking coal from around the world, particularly from Mongolia and the provision of value-added services to our customers in China. These services include sourcing, transportation, storage, processing and sale of coking coal. We have established an integrated end-to-end service platform comprising our logistics parks and border-crossing infrastructure and coal processing plants and road and railway transportation capabilities through our arrangements with third-party transportation companies. We believe this platform allows us to secure stable and cost-effective supplies and has enabled us to become a long-term supplier to steel makers and coke plants in various parts of China.

We source a substantial portion of our coking coal from our Mongolia-based suppliers, and through arrangements between our suppliers, a third-party transportation company and ourselves, Mongolian coal is transported directly from our suppliers’ mines to our logistics parks in Gants Mod and Ceke. A substantial portion of our Mongolian coking coal is processed at our coal processing plants located at Urad Zhongqi and Ceke, and a small portion is sold directly to our customers.

Seaborne coal we source from countries such as Australia, the US, Canada and Russia is usually delivered to Jingtang, Rizhao or Caofeidian ports. Our customers usually take delivery from these ports or, if required, we arrange delivery by road and rail transportation to our customers.

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PROCUREMENT AND SUPPLIERS

Overview

Based on AME estimates and our internal data, in 2009, we accounted for approximately 55.5% of the total Mongolian coal imported into China by volume. In the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we procured approximately 1.0 mt, 1.3 mt, 7.2 mt and 4.4 mt of coal, respectively, with a breakdown by source as follows:

	<u>Year ended 31 December</u>			<u>Six months ended</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>30 June 2010</u>
<u>Origins of coal</u>	<u>Volume</u>	<u>Volume</u>	<u>Volume</u>	<u>Volume</u>
	<u>(mt)</u>	<u>(mt)</u>	<u>(mt)</u>	<u>(mt)</u>
Mongolia	1.0	1.3	3.8	2.4
Seaborne	-	-	3.4	2.0
Total	1.0	1.3	7.2	4.4

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, coal purchases from our five largest suppliers accounted for 72.9%, 71.1%, 64.7% and 46.8% of our total purchases, respectively.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, purchases from our single largest supplier accounted for 66.1%, 34.4%, 20.7% and 11.8% of our total purchases, respectively.

None of our Directors or their associates or, to the best knowledge of our Directors, our existing Shareholders who own more than 5% of our issued capital, has any interest in our five largest suppliers.

Suppliers in Mongolia

Due to its large, untapped and high-quality coking coal resources, low production costs and close proximity to China, Mongolia has in recent years emerged as one of the major coking coal exporters to China. Most of the Mongolian coal resources are situated in the eastern and southern regions of Mongolia. Those include Tavan Tolgoi located approximately 270km from the Gants Mod border crossing, and the Nariin Sukhait deposit, located approximately 40km north of the Ceke border crossing.

We started our supply relationship with our largest Mongolia-based supplier in 2006 and have since expanded our supplier base and established supply relationships with three other leading Mongolia-based coal mining companies during the Track Record Period.

At the end of each year we discuss with our suppliers their production and development plans for the following year. After taking into consideration production plans and requirements of our customers, transportation and our coal processing capacity, we reach an understanding with our customers on the price, volume and specifications of the coking coal to be supplied for the following year. Our management and procurement and sales teams will work closely to determine the yearly supply plan with our main Mongolia-based suppliers around the same time the yearly sales plan is determined, although the timing of signing of formal supply contracts may not match that of the sales contracts. In the past, we have also procured an insignificant volume of Mongolian coal from other suppliers on an ad hoc and one-off basis in order to satisfy changing customer demands. We do not expect the volume of any such procurement to be material going forward.

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As at the Latest Practicable Date, we have entered into the following contracts with three Mongolia-based suppliers:

(i) Strategic alliance agreement and offtake contract with our largest Mongolia-based supplier

We entered into a binding coal supply contract with our largest Mongolia-based supplier which has the right to supply coal from two pits located in Tavan Tolgoi (“**Supplier No. 1**”) for the supply of 1.0 mt to 4.0 mt of coal in each year, also known as coal offtake contract (“**Offtake Contract No. 1**”). The Offtake Contract No. 1 expires on 28 October 2010.

Consistent with our procurement policy and past practices, we discuss and agree with the Supplier No. 1 our supply plan and delivery schedule for the following year at the end of each year, and communicate from time to time should any adjustment to the plan or schedule need to be made. We are not committed to purchasing any coal if the price cannot be agreed.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we procured approximately 1.0 mt, 1.1 mt, 1.8 mt and 0.8 mt of coal from the Supplier No. 1.

We further entered into a binding ten-year strategic cooperation agreement entered in March 2010 with another company (“**New Supplier**”) which granted the Supplier No. 1 the right to mine at the same two pits located in Tavan Tolgoi. Under that cooperation agreement, the New Supplier has committed to sell us at least 5.0 mt of raw coking coal per year or 50% of its total annual output, whichever is the higher, with an increase in volume each year based on actual production. The price will be set annually between us and the New Supplier each year with reference to the Chinese market price of coking coal. We are not committed to purchasing any coal if the price cannot be agreed. We have an understanding with the Supplier No. 1 and the New Supplier that, and pursuant to the strategic cooperation agreement between the New Supplier and us, we will enter into a new coal offtake agreement with the New Supplier upon the expiration of the Offtake Contract No. 1 on 28 October 2010. We consider the risk of a new supply agreement not being signed with the New Supplier upon the expiry of the Offtake Contract No. 1 not to be material.

(ii) Strategic alliance agreement and coal offtake contract

We have also entered into a binding strategic alliance agreement with another Mongolia-based supplier (“**Supplier No. 2**”) under which the Supplier No. 2 agreed that up to 2.0 mt of coking coal will be supplied to us each year from 2010 to 2013, with an increase in volume each year based on actual production. The price will be set between the Supplier No. 2 and us based on the prevailing market price. We are not committed to purchase any coal if the price cannot be agreed.

We currently have in place a binding coal supply contract with the Supplier No. 2 for the supply of 1.5 mt to 2.0 mt of coal for the one year ending 1 February 2011, also known as coal offtake contract, under which the coal transportation and export plan for the Supplier No. 2 during the term of the contract has been set out. The sales price for the coal to be supplied is set out in the contract. Such price shall be subject to quarterly adjustment depending on market conditions.

(iii) Offtake contract

We currently have in place a binding coal supply contract with a Mongolia-based supplier (“**Supplier No. 3**”) for the supply of 5,700 tonnes of coal each day up to 31 December 2010. Our relationship with that Mongolia-based supplier can be traced back to 2008. The total amount of coal to be supplied and delivery schedule has been amended from time to time by mutual agreement between

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the Supplier No. 3 and us. Sales price in respect of the coal to be supplied will be amended each time the contract is extended to reflect the agreement of the parties.

We have also entered into a non-binding memorandum of understanding for long-term strategic cooperation with a potential Mongolia-based supplier on 7 July 2010 for the supply of coking coal during year 2010 to 2012, and in particular the coking coal to be supplied in years 2010, 2011 and 2012 are expected to be up to 1.0 mt, 3.0 mt and 5.0 mt respectively, with an increasing volume based on status of production. The price will be set annually between the potential supplier and us based on the international market price of coking coal.

We usually enter into tri-partite agreements with our suppliers and Moveday, an Independent Third Party, for the delivery of coal from the mine mouth to the relevant border crossing. These tri-partite agreements will typically set out the term, transportation price, pick-up and delivery points, and other responsibilities of the parties. In some cases, our Mongolia-based suppliers may choose to arrange delivery of our coal supply directly by themselves. Our purchase price usually includes both mine mouth price and transportation cost from the mine mouth to the relevant border crossings. We usually pay the mine mouth purchase price and the transportation cost directly to the suppliers and the transportation company, respectively. Payments to our Mongolia-based suppliers are normally made by telegraphic transfer or letter of credit in US dollars. Payments to transportation companies are normally made by telegraphic transfer.

We believe our ability to secure a stable supply of coal from our Mongolia-based suppliers stems from the following: (i) our logistics parks located at Gants Mod and Ceke, located approximately 270km from the Tavan Tolgoi and approximately 40km from the Nariin Sukhait deposit, respectively, where our suppliers are operating; (ii) our ability to transport coal from Mongolia to the border crossings via road transportation arranged through our suppliers and a third-party transportation company; and (iii) our considerable scale and our strong relationships with our main Mongolia-based suppliers. We have not experienced any material disputes related to coal supplies during the Track Record Period.

Other potential suppliers

We have been actively seeking other potential coking coal suppliers in Mongolia which will provide us with potential to further expand our business. Leveraging on our integrated end-to-end service platform and reputation as a trusted coking coal offtaker in Mongolia, we believe we will continue to be one of the preferred customers for our existing suppliers and be able to attract further supplies from the growing number of Mongolia-based coking coal producers and operators.

Procurement and Pricing

In addition to the yearly sales plan which will be determined around the same time the yearly supply plan with our Mongolia-based suppliers are determined, our procurement decisions are also affected by various factors, including: (a) overall supply of Mongolian coal and the likely demand from our target market; (b) characteristics and specifications of the coal to be supplied; (c) prevailing market prices of comparable coking coal in the Chinese local market; and (d) prevailing transportation and other relevant costs.

Suppliers of seaborne coal

Other than Mongolian coal, we also started to procure seaborne coal, which consists solely of hard coal, from 2009. We consider the seaborne coal market an integral part of our business strategy

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and provides synergy to our business as we consider our ability to produce a range of coal products with customised specifications at competitive pricing to suit our customers' needs is critical to maintaining a solid and stable relationship with our customers. Further, we recognise that the opportunity in the seaborne coal market which will not only allow the Group to supply coal with various different characteristics, the availability and accessibility of seaborne coal will also contribute to our total turnover and enhance the return to our shareholders. We primarily sourced our seaborne coal from countries such as Australia, the US, Canada and Russia. We have secured supply from international coal mining companies and operators such as Peabody Energy, Anglo Coal, SUEK AG and Marubeni Corporation in year 2010 through a combination of spot contracts and term contracts. Our term contracts are typically for a term of up to a year, and provide for shipments in accordance with a provisional delivery schedule, with deliveries to be made on mutually agreeable laydays. Depending on our negotiations with our suppliers, prices may be fixed for the entire tonnage agreed for, or may be fixed for a specified number of shipments with prices for additional to be further agreed. Payment is usually made in respect of each shipment against delivery.

We have also entered into a non-binding strategic cooperation agreement with Marubeni Corporation where we agree to develop our cooperation on coal business. Under our agreement, Marubeni Corporation will supply us with various types of coal, including coal produced in Australia, Canada, New Zealand, the US, Russia, and will purchase from us coal produced in China, Mongolia and Russia, with a total target annual sales and purchase volume of 1.3 mt to 2.3 mt of coal under contracts entered into or to be entered into between 1 April 2009 and 31 March 2011.

Most of our purchases of seaborne coal are either on an FOB basis at the loading port, with our overseas suppliers paying for all the costs before loading whereas we are responsible for the costs of ocean freight, insurance and other costs, or on a CIF or CFR basis at the disembarkation port, with our overseas suppliers paying for all costs before delivery.

Payments are usually made by way of letter of credit or telegraphic transfer and are all settled in US dollars.

Procurement and Pricing

Our overseas coal procurement department sources coal primarily through direct contact with coal mining companies and operators and formulates our procurement policy for seaborne coal based on the pricing of coal in the international markets, taking into consideration various factors including (a) current market demand and supply and the anticipated market trends in the Chinese market; and (b) characteristics and specifications of the coal to be supplied. Our usual practice is to place order for seaborne coal in accordance with orders or requests from our customers. Upon receipt of orders or requests from our customers, we will approach our suppliers which are able to supply the required coal to discuss the purchase price. As we are sourcing our seaborne coal supply from various suppliers from several countries, we believe we are able to source for coal possessing characteristics sought by our customers in the amount required from the most competitive supplier, or if required, from a combination of several suppliers. Further as the international coking coal market is a mature and established market, we are confident that we will be able to find alternative suppliers to satisfy our customers' requirements should the need arise. The purchase price will typically be determined based on the prevailing international coal price and after taking into account the delivery schedule, our profit margin and other relevant costs, such as import agent's fees and transportation costs. We have also adopted certain preventive measures to minimise our exposure in respect of price fluctuation. In the past, in most cases we were able to carry out our seaborne coal trade by committing to the purchase price and amount with our suppliers to ensure that we are able to supply coal possessing characteristics sought by our customers in the amount required after receipt of orders or requests from our customers.

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We generally will not enter into a trade transaction if the market or other prevailing conditions render the trade unprofitable or not commercially viable for us. Through our international procurement team's experience, market knowledge and extensive network, we have been able to source seaborne coal at generally competitive levels. For risks associated to fluctuation in coking coal price and associated costs, please refer to the sections headed "Risks Factors — Risks Related to Our Business and Our Strategy — Our results of operations may be affected by a number of factors beyond our control, including the average selling prices, fluctuations in raw material prices and sales volumes of our processed and raw coking coal products" and "Risk Factors — Risks Related to Our Business and Our Strategy — We generate a part of our turnover from seaborne coal trade. Fluctuation in international coking coal price or freight cost may potentially cause our seaborne coal business to be unprofitable" in this prospectus.

Upstream investments

In order to enhance our ability to obtain a steady supply of high-quality coking coal in the medium to long term, we also plan to selectively pursue investments in minority interests in upstream mining assets. On 29 June 2010, we acquired a 50% interest in Peabody-Winsway JV, a joint venture company with Peabody Holland (a subsidiary of Peabody Energy), from Polo Resources Coöperatief, for a consideration of US\$35 million and replaced Polo Resources Coöperatief as one of the two shareholders of Peabody-Winsway JV. The total consideration payable was arrived at based on commercial negotiations, with reference to factors including the net asset value of Peabody-Winsway JV and the strategic value of the various licences held by Peabody-Winsway JV. Out of the US\$35 million consideration, US\$15 million has been paid in cash and the remainder will be settled by payment in cash within three Business Days after the Listing Date or, if the Listing does not take place within 12 months from 29 June 2010, on the Business Day immediately following such 12-month period. In addition, we agreed to pay to Peabody Energy a facilitation fee of US\$10 million which is to be satisfied by the issue to Peabody Energy of the Peabody Energy Consideration Shares if the Listing takes place within 12 months from 29 June 2010 or by cash if the Listing does not take place within such 12-month period under a cooperation and facilitation fee agreement dated 29 June 2010, pursuant to which Peabody Holland, amongst other things, consented to and waived pre-emption rights and other restrictions on transfer and rights of veto in respect of the transfer of 50% interest in Peabody-Winsway JV by Polo Resources Coöperatief. Since the applicable percentage ratios in Rule 14.07 of the Listing Rules in respect of the acquisition of the Peabody-Winsway JV are less than 25%, the acquisition of the Peabody-Winsway JV should not be regarded as a material business of our Company, nor should it be classified as a major transaction or very substantial acquisition if the acquisition had been made by the Company at the date of the Listing application. Accordingly, no pre-acquisition financial information shall be required to be disclosed in this prospectus pursuant to Rule 4.05A of the Listing Rules.

Assuming the issuance of all the Peabody Energy Consideration Shares based on an Offer Price of HK\$3.875 (being the mid-point of the indicative range of the Offer Price) upon Listing, there will be 20,040,516 Shares issued to Peabody Energy Coöperatief as the Peabody Energy Consideration Shares, which will represent 0.53% of the Shares in issue upon Listing (taking no account of any Shares that may be allotted and issued upon the exercise of any options granted under the Pre-IPO Option Scheme).

Under the relevant joint venture agreement between us and Peabody Holland, the management of Peabody-Winsway JV is vested in the board of directors, and each of Peabody Holland and our Company is entitled to appoint up to two directors to the board. The board currently consists of four directors, with two directors appointed by us and two directors appointed by Peabody Holland. Peabody Holland is responsible for managing, overseeing, coordinating and providing management

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services to the joint venture company and is entitled to appoint an appointee to oversee such services and to manage, control, administer and operate the business of the joint venture company and report regularly to the board of directors. The shareholders may, but are not obliged to, provide funding for any future cash needs by shareholder loans or subscription for new shares on a pro rata basis. The annual dividend is to be determined by the board of Peabody-Winsway JV and it will be distributed on a pro rata basis. The Peabody-Winsway JV is being accounted for as a jointly-controlled entity of our Company and our investment in the Peabody-Winsway JV is being accounted for using the equity method of accounting.

Peabody-Winsway JV holds, amongst other things, a 100% equity interest in Peabody-Winsway Mongolia, a Mongolian legal entity engaging in coal exploration and mining in Mongolia. In total, Peabody-Winsway Mongolia holds 50 coal-related licences in Mongolia (including 47 exploration licences and three mining licences). The coal exploration and mining licenses held by Peabody-Winsway Mongolia cover land in four main areas in Mongolia, with a total coverage area of approximately 7,210 square kilometres, which includes a large area in the strategically important South Gobi Coal Basin (which is in relatively close proximity to the Gants Mod and Ceke border crossings).

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The table below sets out selected information on the coal-related licences held by Peabody-Winsway Mongolia:

License No.	Approximate Mining Area Covered (hectare)	Validity Period	Location of Project	Estimated Investment Cost within the Next 12 Months (US\$)	Proposed Method of Mining	Granting Authority	Fees Paid for Application/ Acquisition (US\$)	Annual Fee Paid by Peabody-Winsway JV (US\$)	Stage of Exploration	Approximate Costs Incurred as at the Latest Practicable Date (US\$)			
											Issue Date	Expiring Date	Province
1	9884X	65.37	05/26/05	05/26/14	Tuv	Bayanjargalan	22,415	Open-cut	Minerals Resource Authority ("MRA")	286,666	65	Early stage of exploration. No drilling conducted	21,565
TSAIDAM COAL FIELD													
2	7715X	624.77	06/11/04	06/11/13	Tuv	Bayanjargalan	23,093	Open-cut	MRA	222,222	1,938	Early stage of exploration. No drilling conducted	24,927
3	10715X	486.77	06/13/05	06/13/14	Tuv	Bayan	23,679	Open-cut	MRA	343,234	487	Early stage of exploration. No drilling conducted	128,554
4	3066A	81.84	03/19/01	03/19/31	Tuv	Bayan	50,410	Open-cut	MRA	559,611	409	Advanced stage of exploration with defined resources	1,364,660
5	7863A	202.46	03/19/01	03/19/31	Tuv	Bayan	51,818	Open-cut	MRA	559,611	1,012	Advanced stage of exploration with defined resources	834,722
ERDS BASIN													
6	11162X	19875.92	01/19/06	01/19/15	Dornogovi	Altanshiree	41,064	Open-cut	MRA	1,260,000	19,884	Past drilling conducted	231,962
7	9068X	31366.74	01/03/05	01/03/14	Dornogovi	Ikh Khet	96,412	Open-cut	MRA	250,000	31,392	Past drilling conducted	251,013
8	9739X	23446.82	05/05/05	05/05/14	Dornogovi, Khentii	Ikh Khet, Altanshiree, Tamir	72,938	Open-cut	MRA	250,000	23,427	Past drilling conducted	201,605
9	7457X	132.81	05/12/04	05/12/13	Dornogovi	Ikh Khet	1,710	Open-cut	MRA	3,200,000	1,198	Past drilling conducted	562,585
10	13045X	8310.7	12/12/07	12/12/16	Dornogovi	Altanshiree	18,655	Open-cut	MRA	8,000,000	9,318	Past drilling conducted	620,669
EREEEN													
11	8766A	35.31	08/26/03	08/26/33	Bulgan	Saihan	10,177	Open-cut	MRA	4,000,000	177	Reclamation monitoring stage	3,021,340
12	12764X	21485.63	10/03/07	10/03/16	Bulgan	Saikhan	68,973	Open-cut	MRA	350,000	22,507	Past drilling conducted	791,611
13	13380X	683.52	03/19/08	03/19/17	Bulgan	Gurvanbulag	3,679	Open-cut	MRA	41,111	205	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	5,836
14	13381X	1752.84	03/19/08	03/19/17	Bulgan	Gurvanbulag	5,817	Open-cut	MRA	41,111	526	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	6,464

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License No.	Approximate Mining Area Covered (hectare)	Validity Period		Location of Project		Estimated Investment Cost within the Next 12 Months (US\$)	Proposed Method of Mining	Granting Authority	Fees Paid for Application/ Acquisition (US\$)	Annual Fee Paid by Peabody-Winsway JV (US\$)	Stage of Exploration	Approximate Costs Incurred as at the Latest Practicable Date (US\$)	
		Issue Date	Expiring Date	Province	SubProvince								
							SOUTH GOBI						
15	12483X	22071.01	06/11/02	06/11/11	Umnugovi Noyon	128,849	Open-cut	MRA	352,000	33,134	Past drilling conducted	1,409,689	
16	10566X	25782.02	10/03/05	10/03/14	Umnugovi Gurvantes	107,469	Open-cut	MRA	2,200,000	25,796	Early stage of exploration, currently conducting geophysical mapping. No drilling conducted	276,976	
17	13353X	4100	03/05/08	03/05/17	Umnugovi Gurvantes	10,512	Open-cut	MRA	420,000	1,231	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	29,408	
18	12000X	7364.56	09/12/06	09/12/15	Umnugovi Gurvantes	-	Open-cut	MRA	420,000	7,370	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	30,688	
19	13535X	6486.76	04/11/08	04/11/17	Umnugovi Gurvantes	15,285	Open-cut	MRA	420,000	1,948	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	26,433	
20	13418X	14633.1	03/25/08	03/25/17	Umnugovi Bayandalai, Khurmen	-	Open-cut	MRA	420,000	4,392	Early stage of exploration, currently conducting geophysical mapping. No drilling conducted	54,655	
21	13600X	8991.63	04/23/08	04/23/17	Umnugovi Gurvantes, Noyon	-	Open-cut	MRA	444,444	2,697	Early stage of exploration, currently conducting geophysical mapping. No drilling conducted	28,748	
22	13601X	15381.25	04/23/08	04/23/17	Umnugovi Noyon	65,375	Open-cut	MRA	444,444	4,622	Early stage of exploration, currently conducting geophysical mapping. No drilling conducted	44,511	
23	10413X	72928.82	09/07/05	09/07/14	Umnugovi Bayan-Ovoo, Tsegt Tsetsii	390,266	Open-cut	MRA	2,777,777	73,017	Past drilling conducted	723,997	
24	4520X	30107.53	06/11/02	06/11/11	Umnugovi Noyon	310,985	Open-cut	MRA	333,235	45,191	Past drilling conducted	313,496	
25	4522X	52023.94	06/11/02	06/11/11	Umnugovi Nomgon, Khan	230,193	Open-cut	MRA	333,235	78,290	Past drilling conducted	1,016,901	
26	5254X	20574.25	12/28/02	12/28/11	Umnugovi Khan	135,193	Open-cut	MRA	333,235	30,782	Past drilling conducted	230,294	
27	13212X	27535.15	01/29/08	01/29/17	Umnugovi Noyon	89,683	Open-cut	MRA	777,778	8,265	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	105,148	

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License No.	Approximate Mining Area Covered (hectare)	Validity Period		Location of Project		Estimated Investment Cost within the Next 12 Months (US\$)	Proposed Method of Mining	Granting Authority	Fees Paid for Application/Acquisition (US\$)	Annual Fee Paid by Peabody-Winsay JV (US\$)	Stage of Exploration	Approximate Costs Incurred as at the Latest Practicable Date (US\$)
		Issue Date	Expiring Date	Province	SubProvince							
28 13706X	5625.31	05/15/08	05/15/17	Umnugovi	Nomgon	-	Open-cut	MRA	777,777	1,689	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	12,566
29 11180X	58737.19	01/23/06	01/23/15	Umnugovi	Bayandalai	243,960	Open-cut	MRA	1,200,000	58,779	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	286,650
30 11468X	72382.73	03/03/06	03/03/15	Umnugovi	Khankhongor	218,601	Open-cut	MRA	1,250,000	73,574	Past drilling conducted	700,533
31 12789X	2253.79	10/09/07	10/09/16	Umnugovi	Nomgon	6,535	Open-cut	MRA	1,250,000	3,255	Past drilling conducted	101,701
32 13389X	38531.34	03/20/08	03/20/17	Umnugovi	Gurvantes	-	Open-cut	MRA	200,000	1,054	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	75,239
33 13349X	3266.96	03/05/08	03/05/17	Umnugovi	Gurvantes	-	Open-cut	MRA	200,000	981	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	8,015
34 13350X	1256.57	03/05/08	03/05/17	Umnugovi	Gurvantes	-	Open-cut	MRA	200,000	377	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	6,169
35 13397X	5021.49	03/20/08	03/20/17	Umnugovi	Gurvantes	-	Open-cut	MRA	200,000	1,508	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	1,227
36 13396X	2092.3	03/20/08	03/20/17	Umnugovi	Gurvantes	-	Open-cut	MRA	200,000	628	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	6,401
37 13398X	3511.44	03/20/08	03/20/17	Umnugovi	Gurvantes	-	Open-cut	MRA	300,000	1,054	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	6,894
38 13692X	26720.18	05/13/08	05/13/17	Umnugovi	Khan Khongor	128,276	Open-cut	MRA	455,555	8,022	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	105,632
39 9837X	3001.41	05/20/05	05/20/14	Uvs	Umnugovi	11,316	NORTH WEST Open-cut	MRA	1,300,000	3,003	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	113,298

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License No.	Approximate Mining Area Covered (hectare)	Validity Period			Location of Project		Estimated Investment Cost Next 12 Months (US\$)	Proposed Method of Mining	Granting Authority	Fees Paid for Application/Acquisition (US\$)	Annual Fee Paid by JV (US\$)	Stage of Exploration	Approximate Costs Incurred as at the Latest Practicable Date (US\$)
		Issue Date	Expiring Date	Province	SubProvince								
40	13521X	4881.22	04/10/08	04/10/17	Uvs	Umnugovi	12,074	Open-cut	MRA	355,555	1,465	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	20,971
41	7590X	102.43	05/28/04	05/28/13	Uvs	Tarialan	1,619	Open-cut	MRA	505,555	1,153	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	50,386
OTHER													
42	12930X	1147.01	11/13/07	11/13/16	Sukhbaatar	Tumentogt	4,321	Open-cut	MRA	43,334	2,148	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	12,366
43	11353X	1919.65	02/13/06	02/13/15	Sukhbaatar	Bayandelger	5,151	Open-cut	MRA	43,334	1,921	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	21,404
44	11063X	11.06	01/05/06	01/05/15	Sukhbaatar	Sukhbaatar	1,334	Open-cut	MRA	43,332	11	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	25,046
45	11295X	2017.87	02/07/06	02/07/15	Govisumber, Tuv	Bayantal, Bayanjargalan	-	Open-cut	MRA	-	2,109	Past drilling conducted	111,486
46	9116X	883.89	01/10/05	01/10/14	Ovorkhangei	Khairkhandulaan	4,963	Open-cut	MRA	-	883	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	14,746
47	13581X	541.26	04/21/08	04/21/17	Ovorkhangei	Nariinteel	3,394	Open-cut	MRA	300,000	163	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	10,348
48	13879X	2219.51	07/16/08	07/16/17	Ovorkhangei	Nariinteel	3,912	Open-cut	MRA	326,389	666	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	39,491

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License No.	Approximate Mining Area Covered (hectare)	Validity Period		Location of Project		Estimated Investment Cost within the Next 12 Months (US\$)	Proposed Method of Mining	Granting Authority	Fees Paid for Application/ Acquisition (US\$)	Annual Fee Paid by Peabody-Winsway JV (US\$)	Stage of Exploration	Approximate Costs Incurred as at the Latest Practicable Date (US\$)
		Issue Date	Expiring Date	Province	SubProvince							
49 13880X	14460.66	07/16/08	07/16/17	Ovorkhangei	Khairkhandulaan	19,828	Open-cut	MRA	326,389	4,342	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	52,643
50 13156X	59396.64	01/10/08	01/10/17	Umnugovi	Bayan-Ovoo, Tsogt Tsetsii	150,365	Open-cut	MRA	702,222	17,834	Early stage of exploration, currently conducting mapping and sampling. No drilling conducted	92,148

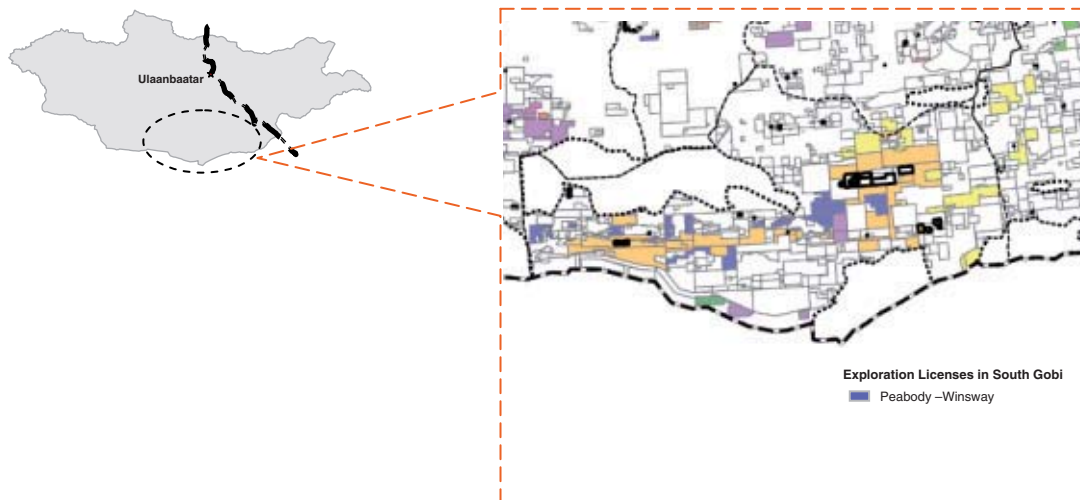
BUSINESS

We estimate the investment cost in relation to Peabody-Winsway JV to be contributed by us within the next 12 months to be approximately US\$1.40 million. However, the management of Peabody-Winsway JV is unable to determine the actual date for commencement of commercial production in respect of the various exploration or mining licences as commercial production will depend on various factors, including results of exploration, logistics arrangements, the timing of obtaining mining license and actual mine development plan. Based on the experience of the management of Peabody-Winsway JV and the current exploration status of the various coal-related licences, commercial production in the Erds Basin and South Gobi Coal Basin is expected to commence around the end of 2011 and mid 2012, respectively.

The map below illustrates the approximate geographic location of the licensed areas for Peabody-Winsway Mongolia and the licensed areas in the South Gobi Coal Basin:

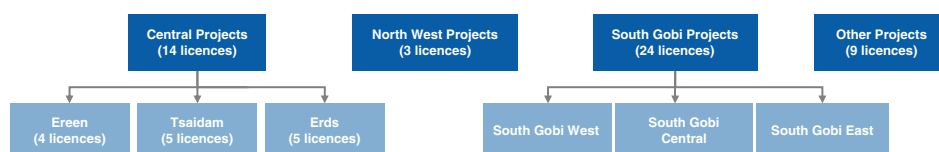


The map below illustrates the approximate geographic location of the licensed areas of Peabody-Winsway Mongolia in the South Gobi Coal Basin:



BUSINESS

Overview of license areas in Mongolia and number of licences held



Peabody-Winsway Mongolia projects in the central and north-western regions of Mongolia are generally thermal coal projects and they are in relatively advanced stages, whilst projects in the South Gobi Coal Basin are still at the preliminary stage in terms of exploration and readiness for production. The South Gobi Coal Basin is known for its huge coal resources, including the Tavan Tolgoi coking coal/thermal coal deposits and the rich deposits in Baruun Nuran, Ovoot Tolgoi and Nariin Sukhait.

Peabody Holland is entrusted with providing management services to Peabody-Winsway JV and its subsidiaries. Under relevant agreements, Peabody Gobi, LLC, a subsidiary of Peabody Holland, has been appointed to provide such management services to Peabody-Winsway Mongolia, and its subsidiaries, MUC Resources, LLC and GraviMag LLC and to designate appointees to manage, control, administer and operate the businesses of Peabody-Winsway Mongolia and its subsidiaries for a fee of US\$25,000 per month, adjustable every 12 months. Peabody Gobi LLC will also receive an additional US\$5,000 to cover recurring expenses in connection with the performance of the services. Peabody COALTRADE International, LLC, a subsidiary of Peabody Holland, has been appointed as the exclusive sales and marketing representative of Peabody-Winsway JV and its subsidiaries, and is entitled to a commission equal to the greater of 1% of the gross selling price or US\$1 per tonne for each tonne of coal sold. Royalties equal to 1% of the total revenue arising from the sale of coal mined under licences currently held by Peabody-Winsway JV and its subsidiaries will be payable to Polo Resources up to an aggregate amount of US\$ 50 million. Such royalty payments will terminate in 25 years.

All exploration licenses issued under the Mongolia Minerals Law will not be designated as “strategically important” until they are converted into mining licenses and have a reserve estimate approved by the Mongolia Minerals Professional Council. Out of 50 coal-related licenses held by Peabody-Winsway Mongolia, 47 licences are exploration licences three licences are mining licences. None of these licenses, so far as we are aware, relate to deposits that have been designated as “strategically important” mineral deposits by the Mongolian Parliament.

We believe that our acquisition of a 50% interest in the Peabody-Winsway JV will enhance our ability to obtain upstream coal resources in Mongolia, further complete our value chain and reduce upstream coal supply risk.

LOGISTICS PARKS AND BORDER CROSSING FACILITIES

Logistics parks and border crossing facilities at Sino-Mongolian border

As an important part of our end-to-end service platform, we have built strategic infrastructure at the two major Sino-Mongolian border crossings nearest to the mines of our Mongolia-based suppliers. To date, all our Mongolian coal supply has been delivered into China through the Gants Mod border crossing and the Ceke border crossing.

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Trucks from Mongolia and China cannot operate in each other's territory beyond the immediate border crossing areas. Trucks carrying coal from Mongolia can travel directly from the loading points in Mongolia and unload at our logistics park. Our logistics parks serve as a point of delivery for our coal supply from Mongolia, and as logistics hubs which allow us to arrange for the onward transportation of coal in China to our coal processing plants and our customers.

Logistics park at Gants Mod Border Crossing

We started building strategic infrastructure, including a logistics park and border-crossing facilities, at the Gants Mod border crossing in 2007. We are the owner of the land use rights of the land on which the logistics parks are located and all buildings and structures erected thereon. As the owner, we may occupy and use the lands and all buildings and structures, and may at our discretion, grant or authorise third parties the right to use or access to the logistics parks and the buildings and structures erected thereon and if so, with a priority given to our Group companies. As at the Latest Practicable Date, the logistics facilities and services provided in the Gants Mod logistics park, including the stockpile area under customs supervision together with the office building for use by PRC customs, have only been made available to our Group companies. The logistics park comprises an office area, loading facilities for the trucks, a stockpile area under customs supervision together with an office building for use by PRC customs authority, a coal testing centre, staff quarters, commercial lots and a wind shield, occupying a total land area of approximately 666,600 sqm. The Gants Mod border crossing, a tier-one Sino-Mongolian border crossing in Inner Mongolia which is generally open throughout the year, is located approximately 270km from Tavan Tolgoi in Mongolia, one of the world's largest undeveloped coking coal deposits. The stockpile area in the Gants Mod logistics park has a coal storage capability of approximately 1.5 mt. We also own equipment and machinery such as bulldozers, coal piling machines and coal loading machines at the Gants Mod logistics park.

We have a designated access road connecting our logistics park in Gants Mod to the Chinese customs inspection facility, which allows us to efficiently deliver coal to our stockpile area. Our coal supply is primarily delivered to our coal processing plant in Urad Zhongqi which is located approximately 160km south of our Gants Mod logistics park. The Xixiaozhao - Gants Mod railway line which will connect Xixiaozhao, a station on the Baolan line, to Gants Mod is expected to be completed and become operational in 2011.

According to Chinese customs data, the total throughput volume at the Gants Mod border crossing for the year ended 31 December 2009 was approximately 3.2 mt, which we believe represents the optimal throughput capacity of the Gants Mod border crossing at that time. We believe that the current throughput capacity of our logistics park in Gants Mod is dependent on the border-crossing handling capacity at the Gants Mod border crossing, which is currently constrained by a number of factors including the operating hours, customs clearance speed and number of customs clearance lanes. The operating hours at the Gants Mod border crossing have been extended and the total clearance lanes designated for coal transportation have been increased from two lanes to four lanes in year 2010, contributing to an increase in throughput efficiency at the Gants Mod border crossing. Further, based on public information, a new express clearance system has been approved for the Gants Mod border crossing. We expect that upon implementation of the new system, the total time required for clearance for each motor vehicle passing through the Gants Mod border crossing will be reduced. In line with policies of the Chinese government and Mongolian government to expand the throughput capacities at the Gants Mod border crossing, we expect the border-crossing handling capacity at the Gants Mod border crossing to progressively increase in the future.

In May 2010, Hohhot Railway Bureau approved a cooperation arrangement with us to jointly develop and operate railway logistics centres in Gants Mod and a joint venture company, Bayannao'er

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Winsway, was incorporated on 14 July 2010. We expect the new railway logistics centre jointly developed by us and Hohhot Railway Bureau, when completed, to significantly increase our access to rail transportation. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

Logistics park at Ceke border crossing

The Ceke border crossing, a tier-one Sino-Mongolian border crossing in Inner Mongolia generally open throughout the year, is located in Ejinaqi county in Inner Mongolia. It is approximately 40km from the Nariin Sukhait deposit in Mongolia. Ceke is currently serviced by two rail lines, the Jiayuguan-Ceke line and the newly built Linhe-Ceke line.

We started building strategic infrastructure, including a logistics park and border-crossing facilities at the Ceke border crossing in 2008 to enhance our border-crossing capability. We are the owner of the land use rights of the land on which the logistics park is located and all buildings and structures erected thereon. As the owner, we may occupy and use the lands and all buildings and structures, and may at our discretion, grant or authorise third parties the right to use or access to the logistics park and the buildings and structures erected thereon and if so, with a priority given to our Group companies. As at the Latest Practicable Date, the logistics facilities and services provided in the Ceke logistics park, including the stockpile area under customs supervision together with the office building for use by PRC customs, have only been made available to our Group companies. Our logistics park currently occupies a total land area of approximately 679,100 sqm. It currently comprises loading facilities for the trucks, a stockpile area under customs supervision together with an office building for use by PRC customs authority, staff quarters and commercial lots. The stockpile area in the Ceke logistics park has a coal storage capability of approximately 1.5 mt. We also own equipment and machinery such as coal loading machines at the Ceke logistics park. We are currently expanding our facilities at the Ceke logistics park, which upon completion will also comprise an office area, a coal testing centre and a wind shield. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

Our logistics park and coal processing plant are located within close proximity to the Ceke train station, which allows us to deliver our products to our customers through the national rail network efficiently.

The existing customs inspection facility at the Ceke border crossing is currently only equipped with one customs clearance lane. After clearing customs, the majority of our raw coal is delivered to our coal processing plants located within our Ceke logistics park or at Urad Zhongqi for processing or be sold directly to our customers.

The total throughput volume at the Ceke border crossing for the year ended 31 December 2009 was 3.6 mt, which we believe represents the optimal throughput capacity of the Ceke border crossing at that time. We believe that the current throughput capacity of our logistics park in Ceke is dependent on the border-crossing handling capacity at the Ceke border crossing, which is also currently constrained by a number of factors including the operating hours, customs clearance speed and the number of customs clearance lanes. The operating hours at the Ceke border crossing have been extended and an additional inspection passage has been added on the Mongolian side of the border crossing in year 2010, contributing to an increase in throughput efficiency at the Ceke border crossing. In line with supportive policies of the Chinese government and Mongolian government to expand the throughput capacities at the Ceke border crossing, we expect the border-crossing handling capacity at the Ceke border crossing to increase as a result of the construction of the new customs inspection facility and dedicated customs clearance lanes for coal transportation.

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In May 2010, Hohhot Railway Bureau approved a cooperation arrangement with us to jointly develop and operate railway logistics centre in Ceke and a joint venture company, Ejinaqi Winsway, has been incorporated on 30 June 2010. We expect the new railway logistics centre jointly developed by us and Hohhot Railway Bureau, when completed, to significantly increase our access to rail transportation. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

We are also aggressively expanding the infrastructure and throughput capacities at the Gants Mod and Ceke logistics parks where additional land has been earmarked for expansion. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

We also plan to build additional railway logistic centres jointly with Hohhot Railway Bureau at other Sino-Mongolian border crossings such as Erlianhaote and explore further cooperation in respect of construction and operation of railway logistics centres at Mandula and Zhu’engadabuqi. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

Sea ports

Currently, almost all of our seaborne coal is delivered to Jingtang, Rizhao or Caofeidian port on an FOB, CIF or CRF basis, and upon arrival at such ports, will be transported to our customers by road or rail or delivered to our customers at these ports.

In order to further expand the range of value-added services for our seaborne products, we plan to construct logistics parks and coal processing plants in Bayuquan and Longkou ports, and exploring the possibility of expanding to Yangkou port. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details.

TRANSPORTATION

Transportation in Mongolia

All of our coal from our suppliers’ mines located at Tavan Tolgoi and Nariin Sukhait are transported to the Gants Mod and Ceke border crossings, respectively, by road.

All of our Mongolian-based suppliers primarily use Moveday, an Independent Third Party, to transport coal for them from their respective mines to our stockpile areas in Gants Mod logistics park or Ceke logistics park since 2008. As Moveday is delegated by our Mongolia-based suppliers to provide us with transportation services in Mongolia when we enter into our supply contracts with our Mongolian suppliers, we also arrange and agree with them and Moveday on the delivery of coal through entering into tri-partite agreements. Under the tri-partite agreement entered into between us, each of our Mongolia-based suppliers and Moveday, Moveday is appointed by the supplier to undertake customs clearance and transportation of coal to us at designated delivery points. The fees payable to Moveday in respect of its services are agreed between the parties and are determined after taking into account the amount of coal transported, the distance covered fuel cost, labour cost and prevailing market condition, and will be payable by us to Moveday directly. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the total expenses associated with coal transportation services provided by Moveday amounted to US\$31.0 million, US\$53.8 million and US\$39.0 million respectively, and Moveday was responsible for the transportation of more than 85% of the coal supplied by our Mongolia-based suppliers to us in each of the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 respectively.

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We have decided to focus on developing our coking coal business and not to undertake truck transportation business. Moveday is primarily engaged in organising and providing transportation services in Mongolia since the commencement of its business operation in 2008. Based on the information provided by Moveday, as at 30 June 2010, the sole shareholder, Ng Pui Heng who is an Independent Third Party holding a Macau Passport, and who also serves as chairman of the board of Moveday, oversees the overall operations and management of Moveday, and the daily operation of its truck fleet is led by several truck fleet supervisors to ensure timely delivery of its goods. As a result of adopting the above strategy and as the main business of Moveday is to provide coal transportation services in Mongolia which is not a business that our Company intends to be involved in, and further in anticipation of a ramping-up of production by our Mongolia-based suppliers and our planned expansion in coal throughput and processing capacities, we have provided financing to Moveday to enable it to expand its truck fleet to provide transportation services to us. Under a binding, amended and restated ten-year strategic alliance agreement which took effect from 21 December 2009 we agreed to provide a loan to Moveday to purchase additional vehicles to meet with the increasing volume of coal procured by us in Mongolia, and Moveday has agreed to use the trucks purchased through financing provided by us solely for the provision of transportation services to us during the term of the agreement. Pursuant to a loan agreement entered into on 10 April 2010 (as amended by a supplemental deed on 15 September 2010) and the strategic alliance agreement, we agreed to lend Moveday up to US\$40 million solely for the purpose of purchasing vehicles for transporting coal purchased by us in Mongolia. Our loan to Moveday is 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 by Moveday, with interest payable semi-annually in arrears. Should Moveday fail to pay any part of the principal or interest when it falls due, Moveday will be liable to pay default interest calculated at an annual rate of LIBOR plus 8% accruing daily on all overdue payments for the first 15 days following the payment due date. If Moveday still fails to pay the principal and interest (including default interest) after such 15-day period, Moveday will be liable to pay default interest calculated at an annual interest rate of LIBOR plus 12% accruing daily on all overdue payments, and upon the expiry of three days following such 15-day period, we also have the right to set off all unpaid principal, interest (including default interest) under the loan agreement against amounts owing by us to Moveday for the provision of coal transportation services. Such financing, which is entered into on an arm's-length basis and is governed by Hong Kong law, does not contravene PRC law or Mongolian law. As at the Latest Practicable Date, the entire loan amount has been fully drawn down. Such financing was advanced as a loan to Moveday and does not constitute a finance lease arrangement. As Moveday is an Independent Third Party and the loan to Moveday is an unsecured loan, we do not have an interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended). Please refer to the section headed "Risk Factors — Risks Related to Our Business and Our Strategy — We may not be able to recover all or part of our loan to Moveday" in this prospectus for more details on the risks associated with this loan.

As at the Latest Practicable Date, based on information provided by Moveday, Moveday owned a total of 750 trucks of which 700 trucks were purchased through financing provided by us. Moveday also arranges for the provision of transportation services within Mongolia from a pool of other third-party contractors, typically individuals with self-owned trucks, in the event its trucks are insufficient to satisfy our transportation needs. Based on information provided by Moveday, Moveday also provides transportation services to other small-scale customers in Mongolia through its own trucks and third-party contractors' trucks coordinated and organised by Moveday. Since the commencement of its operation in 2008, the total expenses associated with coal transportation services paid by us to Moveday constituted approximately 92.3%, 70.2% and 59.2% of its turnover for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 respectively.

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Based on the agreements and memoranda of understanding we have entered into as at the Latest Practicable Date, more particularly described in the section headed “Business — Procurement and Suppliers — Suppliers in Mongolia” in this prospectus, we expect the total coal which may be supplied to us are up to 10.0 mt, 12.0 mt and 12.0 mt for the three years ending 2013 respectively. The actual amount supplied will be subject to, amongst other things, the changing demand of our customers, market conditions, our suppliers’ capability to produce the contracted output amount, throughput capacity at the border crossings and the total coal processing capacity of the Group.

Based on our past experience, we estimate approximately 670 trucks and 800 trucks respectively would be required to transport approximately 10.0 mt and 12.0 mt coal from our suppliers to us, although this is subject to change depending on factors outside our control. Please see the section headed “Risk Factors — Risks Related to Our Business and Our Strategy — The supply of coal from Mongolia to China may be limited by the availability and stability of transportation services and border-crossing handling capacity at Sino-Mongolian boarder crossings. Our future growth may accordingly be adversely affected” in this prospectus for a discussion of such factors. Through our arrangements with our suppliers and Moveday, we expect to be able to secure sufficient transportation capability to satisfy our needs in future. Save for the agreements with Moveday, we have not entered into any other agreement to secure transportation capacity for transportation of coal from our suppliers to us in Mongolia for the three years ending 31 December 2013 as at the Latest Practicable Date.

Transportation in China

Primarily through third-party transportation companies and service providers, we are able to transport coal from the Chinese side of the border crossings to our coal processing plants, to third-party coal processing plants, to customers nearby or to coal loading stations along the Jingbao and Baolan railway lines, such as Baotou and Dalahai (打拉亥), for onward transportation to our other customers by rail. We engage transportation companies with sizeable fleets of truck and also individual transportation service providers on an ad hoc basis to satisfy our transportation need. Based on information provided by the relevant transportation companies, as at the Latest Practicable Date, the main transportation companies engaged by us for the transportation of coal within China are as follows:

<u>Name of Company</u>	<u>Number of Trucks</u>	<u>Commencement of relationship</u>
包頭穆華物流有限公司 (Baotou Muhua Logistics Company Limited)	537	October 2008
烏海市廣通物流有限公司 (Wuhai City Guangtong Logistics Company Limited)	89	April 2009
包頭市順達興物流運輸有限責任公司 (Baotou City Shundaxing Logistics and Transportation Company Limited)	431	November 2009

We will usually determine the mode of delivery employed for the above transportation after taking into consideration factors such as the transportation route, distance, costs and time efficiency and available capacity.

To track the progress of delivery and to ensure the safety of our inventory and products on a real-time basis, we use a central computer system to monitor each of our trucks and third-party delivery trucks handling our coal supply within China through GPS technology. A central control room with live video feeds is also located in our main operations centre located in Beijing, China.

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Based on our past experience, we estimate that approximately 420 trucks and 500 trucks respectively would be required to transport approximately 10.0 mt and 12.0 mt coal from our Gants Mod logistics park to our Urad Zhongqi coal processing plant, although this is subject to change depending on factors outside our control. Further, we estimate that approximately 310 trucks and 380 trucks respectively are required to transport cleaned coal from our Urad Zhongqi coal processing plant to our customers or railway loading stations. We also estimate that we will need to transport the cleaned coal of approximately 6.0 mt and 7.5 mt coal respectively from the relevant railway loading stations located near to our coal processing plant to our customers in other parts of the PRC through the national railway. As at the Latest Practicable Date, we have not entered into any long-term or cooperation agreement in the PRC to secure transportation capacity for transportation of coal by road or railway within the PRC for the three years ending 31 December 2013.

In June 2010, we have been granted a “registered user” status for carriage of coal by rail (煤炭立戶) by the Hohhot Railway Bureau. As a “registered user”, we are allowed to submit our transportation requirements and plans to Hohhot Railway Bureau for its consideration, and if accepted, for inclusion in the railway transportation capacity allocation plan.

Transportation of Seaborne Coal

Our seaborne coal suppliers, who supply on an FOB basis, arrange for transportation of coal up to the exporting ports and pay for all the costs before loading, whereas we are responsible for the costs before loading, ocean freight, insurance and other costs. Our seaborne coal suppliers who supply on a CIF or CFR basis arrange for transportation of coal to the disembarkation ports, and pay for the costs of ocean freight, insurance and other costs, whereas we are responsible for the charges on arrival.

We engage various shipping companies for the transportation of seaborne coal from our suppliers located in Australia, the US, Canada and Russia.

Depending on the needs of our customers upon arrival at the relevant port, our seaborne coal will be transported to our customers by road or rail or delivered to our customers at the port. We plan to construct docking facilities at Longkou port and coal processing plants at Bayuquan port and Longkou port. Please refer to the section headed “Future Plans and Outlook” in this prospectus for more details. We expect most of our seaborne coal to be delivered to these ports in the future.

As at the Latest Practicable Date, we have not entered into any agreement to secure transportation capacity for seaborne freight for the three years ending 31 December 2013.

Strategic investment in a railway line and railway logistics centres in the PRC

We entered into a capital contribution agreement with Hohhot Railway Bureau and various other parties in 2009 to subscribe for a 5% equity interest in Xixiaozhao Gants Mod Railway Co., Ltd. for a total amount of RMB75.0 million which will undertake the construction of a railway line connecting Xixiaozhao to Jinqan in Inner Mongolia, where our Urad Zhongqi processing plant is located, and from Jinqan to Gants Mod border crossing. Save for the capital contribution amounting to RMB75.0 million, we have no further commitment in respect of Xixiaozhao Gants Mod Railway Co., Ltd and its project as at the Latest Practicable Date. As at the Latest Practicable Date, we have contributed RMB40.65 million and RMB19.35 million is payable by November 2010 according to a capital contribution schedule agreed by the parties, and the remainder RMB15.0 million payable at a later date to be determined by the parties. We believe our investment will help us to secure transportation capacity, particularly at times of heavy utilisation. The Xixiaozhao-Jinqan portion of the line is expected to be completed and become operational in late 2010. This line will be further

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extended to Gants Mod and it is estimated to be completed in 2011. Xixiaozhao is located near Baotou, where several major national railway lines converge.

In May 2010, the Hohhot Railway Bureau approved its cooperation arrangement with us to:

- jointly develop and operate railway logistics centres at five border crossings, namely Gants Mod, Ceke, Erlianhaote, Mandula and Zhu'engadabuqi, through joint venture companies to be incorporated which will be 51% held by us;
- jointly develop two inland railway logistics centres in Inner Mongolia, at Urad Zhongqi and Jining;
- jointly invest in railway rolling stock and maintenance facilities; and
- support us in further securing transportation capacity on the national railway system.

As at the Latest Practicable Date, Hohhot Railway Bureau and we invested in five joint venture companies, Bayannao'er Winsway, Ejinaqi Winsway, Erlianhaote Haotong, Urad Zhongqi Haotong and Inner Mongolia Hutie Winsway Logistics, for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke, Erlianhaote, Urad Zhongqi and Jining respectively. We own a 51% equity interest and have a majority board representation in each of these joint venture companies. We also plan to build railway logistics centres at Manzhouli and Suifenhe along the Sino-Russian border which are connected to inland PRC by both road and railway lines. Please refer to the section headed "Future Plans and Outlook" in this prospectus for more details of these planned railway logistics centres.

COAL PROCESSING

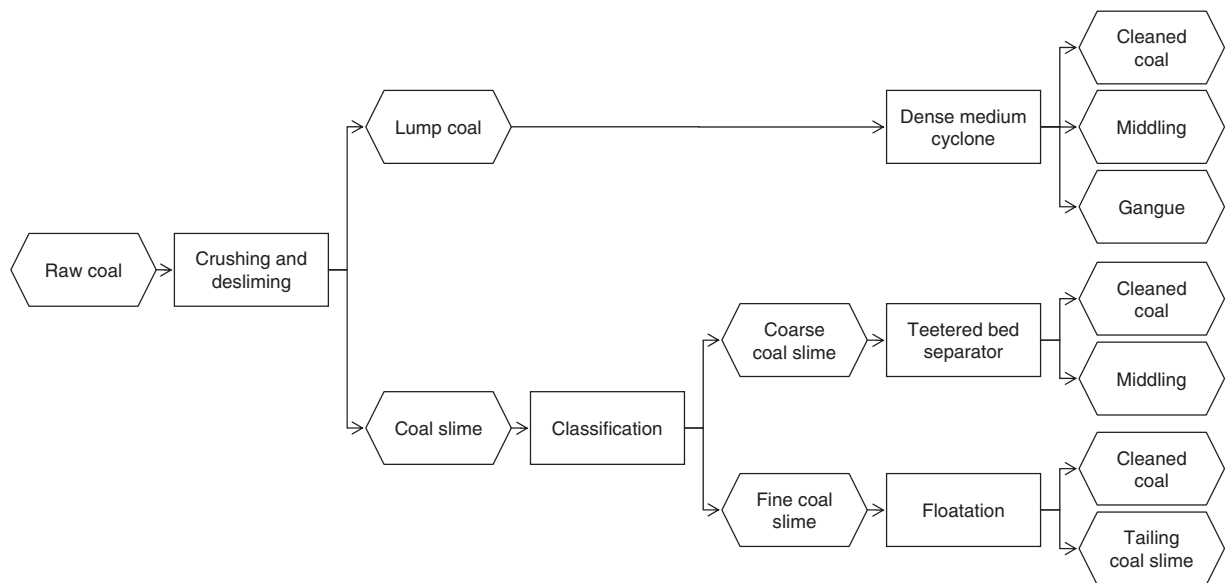
We recognise that not having processing capabilities can be a major impediment to the growth or profitability for some coal mining companies and operators. For example, coal mining companies and operators based in Mongolia and Russia may be unable to process raw coal and transport cleaned coal in cold weather during the winter months. Further, coal mining companies and operators located in Mongolia and other arid areas may be unable to process coal where the water supply is scarce. There is also a large number of coal mining companies and operators who operate on a smaller scale for whom coal processing is economically unviable. Further, most of the independent coal processing plants and coal processing plants affiliated with coal producers only process raw coking coal from a single coal mine located in proximity to the coal processing plants. We believe our large capacity for processing raw coking coal from various suppliers, and in particular those which do not possess their own coal processing capability, plays a key role in bridging these mines with steel makers and coke plants in China which typically require a long-term and stable supply of coking coal with varying characteristics.

Coal delivered to our coal processing plants is processed so that rock, sulphur and other contaminants are reduced according to our customers' specifications. As a result, our processed coking coal will have a higher carbon content, lower ash and sulphur content and a more stable quality than our raw coking coal which makes it suitable for coke production. Currently our Mongolian coal is processed at one of the two coal processing plants we operate at Ceke and Urad Zhongqi. These plants are strategically located along the transportation route connecting the Sino-Mongolian border and the main railway network in China allowing us to provide value-added coal processing services before delivery to our customers.

Urad Zhongqi coal processing plant



The coal processing plant at Urad Zhongqi uses a dense-medium separation process. The dense-medium separation process has a higher set up cost than the dry separation process and requires a large amount of water at the outset of the operation, but is capable of a more effective separation compared to the dry separation technology. The following flow chart illustrates the process flow of the dense-medium separation process:



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The coal processing plant at Urad Zhongqi had a processing capacity of 4.0 mtpa as at 30 June 2010. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the utilisation rate of the coal processing plant at Urad Zhongqi is set out as follows:

	<u>Annual design⁽⁶⁾ capacity (mt)</u>	<u>Utilisation (%)</u>
2008 1Q ⁽¹⁾⁽²⁾⁽³⁾	1	52.2%
2008 2Q	1	93.8%
2008 3Q ⁽³⁾⁽⁴⁾	2	83.8%
2008 4Q	2	73.6%
2009 1Q ⁽¹⁾	2	61.2%
2009 2Q	2	93.3%
2009 3Q	2	103.2%
2009 4Q ⁽³⁾⁽⁵⁾	4	90.7%
2010 1Q ⁽¹⁾	4	58.5%
2010 2Q	4	97.9%

Notes:

- (1) Utilisation rate is typically low in the first quarter mainly due to the Chinese and Mongolian new year holidays.
- (2) The first production line commenced production in mid-February 2008 with a design capacity of 1 mtpa.
- (3) It usually takes 1 to 3 months for a line to reach full capacity after commencing production. During this period, utilisation is relatively low.
- (4) The second production line commenced production in mid-August 2008 with a design capacity of 1 mtpa, bringing the total capacity to 2 mtpa.
- (5) The third production line commenced production in mid-December 2009 with a design capacity of 2 mtpa, bringing the total capacity to 4 mtpa.
- (6) Annual design capacity refers to the annual design capacity as at the last day of the relevant quarter.

The total set up costs of the Urad Zhongqi coal processing plant incurred up to 31 December 2009 amounted to RMB192.8 million.

Ceke coal processing plant



The coal processing plant at Ceke uses a dry separation process and had a processing capacity of 1.2 mtpa as at 30 June 2010. Since its completion of construction in December 2009, we have commenced our trial operation at the coal processing plant at Ceke and are currently in the final stage of testing and fine tuning the production line.

The total set up costs of the Ceke coal processing plant incurred up to 31 December 2009 amounted to RMB9.0 million.

The total average time for loading/unloading, testing and processing of raw coking coal at our coal processing plants is one to two days.

In the past, we have also engaged third-party coal processing plants to undertake coal processing for us. For the years ended 31 December 2008 and 2009 and six months ended 30 June 2010, approximately 0.1 mt, 0.7 mt and 0.3 mt were processed by third-party coal processing plants. We had not engaged third party coal processing plants to undertake coal processing for us for the year ended 31 December 2007. This arrangement is currently being phased out and we expect all future coal processing to be undertaken by our own plants, particularly upon the completion of the expansion of our coal processing plants in Urad Zhongqi and the new plants at Jining, Bayuquan port, Longkou port, Manzhouli and Suifenhe.

We use electricity in our coal processing operations. Electricity prices are under government control. We have not experienced any material disruption in electricity supply in recent years. The water we use in our coal processing operations is primarily from the district water supply system and underground sources. Water prices are under government control. We have not experienced any material disruption in or shortage of water supply in recent years.

We plan to expand our coal processing capability by way of capacity expansion at our existing coal processing plant at Urad Zhongqi and development of new coal processing plants at Jining, Bayuquan port, Longkou port, Manzhouli and Suifenhe. Please refer to the section headed “Future

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Plans and Outlook” in this prospectus for more details on our development plans for our coal processing plants.

CUSTOMERS AND SALES

Major customers

Most of our products are sold to steel makers and coke plants in China with steel makers considered to be our premium target clients given their high level of demand as an end-user for our products. We have built a stable and growing customer base in China, comprising 11 steel makers and 40 coke plants in China in 2009. Our major customers include Baogang Group, Hebei Steel, Tangshan Jiahua and Risun Coke.

We believe there are two main factors contributing to our success in building a large and stable customer base of steel makers and coke plants. The first is our ability to supply a range of high-quality coking coal products with consistent physical characteristics and the second is our ability to provide a reliable supply in large volumes. Steel makers and coke plants need a stable coke blend for their operations, and our ability to satisfy their requirements allow us to develop strong and long-term relationships with them.

We have entered into two binding 30-year long-term strategic alliance agreements and a binding long-term co-operation memorandum with a number of our customers where we have agreed with such customers to supply different types of coal possessing specific characteristics for such amount of coal as may be required by such customers and agreed by the parties in the future and at such price to be determined with reference to the prevailing market price and surrounding circumstances. It is market practice that steel makers or coke producers enter into such type of strategic alliance agreements and memoranda with its key suppliers in order to agree upon the framework for future supplies and that subsequent formal sales contracts are executed pursuant to such agreements and memoranda. We believe that the strategic alliance agreements and memoranda entered between us and our customers as well as the recurrent business we have with our major customers since the establishment of our relationships with them demonstrate the confidence of our customers in us and our ability to supply coking coal products with consistent physical characteristics.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our five largest customers accounted for 95.3%, 91.1%, 33.0% and 41.4% respectively of our total sales. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales to our single largest customer accounted for 82.1%, 56.7%, 9.7% and 14.2% of our total sales, respectively. The table below sets forth our sales to our customers breakdown by category for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010:

Customers	Year ended 31 December						Six months ended 30 June 2010	
	2007		2008		2009		Sales	
	Sales (RMB '000)	%	Sales (RMB '000)	%	Sales (RMB '000)	%	(RMB '000)	%
Steel makers	163,039	82.1	575,152	57.9	1,444,779	31.0	2,073,353	48.2
Coke plants	0.0	0.0	197,394	19.9	1,799,253	38.7	856,754	19.9
Coal traders	35,602	17.9	220,993	22.2	1,408,276	30.2	1,363,079	31.7
Others	0.0	0.0	0.0	0.0	3,328	0.1	5,641	0.2
Total	198,641	100.0	993,540	100.0	4,655,636	100.0	4,298,827	100.0

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None of our Directors or their associates or, to the best knowledge of our Directors, our existing Shareholders who owns more than 5% of our issued capital, has any interest in our five largest customers.

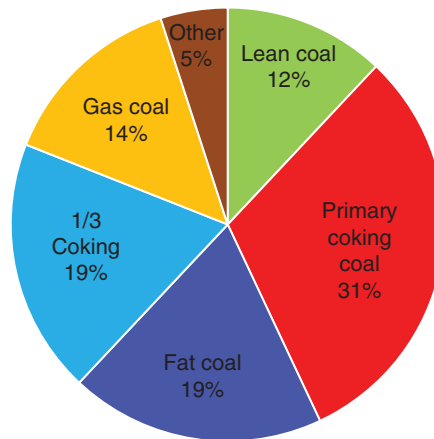
We usually enter into discussions with our customers prior to the end of each year to ascertain their production needs for the following year, and will make allocations of our products accordingly after taking into consideration the expected production capacity of our suppliers and our expected processing capacity. Consistent with Chinese coal market practices, we will then enter into formal sales contracts with our customers on a periodic basis with the term of the contract varying from a few months to one year and with specified quantities and timing of delivery during the term. In formulating our sales contracts, we will take into account the delivery schedule of our suppliers, transportation and processing time and capacity (including stocks in transit), and possible contingencies. The time of execution and length of sales contracts may differ from customer to customer, and is subject to our cooperation model and the operational needs of the customers concerned. We will enter into discussion with our customers and make adjustments to the sales volume and delivery schedule if required. In the past, we have not experienced any major deviation of actual sales volume and delivery schedule from the sales plan agreed between us and our customers.

Our sales contracts with our customers typically set out the terms of our sales, such as the amount and characteristics of coal to be sold, the sales price, mode of delivery, delivery date and mode of payment. The final sales price, in particular, is determined between us and our customers when we start delivery of the products. Typically our sales contracts with a delivery schedule spreading over a period of more than three months will contain a price adjustment clause, allowing the sales price to be adjusted through mutual agreement after taking into account the prevailing market rate of coking coal in the PRC market, typically referring to the prevailing contracted coking coal price between major coking coal producers in Shanxi Province and large steel makers in China. Both our customers and us have the right to initiate such price adjustment discussion and if required, supplemental sales contracts will be executed to reflect the price adjustment. In the past, towards the end of each quarter, we and our customers have reviewed the sales price for the coal to be delivered over the following quarter.

We extend credit (generally for periods not exceeding 90 days) to certain large steel makers and require most coke plants to make payment prior to delivery. Our customers usually settle their payments by account transfer or remittance. We did not experience any material payment defaults from our customers during the Track Record Period. Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Net current assets — Trade and other receivables” in this prospectus for more details.

Products

We supply our coal to our customers, comprising primarily steel makers and coke plants, for their coke blending purpose. The figure below represents the estimated typical Chinese coke blend, with hard coking coal comprising the largest component of the blends. The blends are then heated in the coke oven to produce coke. Please refer to the section headed “Industry Overview” in this prospectus for more details.



Source: AME Report

Note: Primary coking coal and Fat Coal are Chinese termed names and are equivalent to hard coking coals.

Coke in blast furnaces functions not only as a source of fuel and a reducing agent, but also has to maintain permeability in the furnace, since coke is the only solid present in the shaft bottom and lower zone where the ore and flux soften and melt. The most important quality of coke is its strength under high temperature conditions. The coke should resist physical degradation during its passage through the blast furnace until it reaches the high temperature at the tuyeres where it is burnt. It is also important that the coke should not be degraded chemically by reacting with carbon dioxide and other gases, molten iron, alkalis and the like. The larger the blast furnace the stronger and less reactive the coke must be. As the Chinese steel industry modernises with the addition of larger blast furnances, the demand for hard coking coal will increase because coke producers need to increase the hard coking coal proportion in the coke blend in order to make stronger coke.

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Typically cleaned coal will have lower ash and sulphur content than raw coal, but will otherwise maintain its original characteristics despite the coal processing. The following table sets forth the main characteristics of some of the raw Mongolian coal and cleaned Mongolian coal we supply to our customers which will be used in the coke blending process:

<u>Products</u>	<u>Total Moisture (%)</u>	<u>Total Sulfur (%)</u>	<u>Ash Content (%)</u>	<u>Volatile Matter Vdaf(%)</u>	<u>Chinese Caking Index (G)</u>	<u>Chinese Plasticity Index (Y)</u>	<u>International Coal Classification</u>	<u>Chinese Coking Coal Classification</u>
Raw coal								
Coking coal No. 3 . . .	≈ 5	≈1.0	≈ 15	≈26	≈80	≈17	Premium hard coking coal	Primary coking coal
Coking coal No. 4 . . .	≈ 5	≈1.0	≈ 15	≈28	≈80	≈17	Premium hard coking coal	Primary coking coal
1/3 coking coal	≈ 5	≈1.0	≈ 10	≈35	≈70	≈11	Semi-hard coking coal	1/3 coking coal
Cleaned coal								
Coking coal No. 3 . .	≤10	≤0.7	≤ 11	≤26	≥80	≥16	Premium hard coking coal	Primary coking coal
Coking coal No. 4 . .	≤10	≤0.7	≤10.5	≤28	≥80	≥16	Premium hard coking coal	Primary coking coal
1/3 coking coal	≤10	≤0.9	≤ 6.5	≤35	≥60	≥ 8	Semi-hard coking coal	1/3 coking coal

Currently all seaborne coal supplied by us to our customers comprises solely hard coal and is used in the coke blending process. The characteristics of seaborne coal supplied by us may vary depending on its source and our customers' requirements for their coke blend. In the future, we will continue to import seaborne coal and plan to process raw seaborne coal at our planned coal processing plants to be constructed at Bayuquan and Longkou ports. Please refer to the section headed "Future Plans and Outlook" in this prospectus for more details.

Some seaborne coal may possess certain characteristics similar to those of the Mongolian coal supplied by us. However, even two types of coal with certain similar characteristics cannot be used interchangeably, as the remaining unique characteristics may contribute differently to the coke blend. Coke blend requirements of our customers and market prices are the key factors driving the demand for different types of coking coal that we supply. We work closely together with our customers to understand their coke blend requirements at the outset, and upon establishing our customers' requirements, will supply coal which possesses characteristics required by our customers in accordance with an agreed schedule. In order to produce coke with steady and acceptable quality, we understand that it is of utmost importance for our customers that a steady supply of coal, both in terms of volume and characteristics, can be assured.

Prior to the completion of our coal processing plant at Urad Zhongqi in year 2008, all our Mongolian coal was sold to our customers directly. Since then and for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, approximately 1.1 mt, 2.5 mt and 2.1 mt Mongolian coal were processed, and approximately 0.3 mt, 0.3 mt and 0.7 mt Mongolian coal were sold directly to our customers as raw coking coal.

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The following table sets forth our turnover from our continuing operations by source for each of years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively.

	<u>Year Ended 31 December</u>			<u>Six Months Ended 30 June</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Turnover					
Mongolian coal					
Cleaned coking coal	-	821,996	1,574,844	570,510	1,644,082
Raw coking coal ⁽¹⁾	191,427	160,931	183,038	3,685	312,941
Seaborne coal					
Hard coal ⁽²⁾	-	-	2,833,871	242,985	2,329,380
Others	<u>7,214</u>	<u>10,613</u>	<u>63,883</u>	<u>804</u>	<u>12,424</u>
Total	<u>198,641</u>	<u>993,540</u>	<u>4,655,636</u>	<u>817,984</u>	<u>4,298,827</u>

Notes:

- (1) sold directly to customers without processing on our part
- (2) sold directly to customers without processing on our part, save for a minimal amount of less than 50,000 tonnes processed by third-party coal processing plant in 2009

While we expect a significant portion of our sales to continue to come from Mongolian coking coal, we believe our ability to produce a range of coal products from other sources with customised specifications at a competitive cost to suit our customers' needs is critical to maintaining a solid and stable relationship with them.

Sales team

We place a great emphasis on sales and marketing. Our general sales and marketing strategy is to strengthen our relationship with our existing customers as well as to explore opportunities with potential customers to enhance our market position.

We have a dedicated sales team to service our customers across China. As at the Latest Practicable Date, our sales team employed 25 staff divided into six departments based on geographical area: (i) Northeast region of China (including Heilongjiang, Jilin and Liaoning provinces); (ii) Inner Mongolia; (iii) Beijing municipality and Hebei province; (iv) Shanxi province; (v) Shandong province; and (vi) Central, Eastern and Southern regions of China, each led by a manager to coordinate marketing efforts within that geographic area.

Our sales staff visit our customers on a regular basis to understand their production plans, logistics arrangements, coke blend requirements, market conditions and market trends in coal prices, as well as to provide after-sales consultation. We develop our new business mainly through visiting potential customers and providing them with product samples at trial price.

INVENTORY

As a result of the long transit time from Sino-Mongolian border to our customers in various parts of China and the time spent on coal processing, our inventory has a relatively long operating cycle. On average, the delivery time from our suppliers' mine to our logistics parks at the Gants Mod and Ceke border crossings to be one to two days, total time for transportation to our coal processing plants, loading/unloading, testing and coal processing to be one to two days and transit time from our border crossings or coal processing plants to designated delivery points of our customers to be eight to

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ten days. In order to maintain a smooth flow of product across the supply chain and to ensure a stable supply to our customers, we need to maintain a sufficient level of inventory for our business operations. Compared with Mongolian coal, our seaborne coal generally has a shorter operating cycle due to its simpler delivery process and shorter sales radius.

We have an inventory policy to maintain a level of coal products sufficient to fulfil our customers' demands and, at the same time, manage our exposure to market fluctuations. It is our policy to purchase sufficient amount of raw coal based on our production schedule and sales schedule and to maintain an average of two week's supply of raw coal at our stockpile area for our coal processing needs and one week's supply for coal processing. If in anticipation of a change in demand according to our production capacity or sales schedule, or any circumstance arises which requires us to change our stock level, such issue will be discussed amongst our senior management and procurement teams, and once a decision is reached, our procurement teams will discuss adjustments with our suppliers and adjust our purchase schedule where necessary. For Mongolian cleaned coal, it is our practice to keep minimal stock of cleaned coal in the storage warehouse at our coal processing plants to minimise inventory risk. We also have on average two weeks' supply of cleaned coal in transit, arranged in accordance with our sales schedule. We do not however make inventory decisions based on market speculation. In order to achieve that, our procurement teams, sales teams and production teams work closely to monitor our inventory flow and stock level on a regular basis, including conducting stock-take on a monthly basis.

We have designated staff responsible for maintaining suitable storage conditions for all our coal inventories stored in stockpile areas at our Gants Mod and Ceke logistic parks and our coal processing plants at Urad Zhongqi and Ceke.

During the Track Record Period and the six months ended 30 June 2010, our inventory turnover days calculated as the average ending inventory balances on its cost of goods sold was 247 days, 164 days, 66 days and 57 days, respectively. For details of the fluctuation on the inventory turnover days, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Net current assets — Inventories" in this prospectus.

QUALITY CONTROL

Recognising that a long-term and stable supply of coking coal with consistent physical characteristics is crucial to our customers, we have implemented a quality control system to ensure that the characteristics and specifications of our coal products are able to meet the requirements of our customers.

All Mongolian coal delivered to us is weighed and inspected upon arrival at our stockpile area to verify the amount delivered. Our Mongolian coal is then measured and tested where samples from each batch of delivery are taken for testing at the coal testing centres located within our Gants Mod and Ceke logistics parks to confirm that the coal meets our requirements.

Coal arriving at our coal processing plants is tested again upon arrival. After being processed, the cleaned coal is further tested before it is delivered to our customers to ensure that it conforms to their specifications and requirements.

We adopt standard international practices in relation to coal testing for our seaborne coal. Samples of our seaborne coal are taken at ports for quality determination during loading operations by independent inspection companies appointed by our suppliers. Our seaborne coal undergoes the China Inspection and Quarantine testing after being unloaded at the disembarkation port in China by qualified

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laboratories in China appointed by us. Sampling work including preparation of the samples and quality analysis are all performed in accordance with ISO standards, British standards or ASTM standards.

Our suppliers do not have a sales return policy. In general, we may deduct a certain sum from the amount payable by us if there is any discrepancy between specifications of the coal supplied to us and the specifications stated in the relevant sales contract. During the Track Record Period, we made no such deductions.

Likewise, we do not have a sales return policy for our sales. In general, our customers may deduct a certain sum from the amount payable to us if there is any discrepancy between specifications of the coal supplied by us and the specifications stated in the relevant sales contract. During the Track Record Period, our customers made no such deductions.

COMPETITION

We believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China. We believe our integrated coking coal supply business model is distinguishable through the considerable scale and profitability we have achieved. We believe our integrated service platform comprising logistics parks at border crossings, coal processing plants located along our transportation and distribution routes and established relationships with transportation companies in Mongolia and in China, is difficult to replicate and create a high entry barrier for potential competitors. In particular a replication of our business model would require substantial initial capital outlay, strong distribution network and large offtaking capability.

We believe, at present, there is no other company engaged in supplying Mongolian coking coal into China which has established an integrated services or provide a range of products on a scale comparable to ours. We also believe that there is no other company engaged in supplying Mongolian coking coal which has a sales network in China as extensive as ours.

We believe most of the other companies supplying Mongolian coal into China only participate in limited parts of the supply chain, are mostly purchasing Mongolian coal for their own consumption and operating on a smaller scale and/or do not possess or have access to key infrastructure at border crossings.

Whilst we believe that we have a unique position in the market with no direct competitors, as a supplier of coking coal we are still subject to the same competitive dynamics as other participants in the industry. Competition in the Chinese coking coal market is significant with participants competing on numerous bases such as price and cost, production capacity and transport capabilities and coal quality and characteristics.

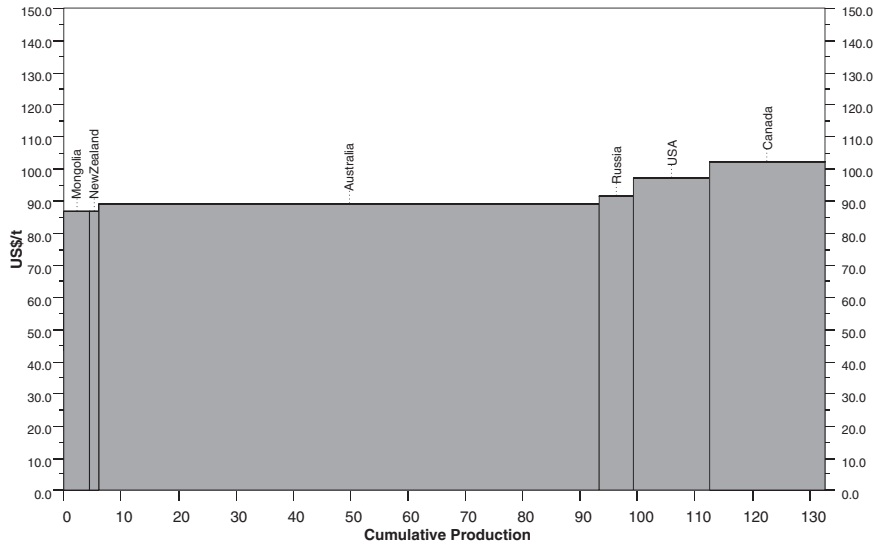
Price and Cost

As coal is a commodity product most participants in the coal industry do not have pricing power and instead must accept the prevailing price in the market and adjust their costs to meet such prevailing price levels. As a result, a key area of focus and competitive advantage in the coal industry is cost.

As shown in the cost curve below, Mongolia is one of the lowest cost producers of coking coal in the world. By sourcing our coal from Mongolia, we are able to ensure that our cost remains

competitive in China, compared to other imported coking coal suppliers. Please refer to the section headed “Industry Overview” in this prospectus for more details.

**Estimated Export Hard Coking Coal Mine Cash Costs by Country
(US\$ per tonne CIF)**



Source: AME Report

Production Capacity and Transport Capabilities

As a bulk commodity, a key area of competition between participants in the coal industry is scale of production and associated activities such as processing and transportation. Economies of scale mean that the cost position of industry participants is enhanced as they achieve greater production capacities. Scale of production capacity also requires commensurate scale in transportation capabilities in order to realise fully the benefits of economies of scale. As coal is a relatively low value per tonne product, scale of production and transport are critical to ensuring a participant remains competitive on a cost basis.

We are able to compete successfully in this market due to our large scale processing capacity. As at 30 June 2010, the Urad Zhongqi coal processing plant has a capacity of 4.0 mtpa and the Ceke coal processing facility has a capacity of 1.2 mtpa.

We have access to an efficient transport network in Mongolia as well as China through our arrangements with various third parties transportation service providers. All of our Mongolian-based suppliers primarily use Moveday, an Independent Third Party, to transport coal for them from their respective mines to us. We have signed a ten-year strategic alliance agreement with Moveday and also provide them with financing to enable it to expand its truck fleet. In China, the main transportation companies engaged by us for the transportation of coal have a combined fleet of 1,057 trucks as at the Latest Practicable Date.

Coal Quality and Characteristics

Coal quality and characteristics are inherently linked to the price of the coal. Whilst higher calorific value coal with fewer impurities will generally attract higher prices, as different customers have different requirements for coking coal, competition in the coking coal sector is not completely

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dependent upon quality. For example caking strength and level of volatile matter are crucial in producing high quality coke, and typically in China different types of coking coal with different characteristics are proportionally blended before the coking process begins. Given their blending requirements, different customers will have preferences for coking coal with different sets of characteristics.

Given the size of the coal industry in China, there are a range of producers providing different quality coal products to meet demand. We have built a strong position in the market relative to our peers due to our ability to supply various types of coking coal products with different characteristics to meet the requirements of our customers. By sourcing coal from producers in Mongolia which have competitive pricing in large volumes, whilst also sourcing complementary products from overseas suppliers in locations such as Russia and Australia, we are able to provide a range of coking coal products to meet our customers' needs whilst maintaining a competitive cost position.

The seaborne coking coal market is characterised by its global and fragmented nature with a large number of participants and is highly transparent in pricing. In bringing global high-quality coking coal into China, we compete with international coal producers and domestic and international trading houses. We believe the extensive experience of our management team in both Chinese domestic and global coking coal markets will position us well against our competitors.

REGULATORY COMPLIANCE

Other than our operating subsidiaries that conduct international procurement, all of our operating subsidiaries conduct business operations in China. We have obtained all necessary licenses, permits, certificates and registrations for our coal supply business in China.

The main permit required for our operation is a coal operation certificate. As at the Latest Practicable Date, we have obtained the following coal operation certificates:

<u>Entity</u>	<u>Date of issue</u>	<u>Date of expiry</u>
Inner Mongolia Haotong	21 June 2010	30 April 2013
Yiteng	17 June 2010	30 June 2013
Baotou Haotong	9 December 2008	31 December 2011
Nantong Haotong	9 July 2009	9 July 2012
Erlianhaote Haotong	9 October 2008	31 December 2011
Ejina Qi Haotong	28 August 2009	31 December 2012

Our legal advisers as to PRC law, King & Wood, have confirmed that there are no specific restrictions on foreign invested enterprises applying for and obtaining coal operation certificates, and that foreign invested enterprises are entitled to apply for such certificates after satisfying the required conditions. According to Measures for the Regulation of Coal Operations, an entity applying for a coal operation certificate is required to submit necessary documents and evidence to illustrate its capability for carrying out a coal operation business. In that regard, that entity must have (a) appropriate registered capital for the scale of its operation; (b) fixed place of operation; (c) appropriate facilities and coal storage for the scale of its operation; (d) coal quantity measure and quality examination facilities that adhere to prescribed standards; (e) reasonable compliance with national requirements in relation to the overall business arrangement and environmental protection of coal operation enterprises; and (f) other conditions as may be stipulated under other relevant laws and administrative regulations.

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The total amount of coal sold and total turnover of each of the above operating subsidiaries (primarily derived from sales of coal) for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 are set out as follows:

Entity	Year ended 31 December						Six months ended 30 June 2010	
	2007		2008		2009		Total sales volume (tonnes)	Total turnover (RMB'000)
	Total sales volume (tonnes)	Total turnover (RMB'000)	Total sales volume (tonnes)	Total turnover (RMB'000)	Total sales volume (tonnes)	Total turnover (RMB'000)		
Inner Mongolia								
Haotong	531,080	188,333	1,030,209	986,355	3,368,539	3,102,301	1,071,222	1,397,090
Yiteng	4,798	1,762	2,150	2,187	1,142,465	884,949	966,609	857,890
Baotou Haotong	-	-	-	-	53,300	51,569	7,550	8,366
Nantong								
Haotong	-	-	-	-	106,674	106,724	663,744	653,807
Erlianhaote								
Haotong	-	-	-	-	-	-	-	-
Ejina Qi								
Haotong	-	-	-	-	119,712	77,255	794,269	393,888
Disposed subsidiary								
— Sanhe	3,911	8,546	-	4,998	-	-	-	-
Other offshore operating subsidiaries	-	-	-	-	543,541	432,838	838,009	987,786
Total	<u>539,789</u>	<u>198,641</u>	<u>1,032,359</u>	<u>993,540</u>	<u>5,334,231</u>	<u>4,655,636</u>	<u>4,341,403</u>	<u>4,298,827</u>

As at the Latest Practicable Date, we had not encountered any material breaches of any relevant laws, regulations or rules in relation to our operations.

Our legal advisers as to the PRC law, King & Wood, confirm that, other than certain regulatory inspections with respect to completion of the expansion at our Urad Zhongqi coal processing plant and Ceke coal processing plant, our operating subsidiaries in the PRC possess all the necessary licenses, permits and certificates in respect of the business activities currently conducted by them and such activities are in compliance with all applicable PRC laws and regulations.

Further during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material non-compliance with any rule, regulation or law to which our business is subject, or any irregularities as a result of periodic visits and audits, in the jurisdictions in which we operate.

Measures to ensure compliance

In order to continuously improve our corporate governance and to ensure compliance with any laws, rules and regulations, we intend to adopt the following measures:

- (i) to establish a Nomination and Corporate Governance committee headed by Yasuhisa Yamamoto, who is an executive Director, and with James Downing and Ng Yuk Keung as members. Such committee is responsible, in particular, for:
 - (a) periodically assessing the compliance of the Group's projects with the relevant laws and regulations;

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- (b) investigating and rectifying any actual or potential non-compliance, and reporting to the senior management or the Board in accordance with the reporting guidelines of the committee;
 - (c) reviewing the project approval documents or permits obtained by a new project company to ensure the required procedures are complied with before the new project company commences construction;
 - (d) monitoring any legal and regulatory developments that may be relevant to the Company's business, and making internal policy recommendations as appropriate based on evaluation of the impact of any change of laws, rules or regulations on the Company's compliance; and
- (ii) providing internal training to the relevant personnel to ensure continuous compliance with the applicable laws, rules and regulations.

ENVIRONMENTAL

We are subject to the PRC environmental protection laws and regulations which currently impose fees for the discharge of waste substances, require the payment of fines for serious pollution and provide for the discretion of the PRC government to close any facility which fails to comply with orders requiring it to cease or cure operations causing environmental damage. Except as disclosed in the section headed "Business — Property — Properties owned and occupied" in this prospectus and risk factor headed "Risk Factor — Risks Relating to Our Business and Our Industry — We have not obtained the relevant regulatory permit for the operation of certain facilities and processing plants and are applying for the land use rights and construction permits for some of our new projects in China" in this prospectus, during the Track Record Period and as at the Latest Practicable Date, all of our facilities were in compliance with the requirements of the relevant environmental protection and reclamation laws and regulations. During the Track Record Period and as at the Latest Practicable Date, we had also obtained all environmental assessment required for the construction of our coal processing plants and logistics parks.

We did not incur any discharge fees in years 2007 and 2008, and paid a total discharge fees of RMB320,000 and RMB250,000 for the year ended 31 December 2009 and six months ended 30 June 2010. We expect to pay further discharge fees of approximately RMB429,000 for the second half of year 2010 and approximately RMB2,275,000 and RMB2,400,000 for 2011 and 2012 respectively. We also expect to pay a one-off fee for the construction of environmental infrastructure amounting to approximately RMB1,600,000.

In order to reduce the amount of coal dust released into the environment during transportation and loading and unloading at our stockpile areas and coal processing plants, we require all transportation trucks transporting coal for us to be covered by tarpaulin and we have constructed wind shields at our logistics parks at Gants Mod and Ceke. We also require all our workers involved in handling or loading and unloading of coal to wear safety helmets, masks, glasses and gloves provided by us.

We have a team of over 20 experienced environmental and safety personnel who are in charge of the formulation of the reporting requirements, management of estimated costs and related management oversight of safety and environmental protection. In the future, we plan to construct enclosed coal warehouses at our logistics parks to step up our commitment to conducting our operations in a manner that complies with applicable environmental laws and regulations, and endeavours to mitigate adverse impact of our operations on the environment.

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During the Track Record Period and as at the Latest Practicable Date, we were not subject or party to any environmental investigations or disputes, and did not have any outstanding penalties payable for any breaches of environmental protection laws and regulations.

PROPERTY

Properties owned and occupied

We have made substantial investments in acquiring land use rights for our existing operations as well as for our future development and expansion.

As at the Latest Practicable Date, we had obtained all the required land use rights and building ownership certificates for the following properties:

- (i) a parcel of land located in Gants Mod with a site area of approximately 666,659.4 sqm (“**Gants Mod Land**”) and 19 buildings erected thereon with a total gross floor area of approximately 35,645.0 sqm;
- (ii) a parcel of land located in Jinquan Industrial Park with a site area of approximately 636,531.0 sqm (“**Jinquan Land**”) and 28 buildings erected thereon with a total gross floor area of approximately 31,073.1 sqm, forming part of the first phase of the Urad Zhongqi coal processing plant; and
- (iii) a parcel of land located in Ceke with a total site area of approximately 679,100 sqm (“**Ceke Land**”).

As at 31 August 2010, the following properties are completed:

- (i) four buildings with a total gross floor area of approximately 89.44 sqm located on the Gants Mod Land. We are currently applying for the building ownership certificate for these buildings;
- (ii) 17 buildings with a total gross floor area of approximately 2,436.1 sqm located on the Gants Mod Land which are temporary buildings for ancillary uses. We are of the view that the lack of ownership certificates of these buildings would not have any significant impact on our operation and financial status;
- (iii) eight buildings with a total gross floor area of approximately 37,365.8 sqm erected on the Jinquan Land which form part of the second phase of our Urad Zhongqi coal processing plant (4.0 mtpa expansion) currently in operation. We have completed the examination and acceptance in respect of these buildings and are currently applying for the building ownership certificate for these buildings including the environmental protection examination and acceptance. We expect that all these non-compliance to be rectified within two months from the Listing Date;
- (iv) eight buildings with a total gross floor area of approximately 11,177.9 sqm located on the Ceke Land and forming part of the Ceke coal processing plant. We have completed the examination and acceptance in respect of these buildings and are currently applying for the building ownership certificates for these eight buildings and the environmental protection examination and acceptance for three of these buildings with a total gross floor area of approximately 1,273.9 sqm; and

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- (v) two other completed buildings with a total gross floor area of approximately 55.0 sqm erected on the Ceke Land which are temporary buildings for ancillary uses. We are not applying for ownership certificates for these temporary ancillary buildings and are of the view that the lack of ownership certificates of these buildings would not have any significant impact on our operation and financial status.

As at the 31 August 2010, the following properties are at their various stages of construction:

- (i) a building with a total planned gross floor area of approximately 170 sqm and various structures on the Gants Mod Land being ancillary facilities of our Gants Mod logistics park, of which no corresponding permit for commencement of construction works has been obtained. We are of the view that the lack of permit for commencement of construction works of these buildings would not have any significant impact on our operation and financial status;
- (ii) a building with a total planned gross floor area of approximately 90 sqm and various structures located on the Jinqian Land. These building and structures form the ancillary facilities of the second phase of our Urad Zhongqi coal processing plant currently in operation. We are of the view that the lack of examination and acceptance in respect of these building and structures would not have any significant impact on our operation and financial status; and
- (iii) buildings with a total planned gross floor area of approximately 2,501.0 sqm located on the Ceke Land, in respect of which we are applying for the construction work commencement permits, and ancillary buildings with a total planned gross floor area of approximately 333.0 sqm located on the Ceke Land. We are of the view that the lack of work commencement permits for these buildings would not have any significant impact on our operation and financial status.

As at the Latest Practicable Date, the Group has completed all completion examination and acceptance procedures required for the expansion of Urad Zhongqi coal processing plant and the Ceke coal processing plant, which are both in operation, save for those relating to environmental protection. We have submitted all necessary documents and information in relation to the environmental protection examination and acceptances in respect of these projects and we do not anticipate any legal impediments in obtaining the above. We have been advised by our PRC legal adviser, King & Wood, that both the expansion portion of the Urad Zhongqi coal processing plant and the Ceke coal processing plant, which have yet to complete the environmental protection examination and acceptance may be ordered to suspend operation and a fine of no more than RMB100,000 in respect of each of the coal processing plants may be imposed on us. Notwithstanding the potential consequences above, we believe that the absence of the environmental protection examination of acceptances in respect of the above projects will not have material adverse impact on the financials or operation of our business because in the event any of these projects is ordered to suspend operation pending the completion of the environmental protection examination of acceptances, we will be able to satisfy our coal processing need through a combination of fully utilising the first phase of the Urad Zhongqi coal processing plant which has a designed capacity of 2.0 mtpa and engaging third party coal processing plants on a temporarily basis and at the prevailing market rate. In addition, we will need to have scheduled outage for each of these coal processing plants for the purpose of maintenance for a duration of one month in each year, and if any of these projects is ordered to suspend operation pending the completion of the environmental protection examination of acceptances, we will use that time to carry out the maintenance work for such project in order to minimise the disruption to the operation of such project. Save in respect of the Urad Zhongqi coal processing plant and the Ceke coal processing plant, we are not aware of any properties with defective titles or the lack of any permit and licence in respect of any

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of our properties that may have a material impact on our operation. Please see the section headed “Risk Factors — Risks Related to Our Business and Our Strategy — We have not obtained the relevant regulatory permits for the operation of certain facilities and processing plants and are applying for the land use rights and construction permits for some of our new projects in China” in this prospectus.

As at the Latest Practicable Date, we had also obtained the required land use rights for the following properties on which we have not commenced any construction:

- (i) a parcel of land with a site area of approximately 398,993.0 sqm located at the western side of the railway station of Baiyun’ebo District in Baotou (“**Baiyun’ebo Land**”);
- (ii) a parcel of land with a site area of approximately 1,500,000.0 sqm located in Erlianhaote (“**Erlianhaote Land**”); and
- (iii) a parcel of land located in Bayuquan port with a total site area of approximately 56,700 sqm.

We have been advised by our legal advisers as to the PRC law, King & Wood, that:

- (i) In respect of the Baiyun’ebo Land

Pursuant to our agreement with the Land and Resources Bureau of Baotou City Baiyun’ebo Mining Area, we are allowed to postpone the commencement of the construction of our project on the Baiyun’ebo Land due to the delay in the development of the border crossings and pending the amalgamation of administration of the Baiyun’ebo District and Damaoqi District. The postponement in the commencement of the construction of our project is therefore not in breach of the terms of our land use rights in respect of the Baiyun’ebo Land and the applicable PRC laws. We are however still required to finish the construction of the fence around the Baiyun’ebo Land and to make investment of not less than RMB300,000 per hectare (i.e. 10,000 sqm) before 8 December 2010 and to complete our construction and commence our operation on the Baiyun’ebo Land by 9 December 2011. The Land and Resources Bureau of Baotou City Baiyun’ebo Mining Area is a department under the State Land Administration Department and competent authority to administer issues pertaining to idle lands, including the extension of construction period. We estimate our total investment in respect of the Baiyun’ebo Land to be approximately RMB12.0 million based on an investment of no less than RMB300,000 per hectare. We expect the total time required for the construction of the fence around the Baiyun’ebo Land to be approximately one month. As at the Latest Practicable Date, we have not commenced the construction of the fence around the Baiyun’ebo Land or made any investment in respect thereof.

- (ii) In respect of the Erlianhaote Land

As a substantial portion of the Erlianhaote Land falls within the delineated area within the new international logistics park in Erlianhaote city, we were ordered by Erlianhaote Administration Committee to cease our construction on the Erlianhaote Land in 2008 and to wait for instructions before resuming our construction. Delay in commencement of construction on the Erlianhaote land will not attract any penalty for idle land. Erlianhaote Administration Committee, the local administration branch of the People’s Government of Erlianhaote City, possesses the authority to manage the

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matters within the economic cooperation zone where the Erlianhaote Land is located, and is the competent authority to require us suspend our construction on the Erlianhaote Land.

We were subsequently notified by the Erlianhaote Administration Committee on 9 September 2010 that we may continue our construction on the Erlianhaote Land.

Properties leased

As at 31 August 2010, we leased 25 properties in China with an aggregate lettable area of approximately 3,372.6 sqm and a parcel of land with a total site area of approximately 16,000 sqm from Independent Third Parties for office, dormitory and storage purposes.

In addition, we leased two properties located in Beijing with an aggregate gross floor area of 2,000 sqm from Beijing Winsway Investment. Each of these two leases constitutes an exempt continuing connected transaction.

Further information in respect of these two leases is set forth in the section headed “Relationship with Controlling Shareholders and Connected Transactions” in this prospectus.

As at 31 August 2010, we leased four properties located in Hong Kong, Australia and the People’s Republic of Mongolia with an aggregate lettable area of approximately 1,366.8 sqm from Independent Third Parties for office and dormitory purposes.

Valuation

Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has assessed our property interests as at 31 August 2010. The text of Jones Lang LaSalle Sallmanns Limited’s letter, the summary of valuation and the valuation certificate are set out in Appendix IV to this prospectus.

INSURANCE

We have, in accordance with relevant regulations, maintained occupational injury, medical, and retirement insurance for our employees. We have also taken out insurance coverage for all our sea freights. We will continue to review and assess our risks and make necessary adjustments to our insurance practice in line with our needs and industry practice in the PRC.

INTELLECTUAL PROPERTY

We have operated under the “WINSWAY” and “永晖”, trademarks. These trademarks are registered in China and owned by Beijing Winsway Investment. Beijing Winsway Investment has agreed to grant us and our PRC subsidiaries a license to use these trademarks within China under the Trademark (Onshore) Licence Agreements for a period of ten years on a royalty-free and non-exclusive basis.

We have also operated under the “浩通”, “永晖焦煤”, “浩通焦煤” and “Bestway” trademarks. Beijing Winsway Investment has granted us and our PRC subsidiaries a license to use these trademarks pending registration by it under the Licence for Non-registered Trademarks. Beijing Winsway Investment has agreed that once these trademarks are officially registered with the relevant trademark authorities of the PRC, it will license them to us and our PRC subsidiaries for a period of 10 years commencing from the date of approval of registration of such trademarks on a royalty-free and non-exclusive basis.

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The “**WINSWAY**” trademark is also registered in Hong Kong and owned by Winsway Resources Holdings. Winsway Resources Holdings has granted us and our subsidiaries a license to use the “**WINSWAY**” trademark in Hong Kong under the Trademark (Offshore) Licence Agreements for a period of 10 years on a royalty-free and non-exclusive basis.

For further details of these licensing arrangements, please refer to the section headed “Relationship with Controlling Shareholders and Connected Transactions — Connected Transactions — Exempt continuing connected transactions” in this prospectus.

Further details of our intellectual property rights are set forth in the sections headed “Relationship with Controlling Shareholders and Connected Transactions” in this prospectus.

LEGAL PROCEEDINGS

We are currently not involved in any material contractual disputes or legal proceedings. During the Track Record Period and as at the Latest Practicable Date, we have not been a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations and we are not aware of any material threatened litigation, arbitration or claim against us.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and assuming full conversion of the Convertible Bonds and the Preference Shares and the issuance of the Peabody Energy Consideration Shares at an Offer Price of HK\$3.875 (being the mid-point of the indicative Offer Price range), Winsway Resources Holdings and Winsway International Petroleum & Chemicals will own approximately 44.15% and 5.58% respectively (assuming no exercise of the Over-allotment Option or any options granted under the Pre-IPO Option Scheme) or approximately 41.58% and 5.25%, respectively, (assuming full exercise of the Over-allotment Option but the options granted under the Pre-IPO Option Scheme are not exercised) of our outstanding issued Shares. Further, immediately following completion of the Global Offering, our Chairman, Mr. Wang, and Winsway Group Holdings, through their respective controlling interest in Winsway Resources Holdings, Winsway Petroleum Holdings and Winsway International Petroleum & Chemicals, will control, in aggregate, more than 30% of our issued Shares. None of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings, Winsway Group Holdings and Mr. Wang carries on or is otherwise interested in any business which competes, or is likely to compete, either directly or indirectly, with our business.

Delineation of business

Winsway Resources Holdings is an investment holding company whose principal asset is its shareholding in our Company.

Winsway International Petroleum & Chemicals is a company whose principal asset is its shareholding in, amongst others, our Company.

Winsway Petroleum Holdings is a company whose principal assets are its direct and indirect shareholdings in Winsway International Petroleum & Chemicals and our Company, respectively.

Winsway Group Holdings is an investment holding company whose principal assets are its shareholding in Winsway Petroleum Holdings and Winsway Resources Holdings.

Winsway International Petroleum & Chemicals and Winsway Petroleum Holdings are principally engaged in the trading of petrochemical products, such as naphtha, fuel oil, heavy aromatics, pure terephthalic acid, paraxylene, xylol and ethanediol, whose clients are international petrochemical distributors. Total revenue of Winsway International Petroleum & Chemicals and Winsway Petroleum Holdings derived from the trading of petrochemical products amounted to approximately US\$1.7 billion for the year ended 31 December 2009. By contrast, we are principally engaged in the supply of imported coking coal to customers which are mainly the leading steel makers and coke producers in the PRC. Our businesses, products and our clients are completely different from those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings. There is therefore a clear delineation and no competition between our business and those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings.

Independence from Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings

Having considered the following factors, we are satisfied that we have been, and following completion of the Global Offering will be, able to conduct our business independently from Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Management and functions of our Group

We have our own management with in-depth experience and understanding of our operations as a supplier of high-quality coking coal to customers in the PRC. We have our own management and administration, sales, procurement, warehousing and logistics, marketing and promotion, accounting, human resources, information technology and after-sales services functions which are responsible for our daily operations on a full-time basis.

Mr. Wang is the sole director of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings, respectively.

Except for Mr. Wang, who is one of our Controlling Shareholders, the executive Directors and senior management of our Group are independent of those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings. Save for Mr. Wang, all other Directors and senior management of our Group who had worked for our parent group have withdrawn or ceased their duties with our parent group.

Customers of our Group

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our top five customers, in aggregate, accounted for 95.3%, 91.1%, 33.0% and 41.4% respectively, and our single largest direct customer accounted for 82.1%, 56.7%, 9.7% and 14.2% of our sales of goods, respectively. So far as our Directors are aware, no Shareholder who owns 5% or more of our issued shares had as at the Latest Practicable Date any interest in any of our five largest customers during the Track Record Period. We can also access our customers independently of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings. During the Track Record Period, we have not sold any of our products through Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings.

Procurement of merchandise

For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our top five suppliers, in aggregate, accounted for 72.9%, 71.1%, 64.7% and 46.8%, respectively, and our single largest direct supplier accounted for 66.1%, 34.4%, 20.7% and 11.8% of our total purchases, respectively. So far as our Directors are aware, no Shareholder who owns 5% or more of our issued shares as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period. We can also access our suppliers independently of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings. During the Track Record Period, save for the purchase of seaborne coal from Winsway International Petroleum & Chemicals before 2010 when, due to the incapability of our Company to open Letters of Credit for procuring seaborne coal Winsway International Petroleum & Chemicals which maintained a good credit rating with banks, purchased seaborne coal from suppliers first and then sold the seaborne coal to our Company, we have not procured any of our merchandise or supplies through Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings or Winsway Group Holdings. The amount of coal we purchased from Winsway International Petroleum & Chemicals for the year ended 31 December 2009, was approximately 2,196,021 tonnes amounting to 30.78% of our total purchases of coal in 2009. Our Directors confirm that we have not purchased and will not purchase any coal or other supplies from Winsway International Petroleum & Chemicals since 1 January 2010 and onwards as we have obtained separate independent facilities from financial institutions for such purchases.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Procurement of Services

During the period from 1 March 2005 to 1 August 2010, Color Future engaged Winsway Macao, a company wholly owned by Mr. Wang, to provide book-keeping and document processing services to Color Future on a free-of-charge basis. Our Company also engaged Winsway Macao during the period from 1 September 2007 to 1 August 2010 to provide the aforesaid services to our Company on a free-of-charge basis. On 2 August 2010, we set up our wholly owned subsidiary, Winsway Coking Coal Macao. From then on, Winsway Coking Coal Macao has been primarily engaged in the provision of book-keeping and document processing services to our Group companies incorporated in the BVI. Our Directors confirm that we have not received any book-keeping and document processing services from Winsway Macao since 2 August 2010 and will not procure any such service from Winsway Macao in the future.

Intellectual property rights

Certain trademarks have been or will be licensed to us from Beijing Winsway Investment and Winsway Resources Holdings, respectively, our connected persons. Under the respective licence agreements, we are allowed to use any of the licensed trademarks in the daily course of our business, including but not limited to any activities for the promotion of our business. Our connected persons, being the licensors, have agreed to increase the places of registration of the licensed trademarks upon our reasonable request. Moreover, we may renew the term of the respective Trademark (Onshore) Licence Agreements (except for Erlianhot Winsway Logistics as a sub-licensee in the Trademark (Onshore) Licence Agreements as defined below) by giving notice to the relevant licensors on or before 30 days of the expiry of the respective terms. The Trademark (Offshore) Licence Agreement will be automatically renewed upon its expiry unless we serve the licensor a termination notice 6 months before the expiry of the relevant term. The government fees and agency fees related to the filing of licensed trademarks will be borne by us. Our Directors believe that we have control over the use, extent and scope of the licensed trademarks for an indefinite term.

Details of the licensing arrangements are set forth in the paragraphs headed “Connected Transactions — Exempt continuing connected transactions — Trademark (Onshore) Licence Agreement”, “Connected Transactions — Exempt continuing connected transactions — Licence for Non-registered Trademarks” and “Connected Transactions — Exempt continuing connected transactions — Trademark (Offshore) Licence Agreement” under this section.

Leasing and ownership of properties

We have leased the two premises located at Room 116 and Room 118, Building 2#, 10 Hongda Zhong Road, Beijing Development Area, Beijing, the PRC (the “**Beijing Winsway Properties**”) and 2nd Floor, Winsway Mansion, 10 Hongda Zhong Road, Beijing Development Area, Beijing, the PRC (the “**Inner Mongolia Haotong Properties**”), respectively, for office use from Beijing Winsway Investment. Other than the Beijing Winsway Properties and the Inner Mongolia Haotong Properties, the other premises where our offices are located are either owned by us or leased from Independent Third Parties.

Details of the leasing of Beijing Winsway Properties and the Inner Mongolia Haotong Properties are set forth in the paragraphs headed “Connected Transactions — Exempt continuing connected transactions — Beijing Winsway Lease Agreement” and “Connected Transactions — Exempt continuing connected transactions — Inner Mongolia Haotong Lease Agreement” under this section.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Financial independence

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the total amount due to related parties amounted to RMB43,238,000, RMB15,166,000, Nil and RMB6,000, respectively. Such amount mainly represents balances due to the Controlling Shareholders and their associates. In addition, Mr. Wang and Winsway Resources Holdings have provided a guarantee in respect of certain uncommitted facilities, details of which are set forth in the paragraph headed “Connected Transactions — Exempt continuing connected transactions — Guarantee from our connected persons” under this section. Our Directors expect that such guarantee will be released shortly after Listing. All other guarantees provided by Mr. Wang and other Controlling Shareholders, if any, will be released upon Listing. All balances due to the Controlling Shareholders and their associates, if any, will be settled prior to or upon Listing. Moreover we have our own accounting and treasury function and have access independently to third parties for financing.

Deed of non-competition

Each of the Directors confirms that he is not interested in any business which competes or is likely to compete, either directly or indirectly, with our Group.

For the purpose of the Listing, Mr. Wang and the other Controlling Shareholders have entered into a Non-competition Deed pursuant to which each of them has irrevocably and unconditionally, jointly and severally undertaken with our Company (for itself and as trustee for the benefit of members of our Group) that he/it shall not, and shall use his/its best endeavours to procure that his/its respective associates shall not engage, invest, participate or be interested (economically or otherwise) in any business undertaking involving supply of coal into the PRC (“**Restricted Business**”) except (a) through his/its interests in our Group from time to time; or (b) being interested in any Restricted Business pursuant to any Business Opportunity (as defined below) in which we have decided not to make an investment as approved in writing by all the independent non-executive Directors.

In addition, each of Mr. Wang and the other Controlling Shareholders (collectively, “**Covenantors**”) has undertaken with our Company (for itself and for the benefit of members of our Group) that if any new business opportunity relating to any Restricted Business (excluding through any passive investment) (“**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than our Company), it or he will refer or procure the relevant associate to refer such Business Opportunity to our Group with such information reasonably necessary for our Company to consider whether to pursue the Business Opportunity. For the purpose of this paragraph, “passive investment” means an investment or interest in units or shares of any entity engaging in the Restricted Business, where such investment or interest does not exceed 10% of the outstanding voting shares of such entity.

Any decision of our Company in respect of any Business Opportunity will have to be approved by all the independent non-executive Directors taking into consideration our Group’s financial condition, the growth prospects and earning potential of the Business Opportunity and any advice of an independent financial adviser on the terms of the Business Opportunity.

Each of the Covenantors has confirmed that neither it or he nor any of its or his associates is interested, involved or engaging, whether directly or indirectly, in any Restricted Business.

Each of the Covenantors has further undertaken to us that it or he will (i) provide to us all information necessary for the enforcement of the undertakings contained in the Non-competition Deed;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

(ii) confirm to us on an annual basis as to whether it or he has complied with such undertakings; and
(iii) not be interested in or pursue any Restricted Business or Business Opportunity unless we have decided, with the approval of all the independent non-executive Directors, not to pursue any such Restricted Business or Business Opportunity.

The deed of non-competition will cease to have any effect on the earliest date on which:

- (a) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Company falls below 30% of the issued Shares of our Company;
- (b) in relation to a particular Covenantor individually, he/it and all of his/its associates cease to hold or otherwise be interested in any of the issued Shares of our Company; or
- (c) the Shares cease to be listed on the Hong Kong Stock Exchange.

We shall adopt the following measures in relation to the compliance with the Non-competition Deed in order to protect the interests of our Shareholders:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the terms of the Non-competition Deed;
- (b) we shall disclose any decisions reviewed by the independent non-executive Directors relating to compliance of the Non-competition Deed in our annual reports;
- (c) we shall disclose in the corporate governance report in our annual report a declaration on compliance with the terms of the Non-competition Deed by the Covenantors;
- (d) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by our Board in relation to the compliance with the Non-competition Deed, the relevant Director may not vote on the relevant resolutions of the Board and shall not be counted towards the quorum for voting pursuant to applicable provisions in our Articles of Association; and
- (e) we shall make an announcement once the Company decides, with the approval of all the independent non-executive Directors, not to pursue any Business Opportunity.

Deed of indemnity

For the purpose of the Listing, Mr. Wang (the “**Indemnifier**”) has entered into a deed of indemnity in favour of our Company to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries and certain associated companies).

Under the deed of indemnity, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss arising from any fines, penalties or other administrative liabilities which may be imposed or levied by the PRC government authorities on our Group resulting from its failure to comply with the applicable law and regulations of the PRC in relation to the land planning, construction, completion of construction and title of certain real properties.

The Indemnifier will not be liable in respect of any loss mentioned above: (i) to the extent that specific provision or reserve has been made in our audited combined financial statements as set out

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

in the Accountants' Report in Appendix I to this prospectus; (ii) to the extent such loss would not have arisen but for any act or omission of, or delay by, our Company or any member of our Group after the Listing Date; and (iii) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

In addition, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss or liability or diminution in value of asset suffered by our Company or any member of our Group as a result of or in connection with any tax liability in any jurisdiction arising: (i) in respect of or in consequence of any act, omission or event which occurred or is deemed to occur on or before the Listing Date; (ii) from any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date; or (iii) as a result of our Company or any member of our Group receiving or being entitled to receive any payment under the deed of indemnity, whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person.

The Indemnifier will not be liable in respect of any taxation liability: (i) to the extent that specific provision or reserve has been made for such taxation liability in our audited combined financial statements as set out in the Accountants' Report in Appendix I to this prospectus; (ii) to the extent such taxation liability would not have arisen but for any act or omission by our Company after the Listing Date; or (iii) to the extent such taxation liability arises or is incurred only as a result of a retrospective change in law or regulations, a retrospective increase in tax rates or a retrospective change in administrative interpretation of law or regulations, coming into force after the Listing Date.

CONNECTED TRANSACTIONS

We have entered into transactions in the ordinary course of our business with certain of our connected persons which we expect to continue following our listing on the Hong Kong Stock Exchange.

Exempt continuing connected transactions

The following continuing connected transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

Trademark (Onshore) Licence Agreement

Each of our Company and our PRC-incorporated subsidiaries (except for Bayannao'er Winsway, Urad Zhongqi Haotong, Ejinaqi Winsway, Inner Mongolia Hutie Winsway Logistics and Xinjiang Winsway) has entered into a trademark licence agreement (each, a "**Trademark (Onshore) Licence Agreement**") with Beijing Winsway Investment dated 1 June 2010. Beijing Winsway Investment is owned as to 80% by Wang Xiaoli, a sister and therefore an associate of Mr. Wang. As a result, Beijing Winsway Investment is our connected person under Chapter 14A of the Listing Rules.

**RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND
CONNECTED TRANSACTIONS**

Pursuant to the Trademark (Onshore) Licence Agreements, Beijing Winsway Investment granted to us and our PRC subsidiaries existing as at the date of the Trademark (Onshore) Licence Agreements a non-exclusive licence to use certain trademarks, namely **WINSWAY** and **永暉** owned and registered by it. These trademarks were licensed to us and our PRC subsidiaries on a royalty-free basis for a term commencing from 1 June 2010 to the date of expiry of registration of such trademarks.

The respective expiry dates of the trademarks are:

Seq.	Certificate no.	Trademark	Expiry date
1	4508752	WINSWAY 永暉	13 September 2018
2	4508753	WINSWAY 永暉	13 September 2018
3	4508754	WINSWAY 永暉	13 September 2018
4	4508755	WINSWAY 永暉	13 September 2018
5	4508736	WINSWAY 永暉	13 September 2018
6	4508737	WINSWAY 永暉	13 September 2018
7	4508746	永暉	13 September 2018
8	4508747	永暉	13 September 2018
9	4508748	永暉	13 September 2018
10	4508767	永暉	27 October 2018
11	5137524	永暉	13 May 2019
12	843838	WINSWAY	27 May 2016
13	839862	WINSWAY	13 May 2016
14	839842	WINSWAY	13 May 2016

In addition, Beijing Winsway Investment has agreed with our Company that it will also enter into a Trademark (Onshore) Licence Agreement with any additional PRC-incorporated subsidiary directly or indirectly established by us in future. We may renew the term by giving notice on or before 30 days of the date of expiry of such term. It has also agreed to increase the places of registration of the licensed trademarks upon our reasonable request. Beijing Winsway Investment has committed to continuously grant us the use of the renewed trademarks upon their expiry on a free-of-charge basis.

If the term of any Trademark (Onshore) Licence Agreement is renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. As the grant of rights to use certain trademarks by Beijing Winsway Investment to us and our PRC subsidiaries is on a free-of-charge basis, the transactions under the Trademark (Onshore) License Agreement, are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

Licence for Non-registered Trademarks

On 18 June 2010, Beijing Winsway Investment granted a licence to Beijing Winsway and our other PRC-incorporated subsidiaries existing as at the date of the Trademark (Onshore) Licence Agreements to use certain trademarks to be registered by it ("**Licence for Non-registered Trademarks**"). Beijing Winsway Investment is our connected person under the Listing Rules.

Pursuant to the Licence for Non-registered Trademarks, Beijing Winsway Investment granted to Beijing Winsway and our other PRC-incorporated subsidiaries a non-exclusive licence to use trademarks, "浩通" "永暉焦煤", "浩通焦煤" and "BESTWAY" pending registration by it. Beijing

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Winsway Investment has agreed that once these trademarks are officially registered with the relevant trademark authorities of the PRC, it will license them to Beijing Winsway and our other PRC-incorporated subsidiaries on a royalty-free basis for a term of ten years commencing from the date of approval of registration of such trademarks. Beijing Winsway may renew the term by giving notice on or before 30 days of the date of expiry of such term. It has also agreed to increase the places of registration of the licensed trademarks upon our reasonable request.

If the term of the Licence for Non-registered Trademarks is renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. As the consent to grant of rights to use certain trademarks by Beijing Winsway Investment to us and our PRC subsidiaries is on a free-of-charge basis, the transactions under the Consent to Licensing Trademarks are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

Trademark (Offshore) Licence Agreement

We have entered into a trademark licence agreement (the “**Trademark (Offshore) Licence Agreement**”) with Winsway Resources Holdings dated 16 August 2010. Winsway Resources Holdings is our Controlling Shareholder and therefore is our connected person under Chapter 14A of the Listing Rules.

Pursuant to the Trademark (Offshore) Licence Agreement, Winsway Resources Holdings granted to us and our subsidiaries a non-exclusive licence to use the “**WINSWAY**” trademark owned and registered by it in Hong Kong. This trademark was licensed to us and our subsidiaries on a royalty-free basis for a term of ten years commencing from 16 August 2010 and will be automatically renewed upon the expiry of such term unless we serve Winsway Resources Holdings a notice to terminate the agreement six months before the expiry of the relevant term. The governmental fees and agency fees related to the filing of the trademark during the term of the Trademark (Offshore) Licence Agreement will be borne by us. It has also agreed to increase the places of registration of the licensed trademark upon our reasonable request. Winsway Resources Holdings has also agreed to be responsible for any expenses for enforcement against any infringement of the licensed trademark by any third parties.

If the term of the Trademark (Offshore) Licence Agreement is renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. As the grant of rights to use the trademark by Winsway Resources Holdings to us and our subsidiaries is on a free-of-charge basis, the transactions under the Trademark (Offshore) Licence Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

Guarantee from our connected persons

Each of Mr. Wang and Winsway Resources Holdings (collectively the “**Guarantors**”) have provided a guarantee (the “**ANZ Guarantee**”) in favour of Australia and New Zealand Banking Group Limited, Hong Kong Branch (the “**Bank**”) in respect of uncommitted facilities in a maximum

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aggregate amount of US\$35,000,000 (the “**ANZ Facility**”) provided to our Company and certain of our subsidiaries (collectively the “**Borrowers**”) pursuant to a facility letter entered into among the Bank, the Borrowers and the Guarantors dated 19 May 2010. The guarantee has been provided on normal commercial terms. This guarantee amounts to the provision of financial assistance by connected persons to us and this transaction is exempt from all reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Other than the ANZ Guarantee, to secure the ANZ Facility, each of the Borrowers has executed a trade finance security assignment in favour of the Bank, pursuant to which each of the Borrowers has (i) assigned to the Bank its rights, title, interest and benefits in and to any export collection bills or documentary credits handled by or possessed by the Bank and any relevant sales contracts and policies of insurance; (ii) charged to the Bank its rights, title, interest and benefits in all goods (and its proceeds) relating to the aforementioned documents and credit balances of all its accounts maintained with the Bank, and (iii) pledged to the Bank any document in the possession of the Bank and any goods and produce to which such documents relate.

The Bank has agreed that upon our written request, it will give its consent to the release of the guarantee provided by Mr. Wang and Winsway Resources Holdings within 15 days following the Listing. Our Company has undertaken that it will apply for the release from the Bank as early as possible within 15 days following the Listing and that it will not draw down the banking facilities within this period before the release by the Bank.

Beijing Winsway Lease Agreement

Beijing Winsway entered into a lease agreement with Beijing Winsway Investment dated 30 June 2008 which was renewed 30 June 2009 for the lease of a part of the Beijing Winsway Properties (namely Room 118, Building 2#, 10 Hongda Zhong Road, Beijing Development Area, Beijing the PRC) and on 17 May 2010 for the lease of all of the Beijing Winsway Properties (the “**Beijing Winsway Lease Agreement**”).

Pursuant to the Beijing Winsway Lease Agreement, Beijing Winsway Investment has agreed to lease the Beijing Winsway Properties to us for office use until 30 June 2011. The extension of the term is subject to mutual agreement between Beijing Winsway and Beijing Winsway Investment.

Beijing Winsway Investment is our connected person under the Listing Rules.

Beijing Winsway Investment commenced leasing the Beijing Winsway Properties to Beijing Winsway on 1 July 2008 at a rental of RMB2,000 per month. The rent was subsequently increased to RMB4,000 per month when the lease was renewed on 17 May 2010. The aggregate amount of rental payable by us to Beijing Winsway Investment under the Beijing Winsway Lease Agreement for the six months ended 31 December 2008, for the year ended 31 December 2009 and for the six months ended 30 June 2010 was RMB12,000, RMB24,000 and RMB12,000, respectively. We estimate that the aggregate rental payable by us to Beijing Winsway Investment for the Beijing Winsway Properties for the year ending 31 December 2010 and the six months ending 30 June 2011 will not exceed RMB36,000 and RMB48,000, respectively.

Our Directors consider that the terms of the lease have been negotiated at arm’s length based on normal commercial terms. Jones Lang LaSalle Sallmanns Limited, our independent valuer, has reviewed the terms of the Beijing Winsway Lease Agreement and confirmed that the rental payable under this agreement was determined with reference to the prevailing market rates and are fair and reasonable.

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The transactions under the Beijing Winsway Lease Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

Inner Mongolia Haotong Lease Agreement

Inner Mongolia Haotong entered into a lease agreement with Beijing Winsway Investment dated 28 December 2007, which was renewed on 1 January 2009 and 1 January 2010, respectively (the **"Inner Mongolia Haotong Lease Agreement"**).

Pursuant to the Inner Mongolia Haotong Lease Agreement, Beijing Winsway Investment has agreed to lease the Inner Mongolia Haotong Properties to Inner Mongolia Haotong for office use until 31 December 2010. The extension of the term is subject to mutual agreement between Inner Mongolia Haotong and Beijing Winsway Investment.

Beijing Winsway Investment is our connected person under the Listing Rules.

Beijing Winsway Investment commenced leasing the Inner Mongolia Haotong Properties to Inner Mongolia Haotong on 1 January 2008 at a rental of RMB300,000 per month (inclusive of management fee, water and electricity charge). The rent was subsequently reduced to RMB114,000 per month (inclusive of management fee, water and electricity charges) when the lease was renewed on 1 January 2009 and 1 January 2010, respectively. The aggregate amount of rental payable by Inner Mongolia Haotong to Beijing Winsway Investment for the two years ended 31 December 2009 and six months ended 30 June 2010 was RMB3,600,000, RMB1,368,000 and RMB684,000, respectively. We estimate that the aggregate rental payable by Inner Mongolia Haotong to Beijing Winsway Investment for the Inner Mongolia Haotong Properties for the year ending 31 December 2010 will not exceed RMB1,368,000.

Our Directors consider that the terms of the lease have been negotiated at arm's length based on normal commercial terms. Jones Lang LaSalle Sallmanns Limited, our independent valuer, has reviewed the terms of the Inner Mongolia Haotong Lease Agreement and confirmed that the rental payable under this agreement was determined with reference to the prevailing market rates and are fair and reasonable.

The transactions under the Inner Mongolia Haotong Lease Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis, such transaction will fall within the de minimis threshold as stipulated under Rule 14A.33 of the Listing Rules.

Confirmation from our Directors

Our Directors, including our independent non-executive Directors, are of the opinion that each of the continuing connected transactions have been entered into on normal commercial terms and in the ordinary and usual course of our business, and are fair and reasonable and in the interests of our shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

GENERAL

The following table sets forth information regarding our current Directors and senior officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Executive Directors		
Wang Xingchun (王興春)	46	Chairman of our Board and Chief Executive Officer
Zhu Hongchan (朱紅嬋)	35	Executive Director and Vice President
Yasuhisa Yamamoto	50	Executive Director
Apolonius Struijk	54	Executive Director
Cui Yong (崔勇)	35	Executive Director
Non-executive Directors		
Cui Guiyong (崔桂勇)	48	Non-executive Director
Liu Qingchun (劉青春)	44	Non-executive Director
Lu Chuan (呂川)	40	Non-executive Director
Independent Non-executive Directors		
James Downing	56	Independent Non-executive Director
Ng Yuk Keung (吳育強)	45	Independent Non-executive Director
Wang Wenfu (王文福)	43	Independent Non-executive Director
George Jay Hambro	35	Independent Non-executive Director
Senior Management		
Zhu Qingrang (朱慶讓)	61	Executive Vice President
Ma Li (馬麗)	40	Vice President
Di Jingmin (邸京敏)	38	Vice President
Xu Changmao (徐昌茂)	43	Vice President
Xie Wenzhao (謝文釗)	36	Chief Financial Officer
Wang Yaxu (王雅旭)	38	Chief Accountant
Cao Xinyi (曹欣怡)	27	Secretary to the Board

BOARD OF DIRECTORS

Our Board consists of twelve Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors. The powers and duties of our Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our 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 our Memorandum and Articles of Association. All our Directors have entered into service contracts with our Company.

Save as disclosed in this prospectus, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus.

Executive Directors

Wang Xingchun (王興春), aged 46, is the founder of our Company and the Chairman of our Board and Chief Executive Officer of our Company. He was appointed as our Director on 17 September 2007. He is also a director of a number of our subsidiaries. He is responsible for formulating the overall business development strategies for our Company and communication with key suppliers and customers of our Group. Mr. Wang has over 20 years of international commodities business and management experience, as well as 15 years of experience in the development of cross-

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border logistics infrastructure and its operations. In 1990, Mr. Wang worked as an agent at Hong Kong Management Service (Chemicals) Limited, a company incorporated in Hong Kong which belonged to the Landmark Chemicals Group of companies engaging in international chemical product trading. In 1995, Mr. Wang, through his wholly-owned entity, Goldliq, invested in and acted as the Vice Chairman of Manzhouli Haitie Yonghui, a company which owns and operates the transshipping facilities at the Manzhouli Railway Port neighbouring Russia through which Manzhouli Haitie Yonghui engages in the storage and cross border transportation of oil and petrochemical products. Mr. Wang also founded Winsway Macao in 1995. Mr. Wang studied mechanical manufacturing at the Beijing Open University from 1984 and obtained a diploma in 1987.

Zhu Hongchan (朱紅嬋), aged 35, is an executive Director and a Vice President of our Company. Ms. Zhu was appointed as a Director on 18 June 2010. She joined Winsway Group in 1995 and has worked in the Chemical Trading and Sales departments of our parent group where she accumulated extensive experience in the value-adding operations of energy resources and commodities, and which has enabled Ms. Zhu to successfully lead and manage the sales team of our Group in implementing our Group's sales and future growth strategies. Ms. Zhu became a Vice President of our Group in October 2008 and is responsible for the management of the procurement of coal and sales activities. Ms. Zhu is also a director of our subsidiary, Beijing Winsway. Ms. Zhu graduated from the Beijing University of Chemical Technology in 1995 with a bachelor's degree in Management Engineering.

Yasuhisa Yamamoto, aged 50, is an executive Director of our Company. He joined Winsway Group in 2007 and was then responsible for its petroleum operations. He was appointed as a Director on 18 June 2010. Mr. Yamamoto is now responsible for the procurement of seaborne coal. Prior to joining our Group, Mr. Yamamoto worked at the Tokyo, Beijing, London and Hong Kong offices of Marubeni Corporation, a company engaged in the trading of textiles, pulp and paper, chemicals, energy, metals, mineral resources and transportation machinery in the global market, since 1982. Mr. Yamamoto has extensive experience in trading, corporate governance, subsidiaries' affiliations and risk management. Mr. Yamamoto obtained a Bachelor of Laws degree from Kobe University in 1982.

Apolonius Struijk (also known as Paul Struijk), aged 54, is an executive Director of our Company. He joined our Group on a full-time basis in 2009 and was appointed as a Director on 18 June 2010. Prior to 2009, Mr. Struijk acted as an adviser to Mr. Wang where he was mainly involved in advising on the business development strategies and assisting in formulating business plans in relation to the overseas petrochemical business carried out by our parent group since its establishment in 1995. Mr. Struijk is responsible for the procurement of seaborne coal. He is also responsible for the mergers and acquisitions activities of our Group. Mr. Struijk is also a director of our subsidiary, Winsway Australia and a Managing Director of our subsidiary, Winsway Singapore. Mr. Struijk is also a director of Peabody-Winsway JV. Mr. Struijk began his career in international trade in 1974 after his secondary education and has previously worked in Africa, Germany and Brazil from 1974 to 1979 and worked for the US-based International Chemical Cooperation from 1979 to 1984. From 1984 to 1994, Mr. Struijk was employed by SA Belgium Marketing Services NV, a Belgium company which belonged to the Landmark Chemicals Group of companies engaging in international chemical product trading, where he was responsible for building the Eastern European business of the company. From 1994 to 2000, Mr. Struijk engaged in petroleum and chemical trading as an entrepreneur. Since 2000, Mr. Struijk has acted as an adviser to various international companies.

Cui Yong (崔勇), aged 35, was appointed as an executive Director on 18 June 2010. Dr. Cui joined Winsway Group in 2000, through which he accumulated broad experience in the transportation, logistics and value-adding operations of energy resources and commodities. He is also a director of our

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subsidiary, Inner Mongolia Haotong. He is responsible for strategy and new business development of our Group. Dr. Cui also acts as a non-executive director of Xinyuan Real Estate Co. Ltd., a company listed on the New York Stock Exchange. From September 2007 to January 2010, he acted as an independent non-executive director of Yardway Group Limited, a company listed on the Hong Kong Stock Exchange. From November 2004 to November 2007, Dr. Cui also acted as an independent director of Zhongshan Vantage Gas Appliance Stock Co., Ltd., a company listed on the Shenzhen Stock Exchange. He has extensive experience in corporate finance and corporate planning and management. Dr. Cui obtained his bachelor degree in finance, master's degree in money and banking and doctorate degree in finance from the School of Finance of Renmin University in 1995, 1998 and 2001, respectively.

Non-executive Directors

Cui Guiyong (崔桂勇), aged 48, was appointed as a non-executive Director on 18 June 2010. He is a partner of HOPU Investment Management Co. Ltd., a company indirectly interested in Winstar, one of our Pre-IPO Investors, which invested in our Company in April 2010 by way of subscription for the Preference Shares in an amount of US\$60,000,000. Prior to joining HOPU Investment Management Co. Ltd. in May 2008, he was an investment banker for 14 years, during when he acted as a Managing Director at Morgan Stanley Asia Limited from 2007, Managing Director and Head of Energy and Resources Group of HSBC Investment Banking Asia Pacific from 2004 to 2007, Managing Director and Head of Investment Banking Division of ICEA Capital from 2002 to 2003 and assumed various positions in N M Rothschild & Sons Group from 1994 in London, Sydney and Hong Kong, including the position of Managing Director of Investment Banking and the Chief Representative of China in N M Rothschild & Sons' Beijing Office before he left the company in 2002. He is also an alternate director of China Mengniu Dairy Company Limited, a company listed on the Hong Kong Stock Exchange. Mr. Cui obtained his DPhil degree from the University of Oxford in 1995, and Bachelor of Engineering and Master of Engineering degrees from the University of Science and Technology Beijing in 1982 and 1987, respectively.

Liu Qingchun (劉青春), aged 44, was appointed as a non-executive Director on 18 June 2010. He has more than ten years of experience in international trading and business management in the iron and steel industry. He has held a number of senior management positions in China Minmetals Group since 1997. Mr. Liu currently acts as the Business Director of the Ferrous Trading and Logistics Centre of China Minmetals Corporation, a director and the Deputy General Manager of China Minmetals H.K. (Holding) Limited, the managing Director of Cheerglory Traders Ltd., and a director of Beijing Newglory International Ltd. Mr. Liu is also a director of Coppermine, one of our Pre-IPO Investors. He was previously the General Manager of the Coke Division and a supervisor of Minmetals Development Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Liu obtained a Master of Business Administration degree from Saint Mary's University in Canada in 1999 and a bachelor's degree in International Economics Law from Shanghai Institute of Foreign Trade in 1989.

Lu Chuan (呂川), aged 40, was appointed as a non-executive Director on 18 June 2010. He has extensive experience in business administration, finance and investment. He previously worked in Nonfemet Finance Shenzhen Corporation Ltd. for a number of years and is currently working in Silver Grant, one of our Pre-IPO Investors and a company listed on the Hong Kong Stock Exchange (Stock Code: 171), as Assistant General Manager and is mainly responsible for its operations relating to financial asset investments. He also acted as a non-executive director of China Ground Source Energy Limited (stock code: 8128), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange from September 2008 to March 2009. Mr. Lu is currently a director of Shenzhen Zhongqingbao Interaction Network Co., Ltd (formerly known as Shenzhen Zqgame Network Co., Ltd, a company listed on the Growth Enterprise Market of the Shenzhen Stock Exchange). Mr. Lu

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

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Ng Yuk Keung (吳育強), aged 45, was appointed as an independent non-executive Director on 18 June 2010. Mr. Ng is currently an executive director and the chief financial officer of a privately-owned pharmaceutical company. 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. Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and a master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Set out below are the current appointments in other listed companies on the Hong Kong Stock Exchange which Mr. Ng has undertaken:

<u>Position</u>	<u>Name of the listed company</u>	<u>Stock Code</u>
Honorary adviser	China Huiyuan Juice Group Limited	1886
Independent non-executive director	Sany Heavy Equipment International Holdings Company Limited	631
Independent non-executive director	Xinjiang Xinxin Mining Industry Co., Ltd.	3833
Independent non-executive director	Beijing Capital Land Limited	2868
Independent non-executive director	Zhongsheng Group Holdings Limited	881

Wang Wenfu (王文福), aged 43, was appointed as an independent non-executive Director of our Company on 20 August 2010. Mr. Wang has extensive experience in the mining industry, with international business development, cross-border mergers and acquisitions, business network establishment and international trading expertise. Before Mr. Wang joined our Group as an independent non-executive Director in 2010, he worked for Aluminum Corporation of China Ltd. (“CHALCO”), a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange since 2004, and was mainly responsible for the development of CHALCO's overseas business, cross border mergers and acquisitions, foreign investment and risk management. He also acted as the President of Chinalco Overseas Holding Ltd., Director and President of Chalco Hong Kong Ltd., Chairman of Chalco Australia Pty. Ltd. and Chief Representative of CHALCO's operations in Vietnam and Indonesia. Mr. Wang graduated from the Department of Linguistics of Kunming University of Science and Technology in 1987. He also obtained a Master of Business Administration degree from Monash University in 1995 and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002.

George Jay Hambro, aged 35, was appointed as an independent non-executive Director of our Company on 20 August 2010. Mr. Hambro has been the Chairman and an executive director of IRC Limited, a subsidiary of Petropavlovsk PLC (a company listed on the London Stock Exchange), since June 2010. Mr. Hambro joined Petropavlovsk PLC (then Peter Hambro Mining PLC), as an executive director and the Director of Business Development in 2002 until his resignation in September 2010. In 2006, he became chief executive of Aricom PLC, where he managed and oversaw the iron ore mining businesses at various stages of exploration, development and production. Following the merger of Aricom PLC with Petropavlovsk PLC in April 2009, he became the Chief Investment Officer of Petropavlovsk plc, retaining responsibility for the Industrial Commodities Business of the Petropavlovsk Group. Mr. Hambro was a manager of the metals and mining corporate finance team within HSBC Investment Bank from 2000 to 2003. He began his career in the Resource Banking

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Division of NM Rothschild & Sons Ltd, working and training in both London and the United States between 1997 and 2000. Mr. Hambro obtained a Bachelor of Arts in Business Management degree from Newcastle University in 1997.

Please refer to the section headed “Statutory and General Information — Further Information about our Directors, Substantial Shareholders, Senior Management and Staff — Disclosure of our Directors’ interests and short positions in the issued shares of our Company and its associated corporations” in Appendix VII to this prospectus for details of the Directors’ interests in the Shares of our Company (within the meaning of Part XV of the SFO), particulars of the Directors’ service agreements and Directors’ remuneration.

Save as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of the Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Zhu Qingrang (朱慶讓), aged 61, is the Executive Vice President who is responsible for the operation and management of our infrastructure, such as the border crossings, coal processing plants, and railway and road transportation of our Group. Mr. Zhu joined our Group in 2007. He is also the legal representative and the Chairman of the board of directors of two of our subsidiaries, Beijing Winsway and Inner Mongolia Haotong, and the legal representative and an executive director of four of our subsidiaries, namely Ejinaqi Haotong, Nantong Haotong, Baotou Mandula and East Wuzhumuqin Qi Haotong. He also acted as the standing deputy general manager of Beijing Winsway, and the general manager of each of Inner Mongolia Haotong, Erlianhot Haotong and Nantong Haotong and as the manager of Ejinaqi Haotong. He previously acted as the Senior Engineer of the Diversified Business Corporation affiliated to the Hohhot Railway Bureau (呼和浩特鐵路局多種經營總公司). Mr. Zhu studied economics management at the Institute of the Party School of the Central Committee of the Chinese Communist Party and graduated in 1995.

Ma Li (馬麗), aged 40, is the Vice President who is responsible for the treasury functions and internal administration of our Group. Ms. Ma joined Winsway Group in 1998, where she was mainly responsible for internal administration and treasury functions. She then became an employee of our Group in 2007 upon our establishment. She previously worked at the rare earth research centre of Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co., Ltd as an assistant engineer from 1991 to 1995. She graduated from Baotou College of Iron & Steel with a bachelor’s degree in Metallurgy in 1991. Ms. Ma also obtained a Master of Engineering degree in 1998 and a Master of Business Administration degree in 2006 from the University of Science and Technology Beijing.

Di Jingmin (邸京敏), aged 38, is a Vice President responsible for legal and compliance matters, human resources and fixed asset management of our Group. Ms. Di joined Winsway Group in 1995, where she was mainly responsible for investment management. She then became an employee of our Group in 2007 upon our establishment. She is also a director of our subsidiary, Inner Mongolia Haotong, and a Vice President of Beijing Winsway. She graduated from Beijing University of Chemical Technology with a bachelor’s degree in management engineering in 1995. Ms. Di also obtained a Master of Laws degree from the Chinese Academy of Social Sciences in 2009.

Xu Changmao (徐昌茂), aged 43, is a Vice President responsible for internal control and supervision and internal audit of our Group. Mr. Xu joined Winsway Group in 1994, where he was mainly responsible for supervision and internal audit. He then became an employee of our Group in

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2007 upon our establishment. He also acted as the supervisor of a number of our subsidiaries. Mr. Xu obtained a bachelor's degree in Engineering Management from the School of Management of Jilin University of Technology (now known as Jilin University) in 1987. He graduated as a research student of the Faculty of Industrial Engineering and Management of Beijing University of Chemical Technology in 1990 and obtained a master's degree in economics from the Chinese Academy of Social Sciences in the same year.

Xie Wenzhao (謝文釗), aged 36, is the Chief Financial Officer of our Company. He is responsible for our capital markets activities, financial analysis, mergers and acquisitions and investors relationship. Mr. Xie joined our Group in 2010. Mr. Xie started his financial services career in 2000 and joined Bank of China International Holding Limited, Beijing Office, as an associate in the Media Function Group, and subsequently worked for Bear Stearns & Co. Inc. as an analyst from 2001 to 2002, Deutsche Bank AG as an associate from 2006 to 2007, Lehman Brothers Asia Limited as a Portfolio Management Associate in the Principal Investing Division from 2007 to 2008, and Nomura International (Hong Kong) Limited as a Vice President from 2008 to 2009. Mr. Xie is also a director of Peabody-Winsway JV. Mr. Xie received a Bachelor of Science degree in Chemical Engineering from Georgia Institute of Technology in 1996 and a Master of Business Administration from the Stern School of Business at New York University in 2004.

Wang Yaxu (王雅旭), aged 38, is the Chief Accountant of our Group. Mr. Wang joined Winsway Group in 1995, where he was mainly responsible for financial management. He then became an employee of our Group in 2007 upon our establishment. He is responsible for the accounting and the financial management of our Group. He is also a director of two of our subsidiaries, Inner Mongolia Haotong and Yingkou Haotong and a supervisor of a subsidiary, Nantong Haotong. He studied industrial management and engineering at and graduated from Beijing University of Chemical Technology in 1995.

COMPANY SECRETARY

Cao Xinyi (曹欣怡), aged 27, is the secretary to our Board. Before joining our Group in 2009, Ms. Cao worked at PricewaterhouseCoopers from 2005 to 2009. She graduated from the City University of Hong Kong with a bachelor's degree in Business Administration in 2005. Ms. Cao is a member of the Hong Kong Institute of Certified Public Accountants.

Rule 8.17 of the Listing Rules

Pursuant to Rule 8.17 of the Listing Rules, the company secretary must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of the issuer who (i) is an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant or (ii) is an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging those functions.

Our company secretary, Ms. Cao Xinyi, is a member of the Hong Kong Institute of Certified Public Accountants and is a professional accountant for the purposes of Rule 8.17 of the Listing Rules but is not ordinarily resident in Hong Kong. While our Directors acknowledge the importance of having a company secretary who ordinarily resides in Hong Kong, they believe Ms. Cao is a competent and capable candidate to serve as our company secretary on the basis of her academic background, professional qualifications and relevant experience. Our Directors also believe that Ms. Cao has the requisite knowledge and experience to discharge the functions of the company secretary and to satisfy

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the requirement under Rule 8.17(3) of the Listing Rules. Our Directors consider it commercially impracticable to appoint another candidate merely for the purpose of complying with the residency requirement of Rule 8.17 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the residency requirements of company secretary under Rule 8.17 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to ensure effective communication between our company secretary and the Hong Kong Stock Exchange:

1. Ms. Cao Xinyi, as one of our authorised representatives, will work closely with the other authorised representative of our Company, Yasuhisa Yamamoto, who will reside and be based in Hong Kong and act at all times, together with Ms. Cao Xinyi, as our principal channel of communication with the Hong Kong Stock Exchange. Ms. Cao holds a valid Hong Kong permanent identity card and passport, and will be available to travel to Hong Kong and both authorised representatives will be available to meet with the Hong Kong Stock Exchange within a reasonable time frame upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email to deal promptly with inquiries from the Hong Kong Stock Exchange. Each of our authorised representatives, as well as all executive Directors, will be readily contactable by telephone, facsimile and email to deal promptly with inquiries from the Hong Kong Stock Exchange;
2. we have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our Company's alternative communication channel with the Hong Kong Stock Exchange, in addition to our Company's authorised representatives. The contact persons of the compliance adviser will be fully available to answer enquiries from the Hong Kong Stock Exchange. Contact details of the compliance adviser have been provided to the Hong Kong Stock Exchange; and
3. Ms. Cao Xinyi, as one of our authorised representatives, will work closely with our compliance adviser and the external legal counsel of our Company to be appointed after Listing who will be able to explain and advise our company secretary and our Company on the relevant requirements of the Listing Rules as well as other applicable Hong Kong laws and regulations.

AUDIT COMMITTEE

We have established an audit committee pursuant to a resolution of our Directors passed on 7 September 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The audit committee consists of four independent non-executive Directors, namely Ng Yuk Keung, an independent non-executive Director with the appropriate professional qualifications who shall serve as chairman of the committee, George Jay Hambro, Wang Wenfu and James Downing and one non-executive Director, namely Cui Guiyong. The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION COMMITTEE

We have established a remuneration committee pursuant to a resolution of our Directors passed on 7 September 2010 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of one executive Director, namely Apolonius Struijk, who is the chairman of the remuneration committee, and two independent non-executive Directors, namely James Downing and Wang Wenfu. The primary duties of the remuneration committee are to review and formulate policies of remuneration structure for our Directors and senior management and make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

We have established a nomination and corporate governance committee pursuant to a resolution of our Directors passed on 7 September 2010 with written terms of reference as recommended under the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The nomination and corporate governance committee consists of one executive Director, namely Yasuhisa Yamamoto, who is the Chairman of the nomination and corporate governance committee, and two non-executive Directors, namely James Downing and Ng Yuk Keung. 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.

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

We have established a health and safety and environmental committee pursuant to a resolution of our Directors passed on 7 September 2010 with written terms of reference. The health and safety and environmental committee consists of one independent non-executive Director, namely George Jay Hambro, who is the chairman of the health and safety committee, and two executive Directors, namely Yasuhisa Yamamoto and Apolonius Struijk. 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.

CODE PROVISION A.2.1 OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Save as disclosed above, we are in compliance with all code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, which normally means that at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Currently, save for Mr. Yasuhisa Yamamoto, Mr. Liu Qingchun, Mr. Lu Chuan, Mr. Ng Yuk Keung and Mr. Xie Wenzhao, who are an executive Director, a non-executive Director, a non-executive Director, an independent non-executive Director and Chief Financial Officer of the Company respectively, who ordinarily reside in Hong Kong, all of our other executive, non-executive and independent non-executive Directors and members of senior management reside in cities outside Hong Kong. The management and operation of our Group have been under the supervision of Mr. Wang, our Chairman and Chief Executive Officer, for a number of years. Although Mr. Wang has a residential address in Singapore, he normally works in China actively managing the business of our Company. As our Group's core business and operations are substantially based in the PRC, our Group's senior management staff are mainly located in the PRC or Singapore and most of our executive Directors will spend substantial time to manage and conduct our Group's business in the PRC or Singapore. Each of our executive Directors has a vital role in the business and it is necessary for them to remain close to our operations in the PRC and in Singapore. To relocate any of our executive Directors (other than Mr. Yasuhisa Yamamoto who is ordinarily resident in Hong Kong) to Hong Kong will require time to process the application for residency in Hong Kong and the application would be burdensome and costly and may not be approved by the date of our Listing. In light of the fact that our operations are located outside Hong Kong, it would be unduly burdensome, costly and not in the best interests of our Company to appoint two new executive Directors who ordinarily reside in Hong Kong and who have relevant expertise in the PRC coal industry.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange:

1. We have, pursuant to Rule 3.05 of the Listing Rules, appointed two authorised representatives, namely Mr. Yasuhisa Yamamoto and Ms. Cao Xinyi, who will act at all times as our principal channel of communication with the Hong Kong Stock Exchange and ensure that they comply with the Listing Rules at all times. Mr. Yamamoto is ordinarily resident in Hong Kong. Ms. Cao holds a valid Hong Kong permanent identity card and both Mr. Yamamoto and Ms. Cao hold valid passports for travelling to Hong Kong. The two authorised representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email to deal promptly with inquiries from the Hong Kong Stock Exchange. Each of the two authorised representatives will be authorised to communicate on behalf of our Company with the Hong Kong Stock Exchange.
2. All authorised representatives have means to contact all Directors (including our independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange upon reasonable notice, when required. To enhance the communication between the Hong Kong Stock Exchange, our authorised representatives and our Directors, our Company will implement a policy that (a) each Director will have to provide his/her mobile telephone number, office telephone number, fax number and email address to the

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authorised representatives; (b) in the event that a Director expects to travel, he/she will endeavour to provide the telephone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his/her mobile telephone; and (c) all Directors will provide their mobile telephone numbers, office telephone numbers, fax numbers and email addresses to the Hong Kong Stock Exchange.

3. Our Company has appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to our authorised representatives, our Directors and senior management of our Company, and will act as the principal channel of communication between our Company and the Hong Kong Stock Exchange when our authorised representatives are not available.
4. Meetings between the Hong Kong Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Hong Kong Stock Exchange as soon as practicable in respect of any change in our authorised representatives and/or the compliance adviser.

COMPLIANCE ADVISER

We have, in compliance with Rule 3A.19 of the Listing Rules, appointed Guotai Junan Capital Limited as our compliance adviser who will assist and advise our Company in connection with the Listing Rules and guidelines. Specifically, pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will also advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be considered as a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviated from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to us or discharging their duties in relation to our operations. When reviewing and determining the specific remuneration packages for our executive Directors and senior management, our remuneration committee takes into consideration factors such as salaries paid

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by comparable companies, time commitment and responsibilities of our Directors, employment elsewhere in our Group and desirability of performance-based remuneration.

The aggregate amount of remuneration (including fees, salaries, discretionary bonus, retirement benefit contribution (including pension), housing and other allowances, and other benefits in kind) paid to our Directors for the years ended 31 December 2007, 2008 and 2009 was RMB0.2 million, RMB1.9 million and RMB2.7 million, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, for the years ended 31 December 2007, 2008 and 2009 was RMB0.9 million, RMB2.2 million and RMB3.5 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2007, 2008 and 2009. Further, none of our Directors have waived or agreed to waive any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009, by us or any of our subsidiaries to our Directors.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) and benefits in kind (including the retirement benefit contribution) payable by us to our Directors for the year ending 31 December 2010 is estimated to be approximately RMB13.9 million.

EMPLOYEES

As at the Latest Practicable Date, our Group had 1,061 full-time employees. Set out below is a breakdown of the number of our full-time employees by function:

<u>Departments</u>	<u>Number of Employees</u>
Management	35
Operations ⁽¹⁾	574
Technical team and laboratory	80
Sales and marketing	34
Logistics and transportation	58
Construction and project management	63
Facilities and resources management ⁽²⁾	101
Financial management and accounts	81
Internal audit	12
Administration	23
Total ⁽³⁾	<u>1,061</u>

Notes:

- (1) Includes staff responsible for (i) coal processing and coal blending work in our coal processing plants, (ii) loading and unloading of raw materials and coal products at our coal processing plants and logistics park, (iii) control of the mechanics of our coal processing plants and (iv) overall operations management.
- (2) Includes employees mainly responsible for the management, control and maintenance of our facilities, plants and other fixed assets.
- (3) Excludes staff under a labour despatch arrangement totalling 466 staff.

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Under a labour despatch arrangement, relevant personnel are legally employed by a labour despatch agent and are despatched to our Group where services are performed pursuant to a labour despatch contract, which is a contract for services, entered into between our Group and the labour despatch agent. Under such arrangement, the employment relationship is established between the personnel and the labour despatch agent. The labour despatch agent, Liren Talent Consultant Co. Ltd., is an Independent Third Party and a company which principally engages in the provision of services in relation to labour despatch, human resource management and consultancy and management training. The labour despatch arrangements are mainly entered into in relation to positions which are of a temporary and labour-intensive nature, such as loaders at storage yard, handymen and cleaners etc. We have accounted for such costs and services provided by the relevant labour despatch staff as part of our staff costs and such costs are payable directly to our labour despatch agent. Such arrangement will not have any adverse effect on our Company's business as these positions generally have a high employment turnover rate and short work cycle. These positions also require a lower level of technical expertise and familiarity with our Group's business. Accordingly, our Group believes that by arranging our staffing through such labour despatch arrangement, we can be more flexible in our staff arrangement and more efficient in our human resources management. Pursuant to relevant regulations of the Labour Contract Law of the People's Republic of China, the labour despatch agent shall be responsible for employee compensation if the relevant staff is injured when providing services to our Company. However, pursuant to the Tort Law of the People's Republic of China, in the event that the injury is caused by the negligent act of our Company, our Company may become liable for compensating the injured staff. Although it is legal obligation of the labour despatch agent to pay the necessary statutory social insurance for the staff despatched to us, we have also purchased additional personal accident insurance for these staff. There has been no claim initiated against us by any staff despatched to us under labour despatch arrangement in the past.

We recruit our personnel from the open market. We offer competitive remuneration packages to our employees, including salaries and bonuses to qualified employees. We provide technical as well as operational training to all new employees and on-going training for all employees. Since our Group was established, we have not experienced any significant turnover of staff nor any disruption to its business operations due to labour disputes. Our Directors consider that our Group has maintained a good relationship with our employees.

During the Track Record Period, we complied, in all material respects, with the relevant PRC labour laws and regulations in all material respects, including contributing to social insurance schemes such as pension and medical schemes, and housing provident fund. In Hong Kong, our Group has participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and without taking into account of any Shares which may be sold pursuant to the exercise of the Over-allotment Option or which may be allotted and issued pursuant to the exercise of any options granted under the Pre-IPO Option Scheme, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Long positions in the Shares and underlying Shares:

<u>Name of shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholdings in our Company immediately after the Global Offering⁽¹⁾</u>
Wang Xingchun (王興春) ^{(1), (2)}	Personal interest and interest of controlled corporation	1,900,785,545	50.19%
Winsway Group Holdings ^{(1), (3)}	Interest of controlled corporation	1,883,451,545	49.73%
Winsway Petroleum Holdings ^{(1), (4)}	Interest of controlled corporation	211,203,545	5.58%
Winsway International Petroleum & Chemicals ⁽¹⁾	Beneficial owner	211,203,545	5.58%
Winsway Resources Holdings ⁽¹⁾	Beneficial owner	1,672,248,000	44.15%
HOPU USD Master Fund I L.P. ^{(1), (5)}	Interest of controlled corporation	363,636,364	9.6%
Winstar Capital Group Limited ⁽¹⁾	Beneficial owner	363,636,364	9.6%

Short positions in the Shares and underlying Shares:

Nil

Notes:

- (1) The percentages of shareholdings are based on a total of 3,787,313,494 Shares in issue immediately following completion of the Global Offering, assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share) and the Over-allotment Option and the options granted under the Pre-IPO Option Scheme are not exercised.
- (2) Mr. Wang indirectly holds 100% of the entire issued share capital of each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 211,203,545 Shares and 1,672,248,000 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, an option representing 17,334,000 Shares was granted to Mr. Wang pursuant to the Pre-IPO Option Scheme.
- (3) 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 211,203,545 Shares and 1,672,248,000 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.
- (4) Winsway Petroleum Holdings holds the entire issued share capital of Winsway International Petroleum & Chemicals and is deemed to be interested in the 211,203,545 Shares held by Winsway International Petroleum & Chemicals.
- (5) HOPU USD Master Fund I L.P. holds the entire issued share capital of Winstar Capital Group Limited and is deemed to be interested in the 363,636,364 Shares held by Winstar Capital Group Limited.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, so far as is known to our Directors, the following persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

<u>Name of shareholder</u>	<u>Name of company</u>	<u>Approximate percentage shareholding</u>
Mongolia Hutie Investment	Bayannao'er Winsway	49%
Mongolia Hutie Investment	Ejinaqi Winsway	49%
Mongolia Hutie Investment	Erlianhaote Hatong	49%
Mongolia Hutie Investment	Urad Zhongqi Haotong	49%
Mongolia Hutie Investment	Inner Mongolia Hutie Winsway Logistics	35%
Ulanqab Huatong Logistics	Inner Mongolia Hutie Winsway Logistics	14%
Mongolia Hutie Investment	Erlianhaote Winsway Logistics	49%

In addition, an Option representing 17,334,000 Shares was granted to Mr. Wang pursuant to the Pre-IPO Option Scheme.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options granted under the Pre-IPO Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARES

AUTHORISED AND ISSUED SHARES

The following is a description of the authorised and issued Shares as at the date of this prospectus and immediately after completion of the Global Offering:

Authorised shares:

Shares with no par value 4,000,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative Offer Price range between HK\$3.25 and HK\$4.50 per Share) and the options granted under the Pre-IPO Option Scheme are not exercised):

Fully paid Shares in issue as at the date of this prospectus	2,060,606,060
Fully paid Shares issued upon the Convertible Bonds and the Preference Shares being fully converted	716,666,918
Fully paid Shares in total to be issued as Peabody Energy Consideration Shares based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of Offer Price between HK\$3.25 and HK\$4.50 per Share)	20,040,516
Fully paid Shares to be issued pursuant to the Global Offering	<u>990,000,000</u>
Fully paid Shares in total	<u><u>3,787,313,494</u></u>

ASSUMPTIONS

The tables above assume the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any options granted under the Pre-IPO Option Scheme, (b) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Offer Shares are ordinary shares of our Company and will rank pari passu with all Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with such number of Shares not exceeding the sum of:

- (a) 20% of the total number of issued Shares of our Company immediately following completion of the Global Offering; and
- (b) the total number of issued Shares of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company's next annual general meeting;

SHARES

- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or our Articles of Association; or
- (c) it is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is earliest.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares of not more than 10% of the total number of issued Shares of our Company immediately following completion of the Global Offering (excluding Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Option Scheme).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "5. Repurchase by our Company of its Own Securities" in Appendix VII to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or our Articles of Association; or
- (c) it is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is earliest.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information prepared in conformity with IFRSs, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, together with the accompanying notes, set forth in the accountants' report included as Appendix I to this prospectus. Information presented in this section that is not extracted or derived from the accountants' report has been extracted or derived from unaudited management accounts (which are not included in this prospectus) as of and for the 8 month period ended 31 August 2010 for the section headed "Liquidity and Capital Resources — Net current assets" in this prospectus and as of and for the 7 month period ended 31 July 2010 for the section headed "Liquidity and Capital Resources – Indebtedness" in this prospectus or from other records. You should read the whole of the accountants' report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2007, 2008 and 2009 refer to our financial year ended 31 December of such year. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

Overview

We are an integrated supplier of imported coking coal into China, the world's largest and fastest-growing coking coal consuming market. In addition to supplying coking coal, we also provide services to our suppliers and customers through our integrated platform comprising logistics parks, coal processing plants, and road and railway transportation capabilities. We believe we have established ourselves as one of the leading suppliers in China of imported coking coal. We also believe we were the largest offtaker of Mongolian coal in terms of volume purchased in 2009. Based on the AME estimates and our internal data, the total coal imported from Mongolia into China in 2009 amounted to approximately 6.00 mt. Based on our internal data, we procured approximately 3.77 mt of coal from Mongolia and approximately 3.36 mt of seaborne coal, and imported a total of approximately 6.69 mt of coal, comprising approximately 3.33 mt of coal from Mongolia and approximately 3.36 mt of seaborne coal in 2009. Accordingly, our coal imported from Mongolia accounted for approximately 55.5% of all Mongolian coal imported into China in 2009. Based on the AME Report, the total coking coal and thermal coal (including anthracite) imported into China in 2009 were approximately 34.4 mt and approximately 75.4 mt respectively.

We believe we are one of the pioneers in large-scale transportation of Mongolian coking coal into China, and also one of the few companies which have substantial investments in logistics and transportation infrastructure at two tier-one Sino-Mongolian border crossings and have access to a transportation network through arrangements with third parties on both sides of the border. We also believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, which is distinguishable through the considerable scale and profitability we have achieved.

FINANCIAL INFORMATION

The following table sets out our turnover and profit from our continuing operations attributable to equity shareholders of our Company for each of 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively.

	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	198,641	993,540	4,655,636	817,984	4,298,827
Gross profit	39,088	440,703	846,896	151,736	945,818
Profit attributable to equity shareholders of our Company	17,811	244,606	454,049	64,983	528,925

We have financed our operations primarily through contributions from Shareholders, advances from our Shareholders and other related parties, bank and other loans, proceeds from the issuance of the Convertible Bonds and the Preference Shares and internally generated cash flow. We typically follow a financing model under which our start-up cost is mainly financed by contributions and advances from our Shareholders and investors. Our general working capital is mainly financed through bank facilities, trade credits and internally generated cash flow.

- **Contributions from Shareholders.** We have relied to a certain extent on capital contributions from our Shareholders to finance our start-up cost and other costs in respect of infrastructure and our facilities, such as coal processing plants and logistics parks.
- **Advances from Shareholders and other related parties.** In the past, we have also relied to a certain extent on advances from our Shareholders and other related parties to finance our capital expenditure and expansion plans. Such advances were accounted as amounts due to related parties in our combined balance sheets. Our Directors confirm that all outstanding balances with Shareholders and other related parties will be settled upon Listing.
- **Bank and other loans.** As at 30 June 2010, we had total bank and other borrowings of RMB2,195.3 million. We have obtained bank facilities and trade credits and general bank and other borrowings to finance our operation. Our bank and other loans are secured by our fixed deposits placed in banks with an aggregate carrying value of RMB435.1 million, RMB208.5 million of coking coal inventories in aggregate carrying value and pledged trade and bills receivables with an aggregate carrying value of RMB1,164.1 million. In addition, Mr. Wang and a number of his controlled corporations have provided guarantees of an aggregate amount of RMB862.8 million in respect of our bank and other loans as at 30 June 2010. Save for the ANZ Guarantee which will be released within 15 days following the Listing, all such guarantees will be released upon Listing. We usually repay such borrowings using new bank and other borrowings and internally generated cash flow. For details of the ANZ Guarantee, please refer to the section headed “Relationship with Controlling Shareholders and Connected Transactions — Connected Transactions — Exempt continuing connected transactions — Guarantee from our connected persons” in this prospectus.
- **Proceeds from the issuance of the Convertible Bonds and the Preference Shares.** With a view to obtaining additional capital to fund our operations, infrastructure and coal processing facilities construction, we and the Controlling Shareholders entered into a subscription agreements with a number of investors, namely HOPU, China Minmetals Corporation, Silver Grant and ITOCHU, in March and April 2010, pursuant to which the investors agreed to subscribe for the Convertible Bonds and the Preference Shares amounting to an aggregate of

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US\$120.0 million. For further details please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus.

- **Internally generated cash flow.** In addition to the financing mentioned above, our daily operations are also funded by our internally generated cash flow. Our profit attributable to equity shareholders of our Company was RMB17.8 million, RMB244.6 million, RMB454.0 million and RMB528.9 million for each of 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

After the Listing of our Shares, we expect to fund our expansion by using a combination of sources, including internally generated cash flow, bank and other loans and proceeds from the Global Offering. In particular, as at 30 June 2010, our total contracted capital commitment amounted to RMB508.9 million. For details of our capital commitments as at 30 June 2010, please refer to the section headed “Financial Information — Contractual Commitments and Capital Expenditures” in this prospectus.

Basis of Presentation of Financial Information

Our Company was incorporated in the BVI with limited liability on 17 September 2007. Pursuant to our reorganisation, the Company became the holding company of the companies now comprising the Group as at 31 December 2007. Since our Company and our subsidiaries are ultimately controlled by the Founder both before and after the completion of our reorganisation, our reorganisation has been treated as a business combination under common control for accounting purposes, and the financial information (the “**Financial Information**”) of our Group for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 has been prepared using the merger basis of accounting as if the Group has always been in existence.

The Financial Information presented in the accountants’ report includes the following assumptions:

- Our combined income statement, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements for each of 2007, 2008 and 2009 and the six months ended 30 June 2010 include the results of operations of the companies now comprising our Group, as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since the dates of their incorporation or establishment where this is a shorter period;
- Our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010 have been prepared to present the combined assets and liabilities of the companies now comprising our Group as at the respective dates; and
- All material intra-group transactions and balances have been eliminated on combination.

For more information on the basis of presentation of the Financial Information included herein, see section A of the accountants’ report included as Appendix I to this prospectus.

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Selected Historical Financial Information of Our Group

The following combined income statement information for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and the selected combined balance sheet information as at 31 December 2007, 2008 and 2009 and 30 June 2010 prepared in accordance with IFRSs, which are derived from the accountants' report set forth in Appendix I to this prospectus.

Selected combined income statements and other financial data

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB '000	RMB '000	RMB '000	RMB '000 (unaudited)	RMB '000
Continuing operations					
Turnover	198,641	993,540	4,655,636	817,984	4,298,827
Cost of sales	(159,553)	(552,837)	(3,808,740)	(666,248)	(3,353,009)
Gross profit	39,088	440,703	846,896	151,736	945,818
Other revenue	444	6,166	7,844	2,366	12,792
Distribution costs	(2,869)	(109,558)	(236,998)	(74,734)	(126,411)
Administrative expenses	(13,774)	(62,275)	(91,623)	(28,555)	(114,561)
Other operating expenses, net	(729)	(10,012)	(643)	(1,077)	(9,698)
Profit from operating activities	22,160	265,024	525,476	49,736	707,940
Finance income	3,790	4,480	6,205	1,264	7,773
Finance costs	(3,690)	(3,331)	(37,041)	(11,020)	(74,895)
Net finance income/(costs)	100	1,149	(30,836)	(9,756)	(67,122)
Profit before taxation	22,260	266,173	494,640	39,980	640,818
Income tax	150	10,639	(62,008)	4,146	(111,910)
Profit from continuing operations	22,410	276,812	432,632	44,126	528,908
Profit attributable to:					
Equity shareholders of our Company	17,811	244,606	454,049	64,983	528,925
Non-controlling interests	(2,164)	(935)	-	-	(17)
	15,647	243,671	454,049	64,983	528,908
Other financial data					
Net cash (used in)/generated from operating activities	(242,415)	126,545	(311,504)	(124,022)	(54,218)

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Selected combined balance sheets data

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB '000	RMB '000	RMB '000	RMB '000
Total assets	650,575	1,409,367	3,960,829	6,372,180
Current assets	499,087	1,035,252	3,478,485	5,532,437
Including: Cash and cash equivalents	37,999	99,141	244,167	542,023
Non-current assets	151,488	374,115	482,344	839,743
Total liabilities	341,837	874,537	2,953,423	4,728,184
Current liabilities	339,248	872,643	2,953,423	3,970,430
Including: Secured bank and other loans	123,822	599,038	1,399,547	2,195,274
Non-current liabilities	2,589	1,894	-	757,754
Total equity	308,738	534,830	1,007,406	1,643,996
Attributable to equity shareholders of the Company	308,041	534,830	1,007,406	1,640,093
Non-controlling interests	697	-	-	3,903

Factors Affecting Our Results of Operations

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set forth below.

Average selling price of our coking coal products

We derive most of our turnover from sales of coking coal. Coal and coal-related products are commodity products, the price of which is subject to supply and demand dynamics and other factors. The coal markets tend to be cyclical and, historically, the PRC coal and coal-related product markets have at times experienced alternating periods of increased demand and resulting price increases, followed by periods of excess supply and resulting price declines.

The average selling price of our coal products was approximately RMB905 per tonne in 2009 and RMB1,007 per tonne for the six months ended 30 June 2010. The average selling prices of our coal products are affected by a number of factors including (i) global and domestic macro economic cycles, (ii) overall supply of raw coal globally and domestically, (iii) overall demand for cleaned and raw coking coal and overall domestic consumption in the PRC, (iv) overall demand of coking coal and performance of downstream industries, such as the steel making industry, (v) demand of our coal products in our target markets or geographical regions and (vi) product characteristics and specifications. The average selling price of our Mongolian coal products is generally less sensitive to price volatility in the global markets than our seaborne coal products. The pricing of our Mongolian coal products has generally tracked market prices of the PRC domestic market, while the pricing of our seaborne coal products has a greater exposure to price volatility in the global markets. Please refer to the section headed "Industry Overview" in this prospectus for more detailed information on the global, the PRC and Mongolian coking coal market and the coal transportation network and infrastructure.

In addition, by developing our own coal processing facilities and expanding our coal processing capacity to produce cleaned coking coal, we have been able to provide a variety of coal products from both Mongolia and the rest of the world, to suit our customers' needs and specification requirements. As a result, we are able to capture market price premium.

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Sales volume

The sales volume of our coking coal increased substantially during the Track Record Period. The sales volume of our coal products is largely dependent upon the market demand of our products and our ability to meet such demand.

In the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we sold an aggregate of approximately 539,789 tonnes, 1,008,155 tonnes, 5,073,829 tonnes and 4,255,460 tonnes of coking coal, respectively. We have sourced raw coking coal primarily from Mongolian miners and seaborne coal from other countries such as Australia, the US, Canada and Russia. We have established long-term commercial relationships and have strategic cooperation arrangements in place with a number of these suppliers and hence are able to secure our coal supplies at a reasonable price. Our strategy to invest in upstream mining assets will also enable us to secure long-term and stable supply of coking coal in order to meet the increasing demand of our customers. Our plan to expand our existing coal processing facilities and to invest in new coal processing plants will also facilitate future growth in our cleaned coking coal production capabilities and sales volume.

Our future growth in sales volume is also dependant on the throughput capacities at the Sino-Mongolian border crossings and at various seaports, as well as our ability to secure sufficient freight capacity on railway and road in a cost efficient manner to transport our coal products to target customers and markets. We have established long-term and exclusive relationship with Moveday in respect of transportation of coal in Mongolia and established relationships with third party transportation companies for transportation of coal in the PRC and have strategically invested, or planned to strategically invest, in a heavy duty road in Mongolia and railway logistics centres, railways and railway loading stations in the PRC, which will enable us to transport coal from our suppliers and to our customers. Currently, our seaborne coal is usually delivered to Jingtang port, Rizhao port and Caofeidian port. Upon arrival at the relevant port our seaborne coal will be transported to our customers by road or rail or delivered to our customers at the port, depending on the needs of our customers. For further details on our transportation arrangements, please refer to the section headed “Business — Transportation” in this prospectus.

Cost of Sales

Cost of sales mainly include the cost of coal purchased from our suppliers, coal transportation cost, coal processing costs, depreciation, amortisation and maintenance costs of our motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure and other costs.

The following factors have affected and will continue to affect our cost of sales:

- fluctuation in the purchase cost of coal;
- increase in the cost incurred for transporting our coal from the Sino-Mongolian border to our distribution points through road transportation;
- increase in the costs incurred for coal processing, such as staff costs and cost of water, electricity, power and other utilities; and
- increase in depreciation, amortisation and maintenance costs of our motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure, due to our additional capital expenditures for the purpose of our business expansion.

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Distribution costs

Another important factor that affects our profitability is our distribution costs. Our distribution costs consist primarily of railway and road transportation costs associated with delivering our coking coal products and other coal related products to our customers. For 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded distribution costs of RMB2.9 million, RMB109.6 million, RMB237.0 million and RMB126.4 million, respectively. Road transportation services have primarily been provided by third party transportation companies and our self-owned trucks. We have developed long-term relationship with third party transportation companies, which will enable us to control road transportation charges at a reasonable level. We also rely on the national railway to transport coal to our coal processing plants and customers. The cost of railway transportation through the national railway is relatively stable and tracked national railway prices. During the Track Record Period, we had not experienced any material transport capacity shortage or delay which affected the sales or delivery of our products.

Our target sales region will also affect our total distribution costs as road and railway transportation costs are charged by third party transportation companies and the national railway based on volume of coal and the distance being transported. During the Track Record Period, the increase in our distribution costs was principally due to the increase in our sales volume as well as the extension of our sales network from Inner Mongolia to cover other target markets in Hebei, Shanxi, Shandong and other provinces in southern China.

Our ability to expand our throughput capacities and to secure sufficient freight capacities on the national railway to transport our coal products to target markets will also affect our ability to control and manage our transportation costs. However, any future congestion in the railway system in the PRC or increases in railway transportation unit prices or increases in the transportation costs charged by third party transportation companies or any future restriction imposed by the PRC Government in granting relevant transportation licenses will increase our distribution costs and could adversely affect our results of operations.

Anticipated capital expenditures

We have committed to capital expenditures of RMB508.9 million as at 30 June 2010 to acquire or invest in new infrastructure, including logistics park, railway logistics centres, docking facilities and new coal processing facilities. We intend to fund the expected capital expenditure with internally generated cash flow, bank and other loans and proceeds from the Global Offering. Such capital expenditure and its associated increases in amortisation and depreciation expenses will increase our cost of sales and could have a significant impact on our future combined results of operations. For further details of our future expansion plan and the amount of net proceeds from the Global Offering which will be used for such future acquisition or expansion, please refer to the sections headed “Future Plans and Outlook” and “Use of Proceeds” in this prospectus.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our combined financial information for 2007, 2008 and 2009, and the six months ended 30 June 2009 and 2010, which have been prepared in accordance with IFRSs. Our reported financial condition and results of operations are sensitive to accounting methods and assumptions and estimates that underlie the preparation of the financial information.

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Critical accounting policies

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 our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue associated with the sale of coal is recognised when the risks and rewards of ownership of the goods have been passed to the customer. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

We recognise revenue when the goods are received and accepted at the point of delivery, which generally takes place (i) for goods sold to our overseas customers, when title passes to our customer on shipment (in the case of our goods being sold to our overseas customers); or (ii) for goods sold within the PRC, when the risks and rewards of ownership passes to our customers, which takes place upon receipt of our coal products by our customer or when our coal products leave our warehouse pursuant to relevant terms of the contract of sales.

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 of completion and 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.

Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the balance sheet at cost less impairment losses. 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 assets includes the cost of materials and direct labour, and 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.

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Gains or losses arising from the retirement or disposal of an item of 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 property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Where parts of an item of property, plant and equipment have a 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.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, 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.

Convertible notes

Convertible notes that contain an equity component and can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the note is converted or redeemed.

If the note is converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained profits.

Preferred shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option and any dividends are discretionary. Dividends on preferred shares classified as equity are recognised as distributions within equity.

Preferred shares are classified as liabilities if they are redeemable on a specific date or at the option of the equity shareholders of the Company, or if dividend payments are not discretionary. The liabilities are recognised in accordance with our Group's policy for derivative financial instruments and interest-bearing borrowings and dividends thereon are recognised as interest expense in profit or loss on an accrual basis.

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Share-based payments

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

During the vesting period, the number of share options 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 period 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 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 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).

Critical accounting judgments in applying our Group's accounting policies

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

The selection of critical accounting policies, the judgments 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 the Financial Information. Our Group believes the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of the Financial Information.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value, if any. Our 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 our 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.

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.

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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 our Group's assets are not readily available. In determining the value in use, expected cash flow 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. Our 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.

Income taxes

Our Group is subject to income taxes in various jurisdictions. Significant judgment 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.

Description of Certain Income Statement Items

Turnover

Turnover represents the sales value of our coking coal products supplied to our customers, net of value added or other sales taxes, and the deduction of any trade discounts.

The following table sets forth our turnover from our continuing operations by source for each of 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively.

	<u>Years ended 31 December</u>			<u>Six Months ended 30 June</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Turnover				(unaudited)	
Mongolian coal					
Cleaned coking coal	-	821,996	1,574,844	570,510	1,644,082
Raw coking coal	191,427	160,931	183,038	3,685	312,941
Seaborne coal					
Hard coal	-	-	2,833,871	242,985	2,329,380
Others	7,214	10,613	63,883	804	12,424
Total	<u>198,641</u>	<u>993,540</u>	<u>4,655,636</u>	<u>817,984</u>	<u>4,298,827</u>

As we derive a substantial portion of our total turnover from the sale of coal, our results of operations for a given period are dependent upon the type of coal we sell during that period, as well as the market demand and the average selling price for each type of coal. Our coal products can be categorised in three principal types, namely Mongolian coal, which comprise raw coking coal and cleaned coking coal, and seaborne coal, which solely consist of hard coal. We also sold other coal-related by-products such as middlings, waste rock and slime. Our business focus is to supply imported coking coal, primarily Mongolian coal and to be supplemented by coal from other origins. In 2007, we focused on the sale of Mongolian raw coking coal, which accounted for 96.4% of our total turnover. In 2008, our Group commenced the sale of Mongolian cleaned coking coal, which quickly became a significant component of our turnover and accounted for 82.7% of our total turnover in 2008, as we established our Urad Zhongqi coal processing plant in the same year. Based on favourable market

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conditions in 2009 and as a natural expansion in addition to our supply of imported Mongolian coal to customers in the PRC, we commenced the sale of hard coal sourced from Australia, the US, Canada and Russia, which accounted for 60.9% of our turnover in 2009, with the purpose of meeting our customers' demand for a variety of coking coal for their coke blend. For the six months ended 30 June 2010, our sales split was fairly consistent with that in 2009, and for the same period, the sale of Mongolian cleaned coking coal, Mongolian raw coking coal and seaborne coal accounted for 38.2%, 7.3% and 54.2% of our total turnover, respectively. Our significant increase in turnover, on an annualised basis, for the six months ended 30 June 2010 as compared to that for the year ended 31 December 2009 was mainly due to the significant increase in our total sales volume attributable from (i) our increased coal processing capacity at the Urad Zhongqi coal processing plant from 2.0 mtpa at the beginning of 2009 to 4.0 mtpa as at 30 June 2010 and (ii) an increase in the volume of seaborne coal purchased from our overseas suppliers and supplied to our customers to meet their specific demand for a variety of coking coal for their coke blend, where such sales and purchases of seaborne coal had only accelerated since the second half of 2009.

The table below sets forth, for the periods and the type of coal indicated, the total sales volume and the average selling price per tonne for each type of coal, which is calculated by dividing the turnover attributable to the coal sold by type by the total volume of that type sold:

	Years ended 31 December						Six Months ended 30 June			
	2007		2008		2009		2009		2010	
	Total sales volume (Tonnes)	Average selling price (per tonne) (RMB)	Total sales volume (Tonnes)	Average selling price (per tonne) (RMB)	Total sales volume (Tonnes)	Average selling price (per tonne) (RMB)	Total sales volume (Tonnes) (unaudited)	Average selling price (per tonne) (RMB)	Total sales volume (Tonnes)	Average selling price (per tonne) (RMB)
Mongolian coal										
Cleaned coking coal	-	-	657,895	1,249	1,796,081	877	733,417	778	1,551,157	1,060
Raw coking coal	539,789	355	350,260	459	344,811	531	9,213	400	697,070	449
Seaborne coal										
Hard coal	-	-	-	-	2,932,937	966	272,737	891	2,007,233	1,160
Total	539,789	355	1,008,155	975	5,073,829	905	1,015,367	805	4,255,460	1,007

In terms of our target markets, our Group had predominantly focussed our sales of raw coking coal in the Inner Mongolia regions in 2007. In 2008, our Group expanded into other geographical regions or target markets, such as Hebei, Shanxi and other provinces in southern China. In 2009 and in the first half of 2010, we further extended our sales to customers, which are mainly steel makers, in Hebei, which became our largest target market.

Cost of sales

Cost of sales mainly comprises the costs we incur directly in relation to the processing and sale of coking coal. The principal component of our cost of sales is the cost of coal purchased from our suppliers, cost incurred for transporting our coal from the Sino-Mongolian border to our distribution points through road transportation, coal processing costs which include staff costs and cost of water, electricity, power and other utilities, depreciation, amortisation and maintenance costs of our motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure and other costs.

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The table below sets forth information relating to the cost of sales for each period during the Track Record Period and for the six months ended 30 June 2009 and 2010.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Cost of coal purchased	136,169	85.3	450,319	81.5	3,515,042	92.2	555,575	83.4	3,151,848	94.0
Transportation cost	8,234	5.2	65,540	11.9	112,445	3.0	32,257	4.8	113,368	3.4
Coal processing costs	-	-	9,626	1.7	23,633	0.6	9,650	1.4	19,887	0.6
Staff cost	2,006	1.3	2,807	0.5	7,068	0.2	2,366	0.4	5,879	0.2
Depreciation and amortisation	6,782	4.3	12,756	2.3	26,023	0.7	13,117	2.0	15,011	0.4
Custom charges	2,923	1.8	8,213	1.5	108,998	2.9	40,734	6.1	11,485	0.3
Others	3,439	2.1	3,576	0.6	15,531	0.4	12,549	1.9	35,531	1.1
Total cost of sales	159,553	100.0	552,837	100.0	3,808,740	100.0	666,248	100.0	3,353,009	100.0

The overall increase in cost of sales over the Track Record Period was mainly driven by the increase in sales volume of coal. During the Track Record Period, the cost of coal purchased constituted the largest component of our cost of sales and accounted for 85.3%, 81.5%, 92.2% and 94.0% for 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively. The increase in the percentage of the cost of coal purchased to the total cost of sales in 2009 was attributable to the commencement of our sales of seaborne coal, the purchase price of which was generally more expensive than Mongolian coal.

The table below sets forth, for the periods and the type of coal indicated, the total purchase volume and the average purchase price per tonne for each type of coal, which is calculated by dividing the total purchase cost attributable to the coal purchased by type by the total purchase volume of that type:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Total purchase volume	Average purchase price per tonne	Total purchase volume	Average purchase price per tonne	Total purchase volume	Average purchase price per tonne	Total purchase volume	Average purchase price per tonne	Total purchase volume	Average purchase price per tonne
	(Tonnes)	(RMB)	(Tonnes)	(RMB)	(Tonnes)	(RMB)	(Tonnes)	(RMB)	(Tonnes)	(RMB)
Mongolian										
coal	964,994	274	1,267,990	424	3,771,636	364	1,581,748	344	2,366,763	455
Hard coal	-	-	-	-	3,361,228	856	498,363	880	1,995,687	969
Total	964,994	274	1,267,990	424	7,132,864	596	2,080,111	472	4,362,450	690

The increase in transportation cost was generally in line with the increase in our sales and purchase volume of coal. The percentage of the transportation cost to total cost of sales in 2008 was relatively higher than 2007 and 2009 as a result of the additional costs incurred for transporting coal to our coal processing plant in Urad Zhongqi, which commenced operations in 2008 and which was also when we began our sale of cleaned coking coal. Transportation costs remained fairly consistent as a percentage to total cost of sales since 2009. In addition, we began to incur coal processing costs as we commenced the sale of cleaned coking coal in 2008. The decrease in the coal processing costs as a percentage of total cost of sales in 2009 was mainly attributable to the commencement of our sales of seaborne coal, which are delivered directly to our customers without further processing. Custom charges represents import charges payable for the import of Mongolian and seaborne coal by the Group. The increase in the percentage of custom charges to the total cost of sales in 2009 was mainly attributable to the import of seaborne coal which borne relatively higher import charges than Mongolian coal.

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In addition, the table below sets forth, for the periods and the type of coal indicated, the total cost of sales and the average cost of sales per tonne for each type of coal, which is calculated by dividing the cost of sales attributable to the coal sold by type by the total volume of that type sold:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Total cost of sales (RMB'000)	Average cost of sales per tonne (RMB)	Total cost of sales (RMB'000)	Average cost of sales per tonne (RMB)	Total cost of sales (RMB'000)	Average cost of sales per tonne (RMB)	Total cost of sales (RMB'000) (unaudited)	Average cost of sales per tonne (RMB)	Total cost of sales (RMB'000)	Average cost of sales per tonne (RMB)
Mongolian coal										
Cleaned coking coal	-	-	404,194	614	1,132,703	631	423,699	578	1,014,718	654
Raw coking coal	153,469	284	142,631	407	138,357	401	2,860	310	227,778	327
Seaborne coal										
Hard coal	-	-	-	-	2,482,102	846	239,289	877	2,102,516	1,047
Total cost of sales of coal	153,469	284	546,825	542	3,753,162	740	665,848	656	3,345,012	786

As illustrated in the table above, the average cost of sales per tonne of raw coking coal sold is the lowest amongst the three products. This is principally due to the fact that the distribution points are generally at a location near the Sino-Mongolian border crossing or in Inner Mongolia, thereby leading to lower transportation costs. On the other hand, the average cost of sales per tonne of cleaned coking coal sold is relatively higher than that of raw coking coal. This is mainly attributable to the additional coal processing cost incurred, increased costs associated with a larger amount of raw coal required for processing into cleaned coal and higher costs incurred for the transportation of coal to our coal processing plants. In addition, seaborne coal has the highest average cost of sales per tonne of coal sold. This is because the purchase cost of seaborne coal, which generally tracks global coking coal prices, is higher than the purchase cost of Mongolian coal, which generally tracks domestic coal prices. The average cost of sales per tonne of coking coal sold in 2008 was relatively higher than 2007 and 2009, which was also in line with the general increase in global and domestic coal prices in the same year. Notwithstanding the increase in average cost of sales per tonne of seaborne coal sold in the six months ended 30 June 2010, our average total cost of sales per tonne of Mongolian coal for the six months ended 30 June 2010 remained relatively stable as compared to the year ended 31 December 2009. This was mainly attributable to the long-term relationship which we have developed with our suppliers and our leading market position in supplying Mongolian coal to China, enabling us to secure our coal supplies at a reasonable price. Please refer to the section headed "Industry Overview" in this prospectus for more detailed information on the global and domestic coking coal market and prices.

We recognise the cost of sales of our coal for a given period to the extent that turnover from the sale of coal has been recognised in that period. The components of our cost of sales may change in any given year based on the type of coal we sell to our customers.

Gross profit

As a result of the factors affecting our turnover and cost of sales of each type of coal as mentioned above and taking into consideration the average selling prices and average cost of sales per tonne for each type of coal, the gross profit margin for Mongolian cleaned coking coal is generally higher than Mongolian raw coking coal and seaborne coal. The decrease in gross profit margin in 2009 was attributable to the overall decline in global and domestic coal prices, whilst cost of cleaned coking

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coal increased and the contribution of seaborne coal, which has a relatively lower margin than Mongolian coal, also increased. The increase in our gross profit margin for the six months ended 30 June 2010 was mainly attributable to the increase in overall average selling price while the overall average cost of sales remained relatively consistent with that of 2009. Gross profit from our Mongolian business remained as the major contributor to our total gross profit during the Track Record Period and for the six months ended 30 June 2010. In addition, gross profit margin of our Mongolian cleaned coking coal increased from 28.1% in 2009 to 38.3% for the six months ended 30 June 2010 mainly because of the increase in the average selling price of our Mongolian cleaned coking coal mainly attributable to the strong demand from steel makers and also in line with the increase in spot price for coking coal in China; while the average cost of sales of Mongolian cleaned coking coal remained relatively stable with that of 2009 as a result of the sell-down of lower cost inventories that were purchased in 2009, where the Company, in anticipation of the enlarged processing capacity and severe weather conditions in the winter, kept a relatively high level of raw coal inventory at the end of 2009. However, gross profit margin of our seaborne coal decreased from 12.4% in 2009 to 9.7% for the six months ended 30 June 2010 mainly because of the strong demand and shortage of supply of coal in the global markets leading to an increase in international coal prices in the first half of 2010, thereby increasing the cost of seaborne coal purchased in the six months ended 30 June 2010 as compared to that of 2009, whilst our average selling price grew at a relatively slower pace in line with the growth in coal prices in the domestic market. The table below sets forth the breakdown of gross profit by cleaned coking coal, raw coking coal, hard coal and others for each period during the Track Record Period and for the six months ended 30 June 2009 and 2010.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)
							(unaudited)			
Mongolian coal										
Cleaned coking coal	-	-	417,802	50.8	442,141	28.1	146,811	25.7	629,364	38.3
Raw coking coal	37,958	19.8	18,300	11.4	44,681	24.4	825	22.4	85,163	27.2
Seaborne coal										
Hard coal	-	-	-	-	351,769	12.4	3,696	1.5	226,864	9.7
Others	1,130	15.7	4,601	43.4	8,305	13.0	404	50.2	4,427	35.6
Total gross profit	39,088	19.7	440,703	44.4	846,896	18.2	151,736	18.5	945,818	22.0

Distribution costs

Distribution costs represent our costs of transporting and delivering our coking coal products and other coal related products to our customers. Distribution costs include primarily railway and road transportation expenses charged by local railway bureau and third party transportation companies and incurred by our self-owned trucks, which deliver our coal and other coal related products to our customers. It also includes other sundry expenses including loading charges and handling charges paid to agencies incurred in relation to the distribution of our coal products to our customers. We generally bear the costs for delivering products to the locations designated by our customers.

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In addition, the table below sets forth, for the periods and the type of coal indicated, the total distribution costs and the average distribution costs per tonne for each type of coal, which is calculated by dividing the distribution costs attributable to the coal sold by type by the total volume of that type sold:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Total distribution costs (RMB'000)	Average distribution costs per tonne (RMB)	Total distribution costs (RMB'000)	Average distribution costs per tonne (RMB)	Total distribution costs (RMB'000)	Average distribution costs per tonne (RMB)	Total distribution costs (RMB'000) (unaudited)	Average distribution costs per tonne (RMB)	Total distribution costs (RMB'000)	Average distribution costs per tonne (RMB)
Mongolian coal	2,869	5.32	109,558	108.67	233,555	109.09	74,734	73.60	122,237	54.37
Seaborne coal	-	-	-	-	3,443	1.17	-	-	4,174	2.08
Total distribution costs	2,869	5.32	109,558	108.67	236,998	46.71	74,734	73.60	126,411	29.71

The total distribution costs in 2007 represented the total costs for distribution of our Mongolian raw coking coal to our customers. Delivery points of our Mongolian raw coking coal are usually at a location near the Sino-Mongolian border crossing or in Inner Mongolia, leading to relatively low average distribution costs per tonne. In 2008, we commenced the sale of Mongolian cleaned coking coal and expanded the geographic target market reach from Inner Mongolia to Hebei and Shanxi provinces, which in turn increased the associated transportation costs and hence the average distribution costs per tonne. The average distribution costs per tonne for Mongolian coal in 2009 remained consistent with that of 2008. In addition, average total distribution costs decreased in 2009 as a result of the increased contribution from the sale of seaborne coal, which has a relatively lower distribution cost as compared to Mongolian coal as most of our seaborne coal are being delivered to our customers at seaports. Average distribution costs for the six months ended 30 June 2010 further decreased as a result of (i) economies of scale derived from our increased volume of coal sold and transported and (ii) shortening of the transportation distance in respect of the delivery of our Mongolian cleaned coking coal to our customers as most customers have designated their delivery points closer to our coal processing plants or have decided to collect our cleaned coking coal products directly from our coal processing plants.

Administrative expenses

Our administrative expenses primarily consists of staff costs for administrative staff, depreciation and amortisation of administration related assets, travelling and entertainment expenses, professional expenses, insurance costs and other miscellaneous expenses.

Finance income/(costs)

Our finance income primarily consists of interest income and net foreign exchange gain. Our finance costs primarily consists of interest on bank and other loans and discounted bills, as well as the net foreign exchange loss on such bank and other loans, other borrowings and trade facilities.

Income tax

Income tax represents provisions for Hong Kong, the PRC, the BVI, Singapore and Australia corporate income tax. No provision for Hong Kong profits tax has been made for the years or periods during the Track Record Period as our Group did not generate any assessable profits arising in Hong Kong. Our PRC subsidiaries are subject to the PRC corporate income tax at the statutory rates of 33% for 2007 and 25% from 2008 onwards. All of our PRC tax provision is made with respect to assessable

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profits generated by our PRC subsidiaries and do not relate to our BVI-incorporated entities. Our BVI-incorporated entities contributed to most of our profits for 2007, 2008 and 2009. Pursuant to the rules and regulations of the BVI, our Group is not subject to any income tax in the BVI. The main businesses of these BVI-incorporated entities are purchasing coking coal from third party suppliers and reselling to other entities within our Group for further processing or selling to external customers directly. Our BVI-incorporated entities have engaged certain third party residents in the BVI to act as trade agent and document processing agent in the BVI and have also entered into service agreements with a related party company in Macau, namely Winsway (Group) Enterprises Limited, for the provision of book-keeping and document processing services to our BVI-incorporated entities. The management team of our BVI-incorporated entities usually travel around Mongolia, Australia, Canada and the United States to undertake and negotiate for the procurement of coal from our overseas suppliers. Placing of the purchase orders and signing of procurement agreements would normally take place at the locality of our supplier, whilst such agreements shall only be effected after the BVI trade agent affix the company chop on the agreements in the BVI. Relevant shipping documents were being processed by our agent in Macau, and will be endorsed by our management team at the locality of our overseas supplier. Accordingly, our Directors are of the view that the effective management of these BVI-incorporated entities are situated outside of the PRC and they should not be regarded as PRC resident enterprises and subject to PRC income tax. In relation to other jurisdictions, our Directors consider that as the effective management of the BVI-incorporated entities is in the BVI and that purchase contracts are substantially effected in the BVI when the BVI trade agent affixes the relevant company chop on the agreements in the BVI, the tax exposure to the relevant BVI-incorporated entities in other jurisdictions, including Macau, BVI, Mongolia, Australia, Canada, the United States and the locality of the suppliers where the agreements are signed, to be remote. In this regard, we have appointed a tax adviser which has advised us that, based on the operations and arrangements described above, our BVI-incorporated entities should not be subject to any significant tax exposure in the BVI, PRC, Macau, Mongolia, Japan, Russia, Canada or the United States. Our tax adviser has advised us that although there is technically income tax in BVI, the effective tax rate is zero. However, our tax adviser has also advised us that there may be certain risk that part of the profits derived by our BVI-incorporated entities from the purchase and sale of coal will be considered to be sourced in Australia, particularly because the relevant contracts are negotiated, concluded and executed in Australia. Our tax adviser has further advised us that under Australian tax law, there is no fixed guidance or precedents on how the profit should be calculated while the procurement contracts were negotiated and signed in Australia and the sales occurred outside Australia. Turnover arising from transactions involving supply contracts that were negotiated, concluded and executed in Australia was RMB199.5 million for the year ended 31 December 2009, representing 4.3% of our total turnover, and the cost of coal purchased recorded by us in relation to these supply contracts was RMB180.8 million in 2009, leading to a gross profit (calculated by subtracting the cost of coal purchased from the turnover arising from or associated with the supply contracts) of RMB18.7 million. Our procurement activities in Australia only commenced in 2009 and we have not negotiated, concluded and executed any contract in Australia during the six months ended 30 June 2010. On the basis of the gross profit arising from or associated with these supply contracts that were negotiated, concluded and executed in Australia and a statutory income tax rate of 30% in Australia, we have been advised that our total tax exposure can amount to RMB5.7 million, although it is uncertain that any exposure, if at all, would reach such an amount. In addition, our tax adviser has advised us that interest may be chargeable on the amount of tax underpaid at a uniformed general interest charge (“GIC”) rate announced by the Australian Taxation Office on a quarterly basis and which ranged from 10.16% to 11.76% per annum in 2009. The Australian Taxation Office may also at its sole discretion impose a 25% penalty charge on the amount of tax underpaid. As our procurement activities in Australia only took place in 2009, based on our total tax exposure of RMB5.7 million, the high end of the GIC rate of 11.76% for 2009 and on the assumption that the amount of tax, if at all, will be deemed underpaid since 1 January 2009, the amount of interest and

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penalty which may be charged or imposed on tax underpaid can amount to RMB671,000 and RMB1,425,000 respectively. In consideration of our current operating structure and procurement activities carried out by our BVI-incorporated entities, our tax adviser has advised us that, the likelihood that our Group be exposed to Australian income tax as a result of profit arising from or associated with our procurement contracts that were negotiated, concluded and executed in Australia is remote. Accordingly, the likelihood of the Australian Taxation Office imposing or charging interest or penalty on underpaid tax is also remote. However, in the event that we are deemed to have underpaid Australian tax as a result of our procurement activities in Australia, it is likely that the Australian Taxation Office will impose the 25% penalty plus GIC interest charges on the relevant amount of underpaid tax. Based on the above and taking into consideration our management have not spent an extended period of time in Australia for our coal procurement activities during the Track Record Period, our management have assessed that it is less than likely that our Group's coal procurement activities in Australia would expose our Group to Australian income tax and that our Directors consider such tax exposure in Australia to be unlikely and impossible to quantify, we have not made any provision in the accountants' report as set out in Appendix I of this prospectus. In respect of Macau Complementary Tax, our tax adviser has also advised us that, although the term "business activities carried out in Macau" is not clearly defined in the Macau Complementary Tax Ordinance, as (i) our BVI-incorporated entities are incorporated as offshore companies in Macau and do not maintain any office nor employ any staff in Macau during the Track Record Period and (ii) except for the accounting and payment functions which were performed by our Macau agent on behalf of our BVI-incorporated entities and all business activities were performed by senior management and our BVI trade agent entirely outside Macau, such BVI-incorporated entities should have a basis to argue that they should not be considered as carrying out business activities in Macau and hence no Macau Complementary Tax liability should arise. In addition, Mr. Wang has agreed to indemnify us for any taxation liability which may arise in relation to the above. Please see the section headed "Relationship with Controlling Shareholders and Connected Transactions — Relationship with Controlling Shareholders — Deed of indemnity" in this prospectus.

From 2010 onwards, our subsidiary in Singapore, Winsway Singapore, is subject to Singapore corporate income tax at a 10% concessionary tax rate under the Global Trader Programme, a programme launched by Singapore's Trade Development Board which encourages qualified products and commodities trading companies to choose Singapore as their regional or global base of operations. In addition to the risk associated with the Australian tax exposure in relation to the purchase and sale of coal by our BVI-incorporated entities as disclosed above, and as our only presence in Australia is through our wholly-owned subsidiary, Winsway Australia, which engages in local industrial research activities for the Group and has not carried out any purchase and sale of coal or other procurement activities in Australia during the Track Record Period since its establishment in November 2009 and has only earned insignificant amount of intra-group services income from us in Australia for which no significant amount of Australian income tax shall arise, apart from this, we consider that no other Australian tax provision is required to be made. Whilst our BVI-incorporated entities contributed to most of our profits, they are not subject to any income tax in the BVI as companies incorporated or registered under the Companies Act are currently exempt from income and corporate tax. As a result of deferred tax credits generated from government grants and unrealised profits in inventories held by our PRC subsidiaries, we enjoyed net tax credits or relatively lower tax charges during the Track Record Period. We had a credit balance of income tax of RMB0.2 million and RMB10.6 million in 2007 and 2008, respectively. For 2009 and the six months ended 30 June 2010, our profit before taxation are RMB494.6 million and RMB640.8 million, respectively, and our income tax expenses are RMB62.0 million and RMB111.9 million, respectively, as a result of which, our effective tax rate for CIT from our continuing operations was 12.5% and 17.5%, respectively. For further details of the taxation of our Group, please refer to the section headed "Taxation and Foreign Exchange — Taxation of the Group" in Appendix VI to this prospectus.

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Our BVI-incorporated entities mainly engage in the procurement of coal from overseas market for our Group, including the establishment of procurement plan, identification of optimal suppliers and negotiation of pricing terms; whilst our PRC subsidiaries, based on their respective geographic locations and functions performed, are mainly in charge of importing coal, processing coal and distributing coal to customers. In addition, our Group's transfer pricing policy is based on contemporaneous market price. Our Group has a team responsible for tracking latest market prices, trend on market supply and demand, as well as differences in national policies within the Asia Pacific region and overseas. Our management shall make necessary adjustment to our transfer pricing policy based on our business strategies and taking into consideration projection of future market prices before finalising the terms and amount of our inter-company transactions. Our Directors consider that our transfer pricing policies are based on arm's-length principle and will not subject our Group to any transfer pricing exposure. We have also engaged our tax adviser to conduct a transfer pricing review on the pricing policies and related party transactions carried out by our Group between 1 January 2007 to 30 June 2010. Our tax adviser has concluded that our BVI-incorporated entities perform procurement functions and play the key roles of the supply chain of the Group and that our PRC subsidiaries are mainly responsible for importing and washing coal and sales and marketing respectively and in light of the tax adviser's economic analysis and benchmarking results, our tax adviser considers that it is reasonable to conclude that our Group's transfer pricing policies are in line with the arm's length principle and PRC transfer pricing rules. Our adviser was not aware of any significant transfer pricing non-compliance issues arising from our transfer pricing policy for the period under review. Pursuant to relevant tax requirements, rules and regulations of the BVI, our Company is not subject to any statutory tax filing requirements and we have not been subject to challenges by tax bureaus since our incorporation and up to the Latest Practicable Date.

Discontinued operations

During the Track Record Period, our Group disposed of or liquidated several subsidiaries of our Group. Each of these subsidiaries previously carried out a separate line of business or has a specific geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate line of business in a geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation is abandoned. The result from each of these subsidiaries is presented on the combined income statements as discontinued operations. These disposed subsidiaries were mainly engaged in the trading of petrochemicals and the provision of logistics services in Mongolia. The disposals of such companies are consistent with the strategy of our Group, which is to focus on developing our coking coal business, while developing long-term strategic cooperation relationship with our Mongolian suppliers and service providers, which have a strong presence in Mongolia. Our Directors believe that the opportunities to improve our operating efficiency through the economies of scale created by leveraging the competitive advantage of our Mongolian suppliers and service providers is beneficial to our Group as a whole. We had also disposed of a loss-making PRC subsidiary engaged in inactive business in 2009. All of these disposed subsidiaries were sold to Independent Third Parties. The loss from the discontinued operations for 2007, 2008 and 2009 and for the six months ended 30 June 2010 was RMB11.3 million, RMB33.3 million, RMB8.1 million and nil, respectively. The gain on sale of such discontinued operations recorded by our Group for each of 2007, 2008 and 2009 and for the six months ended 30 June 2010 was RMB4.5 million, RMB0.1 million, RMB29.6 million and nil, respectively.

Exchange differences on translation of financial statements of overseas subsidiaries

The functional currencies of certain of our overseas subsidiaries are currencies other than RMB. The combined financial statements are presented in RMB since most operations of our Group are in the PRC. The results of foreign operations are translated into RMB at the exchange rates

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approximating the foreign exchange rates prevailing at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised directly 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 recognised in equity which relate to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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Combined Results of Operations

The following table shows the line items of our combined income statements and combined statements of comprehensive income, expressed in absolute figures and as a percentage of turnover, for 2007, 2008 and 2009, and the six months ended 30 June 2009 and 2010:

	Years ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB'000)	(Percentage of turnover)	(RMB'000)	(Percentage of turnover)	(RMB'000)	(Percentage of turnover)	(RMB'000) (unaudited)	(Percentage of turnover)	(RMB'000)	(Percentage of turnover)
Continuing operations										
Turnover	198,641	100.0	993,540	100.0	4,655,636	100.0	817,984	100.0	4,298,827	100.0
Cost of sales	(159,553)	(80.3)	(552,837)	(55.6)	(3,808,740)	(81.8)	(666,248)	(81.5)	(3,353,009)	(78.0)
Gross profit	39,088	19.7	440,703	44.4	846,896	18.2	151,736	18.5	945,818	22.0
Other revenue	444	0.2	6,166	0.6	7,844	0.2	2,366	0.3	12,792	0.3
Distribution costs	(2,869)	(1.4)	(109,558)	(11.0)	(236,998)	(5.1)	(74,734)	(9.1)	(126,411)	(2.9)
Administrative expenses	(13,774)	(6.9)	(62,275)	(6.3)	(91,623)	(2.0)	(28,555)	(3.5)	(114,561)	(2.7)
Other operating expenses, net	(729)	(0.4)	(10,012)	(1.0)	(643)	(0.0)	(1,077)	(0.1)	(9,698)	(0.2)
Profit from operating activities	22,160	11.2	265,024	26.7	525,476	11.3	49,736	6.1	707,940	16.5
Finance income	3,790	1.9	4,480	0.4	6,205	0.1	1,264	0.1	7,773	0.2
Finance costs	(3,690)	(1.9)	(3,331)	(0.3)	(37,041)	(0.8)	(11,020)	(1.3)	(74,895)	(1.8)
Net finance income/(costs)	100	-	1,149	0.1	(30,836)	(0.7)	(9,756)	(1.2)	(67,122)	(1.6)
Profit before taxation	22,260	11.2	266,173	26.8	494,640	10.6	39,980	4.9	640,818	14.9
Income tax	150	0.1	10,639	1.1	(62,008)	(1.3)	4,146	0.5	(111,910)	(2.6)
Profit from continuing operations	22,410	11.3	276,812	27.9	432,632	9.3	44,126	5.4	528,908	12.3
Loss from discontinued operations (net of income tax)	(11,260)	(5.7)	(33,267)	(3.4)	(8,148)	(0.2)	(7,673)	(0.9)	-	-
Gain on sale of discontinued operations (net of income tax)	4,497	2.3	126	0.0	29,565	0.7	28,530	3.4	-	-
Profit for the year/period	15,647	7.9	243,671	24.5	454,049	9.8	64,983	7.9	528,908	12.3
Other comprehensive income for the year/period										
Exchange differences on translation of financial statements of overseas subsidiaries (net of income tax)	(5,911)	(3.0)	(16,989)	(1.7)	(2,112)	(0.1)	(3,529)	(0.4)	(8,832)	(0.2)
Total comprehensive income for the year/period	9,736	4.9	226,682	22.8	451,937	9.7	61,454	7.5	520,076	12.1
Profit attributable to:										
Equity shareholders of the Company	17,811	9.0	244,606	24.6	454,049	9.8	64,983	7.9	528,925	12.3
Non-controlling interests	(2,164)	(1.1)	(935)	(0.1)	-	-	-	-	(17)	0.0
	15,647	7.9	243,671	24.5	454,049	9.8	64,983	7.9	528,908	12.3
Total comprehensive income attributable to:										
Equity shareholders of the Company	11,900	6.0	227,617	22.9	451,937	9.7	61,454	7.5	520,093	12.1
Non-controlling interests	(2,164)	(1.1)	(935)	(0.1)	-	-	-	-	(17)	0.0
	9,736	4.9	226,682	22.8	451,937	9.7	61,454	7.5	520,076	12.1

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Six Months Ended 30 June 2010 Compared to the Six Months Ended 30 June 2009

Turnover

Our turnover increased by RMB3,480.8 million, or 4.3 times, to RMB4,298.8 million in the six months ended 30 June 2010 from RMB818.0 million in the six months ended 30 June 2009. This increase was primarily due to the increase in our sales volume from approximately 1,015,367 tonnes for the six months ended 30 June 2009 to approximately 4,255,460 tonnes for the six months ended 30 June 2010. It was also attributable to the increase in the average selling price from RMB805 for the six months ended 30 June 2009 to RMB1,007 for the six months 30 June 2010, which was generally in line with the trend in global and domestic market coal prices.

Cost of sales

Our cost of sales increased by RMB2,686.8 million, or 4.0 times, to RMB3,353.0 million in the six months ended 30 June 2010 from RMB666.2 million in the six months ended 30 June 2009. This increase was primarily driven by the increase in sales volume of coal for the six months ended 30 June 2010. It was also attributable to the increase in the average cost of sales from RMB656 for the six months ended 30 June 2009 to RMB786 for the six months 30 June 2010, particularly in the average cost of sales for seaborne coal as global coal prices rose in the first half of 2010 which led to an increase in the amount of total cost of coal purchased.

Gross profit

As a result of the above, our gross profit increased by RMB794.1 million, or 5.2 times, to RMB945.8 million in the six months ended 30 June 2010 from RMB151.7 million in the six months ended 30 June 2009. Our gross profit margin was 22.0% for the six months ended 30 June 2010 as compared to 18.5% for the six months ended 30 June 2009. The increase in gross profit margin was mainly due to the increased contribution of our Mongolian cleaned coking coal to the total gross profit for the six months ended 30 June 2010. The increased gross profit margin of our Mongolian cleaned coking coal was principally driven by the increase in its average selling price while the average cost of sales of Mongolian cleaned coking coal remained fairly consistent with that for the six months ended 30 June 2009. Such increase is also attributable to the increase in gross profit margin of our seaborne coal for the six months ended 30 June 2010 as compared to the margin for the same period in 2009. This was principally driven by the increase in global coal prices as well as the economies of scale derived from the acceleration of the sales and purchases of seaborne coal since the second half of 2009.

Other revenue

Our other revenue increased by RMB10.4 million, or 4.3 times, to RMB12.8 million in the six months ended 30 June 2010 from RMB2.4 million in the six months ended 30 June 2009. Our other revenue for the six months ended 30 June 2009 and 2010 mainly comprise government grants, which increased as a result of our increased tax contribution. The amount to be granted by local finance department or relevant PRC governmental authorities were determined, at their sole discretion, with reference to the total level of tax received in the specific municipality within a given period, their assessment on the amount of tax contributed by a specific entity in such municipality, with the amount being quantified and calculated on a case-by-case basis.

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Distribution costs

Our distribution costs increased by RMB51.7 million, or 69.2%, to RMB126.4 million in the six months ended 30 June 2010 from RMB74.7 million in the six months ended 30 June 2009. This increase was primarily due to the increased volume of coal sold and delivered to our customers, which in turn increased the transportation costs for delivering our coal products to such customers and the associated loading charges. However, distribution costs as a percentage of turnover decreased from 9.1% in the six months ended 30 June 2009 to 2.9% in the six months ended 30 June 2010 as a result of (i) economies of scale derived from our increased volume of coal sold and transported, (ii) shortening of the transportation distance in respect of the delivery of our Mongolian cleaned coking coal to our customers as most customers have designated their delivery points closer to our coal processing plants or have decided to collect our cleaned coking coal products directly from our coal processing plants, and (iii) the increase in volume of seaborne coal sold in the six months ended 30 June 2010, which led to a relatively lower distribution cost as compared to Mongolian cleaned coking coal, as most of our seaborne coal are being delivered to our customers at the seaports.

Administrative expenses

Our administrative expenses increased by RMB86.0 million, or 3.0 times, to RMB114.6 million in the six months ended 30 June 2010 from RMB28.6 million in the six months ended 30 June 2009. This increase was primarily attributable to the increase in salaries, wages, bonuses and other benefits to employees and senior management from RMB11.5 million in the six months ended 30 June 2009 to RMB35.6 million in the six months ended 30 June 2010 and share-based payment expenses of RMB30.7 million in respect of the share options granted pursuant to the Pre-IPO Option Scheme on 30 June 2010. For details of the Pre-IPO Option Scheme, please refer to the section headed “Statutory and General Information — 8. Pre-IPO Option Scheme” in Appendix VII to this Prospectus. It was also attributable to the increase in business travelling expenses from RMB1.9 million for the six months ended 30 June 2009 to RMB12.4 million for the six months ended 30 June 2010. Such increase in business travelling expenses was mainly due to the geographic expansion of our Company’s business.

Other operating expenses, net

Our other operating expenses increased by RMB8.6 million, or 7.8 times, to RMB9.7 million in the six months ended 30 June 2010 from RMB1.1 million in the six months ended 30 June 2009. The increase was mainly attributable to the loss on disposal of certain property, plant and equipment, including certain trucks and machinery, in the six months ended 30 June 2010 amounted to RMB6.7 million.

Finance income

Our finance income increased by RMB6.5 million, or 5.0 times, to RMB7.8 million in the six months ended 30 June 2010 from RMB1.3 million in the six months ended 30 June 2009. This increase was primarily attributable to the increase in our bank balances and restricted bank deposits, as well as the net foreign exchange gain of RMB4.2 million generated in the six months ended 30 June 2010.

Finance costs

Our finance costs increased by RMB63.9 million, or 5.8 times, to RMB74.9 million in the six months ended 30 June 2010 from RMB11.0 million in the six months ended 30 June 2009. This increase was primarily attributable to the interest on the liability component of the Convertible Bonds

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of RMB19.7 million and the interest on the liability component of the Preference Shares of RMB20.2 million, which were both issued in April 2010. It was also attributable to the increase in our outstanding bank and other loans and the increase in the interest on our discounted bills.

Profit before taxation

As a result of the above, our profit before taxation increased by RMB600.8 million, or 15.0 times, to RMB640.8 million in the six months ended 30 June 2010 from RMB40.0 million in the six months ended 30 June 2009.

Income tax

Our income tax was RMB111.9 million for the six months ended 30 June 2010, while our income tax had a credit balance of RMB4.1 million for the six months ended 30 June 2009. The income tax expenses for the six months ended 30 June 2010 was primarily due to, and in line with, the increase in our profit before tax. Based on our profit before taxation of RMB640.8 million for the six months ended 30 June 2010, our effective income tax rate on the profit from continuing operations for the six months ended 30 June 2010 was 17.5%. The credit balance of income tax for the six months ended 30 June 2009 was primarily attributable to the tax effect of our BVI-incorporated entities which are not subject to income tax in the BVI and the tax effect of deferred tax assets on unrealised profit of our inventory.

Profit from continuing operations

As a result of the above, our profit from our continuing operations increased by RMB484.8 million, or 11.0 times, to RMB528.9 million in the six months ended 30 June 2010 from RMB44.1 million in the six months ended 30 June 2009. Net profit margin for the six months ended 30 June 2010 was 12.3% as compared to 5.4% for the six months ended 30 June 2009.

Exchange differences on translation of financial statements of overseas subsidiaries

Our exchange loss on translation of financial statements of overseas subsidiaries increased by RMB5.3 million, or 1.5 times, to RMB8.8 million in the six months ended 30 June 2010 from RMB3.5 million in the six months ended 30 June 2009. This increase was primarily due to the increased exposure to foreign currency arising from trade payables and bank loans denominated in USD, as well as the RMB appreciation by approximately 0.7% against USD in the first half of 2010, thereby creating a loss from the translation of the financial statements of our overseas subsidiaries that use USD as their functional currencies into RMB.

Non-controlling interests

Our non-controlling interests was seventeen thousand RMB for the six months ended 30 June 2010, and was nil in the six months ended 30 June 2009. Our non-controlling interests for the six months ended 30 June 2010 represented interests of, and loss attributable to, Mongolia Hutie, the shareholder which holds the remaining 49% equity interest in three of our non-wholly owned subsidiaries, namely Ejinaqi Winsway, Erlianhaote Haotong and Erlianhaote Winsway Logistics.

2009 Compared to 2008

Turnover

Our turnover increased by RMB3,662.1 million, or 3.7 times, to RMB4,655.6 million in 2009 from RMB993.5 million in 2008. This increase was due to our ability to source more raw coal from our Mongolian suppliers and the commencement of our seaborne coal business to meet our customers'

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demand, which led to an increase in total sales volume of coal from approximately 1,008,155 tonnes in 2008 to approximately 5,073,829 tonnes in 2009. Such increase was partially offset by the decrease in the overall average selling price from approximately RMB975 per tonne in 2008 to RMB905 per tonne in 2009, which was in line with the overall decline in global and domestic coal prices in 2009, as well as the one-off export sales to Japan in 2008, which had a relatively higher average selling price as compared to our coal products sold to customers in the PRC.

Cost of sales

Our cost of sales increased by RMB3,255.9 million, or 5.9 times, to RMB3,808.7 million in 2009 from RMB552.8 million in 2008. This increase was mainly driven by the increase in sales volume of coal in 2009. It was also attributable to the commencement of our sales of seaborne coal, which were relatively more expensive than Mongolian coal in 2009.

Gross profit

As a result of the above, our gross profit increased by RMB406.2 million, or 92.2%, to RMB846.9 million in 2009 from RMB440.7 million in 2008. Our gross profit margin was 18.2% in 2009 as compared to 44.4% in 2008. The decrease in gross profit margin was principally attributable to the commencement of the sale of our seaborne coal products in 2009, which has a relatively lower margin than Mongolian coal. It was also attributable to the decrease in the average selling prices for our Mongolian coal as a result of the overall decline in global and domestic coal prices, whilst cost of sales on a per tonne basis increased.

Other revenue

Our other revenue increased by RMB1.6 million to RMB7.8 million in 2009 from RMB6.2 million in 2008. Our other revenue for 2008 and 2009 mainly comprised government grants, which was increased as a result of our increased tax contribution.

Distribution costs

Our distribution costs increased by RMB127.4 million, or 1.2 times, to RMB237.0 million in 2009 from RMB109.6 million in 2008. This increase was primarily due to the increased volume of cleaned coking coal delivered to our customers, which in turn increased the associated transportation costs for delivering our coal products to such customers. Nevertheless, distribution costs as a percentage of turnover decreased from 11.0% to 5.1% due to the increased contribution from the sale of seaborne coal, which has a relatively lower distribution cost as compared to Mongolian cleaned coking coal, as most of our seaborne coal are being delivered to our customers at the seaports. The decrease as a percentage of turnover was also due to the distribution costs associated with the one-off export sales to Japan in 2008. The total amount associated with such one-off-export sales to Japan (including shipment costs, export and custom charges) in 2008 is RMB11.7 million.

Administrative expenses

Our administrative expenses increased by RMB29.3 million, or 47.0%, to RMB91.6 million in 2009 from RMB62.3 million in 2008. This increase was primarily attributable to (i) the increase in staff costs from RMB17.9 million in 2008 to RMB29.2 million in 2009. The increase in staff cost was mainly attributable to the increase in the total number of our employees and despatched staff in 2009; and (ii) the increase in business travelling expenses from RMB2.3 million in 2008 to RMB12.4 million

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in 2009. Such increase in business travelling expenses was mainly due to the geographic expansion of our Company's business.

Other operating expenses

Our other operating expenses decreased by RMB9.4 million to RMB0.6 million in 2009 from RMB10.0 million in 2008. This decrease was primarily attributable to a non-recurring loss on sale of chemical materials and motor vehicles of RMB10.6 million in 2008.

Finance income

Our finance income increased by RMB1.7 million, or 37.8%, to RMB6.2 million in 2009 from RMB4.5 million in 2008. The increase was in line with the increase in our bank balances and restricted bank deposits.

Finance costs

Our finance costs increased by RMB33.7 million to RMB37.0 million in 2009 from RMB3.3 million in 2008. The increase was primarily due to the increase in our outstanding bank and other loans and the increase in the interest on our discounted bills.

Profit before taxation

As a result of the above, our profit before taxation increased by RMB228.4 million, or 85.8%, to RMB494.6 million in 2009 from RMB266.2 million in 2008.

Income tax

Our income tax was RMB62.0 million for 2009, while our credit balance of income tax was RMB10.6 million for 2008. The credit balance of income tax in 2008 was primarily due to the tax effect of deferred tax assets on unrealised profit on our inventory, while the income tax expenses in 2009 was primarily resulted from the increase in our profit before tax. Based on our profit before taxation of RMB494.6 million in 2009, our effective income tax rate on the profit from continuing operations for 2009 was 12.5%.

Profit from continuing operations

As a result of the above, our profit from our continuing operations increased by RMB155.8 million, or 56.3%, to RMB432.6 million in 2009 from RMB276.8 million in 2008. Net profit margin for 2009 was 9.3% as compared to 27.9% in 2008.

Exchange differences on translation of financial statements of overseas subsidiaries

Our exchange loss on translation of financial statements of overseas subsidiaries decreased by RMB14.9 million, or 87.6%, to RMB2.1 million in 2009 from RMB17.0 million in 2008. This decrease was primarily due to the slowdown of the pace of RMB appreciation against the USD in 2009, thereby reducing the loss from the translation of the financial statements of our overseas subsidiaries that use USD as their functional currencies into RMB. In 2009, RMB has depreciated approximately 0.05% against USD.

Non-controlling interests

Our non-controlling interests was RMB0.9 million in 2008 and nil in 2009. The nil balance in 2009 was primarily due to the disposal of all of our non-wholly-owned subsidiaries or the acquisition

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of the remaining non-controlling interest in such subsidiaries in 2008. All of our subsidiaries were wholly-owned as at 31 December 2009.

2008 Compared to 2007

Turnover

Our turnover increased by RMB794.9 million, or 4.0 times, to RMB993.5 million in 2008 from RMB198.6 million in 2007. The increase was primarily due to the increase in average selling price per tonne of coal sold from approximately RMB355 in 2007 to RMB975 in 2008 as a result of the introduction of the sale of cleaned coking coal, which has a relatively higher average selling price as compared to that of raw coking coal and which accounted for approximately 82.7% of our total turnover in 2008, as we established our Urad Zhongqi coal processing plant in 2008. This increase was also attributable to the increase in total sales volume of coal from approximately 539,789 tonnes in 2007 to approximately 1,008,155 tonnes in 2008 as we began to expand our customer base of steel makers and coke plants in 2008.

Cost of sales

Our cost of sales increased by RMB393.2 million, or 2.5 times, to RMB552.8 million in 2008 from RMB159.6 million in 2007. This increase was primarily due to the increase in sales volume of our coal in 2008 and also due to the increase in the costs incurred for coal processing and transportation of coal to our coal processing plants upon the commencement of our sale of cleaned coking coal in 2008.

Gross profit

As a result of the above, our gross profit increased by RMB401.6 million, or 10.3 times, to RMB440.7 million in 2008 from RMB39.1 million in 2007. Our gross profit margin increased from 19.7% in 2007 to 44.4% in 2008. The increase in gross profit margin was principally due to the sale of cleaned coking coal has a relatively higher margin than our raw coking coal.

Other revenue

Our other revenue increased by RMB5.8 million to RMB6.2 million in 2008 from RMB0.4 million in 2007. This was primarily due to the increase in government grants as a result of our increased tax contribution.

Distribution costs

Our distribution costs increased by RMB106.7 million, or 36.8 times, to RMB109.6 million in 2008 from RMB2.9 million in 2007. This increase was primarily due to the introduction of the sale of cleaned coking coal and the geographic expansion of our target market reach from Inner Mongolia to Hebei and Shanxi provinces in 2008, which in turn increased the associated transportation costs. The costs for distributing our cleaned coking coal is generally higher than the distribution of raw coking coal because the delivery points of raw coking coal are usually at a location near the Sino-Mongolian border crossing or in Inner Mongolia, while the delivery points of our cleaned coking coal are usually at customers' plants or other designated delivery points further away from the Sino-Mongolian border crossing or in other provinces such as Hebei and Shanxi. The increase in total distribution costs was also attributable to the increased volume of coking coal delivered to our customers.

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Administrative expenses

Our administrative expenses increased by RMB48.5 million, or 3.5 times, to RMB62.3 million in 2008 from RMB13.8 million in 2007. This increase was primarily attributable to (i) the increase in staff costs from RMB2.5 million in 2007 to RMB17.9 million in 2008. The staff cost increase was mainly attributable to a number of new hires in 2008 to facilitate the expansion of our business; (ii) the increase in tax expenses and other duties from RMB4.2 million in 2007 to RMB10.6 million in 2008. Such increases in tax expenses was mainly attributable to the increase in the amount of stamp duty chargeable on the amount of sales as stipulated in our increasing number of sale and purchase agreements entered into by our Group with respect to our sale of coking coal and tax charged on our land use rights; and (iii) the increase in legal and professional fees from RMB0.4 million in 2007 to RMB11.7 million in 2008. Such increase in expenses was mainly incurred as a result of additional legal, professional and consultancy fees in relation to our reorganisation and business expansion.

Other operating expenses

Our other operating expenses increased by RMB9.3 million to RMB10.0 million in 2008 from RMB0.7 million in 2007. This increase was primarily attributable to the loss on sale of chemical materials and motor vehicles of RMB10.6 million.

Finance income

Our finance income increased by RMB0.7 million to RMB4.5 million in 2008 from RMB3.8 million in 2007. The increase was mainly attributable to the increase in our restricted bank deposits in 2008.

Finance costs

Our finance costs remain fairly stable in 2007 and 2008. Our finance costs was RMB3.3 million in 2008 and RMB3.7 million in 2007, which mainly comprised interest on bank and other loans and discounted bills, as well as net foreign exchange loss on such bank and other loans, other borrowings and trade facilities.

Profit before taxation

As a result of the above, our profit before taxation increased by RMB243.9 million, or 10.9 times, to RMB266.2 million in 2008 from RMB22.3 million in 2007.

Income tax

Our credit balance of income tax increased by RMB10.4 million, or 52.0 times, to RMB10.6 million in 2008 from RMB0.2 million in 2007. This increase was primarily attributable to the deferred tax arising from unrealised profits on intra-group transactions of RMB17.1 million.

Profit from continuing operations

As a result of the above, our profit from our continuing operations increased by RMB254.4 million, or 11.4 times, to RMB276.8 million in 2008 from RMB22.4 million in 2007. Net profit margin for 2008 was 27.9% as compared to 11.3% in 2007.

Exchange differences on translation of financial statements of overseas subsidiaries

Our exchange loss on translation of financial statements of overseas subsidiaries increased by RMB11.1 million, or 1.9 times, to RMB17.0 million in 2008 from RMB5.9 million in 2007. This

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increase was primarily due to RMB appreciation by approximately 6.9% against USD in 2008, thereby creating a loss from the translation of the financial statements of our overseas subsidiaries that use USD as their functional currencies into RMB.

Non-controlling interests

Our non-controlling interests was RMB2.2 million in 2007 and RMB0.9 million in 2008. Such amount mainly represents interests of, and loss attributable to, the 20% minority shareholders in our then subsidiary, Sanhe. The decrease in our non-controlling interests in 2008 was primarily due to the acquisition of the remaining 20% interest in Sanhe in 2008.

Liquidity and Capital Resources

Overview

We have historically financed, and expect to continue to finance, our working capital, capital expenditure and other capital requirements through internally generated cash flow, short-term bank and other borrowings and capital contributions from our Shareholders. Our short-term liquidity requirements relate to servicing our debt, funding our working capital requirements and our construction of coal processing facilities and other infrastructure and repayment of our bank and other loans. Our sources of short-term liquidity include cash and cash equivalents, payments received from our customers and new loans. Our long-term liquidity requirements relate to funding of the development of our new coal processing assets, logistics parks, facilities and infrastructure, and the acquisition of potentially upstream coal mining assets. Our sources of long-term liquidity include internally generated cash flow, loans, capital contributions from shareholders and proceeds from the Global Offering.

Our Group's primary objectives when managing capital are to safeguard our Group's ability to continue as a going concern, so that we can continue to provide returns for our Shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. Our Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Cash flow

The table below summarises our combined cash flow for the periods indicated:

	<u>For the year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Selected cash flow statement data					
Net cash (used in)/generated from operating activities	(242,415)	126,545	(311,504)	(124,022)	(54,218)
Net cash used in investing activities	(105,466)	(526,071)	(569,634)	(418,513)	(294,005)
Net cash generated from financing activities	374,294	460,665	1,026,162	498,314	646,086
Net increase/(decrease) in cash and cash equivalents	26,413	61,139	145,024	(44,221)	297,863

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Cash flow from operating activities

Net cash flow from operating activities primarily consists of profit for the year/period adjusted for non-cash items including depreciation and amortisation and finance costs and the effect of changes in working capital. Our cash from operations is generated principally from our turnover and supplemented by increases in trade and other payables, which have been accrued but are not yet due. Our operation has experienced net operating cash outflow during the Track Record Period, particularly when imbalances occurred between the timing of our cash inflow relating to the settlement of trade and other receivables by our customers and our cash outflow relating to the payment of trade and other payables for our purchases and other financing costs as well as the increase in inventory levels.

In the six months ended 30 June 2010, net cash used in operating activities was RMB54.2 million, compared to profit for the period of RMB528.9 million. The difference of RMB583.1 million was primarily attributable to (i) an increase in trade and other receivables of RMB685.5 million, (ii) a decrease in trade and other payables of RMB53.9 million, and (iii) income tax paid of RMB71.3 million, which were partially offset by (i) income tax of RMB111.9 million, (ii) interest expense of RMB74.9 million, and (iii) equity settled share-based transactions amounted to RMB30.7 million.

In 2009, net cash used in operating activities was RMB311.5 million, compared to profit for the year of RMB454.0 million. The difference of RMB765.5 million was primarily attributable to (i) an increase in trade and other receivables of RMB1,547.6 million, (ii) an increase in inventories in the amount of RMB804.1 million. The increase was primarily attributable to increased production; and (iii) income tax paid of RMB34.6 million, which were partially offset by (i) an increase in trade and other payables of RMB1,502.4 million, (ii) depreciation of property, plant and equipment of RMB50.0 million and (iii) interest expense of RMB43.0 million.

In 2008, net cash generated from operating activities was RMB126.5 million, compared to profit for the year of RMB243.7 million. The difference of RMB117.2 million was primarily attributable to an increase in inventories in the amount of RMB149.1 million primarily due to increased production.

In 2007, net cash used in operating activities was RMB242.4 million, compared to profit for the year of RMB15.6 million. The difference of RMB258.0 million was primarily attributable to (i) an increase in inventories in the amount of RMB143.4 million. The increase was primarily attributable to increased production; and (ii) a decrease in trade and other payables of RMB176.6 million. The increase indicated that our Group had utilised a greater amount of internally generated cash resources for our daily operations. These factors were partially offset by the decrease in trade and other receivables of RMB53.4 million.

Cash flow from investing activities

Our cash flow used in investing activities primarily reflects the payment for acquisition of property, plant and equipment and construction in progress, increase in restricted bank deposits which are required to be placed in designated bank accounts as securities for our bank and other loans and payment for investment in jointly controlled entity.

In the six months ended 30 June 2010, net cash used in investing activities was RMB294.0 million, consisting primarily of (i) payment for purchase of property, plant and equipment and construction in progress of RMB133.8 million. These payments were mainly related to the construction of our coal processing plants; (ii) payment for investment in jointly controlled entity of RMB102.7 million. Such payment related to our acquisition of the 50% equity interest in the Peabody-Winsway

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JV; and (iii) increase in restricted bank deposits of RMB106.2 million. These cash outflows were partially offset by the proceeds from sales of property, plant and equipment of RMB56.0 million. The sale of property, plant and equipment during the six months ended 30 June 2010 mainly represents our disposal of motor vehicles totalling RMB75.9 million. The disposal was carried out in accordance with our strategy to focus on developing our coking coal business and not to undertake the truck transportation business. As a result of the above strategy, we have disposed of most of our motor vehicles associated with truck transportation in the first half of 2010 to Sanhe, which is an Independent Third Party at the time of the disposal, and have outsourced our transportation services to third-party transportation companies which we believe would benefit our Group through increased efficiency and economies of scale. The consideration for the disposal was determined after arm's length negotiation between the parties and with reference to the fair value of the motor vehicles. Such disposal was on normal commercial terms and is consistent with the overall business strategy of our Group.

In 2009, net cash used in investing activities was RMB569.6 million, consisting primarily of (i) payment for purchase of property, plant and equipment and construction in progress of RMB169.2 million. These payments were mainly in relation to the construction of our coal processing plants and logistics parks; and (ii) increase in restricted bank deposits of RMB471.4 million.

In 2008, net cash used in investing activities was RMB526.1 million, consisting primarily of (i) payment for purchase of property, plant and equipment and construction in progress of RMB253.1 million. These payments were mainly in relation to the purchase of trucks for the transportation of our products; and (ii) increase in restricted bank deposits of RMB285.4 million.

In 2007, net cash used in investing activities was RMB105.5 million, consisting primarily of payment for purchase of property, plant and equipment and construction in progress of RMB120.2 million mainly in relation to the construction of our coal processing plant in Urad Zhongqi and the purchase of trucks for the transportation of our products.

Cash flow from financing activities

Our cash inflow from financing activities is mainly generated from new bank and other loans, capital contribution from shareholders and proceeds from the issue of Convertible Bonds and Preference Shares. Our cash outflow from financing activities reflects repayment of bank and other loans.

In the six months ended 30 June 2010, net cash generated from financing activities was RMB646.1 million, primarily as a result of (i) proceeds from bank and other loans of RMB1,846.7 million, (ii) proceeds from the issue of Convertible Bonds, net of issuing expenses, of RMB392.2 million, and (iii) proceeds from the issue of Preference Shares (also referred to as redeemable convertible preferred shares in the accountants' report in Appendix I to this prospectus), net of issuing expenses, of RMB388.7 million. These factors are partially offset by the cash used in the repayment of bank and other loans of RMB2,003.7 million.

In 2009, net cash generated from financing activities was RMB1,026.2 million, primarily as a result of proceeds from bank and other loans of RMB1,965.8 million in aggregate for general working capital purposes. This was partially offset by the repayment of bank and other loans of RMB907.0 million.

In 2008, net cash generated from financing activities was RMB460.7 million, primarily as a result of (i) additional bank and other loans mainly obtained or drawn down by us in the amount of RMB706.8 million in aggregate. These loans were drawn down or obtained for general working capital

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purposes; and (ii) capital injections from equity shareholders of the Company of RMB77.1 million. These proceeds were mainly received from Sincere Hill, our previous holding company prior to our reorganisation and which shares were subsequently transferred to Winsway Resources Holdings in 2009 pursuant to our reorganisation. These were partially offset by (i) the repayment of bank and other loans of RMB227.0 million and (ii) dividends paid of RMB69.0 million.

In 2007, net cash generated from financing activities was RMB374.3 million, primarily as a result of (i) proceeds from bank and other loans of RMB124.0 million in aggregate. These additional loans were mainly obtained or drawn down for general working capital purposes; and (ii) capital injections from equity shareholders of the Company of RMB278.9 million. These proceeds included those in respect of the increase in registered capital of Beijing Winsway and Inner Mongolia Haotong in 2007.

Net current assets

As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had net current assets of RMB159.8 million, RMB162.6 million, RMB525.1 million and RMB1,562.0 million, respectively. Our current assets mainly comprise inventories and trade and other receivables. Our current liabilities mainly comprise secured bank and other loans repayable within one year and trade and other payables. The table below sets forth the breakdown of our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 August
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Inventories	173,181	322,258	1,048,181	1,058,573	1,518,814
Trade and other receivables	250,829	290,432	1,620,375	3,259,883	3,105,620
Receivables under finance lease	25,578	26,483	-	-	-
Restricted bank deposits	11,500	296,938	565,762	671,958	669,971
Cash and cash equivalents	37,999	99,141	244,167	542,023	389,322
	<u>499,087</u>	<u>1,035,252</u>	<u>3,478,485</u>	<u>5,532,437</u>	<u>5,683,727</u>
Current liabilities					
Secured bank and other loans	123,822	599,038	1,399,547	2,195,274	2,161,714
Current portion of Convertible Bonds	-	-	-	13,921	13,962
Current portion of Preference Shares	-	-	-	14,261	14,302
Trade and other payables	194,258	264,134	1,522,434	1,667,182	1,824,672
Income tax payable	21,168	9,471	31,442	79,792	70,358
	<u>339,248</u>	<u>872,643</u>	<u>2,953,423</u>	<u>3,970,430</u>	<u>4,085,008</u>
Net current assets	<u>159,839</u>	<u>162,609</u>	<u>525,062</u>	<u>1,562,007</u>	<u>1,598,719</u>

As at 31 August 2010, we had net current assets of RMB1,598.7 million, consisting of RMB5,683.7 million of current assets and RMB4,085.0 million of current liabilities, which represented a RMB36.7 million increase from the net current assets of RMB1,562.0 million as at 30 June 2010. Our current assets mainly comprise inventories and trade and other receivables. Our current liabilities principally comprise secured bank and other loans and trade and other payables.

Inventories

Our inventories mainly comprise raw and cleaned coking coal and other by-products. The increase in our inventories over the Track Record Period is in line with the growth in our operations.

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We exercise tight control over our inventory and keep daily inventory records and carry out an inventory count and examine the condition of our inventories on a monthly basis. During the Track Record Period, we did not have, nor did we encounter any problems associated with, any obsolete inventory. Accordingly, we did not make any provision for obsolete inventory over the Track Record Period save for the write-down of certain vehicle fittings and other spare parts of RMB0.8 million in 2008.

Our inventory level increased from RMB173.2 million in 2007 to RMB322.3 million in 2008 mainly as a result of the increase in our sales volume year-on-year and the extension of our sales and logistics network. In addition, our inventory level increased from RMB322.3 million in 2008 to RMB1,048.2 million in 2009 mainly as a result of the increase in our sales volume year-on-year, the further extension of our sales and logistics network, and a higher level of ending inventory of raw coking coal intentionally kept and reserved to fulfil our ramped-up coal processing capacity. Our ending inventory as at 30 June 2010 remained fairly consistent with that at the end of 2009, which is in line with our inventory policy to maintain a level of coal products sufficient to fulfil our customers' demands.

Inventory turnover days (which is derived from by dividing the average inventory by the cost of sales for the relevant financial period and then multiplied by (i) 365 days for each of 2007, 2008 and 2009 or (ii) 183 days for the six months ended 30 June 2010) for 2007, 2008 and 2009 and for the six months ended 30 June 2010 was 247, 164, 66 and 57, respectively. The high inventory turnover days in 2007 was mainly due to the mismatch between turnover generated from the sale of raw coking coal, and our inventory of raw coal intentionally kept and reserved for the purpose of our future coal processing in anticipation of the commencement of operations of our coal processing plant in Urad Zhongqi in 2008. The decrease in the inventory turnover days in 2008 was mainly attributable to the commencement of operations of our coal processing plant, leading to an increase in our coal processing capabilities. The further decrease in the inventory turnover days in 2009 and 2010 was mainly attributable to the further ramping-up of our coal processing activity and the significant contribution of seaborne coal which has a much quicker turnover due to much shorter sales radius than Mongolian coal.

Trade and other receivables

Our trade and other receivables mainly comprise trade and bills receivables from customers, receivables from import agents, amount due from related parties, advance payments to suppliers, receivables for disposal of discontinued operations and deposits and other receivables. The table below sets forth the breakdown of our trade and other receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	4,214	153,567	456,973	747,865
Bills receivable	28,000	20,078	73,000	863,426
Receivables from import agents	-	-	793,457	897,196
Amount due from related parties	157,134	26,962	120,029	497
Advance payments to suppliers	18,126	32,357	127,574	383,899
Receivables for disposal of discontinued operations	24,702	24,702	-	-
Deposits and other receivables	18,653	32,766	49,342	367,000
	<u>250,829</u>	<u>290,432</u>	<u>1,620,375</u>	<u>3,259,883</u>

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The increase in trade receivables over the Track Record Period was principally due to the increase in turnover, especially the increase in sales to our key customers such as Baogang Group, and Hebei Steel and Risun Coke during the Track Record Period and for the six months ended 30 June 2010.

Bills receivable mainly represents outstanding trade bills or letter of credits from our customers, which generally have a term of 90 days to 180 days. The increase in amount of bills receivable in 2009 to RMB73.0 million was mainly due to the commencement of the sale of seaborne coal in 2009, which were mainly settled through the use of trade bills and letter of credits. The further increase in the outstanding bills receivable as at 30 June 2010 to RMB863.4 million was attributable to the further expansion of the scale of our operations in the six months ended 30 June 2010 and thereby increasing the associated amount of sales settled by trade bills and letter of credits.

Turnover days of trade and bills receivables (which is derived from by dividing the average balances of trade receivables by the total turnover for the relevant financial period and then multiplied by (i) 365 days for each of 2007, 2008 and 2009 or (ii) 183 days for the six months ended 30 June 2010) for 2007, 2008 and 2009 and for the six months ended 30 June 2010 was 34, 38, 28 and 46 days, respectively. The credit terms for trade debtors are generally within 90 days, while the terms of our bills receivables are generally 90 days to 180 days. Our turnover days of trade and bills receivables remained fairly stable in 2007 and 2008 and is generally in line with our credit terms and the terms of our bills receivables. The slight increase in turnover days of our trade receivables in 2008 was mainly attributable to the expansion of our operations and the commencement of the sale of cleaned coking coal which enabled us to secure credible customers (including large steel makers) and to develop long-term relationship with such customers. Accordingly, we had more customers in 2008 which were being granted a longer credit term by our Company. The decrease in turnover days of our trade and bills receivables in 2009 was primarily due to the increasing demand of our products, which strengthened our bargaining power in setting payment terms with our customers. Turnover days of our trade and bills receivables for the six months ended 30 June 2010 increased as a result of the continued expansion of our operations and the increase in the amount of sales settled by trade bills and letter of credits by our customers, which has a longer term of 90 days to 180 days as compared to our credit terms for trade debtors of 90 days in general. During the Track Record Period and for the six months ended 30 June 2010, we did not encounter any settlement issues in relation to our customers.

The increase in total trade and other receivables was also attributable to the receivables from import agents, the arrangement of which began in 2009 in order to facilitate our sale and purchase of coal through the issuance of letters of credit by our Group. In considering the issue of international letters of credit, banks would usually take into account the track record and credentials of a company in terms of its international dealings and business. As a result of our needs for additional funding for our increased purchases through issuance of letters of credit, we had engaged import agents, at our own discretion, to issue letters of credit or payment undertakings to us in order to enhance our credit profile by extending our credit terms to 90 to 180 days. Other letters of credit issued by us generally have credit terms of less than 90 days. In addition, all of our import agents have good credit standing in international dealings and business, so banks would generally be able to issue letters of credit for us on an expedited basis, therefore enhancing efficiency of the approval process as we would not be required to provide excessive supporting documents or, among others, various pledge, for the purpose of such issue. All of our import agents are Independent Third Parties except for China Minmetals Corporation, one of our Pre-IPO Investors which will indirectly hold approximately 4.00% of our issued Shares upon completion of the Global Offering (assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised).

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For their issuance of letters of credit or payment undertakings, we generally pay a handling fee at a market rate. Considering the savings in time and expenses, we believe our import agents are able to facilitate our Group in a time and cost effective way to arrange relevant trade facilities and issue relevant letters of credit with respect to the import of coal purchased from Mongolia, Australia, the US, Canada and Russia. As part of the arrangement, our import agents will also facilitate our Group in importing coal sourced directly by our offshore subsidiaries from Mongolian and overseas suppliers into China to our subsidiaries in the PRC. Our PRC legal adviser has advised us that legal documents, including contracts and letter of credits which are governed by PRC laws, in relation to the procurement transactions of our Group involving an import agent are not found to be against any mandatory legal requirements and are valid and legally binding under PRC laws.

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The table below sets forth details of the transaction flow in respect of a typical coal procurement transaction of the Group involving an import agent:

No.	Customer/ Deemed buyer	Supplier/ Deemed seller	Type of transaction	Payment method	Accounting treatment
1	Offshore operating entity of our Group	Our coal supplier	Procurement of coal by our Group — We will enter into a purchase contract with such supplier	Offshore operating entity of our Group will issue a letter of credit, with a term of 90 to 180 days in general, in favour of the supplier as the payee to cover the purchase amount	Our Group will recognise the balance of inventory and payables to the supplier associated with such procurement transaction
2	Import agent	Offshore operating entity of our Group	Deemed sale of coal by our Group — Our offshore operating entity will enter into a sales contract with the import agent for selling the equivalent amount of coal being purchased directly from the Group's supplier (as mentioned in step 1 above)	Import agent will issue a letter of credit, with a term of 90 to 180 days in general, in favour of our offshore operating entity as the payee	Our Group will recognise and account for the sales to import agent and the related cost of sales, the decrease in inventory and the increase in receivable from import agent in respect of our sales to the import agent <i>(Note)</i>
3	PRC operating entity of our Group	Import agent	Deemed purchase of coal by our Group — The import agent will enter into a sales contract with our PRC operating entity for the purchase of the matching and equivalent amount of coal as mentioned in step 2 above from the import agent. Such sale would be made at a gross-up price, which shall include the handling fee to be charged by the import agent	Payable by cash to the import agent shortly before or upon maturity, which is generally 90 to 180 days, of the relevant letter of credit arranged by the import agent as mentioned in step 2 above	Our Group will recognise the balance of inventory and payable to import agents in association with the purchase by our PRC operating entity from the import agent <i>(Note)</i>
4	Our customer	PRC operating entity of our Group	Direct sale of coal or processed coal by our Group to our customer	Based on credit term granted to specific customer, which is generally by prepayment or payable within 90 days	Our Group will recognise the sales and trade receivables associated with such sale transaction when goods are delivered to our PRC customers. Our Group will also recognise the related cost of sales, with the decrease in inventories and increase in trade receivables in respect of such sale

Note: For the preparation of our Group's combined financial information, sales generated by our offshore operating entities in respect of the deemed sales to the import agent shall be eliminated with the corresponding cost of coal purchased by our PRC operating entity. The net accounting effect of the transaction with import agent is the handling fee charged by our import agent.

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The outstanding balance of receivables from import agents amounted to RMB793.5 million as at 31 December 2009 and RMB897.2 million as at 30 June 2010, which mainly represented the total amount of coal pending to be imported to our subsidiaries in the PRC as at each of the relevant dates. The outstanding receivables from import agents are generally settled when coal is imported into China and when associated letters of credit or trade facilities are being fully settled by our Group. The settlement period of the letters of credit or trade facilities are, in general, 90 to 180 days. We have not entered into any long term agreement with our import agents.

From 1 July 2010 up to the Latest Practicable Date, total settlement of our outstanding trade receivables amounted to RMB625.3 million, representing 83.6% of our total trade receivables as at 30 June 2010. In addition, from 1 July 2010 up to the Latest Practicable Date, total settlement of our outstanding receivables from import agents amounted to RMB703.5 million, representing 78.4% of our total receivables from import agents as at 30 June 2010. As the receivables from our import agents represent letters of credit generally with a term of 90 to 180 days, most of these letters of credit remain unexpired and unsettled as at the Latest Practicable Date and accordingly the rate of settlement of receivables from our import agents for the period from 1 July 2010 to the Latest Practicable Date is lower than the rate of settlement of our trade receivables for the same period. However, we do not anticipate any collectibility issue as such receivables from import agents are, or will be, backed by an equivalent amount of payables to import agents. Please also refer to the sub-section headed “Trade and other payables” below for further details of our payables to import agents.

Advance payments to suppliers mainly represents (i) prepayments and deposits paid to suppliers for the purchase of coal, (ii) prepaid transportation expenses to third party logistics companies and (iii) prepayments to our third party contractors for the construction and enhancement of our coal processing and logistics facilities, which are made in accordance with relevant settlement terms as set out in the supply contracts with some of our suppliers. The increase in prepayments to our suppliers, logistics service providers and contractors during the Track Record Period and for the six months ended 30 June 2010 are generally in line with the increase in our sale and purchases, as well as consistent with our facilities expansion plan.

Deposits and other receivables mainly represent (i) input VAT receivables, (ii) government receivable and (iii) loan receivable. The substantial increase in deposits and other receivables as at 30 June 2010 was mainly attributable to the loan totalling US\$40 million lent to Moveday pursuant to the loan agreement entered into between us and Moveday on 10 April 2010. For further details on this financing arrangement, please refer to the section headed “Business — Transportation — Transportation in Mongolia” in this prospectus. It was also attributable to the increase in input VAT and government receivables as a result of our increased sales volume and the increase in government grants as a result of our increased tax contribution.

Our amounts due from related parties mainly represent advances to certain companies controlled by Mr. Wang and other related parties. As at 31 December 2009, amounts due from related parties also include the amount of receivable outstanding of RMB120.0 million from two companies controlled by Mr. Wang, which was generated from the sale of our coking coal products which amounted to RMB346.4 million in 2009. Such outstanding amounts due from related parties have been fully settled as at 30 June 2010. In addition, no further sale of coking coal has been made to related parties during the six months ended 30 June 2010. As at 30 June 2010, our amounts due from related parties amounted to RMB0.5 million, which represented our advance to Mongolia Jieyou Company, a company in which Mr. Wang has an indirect non-controlling interest, for the purpose of the purchase of equipment. Our Group will assess the feasibility as to whether to continue such related party transactions after Listing based on then market conditions and actual circumstances. In the event that our Group shall enter into such related party transactions after Listing, we shall ensure that such

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transactions shall only be entered into on normal commercial terms, in the ordinary course of business and on an arm's length basis, and our Company will comply with applicable and relevant requirements set out in Chapters 14 and 14A of the Listing Rules. Our Directors confirm that all outstanding balances with related parties will be settled upon Listing.

Receivables under finance lease

Receivables under finance lease represent finance lease payments receivable from two Independent Third Parties (collectively, the "Lessees") which provide coal transportation services to our Group and for the trucks leased by Sanhe under respective finance lease agreements. These trucks were mainly used by the Lessees for the purpose of transportation of coal from our designated pick-up and delivery points. In March 2009, we disposed of our entire equity interest in Sanhe, and as a result, the balance of our receivables under finance leases was reduced to nil. Our Group did not engage in any other finance lease business after our disposal of Sanhe and we currently do not have any plans to further engage in any finance lease business in the future.

Trade and other payables

Our trade and other payables mainly comprise trade and bills payables to suppliers, payables to import agents, amount due to related parties, advances from customers, payables in connection with construction projects, payables for purchase of equipment and other payables. The table below sets forth the breakdown of our trade and other payables as at the dates indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	22,232	154,822	483,794	490,103
Payables to import agents	-	-	850,814	834,461
Amounts due to related parties	43,238	15,166	-	6
Advance from customers	83,256	50,008	52,565	70,695
Payables in connection with construction projects	5,414	9,182	19,759	25,018
Payables for purchase of equipment	21,277	16,515	35,308	6,859
Payables for investment in jointly controlled entity	-	-	-	211,385
Others	18,841	18,441	80,194	28,655
	<u>194,258</u>	<u>264,134</u>	<u>1,522,434</u>	<u>1,667,182</u>

The increase in trade and bills payables over the Track Record Period was principally due to the increase in the volume of purchases of raw coal to meet the increase in demand of our coal products and which is in line with the increase in our turnover over the Track Record Period. In addition, the increase in trade and bills payables in 2009 was also attributable to the commencement of our seaborne coal business since 2009. The average costs of such seaborne coal and the related transportation costs are generally higher than coal imported from Mongolia, thereby increasing the amount of total trade payables to our overseas suppliers. As at 30 June 2010, bills payable amounting to RMB173.0 million was secured by bank deposits placed in a bank with an aggregate carrying value of RMB173.0 million. Turnover days of trade and bills payables (which is derived from by dividing the average balances of trade payables by the total cost of sales for the relevant financial period and then multiplied by (i) 365 days for each of 2007, 2008 and 2009 or (ii) 183 days for the six months ended 30 June 2010) for each of 2007, 2008 and 2009 and for the six months ended 30 June 2010 was 35, 58, 31 and 27 days, respectively, which is generally in line with the credit terms granted by our suppliers of 30 to 90 days. The increase in our turnover days of trade payables in 2008 was mainly attributable to our ability to obtain better credit terms. The decrease in our turnover days of trade payables in 2009 was mainly attributable to the commencement of our purchase of seaborne coal, which generally has a

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much shorter credit term as compared to the credit terms granted by our Mongolian suppliers, or requires our payment on delivery. Turnover days of our trade payables for the six months ended 30 June 2010 remained fairly consistent with that of 2009.

The increase in total trade and other payables was also attributable to the additional payables to import agents in 2009. Details of the arrangement between our Group and the import agents are set out in the section headed “Financial Information — Liquidity and Capital Resources — Net current assets — Trade and other receivables” in this prospectus. The outstanding balance of the payables to import agents amounted to RMB850.8 million as at 31 December 2009 and RMB834.5 million as at 30 June 2010, which mainly represents the total amounts due to our third party import agents including (i) the amount of money advanced by our third party import agents which is equivalent to the amount of relevant trade facilities arranged or letters of credit obtained for our Group in respect of the import of coal and (ii) the handling fee charged by these third party import agents for facilitating our Group in arranging relevant trade facilities as well as importing the coal to our subsidiaries in the PRC. The amount of receivables from our import agents as at 30 June 2010 was higher than the amount of payables to our import agents as at the same date. This was largely due to the timing difference between the settlement of receivables from, and payables to, import agents of the Company in respect of matching transactions involving letters of credit issued by the import agent with a maturity date that fell after 30 June 2010. As the PRC subsidiaries of the Company are required to settle the payables to import agents shortly before the maturity date and the related receivables from import agents were only settled by the import agents to offshore subsidiaries of the Company upon maturity which took place after 30 June 2010, the amount of payables to our import agents as at 30 June 2010 was lower than the amount of receivables notwithstanding that the recognition of the payables was made at a grossed-up price.

From 1 July 2010 up to the Latest Practicable Date, total settlement of our outstanding trade payables amounted to RMB371.7 million, representing 75.8% of our total trade payables as at 30 June 2010. In addition, from 1 July 2010 up to the Latest Practicable Date, total settlement of our outstanding payables to import agents amounted to RMB603.0 million, representing 72.3% of our total payables to import agents as at 30 June 2010. As the payables to our import agents generally have a term of 90 to 180 days, most of our outstanding payables were not due as at the Latest Practicable Date.

Our amounts due to related parties mainly represent advances from certain companies controlled by Mr. Wang and other related parties. All outstanding balances due to such related parties incurred in 2007 and 2008 had been fully settled in 2009. As at 30 June 2010, our amounts due to related parties amounted to RMB6,000, which represents advance from Winsway Group, and which will be settled upon Listing.

Advances from customers mainly represent prepayments made by our customers in respect of our sales of coal. As part of our credit policy, we usually request our new customers or customers with relatively smaller scale to prepay for the entire sales amount before we will deliver our coking coal to such customers. Payables in connection with construction work mainly represent amount payable to third party contractors in respect of the construction of our coal processing plants and our logistics parks over the Track Record Period. Payables for purchase of equipment mainly represent amounts payable in respect of the purchase of our coal processing equipment. Other payables mainly include value-added tax payable and employees’ bonus and welfare. The significant increase in other payables in 2009 was mainly attributable to the increase in other tax payable from RMB6.8 million in 2008 to RMB65.0 million in 2009 arisen from the increase in sales volume, as well as the increase in employees’ bonus and welfare from RMB1.5 million in 2008 to RMB5.3 million in 2009. Such increase in employees’ bonus and welfare was due to the increase in the total number of employees and

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labour despatched staff from 631 persons in 2008 to 1,126 persons in 2009 in our Group, which were new employees and labour despatched staff hired to facilitate the expansion of our business.

Payables for investment in a jointly controlled entity of RMB211.4 million as at 30 June 2010 represents consideration payable for our acquisition of the 50% interest in Peabody-Winsway JV in June 2010. This consideration was paid as to US\$15.0 million in cash and the remainder will be settled by payment in cash within three Business Days after the Listing Date or, if the Listing does not take place within 12 months from 29 June 2010, on the Business Day immediately following such 12-month period. Details of this investment are set forth in the section headed “Business — Our Operation — Upstream investments” in this prospectus. For details of the percentage of shareholding represented by the, please refer to the section headed “History, Reorganisation and Group Structure — Our Shareholding and Corporate Structure as at the Latest Practicable Date and Immediately after Completion of the Global Offering” in this prospectus.

Working capital

Taking into account the estimated net proceeds from the Global Offering, the presently available banking facilities and the expected continual renewal of bank loans upon maturity and cash generated from our operations and internal financial resources of our Group, our Directors confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

Indebtedness

Bank and other loans

As at 31 December 2007, 2008 and 2009 and 30 June 2010, our outstanding bank and other loans amounted to RMB123.8 million, RMB599.0 million, RMB1,399.5 million and RMB2,195.3 million, respectively. All of our bank and other loans are secured and are repayable within one year. The proceeds of the increased amount of bank and other loans were primarily used to fund and finance our general working capital. Our bank and other loans did not have any restrictive covenants and our Group did not breach, nor were we in default of, any of our loan agreements during the Track Record Period.

As at 31 July 2010, we had obtained credit facilities from banks of RMB4,894.9 million, of which RMB1,704.5 million had been utilised and RMB3,190.4 million had not been utilised. In addition, as at 31 July 2010, our outstanding secured bank and other loans amounted to RMB1,803.9 million, of which RMB709.3 million are denominated in USD and the remaining balance are denominated in RMB. As at 31 July 2010, bank and other loans amounting to (i) RMB830.2 million were secured by pledged bills receivables, (ii) RMB255.7 million were secured by pledged trade receivables, (iii) RMB231.2 million were secured by coking coal inventories of our Group, (iv) RMB528.1 million were secured by fixed deposits placed in banks, (v) RMB1.6 million were secured by fixed assets, and (vi) RMB512.4 million were guaranteed by Mr. Wang and certain related parties which are under common control of Mr. Wang and all such guarantees will be released prior to Listing. We also have total outstanding bills payable of RMB173.0 million as at 31 July 2010. We do not anticipate any difficulties in renewing our existing loans in the foreseeable future.

Save for RMB11.3 million, RMB366.3 million, RMB1,022.0 million and RMB1,025.7 million of our bank and other loans as at each of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, which are denominated in USD, our bank and other loans are primarily denominated in RMB and bear interest at the range of 7.45% to 7.50% per annum, 3.90% to 8.35% per annum, 0.90%

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to 6.78% per annum and 1.18% to 6.32% per annum, respectively, for 2007, 2008, 2009 and the six months ended 30 June 2010. The carrying amounts of our bank and other loans approximate to their fair values due to the short-term maturity of such loans.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, bank and other loans amounting to RMB11.3 million, RMB292.2 million, RMB711.8 million and RMB711.9 million were secured by fixed deposits placed in banks with an aggregate carrying value of RMB11.5 million, RMB296.9 million, RMB565.8 million and RMB435.1 million, respectively.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, bank and other loans amounting to RMB112.5 million, RMB306.9 million, RMB404.2 million and RMB287.5 million were secured by coking coal of our Group with an aggregate carrying value of RMB76.4 million, RMB164.2 million, RMB267.6 million and RMB208.5 million, respectively. As at 30 June 2010, coking coal of our Group with an aggregate carrying value of RMB80.7 million were pledged as collateral for the Group's banking facilities in respect of issuance of letters of credit by our Group.

As at 31 December 2009 and 30 June 2010, bank and other loans amounting to RMB283.5 million and RMB1,222.8 million were secured by pledged trade and bills receivables with an aggregate carrying value of RMB283.5 million and RMB1,164.1 million, respectively, were pledged as collateral for bank and other loans. The total pledged trade and bills receivables of RMB1,164.1 million as at 30 June 2010 comprises RMB846.9 million of discounted bills and RMB317.2 million of trade receivables.

As at 31 December 2009 and 30 June 2010, bank facilities utilised by certain of our Group entities and our Company to the extent of RMB551.0 million and RMB862.8 million, respectively, were guaranteed by Mr. Wang and certain related parties which are under common control of Mr. Wang. Save for the ANZ Guarantee, which will be released within 15 days following the Listing, all such guarantees provided by Mr. Wang and the related parties will be released upon Listing.

Our net debt-to-equity ratio was 24.1%, 37.9%, 58.5% and 59.8% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. This ratio is calculated as net debt (which includes bank and other loans less restricted bank deposits and cash and bank balances) divided by total equity (including equity attributable to equity shareholders of our Company). The increase in net debt-to-equity ratio over the Track Record Period was mainly attributable to the increase in secured bank and other loans from RMB123.8 million as at 31 December 2007 to RMB2,195.3 million as at 30 June 2010. These secured bank and other loans were mainly obtained to finance our general working capital purposes to facilitate our business and operation expansion over the Track Record Period. Our turnover had increased by 22.4 times from RMB198.6 million in 2007 to RMB4,655.6 million in 2009 and further to RMB4,298.8 million for the six months ended 30 June 2010, and our Directors believe that we have sustainable and sufficient internally generated cash flow to repay our borrowings as and when they fall due.

Convertible Bonds and Preference Shares

In March and April 2010, we and the Controlling Shareholders entered into various subscription agreements with the Pre-IPO Investors, namely HOPU, China Minmetals Corporation, Silver Grant and ITOCHU, pursuant to which the Pre-IPO Investors agreed to subscribe for the Convertible Bonds and the Preference Shares amounting to an aggregate of US\$120.0 million. For further details, please refer to the section headed "History, Reorganisation and Group Structure — Reorganisation — Step 6: Pre-IPO investments" in this prospectus. Both the Convertible Bonds and the Preference Shares contain liability and equity components, and the fair value of the respective

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liability component upon the issuance of the Convertible Bonds and the Preference Shares was valued by our Directors with reference to a valuation report issued by Jones Lang LaSalle Sallmanns Limited using the discounted cash flows method. As at 30 June 2010, the liability component of the Convertible Bonds amounted to RMB393.7 million, of which RMB13.9 million was classified as current liability. In addition, as at 30 June 2010, the liability component of the Preference Shares amounted to RMB392.2 million, of which RMB14.3 million was classified as current liability. Moreover, as at 31 July 2010, the liability component of the Convertible Bonds and the Preference Shares amounted to RMB401.4 million and RMB399.9 million, respectively.

Contingent liabilities

We have issued certain guarantees to banks in respect of bank facilities granted to certain companies controlled by Mr. Wang, namely Qinquangdao Winsway Petroleum Co., Ltd., a joint venture company held by Winsway Group, and Manzhouli New Winsway Chemicals Co., Ltd., Nantong Yinghui Petrochemicals Co., Ltd., and Nantong Chenghui Petrochemicals Co., Ltd.. These companies are mainly engaged in international commodities business, including importing oil and petrochemical products from Russia and Mongolia into the PRC, and have facilitated our Group in obtaining letters of credit and trade facilities in China for the purpose of our sale and purchase of coal during the Track Record Period. The guarantees which we have provided in favour of the banks were mainly associated with the bank facilities granted to these related parties in respect of the issuance of letters of credits for our Group. Our maximum liability as at 31 December 2007, 2008 and 2009 and 30 June 2010 under these guarantees was RMB29.2 million, RMB612.4 million, RMB1,034.0 million and RMB535.3 million, respectively. As at 31 July 2010, we have issued certain guarantees to banks in respect of bank facilities granted to certain companies controlled by Mr. Wang, namely Manzhouli New Winsway Chemicals Co., Ltd. and Winsway International Petroleum & Chemicals Limited and our maximum liability as at 31 July 2010 under these guarantees was RMB413.7 million. These amounts represent the total outstanding amount of the aforementioned bank facilities as at each of the relevant date. Pursuant to the terms of the guarantees, upon default on payments by these related parties, we are responsible for repaying the outstanding amount together with the accrued interest and liquidated damages owed by the defaulted parties to the banks. Our Group will discontinue all such practice and arrangement upon Listing.

As at 31 December 2009, we had issued guarantees to banks in respect of bank facilities granted to third parties, namely Harbin Yueze Petrochemicals Co., Ltd and Nantong Shoukong Petrochemicals Co., Ltd, both an Independent Third Party. These two companies are mainly engaged in international commodities and petrochemical business and have facilitated our Group in obtaining letters of credit and trade facilities with respect to the import of coal. The guarantees which we have provided in favour of the banks were mainly associated with the bank facilities granted to these third parties in respect of the issuance of letters of credits for our Group. Our maximum liability as at 31 December 2009 and 30 June 2010 under these guarantees issued is the outstanding amount of the bank facilities total of RMB170.5 million and nil as at each of the relevant dates. Our Group will discontinue all such practice and arrangement upon Listing.

As at 31 December 2009, coking coal of our Group with an aggregate carrying value of RMB81.2 million were pledged as collateral for bank and other loans of a third party. Further, as at 31 December 2009, buildings with a carrying amount of RMB35.3 million were pledged as collateral for a third party's borrowings. In addition, as at 31 December 2009, land use rights with a total carrying amount of RMB1.0 million were pledged as collateral for a related party's borrowings. These pledges were used to secure borrowings of certain related party and third parties associated with the issuance of letter of credits and trade facilities for our Group. All these pledges have been released as at 30 June 2010.

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As at 31 July 2010, the maximum liability of our Group under the guarantees mentioned above was reduced to RMB413.7 million and we are currently applying for the release of all these guarantees. We also maintain close relationship and communications with these related parties and third parties so as to ensure that we will be informed of any material adverse changes in the financial condition of such companies. Accordingly, based on our best knowledge and belief of the financial condition of these companies, our Directors do not consider it probable that a claim will be made against our Group under any of the guarantees.

All such guarantees and collateral to banks in respect of bank facilities granted to related parties and other third parties will be fully settled or released upon Listing.

Contractual Commitments and Capital Expenditures

For each of 2007, 2008 and 2009 and for the six months ended 30 June 2010, we made payment for purchase of property, plant and equipment and construction in progress of RMB120.2 million, RMB253.1 million, RMB169.2 million and RMB133.8 million, respectively. Our capital expenditures mainly represent the acquisition of motor vehicles and machinery, as well as the construction of coal processing plants and logistics parks. As part of our future growth strategy, we have committed to capital expenditures of RMB60.0 million as at 31 December 2009 and RMB508.9 million as at 30 June 2010 and we expect to spend a further of approximately RMB1,100.0 million in capital expenditures in 2010 to acquire or invest in new infrastructure, including logistics park, railway logistics centres, docking facilities and new coal processing facilities. For further details of our future capital expenditure plans, please refer to the section headed “Future Plans and Outlook” in this prospectus. Set forth below is a summary of our capital commitments as at the dates indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	27,870	12,781	60,010	508,909
Authorised but not contracted for	-	16,000	535,270	2,439,107
	27,870	28,781	595,280	2,948,016

As at 31 July 2010, our capital commitments amounted to RMB2,913.7 million, of which RMB508.7 million was contracted for, and RMB2,405.0 million was authorised but not contracted for. These mainly represent our capital expenditures with respect to our acquisition and investment in new infrastructure.

We intend to fund our planned capital expenditures with internally generated cash flow, bank and other loans and proceeds from the Global Offering. For further details of the amount of net proceeds from the Global Offering which will be used for such future acquisition or expansion, please refer to the sections headed “Future Plans and Outlook” and “Use of Proceeds” in this prospectus. However, the estimated amounts of our capital expenditure may vary from actual amounts of expenditures for a variety of reasons, including changes in market conditions and other factors. Any expansion of our capacity beyond our proposed future expansion and development as set out in the section headed “Future Plans and Outlook” in this prospectus may require additional debt or equity funding. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flow, economic, political and other conditions in the PRC and Hong Kong, and the PRC Government’s policies in relation to foreign currency borrowings.

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Operating lease commitment

During the Track Record Period, we leased certain of our offices and dormitories in the PRC, Hong Kong and Australia under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years. Our total future minimum lease payments under non-cancellable operating leases in respect of buildings and others as at 31 December 2007, 2008 and 2009 and 30 June 2010, are payable as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,600	35	2,003	8,350
After 1 year but within 5 years	-	3	-	11,468
	<u>3,600</u>	<u>38</u>	<u>2,003</u>	<u>19,818</u>

As at 31 July 2010, our total future minimum lease payments under non-cancellable operating leases amounted to RMB19.7 million, of which, RMB8.1 million are payable within 1 year and RMB11.6 million are payable after 1 year but within 5 years.

Off-balance sheet commitments and arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have a retained or contingent interest in assets transferred to an uncombined entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our combined financial statements. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Restricted bank deposits

As disclosed in the section headed "Indebtedness — Bank and other loans" above, pursuant to relevant bank facility agreements entered into by a number of our subsidiaries with their banks, they are required to pledge certain bank deposits in designated bank accounts as securities for bank and other loans and banking facilities in respect of issuance of bills and letters of credit by the Group with original maturity of more than three months. As at 31 December 2007, 2008 and 2009 and 30 June 2010, such restricted bank deposits amounted to RMB11.5 million, RMB296.9 million, RMB565.8 million and RMB672.0 million, respectively. As at 31 July 2010, our restricted bank deposits amounted to RMB555.6 million. This represent our pledged bank deposits of maturity more than three months of RMB555.6 million as at 31 July 2010 as collateral for our borrowings and banking facilities in respect of issuance of bills and letters of credit by our Group.

Disclaimer

Save as disclosed in the section headed "Liquidity and Capital Resources" in this prospectus, as at 31 July 2010, being the latest practicable date for the purpose of the indebtedness statement, we did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank and other loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, guarantees or any other material contingent

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liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 31 July 2010.

Financial Risks Management

We are exposed to various types of financial risks, including credit risk and risks arising from the changes in interest rates and foreign exchange rates, in the ordinary course of business.

Credit risk

Our Group's credit risk is primarily attributable to trade and other receivables. We monitored the exposures to these credit risks on an ongoing basis.

With respect to 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 payment or settlement history 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 will be granted. Our Group generally does not obtain collateral from customers. No allowance of impairment loss was recorded in respect of our trade and other receivables.

With respect to receivables under finance lease, our Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. To mitigate risks, where appropriate, our Group requests lessees to provide collateral and guarantees.

Our Group's exposure to credit risk is mainly influenced by 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 our Group has significant exposure to individual customers. As at 31 December 2007, 2008 and 2009 and 30 June 2010, 0%, 53%, 5% and 1% of the trade receivables of our Group were due from our single largest customer, and 8%, 56%, 11% and 13% of the trade receivables of our Group are due from our five largest customers. Our senior management considers that each of our five largest customers has a high credit standing and based on the good settlement history of such customers, our senior management does not consider that there will be a significant credit risk exposure arising from our customer concentration.

The maximum exposure to credit risk without taking account of any collateral held by us is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by our Group as disclosed in the section headed "Contingent liabilities" above, our Group does not provide any other guarantees which would expose our Group to credit risk.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including short-term investment of cash surplus and the raising of loans to cover expected cash demand. The policy of our Group is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient cash reserves and adequate committed funding and facilities from major financial institutions to meet both our short-term and long-term liquidity requirements. Our senior management considers that our internally generated cash flow is sufficient for, and will be able to sustain, the expansion of our business and operations. Our

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senior management also considers that we will be able to meet our liquidity requirements through our internally generated cash flow.

Currency risk

We maintain our accounting records and prepare our financial statements in RMB. Our sales and the associated trade receivables are principally denominated in RMB, while our purchases are mainly denominated in USD. Our Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash and cash equivalents and bank and other loans that are denominated in a foreign currency, which represents a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily USD. In respect of our other trade receivables and payables denominated in foreign currencies, our Group manages the currency risk by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances and to ensure that the net exposure is kept to an acceptable level. The net exposure to foreign currencies arising from recognised assets and liabilities as at 31 December 2007, 2008 and 2009 and 30 June 2010 were RMB12.6 million, RMB368.8 million, RMB765.3 million and RMB1,421.1 million, respectively.

We have not entered into any hedging transactions in an effort to reduce our Group's exposure to currency risk. While our Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

In addition, a substantial portion of our turnover and operating expenses are denominated in RMB. As at 31 December 2007, 2008 and 2009 and 30 June 2010, cash and cash equivalents of RMB30.7 million, RMB87.1 million, RMB177.6 million, and RMB202.8 million, respectively, was held by our Group in the PRC. RMB is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to us. For further details of the PRC laws and regulations concerning foreign exchange control, please refer to the section headed "Taxation and Foreign Exchange" in Appendix V to this prospectus.

Property Interests and Property Valuation

We own all of our properties located in the PRC. These properties include buildings and construction in progress, mainly representing our coal processing plants and logistics parks located at the Sino-Mongolian border crossings in the PRC. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 31 August 2010 and is of the opinion that the capital value of our property interests in aggregate amounted to RMB482.1 million as at 31 August 2010. Please refer to the property valuation report in Appendix IV to this prospectus for details of our property interests as at 31 August 2010.

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The reconciliation of the net book value of our properties as derived from our audited financial statements as of 30 June 2010 to the property valuation report in Appendix IV, is set forth below:

	<u>As of</u> <u>31 August 2010</u> <u>(RMB'000)</u>
Net book value of properties of our Group as at 30 June 2010 as set out in the accountants' report in Appendix I to this prospectus	232,906
Add: Additions during the period from 1 July 2010 to 31 August 2010 (unaudited)	20,271
Less: Disposals during the period from 1 July 2010 to 31 August 2010 (unaudited)	-
Less: Depreciation and amortisation of properties during the period from 1 July 2010 to 31 August 2010 (unaudited)	1,450
Net book value of properties of our Group as at 31 August 2010	<u>251,727</u>
Valuation surplus	<u>293,785</u>
Valuation of properties as at 31 August 2010 (including those properties with proper legal title with a total capital value of RMB482,080,000 and those properties without proper legal title with a total value for reference of RMB63,432,000) as set out in the property valuation report in Appendix IV to this prospectus	<u><u>545,512</u></u>

Disclosure Required Under the Listing Rules

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

Profit Forecast for the Year Ending 31 December 2010

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the forecast combined profit attributable to our equity shareholders for the year ending 31 December 2010 will be not less than RMB764 million. In deriving the forecast combined profit attributable to equity shareholders of our Company for the year ending 31 December 2010, we have taken into account estimated accounting charges totalling RMB155.4 million, which comprise (i) share-based payment expenses of RMB62.4 million in respect of the share options granted pursuant to the Pre-IPO Option Scheme, (ii) interest on liability component of Convertible Bonds of RMB46.2 million, and (iii) interest on liability component of Preference Shares of RMB46.8 million, for the year ending 31 December 2010. It is also forecasted that listing expenses of approximately RMB33 million to be incurred will be chargeable to profit and loss in the year ending 31 December 2010.

The profit forecast for the year ending 31 December 2010 has been prepared by our Directors based on the audited combined results of our Group for the six months ended 30 June 2010, the unaudited combined results for one month ended 31 July 2010 and a forecast of the combined results of our Group for the remaining five months ending 31 December 2010. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us and are based on the assumptions set out in Appendix III to this prospectus.

On a pro forma fully diluted basis using RMB764 million as our forecast profit and on the assumption that the Global Offering had been completed and assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share), a total of 3,787,313,494 Shares will be in issue (taking no account of any Shares that may be allotted and issued upon the exercise of

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any options granted under the Pre-IPO Option Scheme), our forecast earnings per Share are HK\$0.233, representing a price/earnings multiple of 16.6 times based on the Offer Price of HK\$3.875 per Share.

If the Offer Price is fixed at HK\$4.50 per Offer Share, being the highest end of the indicative range of the Offer Price, a total of 3,784,530,089 Shares will be in issue, and our forecast earnings per Share will be HK\$0.233, representing a price/earnings multiple of 19.3 times. If the Offer Price is fixed at HK\$3.25 per Offer Share, being the lowest end of the indicative range of the Offer Price, a total of 3,791,167,440 Shares will be in issue, and our forecast earnings per Share will be HK\$0.233, representing a price/earnings multiple of 14.0 times.

Sensitivity analysis

The following table illustrates the sensitivity of the profit forecast of our Group for the year ending 31 December 2010 with reference to the potential movements in the average selling price and average purchase price of coal:

	For the year ending 31 December 2010 (RMB'000)
	Increase/(decrease) in profit before taxation for the year
(A) Movement in the average selling price of coal	
Increase 5%	401,713
Decrease 5%	(401,713)
Increase 10%	803,426
Decrease 10%	(803,426)
Increase 15%	1,205,139
Decrease 15%	(1,205,139)
(B) Movement in the average purchase price of coal	
Increase 5%	(242,287)
Decrease 5%	242,287
Increase 10%	(484,574)
Decrease 10%	484,574
Increase 15%	(726,861)
Decrease 15%	726,861

The above sensitivity illustration is intended for reference only, and any variation could exceed the ranges given, and potential investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive, and (ii) the profit forecast is subject to further and additional uncertainties. While we have considered for the purpose of the profit forecast what our Directors believe is the best estimate of the average selling price and average purchase price of coal for the year ending 31 December 2010, such financial data may differ materially from our forecast, and is dependent on market conditions and other factors that are beyond our control and our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect.

Dividends and Distributable Reserves

Dividends

Subject to the Companies Act, we may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of

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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 our Company's assets will exceed its liabilities and our Company will be able to pay its debts as they fall due.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends will be declared and paid according to the amount paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of equity calls will for this purpose be treated as paid up on the Share and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend on:

- our general business condition;
- our financial results;
- our solvency requirements;
- the interests of our Shareholders; and
- any other factors which our Board may deem relevant.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. The PRC laws require that dividends be paid only out of net profits, calculated in accordance with the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. The PRC laws also require foreign-invested enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debt or losses or as a result of any restrictive covenants in bank facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

We had declared and paid a total dividend of RMB69.0 million to the then existing equity shareholders of our Company in 2008. In addition, one of our Pre-IPO Investors, Winstar, is entitled to a preferred dividend per Preference Share from the date of issue at the rate of 3.5% per annum, calculated and accruing daily on the basis of a 360-day year on a principal of US\$60 million, being the subscription price paid by Winstar for the Preference Shares. On 16 September 2010, our Board declared and approved the payment of a dividend totalling RMB287,732,611 (including additional preferred dividend and interest of RMB74,248,513 payable to our Pre-IPO Investors under the terms of their respective subscription agreements), representing approximately 25% of our retained earnings as at 30 June 2010, to our existing equity Shareholders as of 16 September 2010, holders of the Convertible bonds and holders of the Preference Shares. Such dividend payment will be funded from our internal financial resources available prior to Listing and out of our distributable reserves of RMB731.5 million as at 30 June 2010. The dividend will be paid upon Listing. Save as disclosed herein, we have not declared any other dividends from the date of incorporation of our Company to the Latest Practicable Date.

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Pursuant to written resolutions of our Directors on 16 September 2010, the Board resolved that an indicative dividend payout ratio of 25% of our Company's annual net profit generated be considered as a reference percentage for dividend declaration in future financial years. Our Directors are expected to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and we expect to pay such dividends in Hong Kong dollars. Such indicative dividend payout ratio is neither definitive nor binding on our Company and any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There can be no assurance that dividends of any amount will be declared or distributed in any given year. There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

Distributable reserves

As at 30 June 2010, the reserves available for distribution to our Shareholders were RMB731.5 million.

Unaudited Pro Forma Adjusted Net Tangible Assets

The following illustrative statement of our unaudited pro forma adjusted combined net tangible assets is based on the combined net assets of our Group as at 30 June 2010, as shown in our audited combined financial statements, which are included in the accountants' report in Appendix I to this prospectus, and adjusted as described below:

	Combined net tangible assets attributable to the equity shareholders of the Company as at 30 June 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$
Based on an Offer Price of HK\$3.25 per Share	1,640,093	2,643,393	4,283,486	1.13	1.30
Based on an Offer Price of HK\$4.50 per Share	1,640,093	3,677,559	5,317,652	1.41	1.63

Notes:

- (1) The combined net tangible assets attributable to the equity shareholders of the Company as at 30 June 2010 is based on the combined net assets attributable to the equity shareholders of the Company of RMB1,640,093,000. The combined net tangible assets attributable to the equity shareholders of the Company were extracted from the accountants' report as set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share, respectively, after deduction of the underwriting fees and other relevant expenses payable by the Company. The estimated net proceeds from the Global Offering are converted to Hong Kong dollars at an exchange rate of RMB0.8660 to HK\$1.00.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the above paragraphs and on the assumption of a total of 3,791,167,440 Shares and 3,784,530,089 Shares based upon the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share respectively, being the number of Shares in issue upon completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, the full conversion of the Convertible Bonds (as converted on 24 September 2010), the automatic conversion of the Preference Shares and the Peabody Energy Consideration Shares for acquisition of jointly controlled entity), which takes no account of any Shares which may be issued upon the

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exercise of any options granted under the Pre-IPO Option Scheme, or which may be allotted and issued or repurchased by the Company. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8660 to HK\$1.00.

- (4) Details of the valuation of the Group's properties as at 31 August 2010 are set out in the property valuation report as set out in Appendix IV to this prospectus. The revaluation surplus or deficit of these properties was not incorporated in our Group's combined financial information for the six months ended 30 June 2010 and will not be included in our Group's financial information for the year ending 31 December 2010. The above adjustments do not take into account the revaluation surplus or deficit.
- (5) On 16 September 2010, the Company declared and approved the payment of a dividend totalling RMB287,732,611 (including additional preferred dividend and interest of RMB74,248,513 payable to our Pre-IPO Investors under the terms of their respective subscription agreements), representing approximately 25% of retained earnings as at 30 June 2010 to the Company's existing equity shareholders as at 16 September 2010, holders of the Convertible Bonds and holders of the Preference Shares. The dividend will be paid upon Listing. Taken into account the dividend declared, the unaudited pro forma adjusted net tangible assets per Share should be reduced by RMB0.08 to RMB1.05 and RMB1.33 (equivalent to approximately HK\$1.21 and HK\$1.54) based on the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share respectively.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or our prospects since 30 June 2010, being the date of the latest audited combined balance sheets as set forth in the accountants' report in Appendix I to this prospectus.

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 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>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
Suifenh	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
Suifenh	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 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>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

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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

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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.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$3,649.5 million (assuming an Offer Price of HK\$3.875 per Share, being the mid-point of the indicative range of Offer Price), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering and assuming that the options granted under the Pre-IPO Option Scheme are not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 72%, which represents approximately HK\$2,627.6 million, will be used for future acquisition of, and investment in, new infrastructure, including logistics parks, railway logistics centres, docking facilities, railways and new coal processing facilities as more particularly set out in the section headed “Future Plans and Outlook” in this prospectus. As of the Latest Practicable Date, our Directors confirm that our Company has not entered into any agreement or negotiation, nor do we have any definite plans at present, in relation to any potential acquisition of new infrastructure other than as disclosed in this prospectus;
- approximately 14%, which represents approximately HK\$510.9 million, will be used for future acquisition of upstream coal resources and related mining and exploration expenditure, including expenditure relating to the Peabody-Winsway JV. As of the Latest Practicable Date, our Directors confirm that our Company has not entered into any agreement or negotiation, nor do we have any definite plans at present, in relation to any potential acquisition of upstream coal resources;
- approximately 4.25%, which represents approximately HK\$155.1 million, will be used to settle the US\$20 million payable to Polo Resources for our acquisition of a 50% interest in the Peabody-Winsway JV; and
- approximately 9.75%, which represents approximately HK\$355.8 million, will be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$4.50 per Offer Share, being the highest end of the stated Offer Price range, the net proceeds will be increased by approximately HK\$597.1 million. If the Offer Price is fixed at HK\$3.25 per Offer Share, being the lowest end of the stated Offer Price range, the net proceeds will be reduced by approximately HK\$597.1 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis (other than the payment to Polo Resources, which will not change).

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

The gross proceeds from the sale of the Sale Shares by the Selling Shareholders as a result of the full exercise of the Over-allotment Option would be approximately HK\$575.4 million (assuming an Offer Price of HK\$3.875 per Share, being the mid-point of the indicative range of Offer Price). The Selling Shareholders will not receive any proceeds if the Over-allotment Option is not exercised. We will not receive any of the net proceeds of the Global Offering from the sale of Shares by the Selling Shareholders.

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HONG KONG UNDERWRITERS

Joint Lead Managers

Deutsche Bank

Goldman Sachs

Merrill Lynch Far East Limited

Co-Lead Managers

BNP Paribas Capital (Asia Pacific) Limited

ING Bank N.V., London Branch

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 24 September 2010. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing from the Joint Bookrunners, for themselves and on behalf of the Hong Kong Underwriters, at any time prior to 8:00 a.m. on the Listing Date:

- (a) any matter or event showing any of the representations, warranties and undertakings given by any of the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or in the International Underwriting Agreement to be untrue, incorrect, inaccurate or misleading when given or repeated; or
- (b) any breach on the part of the Company or the Controlling Shareholders of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

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- (c) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (d) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering, was or has become or been discovered to be untrue, incorrect or misleading in any material respect; or
- (e) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities referred to in Clause 7 of the Hong Kong Underwriting Agreement; or
- (f) except with respect to Erlianhaote Winsway Logistics, a petition is presented for the winding-up or liquidation of the Company or any of its subsidiaries or associates, or the Company or any of its subsidiaries or associates makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or associates or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries or associates or anything analogous thereto occurs in respect of the Company or any of its subsidiaries or associates; or
- (g) any adverse change or development or involving an adverse change or prospective adverse change in the condition, financial or otherwise, in the assets, liabilities, earnings, business affairs, business prospects or trading prospects of the Group, including any litigation, claim or arbitral proceedings of material importance being threatened or instigated against any member of the Group; or
- (h) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld on or before the Listing Date; or
- (i) there shall have developed, occurred or come into effect any event or series of events, matters or circumstances concerning or relating to:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the United States, the PRC, the British Virgin Islands, the United Kingdom, Canada, Japan or Singapore or any other jurisdictions reasonably considered by the Joint Bookrunners to be relevant (collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change or development, or any event or series of events likely to result in any change or development, or prospective change or development, in local, regional, national or international financial, political, legal, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange

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markets and inter-bank markets) or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States or a re-valuation of the Renminbi against any foreign currencies) in or affecting any of the Relevant Jurisdictions;

- (iii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the London Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges (save for the avoidance of doubt, for the fixing of any minimum or maximum prices or price ranges by the Shanghai Stock Exchange and the Shenzhen Stock Exchange before the date of the Hong Kong Underwriting Agreement with respect to specific stocks) or by such system or by order of any regulatory or governmental authority;
- (iv) a change, or development occurs involving a prospective change, in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any of the Relevant Jurisdictions;
- (v) any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, terrorism, strike or lock-out and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis (whether or not covered by insurance) affecting or event of force majeure affecting any of the Relevant Jurisdictions;
- (vi) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

which in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters):

- (i) is or is likely to be materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of the Group as a whole;
- (ii) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in the Shares in the secondary market; or
- (iii) makes it inadvisable or impracticable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus,

then the Joint Bookrunners, in their absolute discretion, may, for themselves and on behalf of the Hong Kong Underwriters, upon giving notice in writing to our Company

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on or prior to 8:00 a.m. on the Listing Date (with a copy of such notice to each of the Controlling Shareholders and the Hong Kong Underwriters), terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of shares or securities in compliance with Rules 10.08 (1) to (4) of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Hong Kong Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Hong Kong Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

- (i) if he or it pledges or charges any of our securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

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We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Joint Lead Managers and the Hong Kong Underwriters, and the Controlling Shareholders have agreed to procure that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and unless in compliance with the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of the First Six-month Period, our Company will not, without the prior written consent of the Joint Lead Managers (on behalf of the Hong Kong Underwriters):

- (a) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of our Shares or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) publicly disclose that our Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Undertakings by Our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the stock borrowing arrangement that may be entered into with the Stabilising Manager or any of its affiliates or any person acting for it, without the prior written consent of the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) during the First Six-Month Period:
 - (a) he or it will not offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, or otherwise transfer or dispose of, either directly or indirectly, conditionally or

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unconditionally, any of our Shares or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive any such Shares or securities or any interest therein); or

- (b) he or it will not enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares or securities or any interest therein; or
- (c) he or it will not enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) he or it will not publicly disclose that he or it will or may enter into any transaction described in (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Shares or securities, in cash or otherwise; and

- (ii) during the Second Six-Month Period, he or it will not enter into any of the foregoing transactions in paragraphs (i)(a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, any Controlling Shareholder will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that he or it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has further undertaken to us, the Joint Lead Managers and the Hong Kong Underwriters that, if at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date, it shall:

- (a) if and when he or it pledges or charges any securities or interests in our securities beneficially owned by he or it, immediately inform us and the Joint Lead Managers in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be disposed of, immediately inform us and the Joint Lead Managers.

We agree and undertake that upon receiving such information in writing from any of the Controlling Shareholders, we shall, as soon as practicable, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

The International Placing

In connection with the International Placing, it is expected that we, the Selling Shareholders and the Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Bookrunners and the International Underwriters. Under the International Underwriting

UNDERWRITING

Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

The Selling Shareholders are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 October 2010, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholders to sell, up to an aggregate of 148,500,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

Commission and expenses

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission of 2.5% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). Our Company may also in our sole discretion pay any or all of the Joint Bookrunners an additional incentive fee of up to 1% in the aggregate of the sale proceeds of the Shares offered by us under the Global Offering.

Based on an Offer Price of HK\$3.875 per Share (being the mid-point of the indicative Offer Price range of HK\$3.25 to HK\$4.50 per Share), the aggregate commissions and fees (except for any commission payable by the Selling Shareholders for the sale of the Sale Shares), together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering will be borne by our Company and such amount is estimated to be approximately HK\$186.7 million in aggregate.

Indemnity

We have agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, and, if applicable, the stock borrowing arrangement that may be entered into between the Stabilising Manager or any of its affiliates or any person acting for it with Winsway Resources Holdings, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

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Independence of Joint Sponsors

Deutsche Bank satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

A member of the Goldman Sachs group is a limited partner of HOPU and the chairman of Goldman Sachs' subsidiary in China, Goldman Sachs Gao Hua Securities Company Limited, is a founder and partner of HOPU Investment Management Co., Ltd., the company that manages HOPU. Accordingly, the Goldman Sachs group may be viewed to have a business relationship with HOPU and the Company under Rule 3A.07(9) of the Listing Rules that might reasonably give rise to a perception that Goldman Sachs' independence in performing its duties as a sponsor for the Listing would be affected. Accordingly, Goldman Sachs has taken the view that it does not satisfy the independence test set out under Rule 3A.07(9) of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Deutsche Bank and Goldman Sachs are the Joint Sponsors and Joint Global Coordinators of the Global Offering. Deutsche Bank, Goldman Sachs and Merrill Lynch International are the Joint Bookrunners of the Global Offering. Deutsche Bank, Goldman Sachs, Merrill Lynch Far East Limited (as to Hong Kong Public Offering) and Merrill Lynch International (as to International Placing) are the Joint Lead Managers of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 99,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering”; and
- (ii) the International Placing of an aggregate of 891,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the US (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the US to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the US Securities Act.

Up to 148,500,000 Shares may be offered by the Selling Shareholders pursuant to the exercise of the Over-allotment Option constituting 15% of the number of Shares initially being offered under the Global Offering.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Shares under the International Placing, but may not do both.

Under the Global Offering, we are allotting and offering 990,000,000 Shares and the Selling Shareholders are offering 148,500,000 Sale Shares in the event the Over-allotment Option is fully exercised. The Offer Shares will represent approximately 26.14% of the enlarged issued Shares of the Company immediately after the completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, the automatic conversion of Preference Shares, the full conversion of Convertible Bonds and all the Peabody Energy Consideration Shares based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share), without taking into account the exercise of the Over-allotment Option and the Pre-IPO Option Scheme).

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 99,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.61% of our Company’s enlarged issued Shares immediately after completion of the Global Offering, assuming that the Offer Price is HK\$3.875 (being the mid-point of the indicative Offer Price range).

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The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering”.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Hong Kong Offer Shares between the Hong Kong Public Offering and the International Placing referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 49,500,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will consist of 49,500,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 49,500,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 297,000,000 Offer Shares (in the case of (i)), 396,000,000 Offer Shares (in the case of (ii)) and 495,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

If the Hong Kong Public Offering is not fully subscribed for, the Joint Bookrunners will have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Bookrunners deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$4.50 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK\$4.50 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 891,000,000 new Shares offered by the Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and representing approximately 23.53% of our Company's enlarged issued shares immediately after completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, the automatic conversion of Preference Shares, the full conversion of Convertible Bonds and the issue of all the Peabody Energy Consideration Shares based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share), assuming that the options granted under the Pre-IPO Option Scheme are not exercised).

Allocation

The International Placing will include selective marketing of Offer Shares to QIBs in the US in reliance on Rule 144A, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the US in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on

STRUCTURE OF THE GLOBAL OFFERING

the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and its shareholders as a whole.

The Stabilising Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 148,500,000 additional Shares, which is 15% of the Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement (as detailed below) or a combination of these means.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholders are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Stabilising Manager at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholders to sell up to an aggregate of 148,500,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the Offer Price under the International Placing, to solely cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.92% of our enlarged issued Shares immediately following the completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, the automatic conversion of the Preference Shares, the full conversion of the Convertible Bonds and all the Peabody Energy Consideration Shares based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share and assuming no option granted under the Pre-IPO Option Scheme is exercised). In the event that the Over-allotment Option is exercised, an announcement will be made. Any exercise of the Over-allotment Option will not change the number of our issued Shares.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

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In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period which will begin on the Listing Date, and is expected to expire on Saturday, 30 October 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilisation period.

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STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager or any of its affiliates or any person acting for it may choose to borrow up to 148,500,000 Shares (being the maximum number of Shares which may be sold upon exercise of the Over-allotment Option) from Winsway Resources Holdings pursuant to the Stock Borrowing Agreement expected to be entered into between the Stabilising Manager or its affiliates or any person acting for it and Winsway Resources Holdings before the Listing Date, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with Winsway Resources Holdings is entered into, it will only be effected by the Stabilising Manager or any of its affiliates or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with. The same number of Shares so borrowed must be returned to Winsway Resources Holdings or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Winsway Resources Holdings by the Stabilising Manager or its affiliates or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or approximately, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or approximately Thursday, 30 September 2010 and in any event on or before Wednesday, 6 October 2010, by agreement between the Joint Bookrunners, on behalf of the Underwriters and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Joint Bookrunners, on behalf of the Underwriters and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Placing. The SFC transaction levy and the Hong Kong Stock Exchange trading fee otherwise payable by investors in the International Placing on Offer Shares purchased by them will be paid by us.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$4.50 per Offer Share and is expected to be not less than HK\$3.25 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Hong Kong Stock Exchange which may change materially as a result of any such reduction. Applicants under the Hong Kong Public Offering should note that, unless with the approval of our Company and the Joint Bookrunners, applications which have been submitted may not be withdrawn, even if the number of Offer Shares and/or the Offer Price range is so reduced. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. However,

STRUCTURE OF THE GLOBAL OFFERING

the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — 10. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus from Friday, 8 October 2010.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue (including the Shares that may be allocated pursuant to the exercise of the Over-allotment Option) and our Shares to be issued pursuant to the Global Offering (subject only to allotment);
- (ii) the Offer Price being duly determined;
- (iii) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition by the Joint Bookrunners for and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Monday, 11 October 2010.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (on behalf of the Underwriters) on or before Wednesday, 6 October 2010, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 10. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, 11 October 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

OFFER SHARES WILL BE ELIGIBLE FOR CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and the Company complies with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Offer Shares to be admitted into CCASS.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 11 October 2010, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Monday, 11 October 2010.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the “**White Form eIPO**” service; or (iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **WHITE FORM eIPO** service or by giving **electronic application instructions** to HKSCC.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the US;
- are not a United States person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Joint Bookrunners (or their agents or nominees) may accept it at our or their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents and nominees have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The Hong Kong Offer Shares are not available to existing legal and beneficial owners of Shares, our Directors or chief executive officer, the directors or chief executive officer of any of our subsidiaries, or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Placing Shares under the International Placing, but may not do both.

1. APPLYING BY USING AN APPLICATION FORM

WHICH APPLICATION FORM TO USE

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk**. Use **White Form eIPO** if you want the Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Monday, 27 September 2010 to Wednesday, 29 September 2010 and between 9:00 a.m. to 12:00 noon on Thursday, 30 September 2010 from:

- (1) Any of the following addresses of the Hong Kong Underwriters

Deutsche Bank	48 th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
Goldman Sachs	68 th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
Merrill Lynch Far East Limited	15 th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong
BNP Paribas Capital (Asia Pacific) Limited	Room 6415, Two IFC, 8 Finance Street, Central, Hong Kong
ING Bank N.V., London Branch	ING Commercial Banking Hong Kong 39/F One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., City Plaza 2, 18 Taikoo Shing Road
Kowloon:	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories:	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I
	Yuen Long Sub-Branch	Shop B-F, G/F., 2-14 Tai Fung Street, Yuen Long
	Sheung Shui Sub-Branch	Shops 10-14, G/F., Sheung Shui Centre Shopping Arcade
	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza
	Market Street Sub-Branch	G/F., 53 Market Street, Tsuen Wan

- (3) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island:	Central Branch	Shop No. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
Kowloon:	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Mei Foo Manhattan	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories:	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 27 September 2010 until 12:00 noon on Thursday, 30 September 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HOW TO COMPLETE THE WHITE or YELLOW APPLICATION FORM

Obtain an Application Form as described in the section headed “Where to Collect the Application Forms” above.

Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. Each Application Form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out on the Application Form.

Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the section headed “6. Members of the public — Time for Applying for Hong Kong Offer Shares” below.

You should note that by completing and submitting the **WHITE** and **YELLOW** Application Form, among other things:

- (i) you agree with our Company, for itself and for each Shareholder of our Company, to observe and comply with the Companies Act and the Articles of Association;
- (ii) you agree with our Company and each of our Shareholders that our Shares in the Company are freely transferable by the holders thereof;
- (iii) you authorise our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;
- (iv) you confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations concerning our Company;
- (v) you agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, other parties involved in the Global Offering or any of their respective directors, officers, employees, partners, agents or advisors is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);
- (vi) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally), and will not apply for or take up, or indicate any interest in any International Placing Shares nor otherwise participated in the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) you agree to disclose to our Company, and/or our Hong Kong Share Registrar, receiving banks, advisors and agents and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective advisors and agents any information about you which they require or the person(s) for whose benefit you have made the application;
- (viii) you instruct our Company and the Joint Bookrunners (or their respective agents or nominees) as agent for our Company to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- (ix) you agree that the processing of your application may be done by any of our Company's receiving banks and is not restricted to the bank at which your application was lodged;
- (x) you represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the US (as defined in Regulation S) when completing the Application Form or are a person described in paragraph h(3) of Rule 902 of Regulation S;
- (xi) you agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (xii) you warrant the truth and accuracy of the information contained in your application;
- (xiii) you agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xiv) confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- (xv) you undertake and agree to accept the Shares applied for, or any lesser number allocated to you under the application; and
- (xvi) if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead managers and the Underwriters and other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Only written signatures will be accepted:

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. Failure to provide the account number(s) or other identification code(s) for the beneficial owner(s) will result in the application being deemed to be submitted for the benefit of the nominee(s) in question.

If your application is made through a duly authorised attorney, we and the Joint Bookrunners, (or its agents or nominees) may accept it at our or their discretion, and subject to any conditions we or they think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners (or its agents or nominees) will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

2. HOW TO APPLY THROUGH WHITE FORM eIPO

General

If you are an individual and meet the criteria set out in paragraph above headed “Who can apply for the Hong Kong Offer Shares” under this section, you may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO**, the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** through the designated website at **www.eipo.com.hk**, you will have authorised the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Joint Sponsors and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-service and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Winsway Coking Coal Holdings Limited” **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of the “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White**

HOW TO APPLY FOR HONG KONG OFFER SHARES

Form eIPO service (www.eipo.com.hk), you are advised not to wait until the last day for lodging applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (www.eipo.com.hk), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed “How Many Applications You May Make” by means of **White Form eIPO** under this section.

Conditions of the White Form eIPO Service

In using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- (i) applies for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk subject to the Articles of Association of our Company;
- (ii) undertakes and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- (iii) declares that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS or the **White Form eIPO** Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- (iv) undertakes and confirms that the applicant and the person for whose benefit the applicant is applying have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally and/or provisionally) any Offer Shares under the International Placing, nor otherwise participated in the International Placing;
- (v) understands that this declaration and representation will be relied upon by our Company and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- (vi) authorises our Company to place the applicant’s name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set forth in this prospectus) to send any Share certificates (where applicable) by ordinary post at the applicant’s own risk to the address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any Share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus;
- (vii) requests that any refund cheque(s) be made payable to the applicant who had used multiple bank accounts to pay the application monies; and (subject to the terms and conditions set forth in this prospectus) to send any refund cheques by ordinary post and at the applicant’s own risk to the address given on the **White Form eIPO**

HOW TO APPLY FOR HONG KONG OFFER SHARES

application (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at **www.eipo.com.hk** and this prospectus;

- (viii) request that any e-Refund payment instructions be despatched to the application payment bank account where the applicant had paid the application monies from a single bank account;
- (ix) has read the terms and conditions and application procedures set forth on the **White Form eIPO** designated website at **www.eipo.com.hk** and this prospectus and agrees to be bound by them;
- (x) represents, warrants and undertakes that the applicant, and any persons for whose benefit the applicant is applying are non-US person(s) outside the US (as defined in Regulation S under the Securities Act) when completing and submitting the Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the Securities Act or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- (xi) agrees that such application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted electronic application instructions through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- (i) instruct and authorise our Company and the Joint Bookrunners as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**;
- (ii) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;

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- (iii) agree that our Company, our Directors and any person who has authorised this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iv) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (v) (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
- (vi) (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorised to submit the application as that other person's agent;
- (vii) undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing nor otherwise participate in the International Placing;
- (viii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (ix) agree to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, the Joint Bookrunners, the Joint Lead Managers, the receiving banks and/or their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- (x) agree with our Company and each Shareholder of our Company, and our Company agrees with each of its Shareholders, to observe and comply with the Companies Act, the Hong Kong Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (xi) agree with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- (xii) represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the US (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk** and agree to be bound by them;

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- (xiv) undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- (xv) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Hong Kong Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk.

Our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents, advisors are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorised attorney, our Company and the Joint Bookrunners (or its agents or nominees), may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph headed “11. Refund of Application Monies”.

3. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

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HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our registrar.

Giving Electronic application instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not indicated an interest for, applied for or taken up or indicated an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Placing nor otherwise participated in the International Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

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- understands that the above declaration will be relied upon by our Company, our Directors and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;
- authorises our Company to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;
- agrees that our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company, the Joint Global Coordinators and/or its respective agents and the Hong Kong Share Registrar and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Tuesday, 26 October 2010, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before Tuesday, 26 October 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked,

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and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act, the Hong Kong Companies Ordinance and our Articles of Association; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

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Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance).

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by us and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 30 September 2010.

4. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form**

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eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction** you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**); or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) and that you are duly authorised to sign the Application Form or give **electronic application instruction** as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**); or
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**); or
- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS

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Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) for more than 49,500,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued shares of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

5. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$4.50 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$4,545.37. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares up to 49,500,000 Shares. Your application must be for a minimum of 1,000 Shares. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares by a cheque or a banker’s cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form) or this prospectus.

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the

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Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

6. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, together with a cheque attached and marked payable to “Horsford Nominees Limited — Winsway Coking Coal Public Offer” for the payment, must be lodged by 12:00 noon on Thursday, 30 September 2010, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “7. Effect of bad weather on the Opening of the Application Lists” below.

Your completed Application Form, together with a cheque attached and marked payable to “Horsford Nominees Limited — Winsway Coking Coal Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of Bank of Communications Co., Ltd. Hong Kong Branch and Standard Chartered Bank (Hong Kong) Limited listed under the section headed “1. Applying by Using an Application form – Where to Collect the Application Forms” above at the following times:

Monday, 27 September 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, 28 September 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, 29 September 2010 — 9:00 a.m. to 5:00 p.m.
Thursday, 30 September 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 30 September 2010. No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 27 September 2010 until 11:30 a.m. on Thursday, 30 September 2010 or such later time as described under the paragraph headed “7. Effects of Bad Weather on the Opening of the Applications Lists” under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 30 September 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “7. Effects of Bad Weather on the Opening of the Applications Lists” under this section below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for lodging applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 30 September 2010, or such later time as described under the paragraph headed “7. Effect of Bad Weather on the Opening of the Application Lists” under this section, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

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Time for Inputting Electronic application instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing/Custodian Participants to give electronic application instructions to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 27 September 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 28 September 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 29 September 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 30 September 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 27 September 2010 until 12:00 noon on Thursday, 30 September 2010 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 30 September 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “7. Effect of Bad Weather on the Opening of the Application Lists” below.

7. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 September 2010. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

8. PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indication of interest in the International Placing, the level of indication of interest in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 8 October 2010 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our Company’s website at **www.winsway.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on our Company's website at www.winsway.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 8 October 2010.
- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Friday, 8 October 2010 to 12:00 midnight on Thursday, 14 October 2010. Search by ID function will be available on our Hong Kong Public Offering results of allocations website at www.iporeresults.com.hk, or via a hyperlink from our website at www.winsway.com to our Hong Kong Public Offering results of allocations website at www.iporeresults.com.hk. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/ its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 8 October 2010 to Monday, 11 October 2010;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Friday, 8 October 2010 to Saturday, 9 October 2010 and Monday, 11 October 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "1. Applying by Using an Application Form — Where to Collect the Application Forms" above.

9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or through the **White Form eIPO** service (www.eipo.com.hk) or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- If your application is revoked:

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk), you agree that your application or the application made by HKSCC Nominees on your behalf or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) cannot be revoked on or before Tuesday, 26 October 2010. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in

HOW TO APPLY FOR HONG KONG OFFER SHARES

consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Tuesday, 26 October 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) on your behalf may only be revoked on or before Tuesday, 26 October 2010 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of our Company or our agents to reject or accept your application:**

Our Company, the Joint Bookrunners (or their respective agents and nominees) or the designated **White Form eIPO** Service Provider (where applicable), or our respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Joint Bookrunners (or their respective agents and nominees) and the designated **White Form eIPO** Service Provider (where applicable), in their capacity as our agents, and our agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **You will not receive any allotment if:**
- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares in the International Placing. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk), you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- your application is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form) or on the **White Form eIPO** website (www.eipo.com.hk);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- the Hong Kong Underwriting Agreement and the International Underwriting Agreement do not become unconditional;
- the Hong Kong Underwriting Agreement and the International Underwriting Agreement are terminated in accordance with their respective terms;
- the Company and/or the Joint Bookrunners believes that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; or
- your application is for more than 49,500,000 Hong Kong Offer Shares, representing 50% of the Hong Kong Offer Shares initially offered for public subscription under the Hong Kong Public Offering.

10. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK\$4.50 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application

HOW TO APPLY FOR HONG KONG OFFER SHARES

Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

- (a) for applications on **WHITE** Application Form or by giving **electronic application instructions** through the **White Form eIPO** service:
 - (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or
 - (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: Share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.
- (c) for applications by giving **electronic application instructions** to HKSCC and if your application is wholly or partially successful, Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account on Friday, 8 October 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees. Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your

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designated bank account or the designated bank account of your broker or custodian on Friday, 8 October 2010. No interest will be paid thereon.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and Share certificates for wholly and partially successful applicants under **WHITE** Application Form or by giving **electronic application instructions** through the **White Form eIPO** service are expected to be posted on or approximately Friday, 8 October 2010. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 11 October 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

(a) if you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 8 October 2010 or such other date as notified by us in the newspapers as the date of collection/despatch of e-Refund payment instructions/refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Friday, 8 October 2010, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your **YELLOW** Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Friday, 8 October 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Friday, 8 October 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offering on Friday, 8 October 2010 in the manner described in “8. Publication of Results” above. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 8 October 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) If you are applying through **White Form eIPO**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from our Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai,

HOW TO APPLY FOR HONG KONG OFFER SHARES

Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 8 October 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Friday, 8 October 2010 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions. If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out above in the section headed “2. How to Apply Through White Form eIPO — Additional Information”.

(d) If you apply by giving electronic application instructions to HKSCC

Deposit of Share certificates into CCASS and refund of application monies

We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in the sub-section headed “8. Publication of Results” in this section on Friday, 8 October 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 8 October 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 8 October 2010. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$4.50 per Offer Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies will be made to successful applicants, without interest. Details of the procedure for refund are set out above in the paragraph headed “10. Despatch/Collection of Share Certificates and Refund Monies”.

All such interest accrued prior to the date of despatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Bookrunners cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Friday, 8 October 2010 in accordance with the various arrangements as described in this section.

12. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Monday, 11 October 2010. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 1733.

13. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

APPENDIX I — ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

27 September 2010

The Directors
Winsway Coking Coal Holdings Limited

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Winsway Coking Coal Holdings Limited (formerly known as “China Bestway Resources Holdings Limited”/“China Bestway Resources Holdings Limited”, the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) including the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 (the “Relevant Period”), and the combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, together with the notes thereto (the “Financial Information”), for inclusion in the prospectus of the Company dated 27 September 2010 (the “Prospectus”).

The Company was incorporated in the British Virgin Islands on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). Pursuant to a group reorganisation completed on 9 August 2010 (the “Reorganisation”) as detailed in the section headed “History, Reorganisation and Group Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below.

As at the date of this report, no audited financial statements have been prepared for the following companies, as they either have not carried on any business since their respective dates of incorporation, or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

APPENDIX I — ACCOUNTANTS' REPORT

Name of company

Reach Goal Management Ltd.
Winsway Coking Coal (HK) Holdings Limited
Winsway Australia Pty. Ltd.
Winsway Coking Coal Logistics Co., Limited
Winsway Resources Holdings Private Limited
Cheer Top Enterprises Limited
Color Future International Limited
Royce Petrochemicals Limited
Lucky Colour Limited
King Resources Holdings Limited
Yingkou Haotong Mining Co., Ltd.¹ (營口浩通礦業有限公司)
Manzhouli Haotong Energy Co., Ltd.¹ (滿洲里浩通能源有限公司)
Suifenhe Winsway Resources Co., Ltd.¹ (綏芬河永暉能源有限公司)
Baotou Mandula Winsway Energy Co., Ltd.¹ (包頭市滿都拉永暉能源有限公司)
Ulanqab Haotong Energy Co., Ltd.¹ (烏蘭察布市浩通能源有限責任公司)
Longkou Winsway Energy Co., Ltd.¹ (龍口市永暉能源有限公司)
Winsway Mongolian Transportation Pte. Ltd.
Erlianhaote Ruyi Winsway Logistics Co., Ltd.¹ (二連浩特如意永暉物流有限責任公司)
Ejina Qi Ruyi Winsway Energy Co., Ltd.¹ (額濟納旗如意永暉能源有限公司)
Asia Eagle Development Limited
Chongqing Huize Petrochemicals Co., Ltd.¹ (重慶匯澤石油化工有限公司)
Global Luck International Ltd.
MonChallenge Investment Ltd.
MonCrown Investment Ltd.
Nantong Shengtong Energy Co., Ltd.¹ (南通盛通能源有限公司)
Qinhuangdao Lanyu Trading Co., Ltd.¹ (秦皇島藍玉貿易有限公司)
Qinhuangdao Yuecheng Petrochemicals Co., Ltd.¹ (秦皇島悅誠石油化工有限公司)
Shanxi Dingshun Import Export Trading Co., Ltd.¹ (山西鼎順進出口貿易有限公司)

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in Note 38 of Section C. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the “Underlying Financial Statements”). The Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

¹ The English translations of the names are for reference only. The official names of these entities are in Chinese.

APPENDIX I — ACCOUNTANTS' REPORT

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 30 June 2009, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

APPENDIX I — ACCOUNTANTS' REPORT

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PREPARATION

The Company was incorporated in the British Virgin Islands on 17 September 2007. At the date of incorporation, the Company was named as “China Bestway Resources Holdings Limited”. The name of the Company was subsequently changed to “China Bestway Resources Holdings Limited” and “Winsway Coking Coal Holdings Limited” on 28 January 2008 and 29 July 2009 respectively. Pursuant to the Reorganisation completed on 9 August 2010, the Company became the holding company of the companies now comprising the Group. The companies taking part in the Reorganisation were controlled by the same ultimate equity shareholder, namely Mr Wang Xing Chun (referred to as the “Controlling Shareholder”) during the Relevant Period.

Because the companies now comprising the Group were controlled by the Controlling Shareholder before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the combining companies are combined using the book values from the Controlling Shareholder’s perspective. The interests of equity shareholders other than the Controlling Shareholder in the combining companies have been presented as non-controlling interests in the Group’s Financial Information.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Period include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Relevant Period, or since the dates of their incorporation/establishment where this is a shorter period. The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 have been prepared to present the combined assets and liabilities of the companies now comprising the Group as at the respective dates. All material intra-group transactions and balances have been eliminated on combination.

APPENDIX I — ACCOUNTANTS’ REPORT

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

<u>Name of company</u>	<u>Date and place of incorporation/ establishment</u>	<u>Issued and fully paid up capital</u>	<u>Equity attributable to the equity shareholders of the Company</u>		<u>Principal activities</u>
			<u>Direct</u>	<u>Indirect</u>	
Lucky Colour Limited (“Lucky Colour”)	11 March 2008 British Virgin Islands (“BVI”)	US\$1	100%	-	Investment holding
Reach Goal Management Ltd. (“Reach Goal”)	2 January 2009 BVI	United States dollars (“US\$”) 21,770,001	100%	-	Investment holding
Winsway Coking Coal (HK) Holdings Limited (“Winsway Coking Coal Holdings (HK)”)	23 October 2009 Hong Kong	US\$31,312,613	100%	-	Investment holding
Winsway Australia Pty. Ltd. (“Winsway Australia”)	9 November 2009 Commonwealth of Australia (“Australia”)	Australian dollars (“AUD”) 492,994	100%	-	Consulting service
Winsway Coking Coal Logistics Co., Limited (“Winsway Logistics”)	22 December 2009 Hong Kong	US\$100,000	100%	-	Dormant
Winsway Coking Coal (Macao Commercial Offshore) Limited	2 August 2010 Macao	Macao Pataca (“MOP\$”) 100,000	100%	-	Bookkeeping service
Winsway Resources Holdings Private Limited (“Winsway Singapore”)	31 December 2009 The Republic of Singapore (“Singapore”)	Singapore dollars (“SGD”) 1,000,000	100%	-	Trading of coals
Winsway Mongolian Transportation Pte. Ltd. (“Winsway Mongolian Transportation”)	10 May 2010 Singapore	SGD10	90%	-	Dormant
Beijing Winsway Investment Management Co., Ltd. (北京永暉投資管理有限公司) (“Beijing Winsway”) ¹ (formerly known as “Beijing Bright Petroleum & Chemicals Import & Export Co., Ltd.”) (原北京欣潤澤石化進出口有限公司) (“Beijing Bright”)	6 November 1995 The People’s Republic of China (“PRC”)	US\$34,303,911	-	100%	Investment holding
Cheer Top Enterprises Limited (“Cheer Top”)	5 January 2005 BVI	US\$27,412,612	-	100%	Investment holding
Color Future International Limited (“Color Future”)	5 January 2005 BVI	US\$21,770,001	-	100%	Trading of coals
Urad Zhongqi Yiteng Mining Co., Ltd. (烏拉特中旗毅騰礦業有限責任公司) (“Yiteng”) ¹	7 September 2005 PRC	Renminbi (“RMB”) 210,000,000	-	100%	Processing and trading of coals

APPENDIX I — ACCOUNTANTS' REPORT

Name of company	Date and place of incorporation/ establishment	Issued and fully paid up capital	Equity attributable to the equity shareholders of the Company		Principal activities
			Direct	Indirect	
Royce Petrochemicals Limited (“Royce Petrochemicals”)	28 October 2005 BVI	US\$3,900,001	-	100%	Investment holding
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司) (“Inner Mongolia Haotong”) ¹	18 November 2005 PRC	RMB350,000,000	-	100%	Trading of coals
Erlianhaote Haotong Energy Co., Ltd. (二連浩特浩通能源有限公司) (“Erlianhaote Haotong”) ¹	18 January 2007 PRC	RMB95,370,000	-	51%	Trading of coals
Ejina Qi Haotong Energy Co., Ltd. (額濟納旗浩通能源有限公司) (“Ejinaqi Haotong”) ¹	19 May 2008 PRC	RMB80,000,000	-	100%	Processing and trading of coals
East Wuzhumuqin Qi Haotong Energy Co., Ltd. (東烏珠穆沁旗浩通能源有限公司) (“East Wuzhumuqin Qi Haotong”) ¹	29 July 2008 PRC	RMB10,000,000	-	100%	Trading of coals
Baotou-city Haotong Energy Co., Ltd. (包頭市浩通能源有限公司) (“Baotou Haotong”) ¹	18 September 2008 PRC	RMB10,000,000	-	100%	Trading of coals
King Resources Holdings Limited (“King Resources”)	2 January 2009 BVI	US\$10,000	-	100%	Dormant
Nantong Haotong Energy Co., Ltd. (南通浩通能源有限公司) (“Nantong Haotong”) ¹	24 February 2009 PRC	RMB120,000,000	-	100%	Trading of coals
Yingkou Haotong Mining Co., Ltd. (營口浩通礦業有限公司) (“Yingkou Haotong”) ¹	16 November 2009 PRC	RMB70,000,000	-	100%	Trading of coals
Manzhouli Haotong Energy Co., Ltd. (滿洲里浩通能源有限公司) (“Manzhouli Haotong”) ¹	23 December 2009 PRC	RMB10,000,000	-	100%	Trading of coals
Suifenhe Winsway Resources Co., Ltd. (綏芬河永暉能源有限公司) (“Suifenhe Winsway”) ¹	24 December 2009 PRC	RMB10,000,000	-	100%	Trading of coals
Baotou Mandula Winsway Energy Co., Ltd. (包頭市滿都拉永暉能源有限公司) (“Baotou Mandula”) ¹	21 January 2010 PRC	RMB10,000,000	-	100%	Trading of coals

APPENDIX I — ACCOUNTANTS' REPORT

Name of company	Date and place of incorporation/ establishment	Issued and fully paid up capital	Equity attributable to the equity shareholders of the Company		Principal activities
			Direct	Indirect	
Ulanqab Haotong Energy Co., Ltd. (烏蘭察布市浩通能源有限責任公司) ("Ulanqab Haotong") ¹	2 March 2010 PRC	RMB58,000,000	-	100%	Trading of coals
Longkou Winsway Energy Co., Ltd. (龍口市永暉能源有限公司) ("Longkou Winsway") ¹	27 April 2010 PRC	RMB15,000,000	-	100%	Trading of coals
Erlianhaote Ruyi Winsway Logistics Co., Ltd. (二連浩特如意永暉物流有限責任公司) ("Erlianhaote Winsway Logistics") ¹	14 May 2010 PRC	RMB20,000,000	-	51%	Logistics service
Ejina Qi Ruyi Winsway Energy Co., Ltd. (額濟納旗如意永暉能源有限公司) ("Ejina Qi Winsway") ¹	30 June 2010 PRC	RMB20,000,000	-	51%	Logistics service
Urad Zhongqi Ruyi Haotong Energy Co., Ltd. (烏拉特中旗如意浩通能源有限公司) ("Urad Zhongqi Haotong") ¹	14 July 2010 PRC	RMB20,000,000	-	51%	Logistics service
Bayannao'er City Ruyi Winsway Energy Co., Ltd. (巴彥淖爾市如意永暉能源有限公司) ("Bayannao'er Winsway") ¹	14 July 2010 PRC	RMB20,000,000	-	51%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. (內蒙古呼鐵永暉物流有限公司) ("Inner Mongolia Hutie Winsway Logistics") ¹	22 July 2010 PRC	RMB30,000,000	-	51%	Logistics service
Xinjiang Winsway Energy Co., Ltd. (新疆永暉能源有限公司) ("Xinjiang Winsway") ¹	9 August 2010 PRC	RMB10,000,000	-	100%	Trading of coals

¹ The English translations of the names are for reference only. The official names of these entities are in Chinese.

APPENDIX I — ACCOUNTANTS' REPORT

B COMBINED FINANCIAL INFORMATION

1 COMBINED INCOME STATEMENTS

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Turnover	2	198,641	993,540	4,655,636	817,984	4,298,827
Cost of sales		(159,553)	(552,837)	(3,808,740)	(666,248)	(3,353,009)
Gross profit		39,088	440,703	846,896	151,736	945,818
Other revenue		444	6,166	7,844	2,366	12,792
Distribution costs		(2,869)	(109,558)	(236,998)	(74,734)	(126,411)
Administrative expenses		(13,774)	(62,275)	(91,623)	(28,555)	(114,561)
Other operating expenses, net	3	(729)	(10,012)	(643)	(1,077)	(9,698)
Profit from operating activities		22,160	265,024	525,476	49,736	707,940
Finance income	4(a)	3,790	4,480	6,205	1,264	7,773
Finance costs	4(a)	(3,690)	(3,331)	(37,041)	(11,020)	(74,895)
Net finance income/(costs)		100	1,149	(30,836)	(9,756)	(67,122)
Profit before taxation	4	22,260	266,173	494,640	39,980	640,818
Income tax	5(a)	150	10,639	(62,008)	4,146	(111,910)
Profit from continuing operations		22,410	276,812	432,632	44,126	528,908
Discontinued operations						
Loss from discontinued operations (net of income tax)	35	(11,260)	(33,267)	(8,148)	(7,673)	-
Gain on sale of discontinued operations (net of income tax)	35	4,497	126	29,565	28,530	-
Profit for the year/period		15,647	243,671	454,049	64,983	528,908
Attributable to:						
Equity shareholders of the Company		17,811	244,606	454,049	64,983	528,925
Non-controlling interests		(2,164)	(935)	-	-	(17)
Profit for the year/period		15,647	243,671	454,049	64,983	528,908
Earnings per share (RMB)						
Total operations	9					
— Basic		0.009	0.119	0.220	0.032	0.241
— Diluted		0.009	0.119	0.220	0.032	0.231
Continuing operations						
— Basic		0.012	0.135	0.210	0.021	0.241
— Diluted		0.012	0.135	0.210	0.021	0.231
Discontinued operations						
— Basic		(0.003)	(0.016)	0.010	0.010	-
— Diluted		(0.003)	(0.016)	0.010	0.010	-

The accompanying notes form part of the Financial Information. Details of dividends payable for the Relevant Period are set out in Note 8.

APPENDIX I — ACCOUNTANTS' REPORT

2 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period		15,647	243,671	454,049	64,983	528,908
Other comprehensive income for the year/period	11					
Exchange differences on translation of financial statements of overseas subsidiaries (net of income tax)		(5,911)	(16,989)	(2,112)	(3,529)	(8,832)
Total comprehensive income for the year/period		<u>9,736</u>	<u>226,682</u>	<u>451,937</u>	<u>61,454</u>	<u>520,076</u>
Attributable to:						
Equity shareholders of the Company		11,900	227,617	451,937	61,454	520,093
Non-controlling interests		(2,164)	(935)	-	-	(17)
Total comprehensive income for the year/period		<u>9,736</u>	<u>226,682</u>	<u>451,937</u>	<u>61,454</u>	<u>520,076</u>

The accompanying notes form part of the Financial Information.

APPENDIX I — ACCOUNTANTS' REPORT

3 COMBINED BALANCE SHEETS

	Section C Note	At 31 December			At 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment, net	12	78,960	289,168	393,597	360,270
Construction in progress	13	528	12,947	36,281	73,591
Lease prepayments	14	7,879	7,809	7,768	28,518
Intangible assets	15	2,053	632	66	-
Interest in jointly controlled entity	16	-	-	-	314,068
Other investment in equity securities	17	-	-	14,400	25,350
Receivables under finance lease	18	41,027	26,372	-	-
Deferred tax assets	28(b)	21,041	37,187	30,232	37,946
Total non-current assets		<u>151,488</u>	<u>374,115</u>	<u>482,344</u>	<u>839,743</u>
Current assets					
Inventories	19	173,181	322,258	1,048,181	1,058,573
Trade and other receivables	20	250,829	290,432	1,620,375	3,259,883
Receivables under finance lease	18	25,578	26,483	-	-
Restricted bank deposits	21	11,500	296,938	565,762	671,958
Cash and cash equivalents	22	37,999	99,141	244,167	542,023
Total current assets		<u>499,087</u>	<u>1,035,252</u>	<u>3,478,485</u>	<u>5,532,437</u>
Current liabilities					
Secured bank and other loans	23	123,822	599,038	1,399,547	2,195,274
Current portion of convertible bonds	24	-	-	-	13,921
Current portion of redeemable convertible preferred shares	25	-	-	-	14,261
Trade and other payables	27	194,258	264,134	1,522,434	1,667,182
Income tax payable	28(a)	21,168	9,471	31,442	79,792
Total current liabilities		<u>339,248</u>	<u>872,643</u>	<u>2,953,423</u>	<u>3,970,430</u>
Net current assets		<u>159,839</u>	<u>162,609</u>	<u>525,062</u>	<u>1,562,007</u>
Total assets less current liabilities		<u>311,327</u>	<u>536,724</u>	<u>1,007,406</u>	<u>2,401,750</u>

The accompanying notes form part of the Financial Information.

APPENDIX I — ACCOUNTANTS' REPORT

	Section C Note	At 31 December			At 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Convertible bonds	24	-	-	-	379,813
Redeemable convertible preferred shares	25	-	-	-	377,941
Deferred tax liabilities	28(b)	2,589	1,894	-	-
Total non-current liabilities		<u>2,589</u>	<u>1,894</u>	<u>-</u>	<u>757,754</u>
Net Assets		<u>308,738</u>	<u>534,830</u>	<u>1,007,406</u>	<u>1,643,996</u>
Capital and reserves					
Share capital	29(a)	278,909	356,009	356,009	424,285
Reserves	30	29,132	178,821	651,397	1,215,808
Total equity attributable to equity shareholders of the Company		<u>308,041</u>	<u>534,830</u>	<u>1,007,406</u>	<u>1,640,093</u>
Non-controlling interests		<u>697</u>	<u>-</u>	<u>-</u>	<u>3,903</u>
Total Equity		<u>308,738</u>	<u>534,830</u>	<u>1,007,406</u>	<u>1,643,996</u>

The accompanying notes form part of the Financial Information.

APPENDIX I — ACCOUNTANTS' REPORT

4 COMBINED STATEMENTS OF CHANGES IN EQUITY

	Section C Note	Attributable to equity shareholders of the Company							
		Share capital	Statutory reserve	Other reserve	Exchange reserve	Retained earnings	Total	Non- controlling interests	Total equity
		RMB'000 (Note 29(a))	RMB'000 (Note 30(b))	RMB'000 (Note 30(a))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007		-	5,012	10,161	5,698	19,840	40,711	6,801	47,512
Total comprehensive income for the year		-	-	-	(5,911)	17,811	11,900	(2,164)	9,736
Capital injection	29(a)	278,909	-	-	-	-	278,909	-	278,909
Arising from the Reorganisation	30(a)	-	-	(23,479)	-	-	(23,479)	-	(23,479)
Contribution from non-controlling interests		-	-	-	-	-	-	200	200
Disposal of discontinued operations		-	-	-	-	-	-	(4,140)	(4,140)
Appropriation	30(b)	-	1,017	-	-	(1,017)	-	-	-
At 31 December 2007		278,909	6,029	(13,318)	(213)	36,634	308,041	697	308,738
At 1 January 2008		278,909	6,029	(13,318)	(213)	36,634	308,041	697	308,738
Total comprehensive income for the year		-	-	-	(16,989)	244,606	227,617	(935)	226,682
Capital injection	29(a)	77,100	-	-	-	-	77,100	-	77,100
Dividends declared and paid during the year	8	-	-	-	-	(68,980)	(68,980)	-	(68,980)
Disposal of discontinued operations		-	-	-	-	-	-	(200)	(200)
Acquisition of non-controlling interests	30(a)	-	-	(8,948)	-	-	(8,948)	438	(8,510)
Appropriation	30(b)	-	1,544	-	-	(1,544)	-	-	-
At 31 December 2008		356,009	7,573	(22,266)	(17,202)	210,716	534,830	-	534,830

APPENDIX I — ACCOUNTANTS' REPORT

	Section C Note	Attributable to equity shareholders of the Company							Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000 (Note 29(a))	Statutory reserve RMB'000 (Note 30(b))	Other reserve RMB'000 (Note 30(a))	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Total RMB'000		
At 1 January 2009		356,009	7,573	(22,266)	(17,202)	210,716	534,830	-	534,830	
Total comprehensive income for the year		-	-	-	(2,112)	454,049	451,937	-	451,937	
Arising from the Reorganisation	30(a)	-	-	20,639	-	-	20,639	-	20,639	
Appropriation	30(b)	-	13,622	-	-	(13,622)	-	-	-	
At 31 December 2009		356,009	21,195	(1,627)	(19,314)	651,143	1,007,406	-	1,007,406	
At 1 January 2010		356,009	21,195	(1,627)	(19,314)	651,143	1,007,406	-	1,007,406	
Total comprehensive income for the period		-	-	-	(8,832)	528,925	520,093	(17)	520,076	
Capital injection	29(a)	68,276	-	-	-	-	68,276	-	68,276	
Arising from the Reorganisation	30(a)	-	-	(17,150)	-	-	(17,150)	-	(17,150)	
Equity component of convertible bonds ...	24	-	-	16,086	-	-	16,086	-	16,086	
Equity component of redeemable convertible preferred shares	25	-	-	14,700	-	-	14,700	-	14,700	
Equity settled share-based transactions ...	26	-	-	30,682	-	-	30,682	-	30,682	
Contribution from non-controlling interests		-	-	-	-	-	-	3,920	3,920	
Appropriation	30(b)	-	40,951	-	-	(40,951)	-	-	-	
At 30 June 2010		424,285	62,146	42,691	(28,146)	1,139,117	1,640,093	3,903	1,643,996	

APPENDIX I — ACCOUNTANTS' REPORT

Section C Note	Attributable to equity shareholders of the Company							Total equity RMB'000
	Share capital RMB'000 (Note 29(a))	Statutory reserve RMB'000 (Note 30(b))	Other reserve RMB'000 (Note 30(a))	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Unaudited								
At 1 January 2009	356,009	7,573	(22,266)	(17,202)	210,716	534,830	-	534,830
Total comprehensive income for the period	-	-	-	(3,529)	64,983	61,454	-	61,454
Arising from the Reorganisation	-	-	4,998	-	-	4,998	-	4,998
Appropriation	-	921	-	-	(921)	-	-	-
At 30 June 2009	356,009	8,494	(17,268)	(20,731)	274,778	601,282	-	601,282

The accompanying notes form part of the Financial Information.

APPENDIX I — ACCOUNTANTS' REPORT

5 COMBINED CASH FLOW STATEMENTS

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Operating activities						
Profit for the year/period		15,647	243,671	454,049	64,983	528,908
Adjustments for:						
Depreciation		16,791	23,914	50,028	24,606	21,175
Impairment loss on buildings		-	4,815	-	-	-
Amortisation of lease prepayments		74	70	41	20	290
Amortisation of intangible assets		1,356	1,421	566	365	66
Interest income		(2,224)	(11,142)	(9,283)	(3,297)	(3,611)
Interest expense		6,778	23,391	43,041	17,515	74,895
Equity settled share-based transactions		-	-	-	-	30,682
(Gain)/loss on disposal of property, plant and equipment		(3,898)	5,314	400	-	6,738
Gain on disposal of discontinued operations	35	(4,497)	(126)	(29,565)	(28,530)	-
Foreign exchange (gain)/loss, net		(5,677)	(4,745)	1,179	488	(4,169)
Income tax	5	966	(9,240)	61,962	(4,192)	111,910
		<u>25,316</u>	<u>277,343</u>	<u>572,418</u>	<u>71,958</u>	<u>766,884</u>
Increase in inventories		(143,388)	(149,077)	(804,129)	(376,252)	(10,392)
Decrease/(increase) in trade and other receivables		53,405	(23,310)	(1,547,569)	(1,232,139)	(685,547)
(Decrease)/increase in trade and other payables		(176,596)	40,887	1,502,425	1,416,218	(53,889)
Income tax paid		(1,152)	(19,298)	(34,649)	(3,807)	(71,274)
Net cash (used in)/generated from operating activities		<u>(242,415)</u>	<u>126,545</u>	<u>(311,504)</u>	<u>(124,022)</u>	<u>(54,218)</u>

The accompanying notes form part of the Financial Information.

APPENDIX I — ACCOUNTANTS' REPORT

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investing activities						
Payment for purchase of property, plant and equipment and construction in progress		(120,173)	(253,063)	(169,216)	(32,534)	(133,758)
Collection of receivables under finance lease		6,460	-	-	-	-
Proceeds from sales of property, plant and equipment		-	-	-	-	55,971
Proceeds from disposal of discontinued operations	35	19,608	4,995	77,406	15,259	-
Interest received		139	7,435	7,940	2,478	3,611
Increase in restricted bank deposits		(11,500)	(285,438)	(471,364)	(403,716)	(106,196)
Payment for purchase of an investment		-	-	(14,400)	-	(10,950)
Payment for investment in jointly controlled entity		-	-	-	-	(102,683)
Net cash used in investing activities		<u>(105,466)</u>	<u>(526,071)</u>	<u>(569,634)</u>	<u>(418,513)</u>	<u>(294,005)</u>
Financing activities						
Proceeds from bank and other loans		123,988	706,842	1,965,775	606,582	1,846,677
Repayment of bank and other loans		-	(227,000)	(906,965)	(87,709)	(2,003,687)
Interest paid		(5,124)	(17,250)	(44,648)	(20,559)	(32,839)
Dividends paid		-	(68,980)	-	-	-
Capital injections from equity shareholders of the Company		278,909	77,100	-	-	68,276
Contribution from equity shareholders of the Company		3,733	-	12,000	-	8,000
Distribution to equity shareholders of the Company		(27,212)	-	-	-	(25,150)
Acquisition of non-controlling interests	30(a)	-	(10,047)	-	-	-
Proceeds from the issues of convertible bonds, net of issuing expenses		-	-	-	-	392,184
Proceeds from the issue of redeemable convertible preferred shares, net of issuing expenses		-	-	-	-	388,705
Contribution from non-controlling interests		-	-	-	-	3,920
Net cash generated from financing activities		<u>374,294</u>	<u>460,665</u>	<u>1,026,162</u>	<u>498,314</u>	<u>646,086</u>
Net increase/(decrease) in cash and cash equivalents		26,413	61,139	145,024	(44,221)	297,863
Cash and cash equivalents at beginning of year/period		11,588	37,999	99,141	99,141	244,167
Effect of foreign exchange rate changes		(2)	3	2	-	(7)
Cash and cash equivalents at end of year/period		<u>37,999</u>	<u>99,141</u>	<u>244,167</u>	<u>54,920</u>	<u>542,023</u>

The accompanying notes form part of the Financial Information.

C NOTES TO THE COMBINED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective terms includes International Accounting Standards and related interpretations, promulgated by International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the Relevant Period. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Period are set out in Note 37.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2009 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

(c) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the PRC entities carrying on the principal business of the Group. The Company’s functional currency is United States dollars (“US\$”). The Financial Information is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of Financial Information 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.

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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 Information and major sources of estimation uncertainty are discussed in Note 36.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are combined into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. 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 portion of the net assets of the companies comprising the Group attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, 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. Non-controlling interests are presented in the combined balance sheets 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 combined income statements and the combined statements of 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.

(f) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement established that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the Financial Information under the equity method and is initially recorded at cost and adjusted thereafter 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 1(g) and (m)). 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 combined income statements, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the combined statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the

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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 jointly controlled entity.

Unrealised profits and losses resulting from transaction between the Group and its jointly controlled entity 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.

(g) Goodwill

Goodwill represents the excess of the cost of an investment in a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

The carrying amount of goodwill is included in the carrying amount of the interest in the jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see Note 1(m)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investment in equity securities

Investment in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see Note 1(m)).

(i) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the equity shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Relevant Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's combined financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the equity shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(j) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 1(m)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the balance sheet at cost less impairment losses (see Note 1(m)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

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The cost of self-constructed assets includes the cost of materials and direct labour, and 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 1(z)).

Gains or losses arising from the retirement or disposal of an item of 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 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	5 to 10 years
Motor vehicles	4 to 5 years
Office and other equipment	3 to 10 years

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

(k) Lease

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) Receivables under finance leases

Where the Group leased out assets under finance leases, the initial direct costs incurred on such assets are recorded as receivables under finance leases. Finance income 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 receivables for each accounting period.

(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

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net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iv) Lease prepayments

Lease prepayments represent the purchase cost of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see Note 1(m)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

(l) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses (see Note 1(m)). Amortisation is recognised in profit or loss on a straight-line basis over the expected useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Coals business license in the PRC 3 years

(m) Impairment of assets

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

Investments in equity securities and trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date 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 jointly controlled entities recognised using the equity method (see Note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 1(m)(ii). The impairment loss is reversed if there has been a favourable

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change in the estimates used to determine the recoverable amount in accordance with Note 1(m)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost 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 each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- lease prepayments; and
- intangible assets.

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If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 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 to reduce the carrying amount of the assets in the cash generating 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 to sell, 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 period in which the reversals are recognised.

(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 of completion and 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.

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(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 1(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.

(p) Convertible notes

Convertible notes that contain an equity component and can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the note is converted or redeemed.

If the note is converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained profits.

(q) 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.

(r) Preferred shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option and any dividends are discretionary. Dividends on preferred shares classified as equity are recognised as distributions within equity.

Preferred shares are classified as liabilities if they are redeemable on a specific date or at the option of the equity shareholders of the Company, or if dividend payments are not discretionary. The liabilities are recognised in accordance with the Group's policy for

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derivative financial instruments and interest-bearing borrowings set out in Note 1(q) and dividends thereon are recognised as interest expense in profit or loss on an accrual basis.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(w)(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.

(t) 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.

(u) 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 period 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 the PRC 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 granted to employees is recognised as an employee cost with a corresponding increase in the other reserve within equity. The fair value is measured at grant date using the Binomial Tree option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options 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 period 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 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 is recognised in the other reserve until either the option is exercised (when it is

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transferred to the share capital account) or the option expires (when it is released directly to retained earnings).

(v) Income tax

Income tax for the period 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 business combination, or 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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.

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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.

(w) 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 (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. 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 1(w)(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 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

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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.

(x) 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 associated with the sale of coal is recognised when the risks and rewards of ownership of the goods have been passed to the customer. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Government grants

Government grants are recognised in the combined balance sheets 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 on a systematic basis over the useful life of the asset.

(y) Translation of foreign currencies

Foreign currency transactions during the period 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 balance sheet date. 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 determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(z) 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.

(aa) Discontinued operations

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 co-ordinated 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. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, the below is presented on the face of the 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 groups constituting the discontinued operation.

(bb) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is a member of key management personnel of the Group or the Group's parent, or, a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

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- (iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(cc) 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 or 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.

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2 TURNOVER

The Group is principally engaged in the processing and trading of coking coals. Turnover represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts.

	Continuing operations						Discontinued operations						Total					
	Years ended 31 December			Six months ended 30 June			Years ended 31 December			Six months ended 30 June			Years ended 31 December			Six months ended 30 June		
	2007	2008	2009	2009	2010	2010	2007	2008	2009	2009	2010	2010	2007	2008	2009	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)			(unaudited)											(unaudited)	
Cleaned coking coals	-	821,996	1,574,844	570,510	1,644,082	-	-	-	-	-	-	-	-	821,996	1,574,844	570,510	1,644,082	
Raw coking coals	191,427	160,931	183,038	3,685	312,941	2,051	-	-	-	-	-	-	193,478	160,931	183,038	3,685	312,941	
Hard coals	-	-	2,833,871	242,985	2,329,380	-	-	-	-	-	-	-	-	-	2,833,871	242,985	2,329,380	
Others	7,214	10,613	63,883	804	12,424	-	-	-	-	-	-	-	7,214	10,613	63,883	804	12,424	
	198,641	993,540	4,655,636	817,984	4,298,827	2,051	-	-	-	-	-	-	200,692	993,540	4,655,636	817,984	4,298,827	

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During the year ended 31 December 2007, the Group had two customers that individually exceeded 10% of the Group's turnover, being RMB163,039,052, and RMB22,846,312 respectively.

During the year ended 31 December 2008, the Group had two customers that individually exceeded 10% of the Group's turnover, being RMB563,333,969, and RMB168,226,075 respectively.

During the year ended 31 December 2009, the Group had no customer that individually exceeded 10% of the Group's turnover.

During the six months ended 30 June 2010, the Group had one customer that individually exceeded 10% of the Group's turnover, being RMB610,800,097.

During the six months ended 30 June 2009 (unaudited), the Group had three customers that individually exceeded 10% of the Group's turnover, being RMB232,017,813, RMB149,975,488, and RMB82,042,350 respectively.

Details of concentration of credit risk arising from these customers are set out in Note 31(a).

3 OTHER OPERATING EXPENSES, NET

Other operating expenses for the year ended 31 December 2008 and the six months ended 30 June 2010 mainly represents losses on disposals of materials and property, plant and equipment.

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4 PROFIT BEFORE TAXATION

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

(a) Net finance income/(costs)

	Continuing operations			Discontinued operations			Total		
	Six months ended 30 June			Six months ended 30 June			Six months ended 30 June		
	Years ended 31 December	2009	2010	Years ended 31 December	2009	2010	Years ended 31 December	2009	2010
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Interest income	80	904	6,205	1,264	3,611	-	139	7,435	7,940
Finance income on receivables under financial lease	-	-	-	2,085	3,707	1,343	2,085	3,707	1,343
Total interest income	80	904	6,205	1,264	3,611	-	2,224	11,142	9,283
Foreign exchange gain, net	3,710	3,576	-	4,392	11,908	-	8,102	15,484	-
Finance income	3,790	4,480	6,205	1,264	7,773	-	10,326	26,626	9,283
Interest on bank and other loans	(4)	(1,145)	(17,927)	(8,808)	(17,325)	-	(3,092)	(21,205)	(25,106)
Interest on discounted bills	(3,686)	(2,186)	(17,935)	(1,724)	(17,646)	-	(3,686)	(2,186)	(17,935)
Interest on liability component of convertible bonds	-	-	-	-	(19,686)	-	-	-	-
Interest on liability component of redeemable convertible preferred shares	-	-	-	-	(20,238)	-	-	-	-
Total interest expense	(3,690)	(3,331)	(35,862)	(10,532)	(74,895)	-	(6,778)	(23,391)	(43,041)
Foreign exchange loss, net	-	-	(1,179)	(488)	-	-	-	-	(1,179)
Finance costs	(3,690)	(3,331)	(37,041)	(11,020)	(74,895)	-	(6,778)	(23,391)	(44,220)
Net finance income/(costs)	100	1,149	(30,836)	(9,756)	(67,122)	-	3,548	3,235	(34,937)

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(b) Staff costs

	Continuing operations			Discontinued operations			Total							
	Six months ended 30 June			Six months ended 30 June			Six months ended 30 June							
	Years ended 31 December	2009	2010	Years ended 31 December	2009	2010	Years ended 31 December	2009	2010					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000						
Salaries, wages, bonuses and other benefits . . .	16,630	26,744	32,283	12,368	44,848	5,058	3,653	435	74	21,688	30,397	32,718	12,442	44,848
Contributions to defined contribution retirement plan	23	750	744	285	1,938	34	9	1	-	57	759	745	285	1,938
Share-based payment expenses	-	-	-	-	30,682	-	-	-	-	-	-	-	-	30,682
	16,653	27,494	33,027	12,653	77,468	5,092	3,662	436	74	21,745	31,156	33,463	12,727	77,468

Staff costs included directors' remuneration (see Note 6).

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% of the eligible employees' salaries during the Relevant Period.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

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(c) Other items

	Continuing operations				Discontinued operations				Total			
	Years ended 31 December		Six months ended 30 June		Years ended 31 December		Six months ended 30 June		Years ended 31 December		Six months ended 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Amortisation												
— lease												
prepayments	74	70	41	20	290					74	41	20
— intangible												
assets	330	395	395	315	66	1,026	171	50	1,356	1,421	566	66
Depreciation#	7,621	14,826	47,557	23,243	21,175	9,170	2,471	1,363	16,791	23,914	50,028	21,175
Operating lease												
charges	95	3,688	7,807	1,008	8,959	23	-	-	118	3,688	7,807	1,008
Impairment losses on												
buildings	-	-	-	-	-	-	4,815	-	-	4,815	-	-
Auditors'												
remuneration	11	633	2,857	129	2,795	-	-	-	11	633	2,857	129
Cost of inventories#	159,553	552,837	3,808,740	666,248	3,353,009	1,710	-	-	161,263	552,837	3,808,740	666,248

Cost of inventories includes RMB2,006,278, RMB2,807,148, RMB7,068,108, RMB5,878,901 and RMB6,781,705, RMB12,756,000, RMB26,023,235, RMB15,011,426 relating to staff costs and depreciation for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the six months ended 30 June 2009 (unaudited): RMB2,266,390 and RMB13,117,101 relating to staff cost and depreciation respectively), which amount is also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

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5 INCOME TAX

(a) Income tax in the combined income statements represents:

	Continuing operations			Discontinued operations			Total							
	Six months ended 30 June			Six months ended 30 June			Six months ended 30 June							
	2007	2008	2009	2007	2008	2009	2007	2008	2009					
Provision for the year/period	6,312	6,202	55,099	1,852	119,624	1,116	1,399	(46)	(46)	7,428	7,601	55,053	1,806	119,624
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Deferred tax														
Origination and reversal of temporary differences	(6,493)	(16,841)	6,909	(5,998)	(7,714)	-	-	-	-	(6,493)	(16,841)	6,909	(5,998)	(7,714)
Change in tax rate	31	-	-	-	-	-	-	-	-	31	-	-	-	-
	(6,462)	(16,841)	6,909	(5,998)	(7,714)	-	-	-	-	(6,462)	(16,841)	6,909	(5,998)	(7,714)
	(150)	(10,639)	62,008	(4,146)	111,910	1,116	1,399	(46)	(46)	966	(9,240)	61,962	(4,192)	111,910

(i) An analysis of the Group's provision for income tax by jurisdiction as below:

	Continuing operations			Discontinued operations			Total							
	Six months ended 30 June			Six months ended 30 June			Six months ended 30 June							
	2007	2008	2009	2007	2008	2009	2007	2008	2009					
The PRC	(150)	(10,639)	62,008	(4,146)	107,819	1,116	1,399	(46)	(46)	966	(9,240)	61,962	(4,192)	107,819
Singapore	-	-	-	-	4,091	-	-	-	-	-	-	-	-	4,091
	(150)	(10,639)	62,008	(4,146)	111,910	1,116	1,399	(46)	(46)	966	(9,240)	61,962	(4,192)	111,910

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

	Continuing operations						Discontinued operations						Total	
	Years ended 31 December		Six months ended 30 June		Years ended 31 December		Six months ended 30 June		Years ended 31 December		Six months ended 30 June		Six months ended 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) before taxation	22,260	266,173	494,640	39,980	640,818	(5,647)	(31,742)	21,371	20,811	16,613	234,431	516,011	60,791	640,818
Expected PRC income tax expense at the statutory tax rate of 33%/25% ⁽ⁱ⁾	7,346	66,543	123,660	9,995	160,205	(1,864)	(7,936)	5,343	5,203	5,482	58,607	129,003	15,198	160,205
Tax effect of entities not subject to income tax ^{(ii)&(iii)}	(6,492)	(61,234)	(72,557)	(12,813)	(45,191)	(376)	5,928	(4,398)	(4,304)	(6,868)	(55,306)	(76,955)	(17,117)	(45,191)
Tax effect of deferred tax assets on unrealised profits	(2,824)	(17,092)	6,884	(3,998)	(7,893)	-	-	-	-	(2,824)	(17,092)	6,884	(3,998)	(7,893)
Tax effect of non-deductible expenses	436	457	4,021	2,670	1,893	977	1,375	(991)	(945)	1,413	1,832	3,030	1,725	1,893
Tax effect of unused tax losses not recognised	1,353	687	-	-	2,896	2,379	2,032	-	-	3,732	2,719	-	-	2,896
Change in tax rate	31	-	-	-	-	-	-	-	-	31	-	-	-	-
Actual tax expense	(150)	(10,639)	62,008	(4,146)	111,910	1,116	1,399	(46)	(46)	966	(9,240)	61,962	(4,192)	111,910

(i) The Group's PRC subsidiaries are subject to PRC income tax at the statutory rates of 33% for 2007 and 25% from 2008 onwards. The change in the statutory tax rate was introduced in 2007.

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

(iii) The Group did not provide for Australian income tax in respect of its procurement activities in Australia, where the statutory income tax rate is 30%, during the Relevant Period, as management assessed that it is less than likely such procurement activities would expose the Group to Australian income tax. The management of the Company and its subsidiaries did not spend an extended period of time in Australia for such activities during the Relevant Period.

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6 DIRECTORS' REMUNERATION

Details of directors' remuneration of the Company are set out below:

	Year ended 31 December 2007					
	Fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Bonuses	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Xingchun	-	-	-	-	-	-
Cui Yong	-	180	-	-	-	180
Zhu Hongchan	-	-	-	-	-	-
Yasuhisa Yamamoto	-	-	-	-	-	-
Apolonius Struijk	-	-	-	-	-	-
<i>Non-executive directors</i>						
Cui Guiyong	-	-	-	-	-	-
Liu Qingchun	-	-	-	-	-	-
Lu Chuan	-	-	-	-	-	-
<i>Independent non-executive directors</i>						
James Downing (also known as Jim Downing)	-	-	-	-	-	-
Ng Yuk Keung	-	-	-	-	-	-
Jay Hambro	-	-	-	-	-	-
Wang Wenfu	-	-	-	-	-	-
Total	-	180	-	-	-	180

	Year ended 31 December 2008					
	Fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Bonuses	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Xingchun	1,091	-	-	-	-	1,091
Cui Yong	-	180	-	-	-	180
Zhu Hongchan	-	-	-	-	-	-
Yasuhisa Yamamoto	-	582	-	-	-	582
Apolonius Struijk	-	-	-	-	-	-
<i>Non-executive directors</i>						
Cui Guiyong	-	-	-	-	-	-
Liu Qingchun	-	-	-	-	-	-
Lu Chuan	-	-	-	-	-	-
<i>Independent non-executive directors</i>						
James Downing (also known as Jim Downing)	-	-	-	-	-	-
Ng Yuk Keung	-	-	-	-	-	-
Jay Hambro	-	-	-	-	-	-
Wang Wenfu	-	-	-	-	-	-
Total	1,091	762	-	-	-	1,853

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Year ended 31 December 2009

	<u>Fees</u>	<u>Basic salaries, allowances and other benefits in kind</u>	<u>Contributions to retirement benefit scheme</u>	<u>Bonuses</u>	<u>Equity settled share-based payments</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Xingchun	1,054	-	-	-	-	1,054
Cui Yong	-	180	-	-	-	180
Zhu Hongchan	-	-	-	-	-	-
Yasuhisa Yamamoto	-	1,031	-	-	-	1,031
Apolonius Struijk	-	480	-	-	-	480
<i>Non-executive directors</i>						
Cui Guiyong	-	-	-	-	-	-
Liu Qingchun	-	-	-	-	-	-
Lu Chuan	-	-	-	-	-	-
<i>Independent non-executive directors</i>						
James Downing (also known as Jim Downing)	-	-	-	-	-	-
Ng Yuk Keung	-	-	-	-	-	-
Jay Hambro	-	-	-	-	-	-
Wang Wenfu	-	-	-	-	-	-
Total	1,054	1,691	-	-	-	2,745

Six months ended 30 June 2010

	<u>Fees</u>	<u>Basic salaries, allowances and other benefits in kind</u>	<u>Contributions to retirement benefit scheme</u>	<u>Bonuses</u>	<u>Equity settled share-based payments</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Xingchun	2,094	-	-	-	4,927	7,021
Cui Yong	-	178	-	-	2,339	2,517
Zhu Hongchan	-	466	-	-	2,940	3,406
Yasuhisa Yamamoto	-	1,699	-	-	2,294	3,993
Apolonius Struijk	-	1,699	-	-	2,307	4,006
<i>Non-executive directors</i>						
Cui Guiyong	-	-	-	-	-	-
Liu Qingchun	-	-	-	-	-	-
Lu Chuan	-	-	-	-	-	-
<i>Independent non-executive directors</i>						
James Downing (also known as Jim Downing)	-	-	-	-	-	-
Ng Yuk Keung	-	-	-	-	-	-
Jay Hambro	-	-	-	-	-	-
Wang Wenfu	-	-	-	-	-	-
Total	2,094	4,042	-	-	14,807	20,943

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Six months ended 30 June 2009 (unaudited)						
	Fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Bonuses	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Xingchun	527	-	-	-	-	527
Cui Yong	-	90	-	-	-	90
Zhu Hongchan	-	-	-	-	-	-
Yasuhisa Yamamoto	-	516	-	-	-	516
Apolonius Struijk	-	68	-	-	-	68
<i>Non-executive directors</i>						
Cui Guiyong	-	-	-	-	-	-
Liu Qingchun	-	-	-	-	-	-
Lu Chuan	-	-	-	-	-	-
<i>Independent non-executive directors</i>						
James Downing (also known as Jim Downing)	-	-	-	-	-	-
Ng Yuk Keung	-	-	-	-	-	-
Jay Hambro	-	-	-	-	-	-
Wang Wenfu	-	-	-	-	-	-
Total	527	674	-	-	-	1,201

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the non-directors highest paid individuals set out in Note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or any of the non-director highest paid individuals waived or agreed to waive any remuneration during the Relevant Period.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 are set forth below:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Directors	1	3	3	3	5
Non-directors	4	2	2	2	-
	5	5	5	5	5

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The emoluments of the directors are disclosed in Note 6. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries, allowances and benefits in kind	756	396	758	379	-
Discretionary bonuses	-	-	-	-	-
Equity settled share-based payment	-	-	-	-	-
Retirement scheme contributions	-	-	-	-	-
	<u>756</u>	<u>396</u>	<u>758</u>	<u>379</u>	<u>-</u>

The emoluments of the individuals with the highest emoluments are within the following band:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Nil to Hong Kong dollar (HK\$) 1,000,000	5	4	3	5	-
HK\$1,000,000 to HK\$1,500,000	-	1	2	-	-
HK\$2,500,000 to HK\$3,000,000	-	-	-	-	1
HK\$3,500,000 to HK\$4,000,000	-	-	-	-	1
HK\$4,500,000 to HK\$5,000,000	-	-	-	-	2
HK\$8,000,000 to HK\$8,500,000	-	-	-	-	1
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

8 DIVIDENDS

Dividends to equity shareholders of the Company attributable to the year/period:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends declared and paid	-	68,980	-	-	-

On 28 June 2008, the Company declared a dividend of RMB13,796,000 per ordinary share to the equity shareholders of the Company.

The director considers that the dividend payments made during the year ended 31 December 2008 are not indicative of the future dividend policy of the Company.

Pursuant to Board resolutions dated 16 September 2010, the Company declared a dividend of RMB287,732,611 to the equity shareholders of Company and the holders of the Convertible Bonds (see Note 24) and RCPS (see Note 25).

9 EARNING/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of each of years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 and the 2,060,606,060 shares in issue as at

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the date of the Prospectus, as if the shares had been outstanding throughout the entire Relevant Period.

Since the impact on earnings of conversion of redeemable convertible preferred shares to ordinary shares is greater than that on the weighted average number of ordinary shares during the six months ended 30 June 2010, they are treated as anti-dilutive in the period. As a result, the calculation of diluted earnings per share does not assume conversion of redeemable convertible preferred shares during the six months ended 30 June 2010.

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The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December	Six months ended 30 June		Years ended 31 December	Six months ended 30 June		Years ended 31 December	Six months ended 30 June	
	2008	2009	2010	2007	2008	2009	2007	2008	2009
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) attributable to equity shareholders of the Company	24,830	277,747	432,632	44,126	528,925	-	17,811	244,606	454,049
Profit attributable to the holders of redeemable convertible preferred shares	-	-	(32,437)	-	-	-	-	-	-
Profit/(loss) attributable to ordinary equity shareholders of the Company (basic)	24,830	277,747	432,632	44,126	496,488	(7,019)	17,811	244,606	454,049
After tax effect of interest expense on liability component of convertible bonds	-	-	19,686	-	-	-	-	-	-
Profit attributable to ordinary equity shareholders of the Company (diluted)	-	-	516,174	-	516,174	-	-	-	-

(ii) Weighted average number of ordinary shares

	Years ended 31 December		Six months ended 30 June	
	2007	2008	2009	2010
Weighted average number of ordinary shares (basic)	2,060,606,060	2,060,606,060	2,060,606,060	2,060,606,060
Effect of conversion of convertible bonds	-	-	-	-
Weighted average number of ordinary shares (diluted)	2,060,606,060	2,060,606,060	2,060,606,060	2,060,606,060

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10 SEGMENT REPORTING

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (for the six months ended 30 June 2009 (unaudited)), the Group had one business segment, the processing and trading of coking coals in the PRC. Accordingly, no business and geographical segment information are presented.

11 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any significant tax effect for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

12 PROPERTY, PLANT AND EQUIPMENT, NET

	<u>Buildings</u>	<u>Plant and</u>	<u>Motor</u>	<u>Office</u>	<u>Total</u>
	<u>RMB'000</u>	<u>machinery</u>	<u>vehicles</u>	<u>and other</u>	<u>equipment</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost:					
At 1 January 2007	15,569	1,095	57,622	751	75,037
Additions	10,286	30,189	59,744	877	101,096
Transferred from construction in progress					
(Note 13)	22,499	-	-	-	22,499
Disposals	-	-	(94,335)	(2)	(94,337)
Disposals of subsidiaries					
(Note 35)	(10,521)	(1,089)	(117)	(186)	(11,913)
Exchange adjustments	(2)	(4)	(2,844)	-	(2,850)
At 31 December 2007	<u>37,831</u>	<u>30,191</u>	<u>20,070</u>	<u>1,440</u>	<u>89,532</u>
At 1 January 2008	37,831	30,191	20,070	1,440	89,532
Additions	5,444	18,531	153,611	5,707	183,293
Transferred from construction in progress					
(Note 13)	50,233	575	4,480	3,903	59,191
Disposals	-	-	(7,396)	-	(7,396)
Exchange adjustments	(17)	(10)	(59)	(18)	(104)
At 31 December 2008	<u>93,491</u>	<u>49,287</u>	<u>170,706</u>	<u>11,032</u>	<u>324,516</u>
At 1 January 2009	93,491	49,287	170,706	11,032	324,516
Additions	414	3,203	29,022	3,458	36,097
Transferred from construction in progress					
(Note 13)	84,105	54,289	-	761	139,155
Disposals	-	-	(6,212)	-	(6,212)
Disposals of subsidiaries					
(Note 35)	(410)	(17,067)	(13,243)	(992)	(31,712)
Exchange adjustments	-	(12)	(52)	-	(64)
At 31 December 2009	<u>177,600</u>	<u>89,700</u>	<u>180,221</u>	<u>14,259</u>	<u>461,780</u>
At 1 January 2010	177,600	89,700	180,221	14,259	461,780
Additions	4,290	2,144	19,533	4,531	30,498
Transferred from construction in progress					
(Note 13)	13,522	7,427	-	771	21,720
Disposals	(5,454)	-	(75,898)	(18)	(81,370)
Exchange adjustments	-	-	(472)	(121)	(593)
At 30 June 2010	<u>189,958</u>	<u>99,271</u>	<u>123,384</u>	<u>19,422</u>	<u>432,035</u>

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	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Office and other equipment</u> RMB'000	<u>Total</u> RMB'000
Accumulated depreciation and impairment:					
At 1 January 2007	2,323	263	5,671	83	8,340
Charge for the year	609	2,780	13,228	174	16,791
Written back on disposals	-	-	(9,935)	(2)	(9,937)
Disposals of subsidiaries (Note 35)	(2,820)	(122)	(90)	(40)	(3,072)
Exchange adjustments	-	-	(1,550)	-	(1,550)
At 31 December 2007	<u>112</u>	<u>2,921</u>	<u>7,324</u>	<u>215</u>	<u>10,572</u>
At 1 January 2008	112	2,921	7,324	215	10,572
Charge for the year	1,850	5,642	15,718	704	23,914
Written back on disposals	-	-	(3,802)	-	(3,802)
Impairment loss	4,815	-	-	-	4,815
Exchange adjustments	-	(132)	(14)	(5)	(151)
At 31 December 2008	<u>6,777</u>	<u>8,431</u>	<u>19,226</u>	<u>914</u>	<u>35,348</u>
At 1 January 2009	6,777	8,431	19,226	914	35,348
Charge for the year	5,714	6,431	35,605	2,278	50,028
Written back on disposals	-	-	(2,015)	-	(2,015)
Disposals of subsidiaries (Note 35)	(54)	(7,768)	(6,890)	(450)	(15,162)
Exchange adjustments	-	(5)	(11)	-	(16)
At 31 December 2009	<u>12,437</u>	<u>7,089</u>	<u>45,915</u>	<u>2,742</u>	<u>68,183</u>
At 1 January 2010	12,437	7,089	45,915	2,742	68,183
Charge for the period	3,108	5,168	11,141	1,758	21,175
Written back on disposals	(881)	-	(16,556)	-	(17,437)
Exchange adjustments	-	-	(137)	(19)	(156)
At 30 June 2010	<u>14,664</u>	<u>12,257</u>	<u>40,363</u>	<u>4,481</u>	<u>71,765</u>
Net book value:					
At 31 December 2007	<u>37,719</u>	<u>27,270</u>	<u>12,746</u>	<u>1,225</u>	<u>78,960</u>
At 31 December 2008	<u>86,714</u>	<u>40,856</u>	<u>151,480</u>	<u>10,118</u>	<u>289,168</u>
At 31 December 2009	<u>165,163</u>	<u>82,611</u>	<u>134,306</u>	<u>11,517</u>	<u>393,597</u>
At 30 June 2010	<u>175,294</u>	<u>87,014</u>	<u>83,021</u>	<u>14,941</u>	<u>360,270</u>

An analysis of the location of the Group's property, plant and equipment as below:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u> RMB'000	<u>2008</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000
The PRC (including Hong Kong)	64,661	198,010	322,641	306,130
Mongolia	14,299	91,158	70,874	51,059
Others	-	-	82	3,081
Aggregate net book value	<u>78,960</u>	<u>289,168</u>	<u>393,597</u>	<u>360,270</u>

At 31 December 2007, 2008 and 2009 and 30 June 2010, buildings with a carrying amount of RMB nil, RMB nil, RMB35,281,357 and RMB nil were pledged as collateral for a third party's borrowings, respectively.

APPENDIX I — ACCOUNTANTS' REPORT

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to RMB32,511,715, RMB42,507,453, RMB54,459,373 and RMB57,995,322, respectively. 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.

In measuring the amounts of impairment loss, the carrying amounts of the buildings were compared to the present value of the expected future cash flows of the assets, as well as information about sales and purchases of similar properties in the same geographic area.

13 CONSTRUCTION IN PROGRESS

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January	105	528	12,947	36,281
Additions	22,922	71,610	162,489	59,030
Transferred to property, plant and equipment (Note 12)	(22,499)	(59,191)	(139,155)	(21,720)
At 31 December/30 June	<u>528</u>	<u>12,947</u>	<u>36,281</u>	<u>73,591</u>

14 LEASE PREPAYMENTS

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

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost:				
At 1 January	5,283	7,962	7,962	7,962
Additions	2,679	-	-	21,040
At 31 December/30 June	<u>7,962</u>	<u>7,962</u>	<u>7,962</u>	<u>29,002</u>
Accumulated amortisation:				
At 1 January	9	83	153	194
Charge for the year/period	74	70	41	290
At 31 December/30 June	<u>83</u>	<u>153</u>	<u>194</u>	<u>484</u>
Net book value:				
At 31 December/30 June	<u>7,879</u>	<u>7,809</u>	<u>7,768</u>	<u>28,518</u>

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 2007, 2008 and 2009 and 30 June 2010, land use rights with a total carrying amount of RMB nil, RMB nil, RMB1,006,014 and RMB nil were pledged as collateral for a related party's borrowings, respectively.

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15 INTANGIBLE ASSETS

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January	3,077	4,263	4,263	1,186
Additions	1,186	-	-	-
Disposals of subsidiaries	-	-	(3,077)	-
At 31 December/30 June	<u>4,263</u>	<u>4,263</u>	<u>1,186</u>	<u>1,186</u>
Accumulated amortisation:				
At 1 January	854	2,210	3,631	1,120
Charge for the year/period	1,356	1,421	566	66
Disposals of subsidiaries	-	-	(3,077)	-
At 31 December/30 June	<u>2,210</u>	<u>3,631</u>	<u>1,120</u>	<u>1,186</u>
Net book value:				
At 31 December/30 June	<u>2,053</u>	<u>632</u>	<u>66</u>	<u>-</u>

Cost of intangible assets mainly represents the cost of coal business licences in the PRC.

16 INTEREST IN JOINTLY CONTROLLED ENTITY

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	-	-	-	276,378
Goodwill	-	-	-	37,690
	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,068</u>

On 29 June 2010, the Group acquired 50% equity interest in Peabody-Winsway Resources B.V. from a third party for a consideration together with associated costs amounted to US\$46,248,336.

Details of the Group's interest in the jointly controlled entity are as follows:

<u>Name of joint venture</u>	<u>Form of business structure</u>	<u>Place of incorporation and operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest attributable to the Group</u>	<u>Principal activities</u>
Peabody-Winsway Resources B.V.	Incorporated	The Kingdom of the Netherlands	Euro36,000	50%	Acquisition, sale, exploration, development, mining, processing and commercial exploitation of the mineral and metal resources

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The summary financial information of jointly controlled entity on the transaction date:

	Recognised values at 30 June 2010
	RMB'000
Non-current assets	302,794
Current assets	7,586
Non-current liabilities	(33,134)
Current liabilities	(868)
Net assets	<u>276,378</u>

The consideration and associated costs of US\$46,248,336 are satisfied by cash paid/payable of US\$36,248,336 and the Company's shares at initial public offering (the "IPO") price of US\$10,000,000 if the Company has completed qualified IPO at any recognised stock exchange in Asia or North America within one year from the date of acquisition, otherwise, the amount is to be satisfied by cash. The fair value of recognised assets and liabilities was valued by the directors with reference to a valuation report issued by Jones Lang LaSalle Sallmanns Limited. The estimation of the fair value of recognised assets and liabilities was based on the historical costs/discounted cash flows expected to be derived from the use and eventual sale of the assets.

17 OTHER INVESTMENT IN EQUITY SECURITIES

At 30 June 2010, the Group held 5% (at 31 December 2009: 12%) equity interests in an unlisted company namely Xixiaozhao Gants Mod Railway Co., Ltd. established in the PRC, for which the principal activity is the operation of a railway under construction.

18 RECEIVABLES UNDER FINANCE LEASE

The gross investment and present value of receivables relating to future minimum lease payments under non-cancellable finance lease agreement or arrangement accounted for as finance lease are as follows:

	2007		At 31 December 2008		2009		At 30 June 2010	
	Present value of the minimum lease payment RMB'000	Gross investment RMB'000	Present value of the minimum lease payment RMB'000	Gross investment RMB'000	Present value of the minimum lease payment RMB'000	Gross investment RMB'000	Present value of the minimum lease payment RMB'000	Gross investment RMB'000
Within 1 year	25,578	29,341	26,483	28,459	-	-	-	-
After 1 year but within 2 years	24,256	26,293	26,372	26,706	-	-	-	-
After 2 years but within 5 years	16,771	17,116	-	-	-	-	-	-
	<u>66,605</u>	<u>72,750</u>	<u>52,855</u>	<u>55,165</u>	-	-	-	-
Less: total future interest income ..		<u>(6,145)</u>		<u>(2,310)</u>				
Present value of lease receivables		<u>66,605</u>		<u>52,855</u>				

The interest rate charged on the leases is fixed at inception for the duration of the lease term which is approximately three years. The weighted average interest rate on lease receivables for the years ended 31 December 2007 and 2008 were 6.75% and 6.75% per annum respectively.

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19 INVENTORIES

(a) Inventories in the combined balance sheets comprise:

	At 31 December		At 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw coking coals	169,040	170,120	487,049	460,299
Cleaned coking coals	-	117,613	222,092	237,653
Hard coals	-	-	285,018	290,414
Low value consumables	166	2,303	1,237	1,508
Others	3,975	32,222	52,785	68,699
	173,181	322,258	1,048,181	1,058,573

At 31 December 2007, 2008 and 2009 and 30 June 2010, coking coals of the Group with an aggregate carrying value of RMB76,417,000, RMB164,248,000, RMB267,611,547 and RMB289,192,199 were pledged as collateral for the Group's borrowings (Note 23) and banking facilities in respect of issuance of letters of credit by the Group, respectively. As at 31 December 2007, 2008 and 2009 and 30 June 2010, coking coals of the Group with an aggregate carrying value of RMB nil, RMB nil, RMB81,159,000 and RMB nil were pledged as collateral for a third party's borrowings.

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

	Continuing operations				Discontinued operations				Total			
	Years ended 31 December		Six months ended 30 June		Years ended 31 December		Six months ended 30 June		Years ended 31 December		Six months ended 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	159,553	551,991	3,808,740	3,353,009	1,710	-	-	-	161,263	551,991	3,808,740	3,353,009
Written down of inventories	-	846	-	-	-	-	-	-	-	846	-	-
	159,553	552,837	3,808,740	3,353,009	1,710	-	-	-	161,263	552,837	3,808,740	3,353,009

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20 TRADE AND OTHER RECEIVABLES

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables	4,214	153,567	456,973	747,865
Bills receivable	28,000	20,078	73,000	863,426
Receivables from import agents	-	-	793,457	897,196
Amounts due from related parties	157,134	26,962	120,029	497
Advance payments to suppliers	18,126	32,357	127,574	383,899
Receivables for disposal of discontinued operations	24,702	24,702	-	-
Deposits and other receivables	18,653	32,766	49,342	367,000
	<u>250,829</u>	<u>290,432</u>	<u>1,620,375</u>	<u>3,259,883</u>

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. 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 31(a).

At 31 December 2009 and 30 June 2010, trade and bills receivable of the Group of RMB283,523,544 and RMB1,164,106,416 were pledged as collateral for the Group's borrowings respectively (Note 23).

(a) Ageing analysis

Included in trade receivables and receivables from import agents are trade debtors with the ageing analysis as follows:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current	4,214	153,367	1,250,230	1,645,061
More than 3 months past due	-	200	200	-
Amounts past due	-	200	200	-
	<u>4,214</u>	<u>153,567</u>	<u>1,250,430</u>	<u>1,645,061</u>

(b) Impairment of trade and other receivables

No allowance of impairment loss was recorded in respect of trade and other receivables for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

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. The Group does not hold any collateral over these balances.

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21 RESTRICTED BANK DEPOSITS

The Group pledged bank deposits of maturity more than three months of RMB11,500,000, RMB296,937,929, RMB565,762,000 and RMB671,957,913 as at 31 December 2007, 2008 and 2009 and 30 June 2010 as collateral for the Group's borrowings (Note 23) and banking facilities in respect of issuance of bills (Note 27) and letters of credit by the Group.

22 CASH AND CASH EQUIVALENTS

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand and at bank	37,999	99,141	244,167	542,023

At 31 December 2007, 2008 and 2009 and 30 June 2010, cash and cash equivalents of RMB30,747,631, RMB87,145,948, RMB177,605,000 and RMB202,847,158 respectively was held by the entities of the Group 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 combined balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollars	64	53	782	1,726

23 SECURED BANK AND OTHER LOANS

The secured bank and other loans were repayable as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	123,822	599,038	1,399,547	2,195,274

At 31 December 2007, 2008 and 2009 and 30 June 2010, the loans were repayable within one year, and bearing interest at the range of 7.45% to 7.50% per annum, 3.90% to 8.35% per annum, 0.90% to 6.78% per annum and 1.18% to 6.32% per annum respectively.

At 31 December 2007, 2008 and 2009 and 30 June 2010, bank and other loans amounting to RMB11,322,130, RMB292,185,432, RMB711,849,952 and RMB711,882,026 were secured by bank deposits placed in banks with an aggregate carrying value of RMB11,500,000, RMB296,937,929, RMB565,762,000 and RMB435,069,434 respectively.

At 31 December 2007, 2008 and 2009 and 30 June 2010, bank and other loans amounting to RMB112,500,000, RMB306,852,521, RMB404,173,126 and RMB287,542,005 were secured by coking coals inventories of the Group with an aggregate carrying value of RMB76,417,000, RMB164,248,000, RMB267,611,547 and RMB208,528,164 respectively.

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At 31 December 2009 and 30 June 2010, bank and other loans amounting to RMB283,523,544 and RMB1,222,769,945 were secured by pledged trade and bills receivables with an aggregate carrying value of RMB283,523,544 and RMB1,164,106,416.

At 31 December 2007, 2008 and 2009 and 30 June 2010, bank facilities utilised by the companies comprising the Group of RMB nil, RMB nil, RMB550,965,025 and RMB862,803,338 were guaranteed by the controlling shareholder Mr. Wang Xing Chun and related parties of the Group which are under common control of Mr. Wang Xing Chun.

Further details of the Group's management of liquidity risk are set out in Note 31(b).

24 CONVERTIBLE BONDS

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
US\$50,000,000 Subscription Agreement	-	-	-	326,835
US\$10,000,000 Subscription Agreement	-	-	-	66,899
	-	-	-	393,734
	-	-	-	393,734

Convertible bonds recognised in the combined balance sheets as at 30 June 2010 are as follows:

	<u>At 30 June 2010</u>
At 1 January	-
Initial recognition of liability component of convertible bonds	376,098
Interest charged during the period	19,686
Exchange adjustments	(2,050)
	393,734
Less: Current portion of convertible bonds	(13,921)
Non-current portion of convertible bonds	379,813

On 30 March 2010, the Company entered into a Subscription Agreement (“the First Agreement”) with Coppermine Resources Limited and Silver Grant International Industries Ltd. (“Coppermine Resources & Silver Grant”) in respect of the issue of US\$50,000,000 (US\$25,000,000 each) convertible bonds (the “First Convertible Bond”). The First Convertible Bond bears interest from the date of issue at the rate of 3.5% per annum and is payable in arrears on the date falling six months after the date of issue and on a date falling every six months thereafter. The maturity date of the First Convertible Bond is 20 April 2013.

On 22 April 2010, the Company entered into a Subscription Agreement (“the Second Agreement”) with ITOCHU Corporation (“ITOCHU”) in respect of the issue of US\$10,000,000 convertible bonds (the “Second Convertible Bond”). The Second Convertible Bond bears interest from the date of issue at the rate of 3% per annum and is payable in arrears on the date falling six months after the date of issue and on a date falling every six months thereafter. The maturity date of the Second Convertible Bond is 30 April 2013.

Subject to the completion of the initial public offering of the Company under the First Agreement and the Second Agreement and the exercise of conversion right by Coppermine Resources & Silver Grant and ITOCHU (the “Bondholders”), the Company should allot and issue to Coppermine Resources & Silver Grant and ITOCHU ordinary shares equivalent to

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303,030,304 shares and 50,000,250 shares of the entire issued shares of the Company, on a fully diluted basis (“New Ordinary Shares”) respectively, as if the First Convertible Bond, the Second Convertible Bond and redeemable convertible preferred shares (Note 25) had been converted into ordinary shares of the Company. The First Convertible Bond and the Second Convertible Bond (the “Convertible Bonds”) can only be converted in whole not in part.

The Convertible Bonds are redeemable by the Bondholders at a price equal to the sum of: (a) the aggregate of all principal amounts and interest accrued outstanding of Convertible Bonds, and (b) an additional amount for receiving a 25% internal rate of return per annum on such principal amount up to the date of actual payment within 30 months after the date of the First Agreement and the Second Agreement, respectively, if the initial public offering is not completed within 24 months after the date of the First Agreement and the Second Agreement (c) an additional amount for receiving a 15% internal rate of return per annum on such principal amount up to the date of actual payment if the initial public offering of the Company is completed while the Bondholders do not exercise the conversion right.

If the conversion or redemption does not take place before the maturity date, the Company shall repay principal amount outstanding to Bondholders together with all interest accrued thereon up to and including the date of actual repayment.

The Convertible Bonds contain liability and equity components. On the issue of the Convertible Bonds, the fair value of the liability component was valued by the directors with reference to a valuation report issued by Jones Lang LaSalle Sallmanns Limited using discounted cash flows method. The 25% internal rate of return per annum has been taken into account for the valuation of the liability component of the Convertible Bonds. The residual amount, representing the equity component, is included in other reserve. The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption. If the Convertible Bonds are converted, the carrying amounts of the equity and liability components are transferred to share capital and share premium as consideration for the shares issued.

25 REDEEMABLE CONVERTIBLE PREFERRED SHARES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
US\$60,000,000 Subscription Agreement	-	-	-	392,202

Redeemable convertible preferred shares recognised in the combined balance sheets as at 30 June 2010 are as follows:

	At 30 June 2010
At 1 January	-
Initial recognition of liability component of redeemable convertible preferred shares	374,005
Interest charged during the period	20,238
Exchange adjustments	(2,041)
	392,202
Less: Current portion of redeemable convertible preferred shares	(14,261)
Non-current portion of redeemable convertible preferred shares	377,941

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On 18 April 2010, the Company issued 363,636,364 redeemable convertible preferred shares ("RCPS") to Winstar Capital Group Limited ("Winstar"), for a cash consideration of US\$60,000,000 (equivalent to US\$0.165 per RCPS) according to the subscription agreement for RCPS (the "RCPS Subscription Agreement").

The RCPS is entitled to a preferred dividend from the date of issue at the rate of 3.5% per annum and is payable in arrears on the date falling six months after the date of issue and on a date falling every six months thereafter. No dividend was paid during the six months ended 30 June 2010 (during the six months ended 30 June 2009 (unaudited): nil) and unpaid dividends of RMB20,237,632 during the six months ended 30 June 2010 (during the six months ended 30 June 2009 (unaudited): nil) were accrued as at 30 June 2010. Dividends on redeemable convertible preferred shares are accounted for using the effective interest method and recorded as interest expense.

The RCPS is convertible into ordinary shares of the Company at the option of the holders of RCPS at any time before the maturity date of 20 April 2013 without the payment of any additional consideration. The RCPS is also automatically converted upon the completion of the initial public offering of the Company under the RCPS Subscription Agreement. The conversion basis is one preferred share to one ordinary share of the Company. The RCPS can only be converted in whole not in part.

Except for certain matters, the holder of the RCPS has the right to one vote for each RCPS and one vote for every ordinary share of the Company in which the RCPS is converted. The holder of the RCPS has the right to receive a dividend whenever the holders of ordinary shares of the Company receive a dividend.

The RCPS is redeemable at the option of the holders of RCPS before the date of completion of the initial public offering and at a price equal to the sum of: (a) the aggregate of all amounts outstanding including accrued but unpaid dividends of RCPS and (b) an additional amount for receiving a 25% internal rate of return per annum on such principal amount up to the date of actual payment within 30 months after the date of RCPS Subscription Agreement, if certain condition precedent could not be fulfilled within 24 months after the date of the RCPS Subscription Agreement.

If the subscription of RCPS Subscription Agreement does not take place before the maturity date of 20 April 2013, the Company is required to redeem the whole amount of US\$60,000,000 under RCPS Subscription Agreement to Winstar at the maturity date.

The RCPS contain liability and equity components. On the issue of the RCPS, the fair value of the liability component was valued by the directors with reference to a valuation report issued by Jones Lang LaSalle Sallmanns Limited using discounted cash flows method. The 25% internal rate of return per annum has been taken into account for the valuation of the liability component of the RCPS. The residual amount, representing the equity component, is included in other reserve. The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption. If the RCPS are converted, the carrying amounts of the equity and liability components are transferred to share capital and share premium as consideration for the shares issued.

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26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme (the "Scheme") which was adopted on 30 June 2010 (the "Adoption Date") whereby the directors of the Company are authorised, at their direction, to invite employees of the Group including directors of any company of the Group, to take up options at HK\$1 consideration to subscribe for shares of the Company. The options will vest every three months over a period of five years commencing from 1 April 2010 ("initial vesting date") in equal portions (5% each) on the first day of each three-month period after the initial vesting date and are exercisable from 1 April 2011 (12 months after the initial vesting date of 1 April 2010) until 30 June 2015 (a period of five years from the Adoption Date of 30 June 2010) at a fixed subscription price. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

- (i) The number of options granted to directors and management during the Relevant Period is 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:

	Six months ended 30 June 2010	
	Weighted average exercise price	Number of options
Outstanding at 1 January	-	-
Granted during the period	HK\$1.677	107,945,000
Outstanding at 30 June	HK\$1.677	107,945,000
Exercisable at 30 June	-	-

The options outstanding at 30 June 2010 had an exercise price of HK\$1.677 per share and a weighted average remaining contractual life of 5 years.

- (iii) Fair value of share options and assumptions

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

	At 30 June 2010
Share price	HK\$2.97
Exercise price	HK\$1.677
Expected volatility	63.15%
Option life (expressed as weighted average life used in modelling under Binomial 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

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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 RMB30,682,002 during the six months ended 30 June 2010 (during the six months ended 30 June 2009 (unaudited): nil) was recognised in profit or loss.

27 TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	22,232	154,822	483,794	490,103
Payables to import agents	-	-	850,814	834,461
Amounts due to related parties	43,238	15,166	-	6
Advances from customers	83,256	50,008	52,565	70,695
Payables in connection with construction projects	5,414	9,182	19,759	25,018
Payables for purchase of equipment	21,277	16,515	35,308	6,859
Payables for investment in jointly controlled entity	-	-	-	211,385
Others	18,841	18,441	80,194	28,655
	<u>194,258</u>	<u>264,134</u>	<u>1,522,434</u>	<u>1,667,182</u>

At 30 June 2010, bills payable amounting to RMB173,000,000 was secured by bank deposits placed in a bank with an aggregate carrying value of RMB173,000,000.

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

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Due within 1 month or on demand	4,748	33,909	1,082,569	147,473
Due after 1 month but within 3 months	17,484	120,913	252,039	1,061,091
Due after 3 months but within 6 months	-	-	-	116,000
	<u>22,232</u>	<u>154,822</u>	<u>1,334,608</u>	<u>1,324,564</u>

28 INCOME TAX IN THE COMBINED BALANCE SHEETS

(a) Tax payable in the combined balance sheets represents:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	14,892	21,168	9,471	31,442
Provision for the year/period (Note 5(a))	7,428	7,601	55,053	119,624
Income tax paid	(1,152)	(19,298)	(34,649)	(71,274)
Disposal of discontinued operations	-	-	1,567	-
At 31 December/30 June	<u>21,168</u>	<u>9,471</u>	<u>31,442</u>	<u>79,792</u>

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(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the combined balance sheets and the movements during the Relevant Period are as follows:

	Property, plant and equipment revaluation RMB'000	Government grants RMB'000	Unrealised profits on intra-group transactions RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 January 2007	(2,639)	14,607	22	11,990
Credited to combined income statement	50	3,588	2,824	6,462
At 31 December 2007	<u>(2,589)</u>	<u>18,195</u>	<u>2,846</u>	<u>18,452</u>
At 1 January 2008	(2,589)	18,195	2,846	18,452
Credited/(charged) to combined income statement	695	(946)	17,092	16,841
At 31 December 2008	<u>(1,894)</u>	<u>17,249</u>	<u>19,938</u>	<u>35,293</u>
At 1 January 2009	(1,894)	17,249	19,938	35,293
Credited/(charged) to combined income statement	46	(71)	(6,884)	(6,909)
Disposal of discontinued operations (Note 35)	1,848	-	-	1,848
At 31 December 2009	<u>-</u>	<u>17,178</u>	<u>13,054</u>	<u>30,232</u>
At 1 January 2010	-	17,178	13,054	30,232
(Charged)/credited to combined income statement	-	(179)	7,893	7,714
At 30 June 2010	<u>-</u>	<u>16,999</u>	<u>20,947</u>	<u>37,946</u>

(ii) Reconciliation to the combined balance sheets

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised on the combined balance sheets	21,041	37,187	30,232	37,946
Net deferred tax liabilities recognised on the combined balance sheets	(2,589)	(1,894)	-	-
	<u>18,452</u>	<u>35,293</u>	<u>30,232</u>	<u>37,946</u>

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(v), the Group did not recognise deferred tax assets in respect of cumulative tax losses of RMB11,740,000, RMB24,368,000, RMB826,660 and RMB15,518,375 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively 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 will expire in five years after the tax losses generated under current tax legislation.

(d) Deferred tax liabilities not recognised

Under the new PRC income tax law and its relevant regulations, PRC-resident enterprises are levied withholding tax at 10% on dividends to their non-PRC-resident corporate investors for profits earned since 1 January 2008.

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Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are not provided to the extent that such profits are not expected to be distributed in the foreseeable future. Deferred tax liabilities in respect of tax that would be payable on distributing these retained earnings were not provided for amounted to RMB nil, RMB130,000, RMB246,000 and RMB5,326,100 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

29 SHARE CAPITAL

(a) Authorised and issued capital

The Company was incorporated on 17 September 2007 with an authorised capital of 50,000 shares. On the same date, one share was issued and allotted to Winsway International Petroleum & Chemicals Limited at a consideration of US\$1.

On 12 November 2007, Winsway International Petroleum & Chemicals Limited transferred its entire equity interest in the Company to Sincere Hill Management Ltd. ("Sincere Hill") for a consideration of US\$1.

On 31 December 2007, the Company issued and allotted two additional shares to Sincere Hill at an aggregate consideration of US\$38,182,611.

On 31 March 2008, the Company issued and allotted one additional share to Sincere Hill at a consideration of US\$5,200,000.

On 30 April 2008, the Company issued and allotted one additional share to Sincere Hill at a consideration of US\$5,800,000.

On 15 July 2008, the Company increased its authorised share capital from 50,000 to 2,000,000,000 ordinary shares.

On 15 July 2008, the Company issued and allotted 1,999,999,995 additional shares, among which 27,752,000 shares, 300,000,000 shares and 1,672,247,995 shares were issued and allotted to Ray Splendid Limited, Winsway International Petroleum & Chemicals Limited and Sincere Hill, at a consideration of US\$1, respectively.

On 31 May 2009, Sincere Hill transferred its entire equity interest in the Company of 1,672,248,000 shares to Winsway Resources Holdings Limited for a consideration of US\$49,182,613.

On 26 March 2010, Winsway International Petroleum & Chemicals Limited transferred its equity interest in the Company of 37,735,849 shares to Sparkle Land Limited, 30,303,030 shares to Top Dream Holdings Limited, 12,121,212 shares to Gold Shine Enterprises Limited and 3,636,364 shares to Unique Grace Management Limited for a consideration of US\$10,000,000, US\$5,000,000, US\$2,000,000 and US\$600,000, respectively.

On 18 April 2010, the Company issued and allotted 363,636,364 redeemable preferred shares to Winstar Capital Group Limited for a consideration of US\$60,000,000.

On 30 April 2010, Winsway International Petroleum & Chemicals Limited transferred its equity in the Company of 5,000,000 shares to Champaign Holdings Limited for a consideration of US\$1,000,000.

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On 30 April 2010, the Company issued and allotted 60,606,060 additional shares to Samtop Development Limited at an aggregate consideration of US\$10,000,000.

For the purpose of the report, the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries, was included in other reserve during the Relevant Period (Note 30(a)).

(b) Capital management

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

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

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. This ratio is calculated as net debt (which includes bank and other loans less cash and bank balances) divided by total equity (including equity attributable to equity shareholders of the Company). As at 31 December 2007, 2008 and 2009 and 30 June 2010 the net debt-to-equity ratio are 24.1%, 37.9%, 58.5% and 59.8%, respectively.

30 RESERVES

(a) Other reserves

Other reserves as at the respective balance sheet dates included 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.

(b) 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 years ended 31 December 2007, 2008 and 2009 and 30 June 2010, amounts in retained earnings of RMB1,017,214, RMB1,543,361, RMB13,622,178 and RMB40,951,127 were transferred from retained earnings to 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.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in Note 1(y).

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(d) Distributability of reserves

At 31 December 2007, 2008 and 2009 and 30 June 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB278,908,723, RMB332,482,622, RMB490,907,906 and RMB731,486,703 respectively.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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.

In respect of receivables under finance lease, the Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. To mitigate risks, where appropriate, the Group requests lessees to provide collateral and guarantees. The finance leases are due from a corporate that has high credit standing. Given their credit standing, management does not expect the counterparty to fail to meet its obligations.

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 31 December 2007, 2008 and 2009 and 30 June 2010, 0%, 53%, 5% and 1% of the trade receivables were due from the Group's largest customer and 8%, 56%, 11% and 13% of the trade receivables were due from the Group's five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in Note 34, 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 balance sheet date is disclosed in Note 34.

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Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables and receivables under finance lease are set out in Note 20 and Note 18 respectively.

(b) Liquidity risk

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

The Group recorded a net cash (outflow)/inflow from operating activities of RMB242,415,000 (outflow), RMB126,545,000, RMB311,504,000 (outflow) and RMB54,218,000 (outflow) for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. For the same periods, the Group had a net cash outflow to investing activities of RMB105,466,000, RMB526,071,000, RMB569,634,000 and RMB294,005,000 respectively. The Group also recorded a net cash inflow from financing activities of RMB374,294,000, RMB460,665,000, RMB1,026,162,000 and RMB646,086,000 respectively. The Group had an increase in cash and cash equivalents of RMB26,413,000, RMB61,139,000, RMB145,024,000 and RMB297,863,000 respectively.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the period ending 31 December 2011. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

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The following table details the remaining contractual maturities at the balance sheet date 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 balance sheet date) and the earliest date the Group can be required to pay:

	At 31 December						At 30 June					
	2007			2008			2009			2010		
	Contractual undiscounted cash outflow		Balance sheet carrying amount RMB'000	Contractual undiscounted cash outflow		Balance sheet carrying amount RMB'000	Contractual undiscounted cash outflow		Balance sheet carrying amount RMB'000	Contractual undiscounted cash outflow		Balance sheet carrying amount RMB'000
	Within 1 Year or on demand RMB'000	Total RMB'000		Within 1 Year or on demand RMB'000	Total RMB'000		Within 1 Year or on demand RMB'000	Total RMB'000		Within 1 Year or on demand RMB'000	Total RMB'000	
Secured bank and other loans	127,359	127,359	123,822	614,195	599,038	1,409,108	1,399,547	2,207,918	-	-	2,195,274	
Trade and other payables (excluding advance from customers)	111,002	111,002	111,002	214,126	214,126	1,469,869	1,469,869	1,596,487	-	-	1,596,487	
Convertible bonds	-	-	-	-	-	-	-	13,921	13,921	674,706	702,548	
Redeemable convertible preferred shares	-	-	-	-	-	-	-	14,261	14,261	673,801	392,202	
Financial guarantees issued:												
Maximum amount guaranteed (Note 34)	29,218	29,218	-	612,447	612,447	1,034,036	1,034,036	535,319	-	-	535,319	
	238,361	238,361	234,824	828,321	813,164	2,878,977	2,869,416	3,832,587	28,182	1,348,507	4,577,697	

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(c) 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 currency giving rise to this risk is primarily United States dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet dates 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 Renminbi, 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 Renminbi)			
	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	64	53	782	1,726
Trade payables	(1,368)	(2,575)	(295,067)	(1,052,163)
Bank loans	(11,322)	(366,283)	(470,987)	(370,705)
Net exposure arising from recognised assets and liabilities	<u>(12,626)</u>	<u>(368,805)</u>	<u>(765,272)</u>	<u>(1,421,142)</u>

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and equity that would arise if foreign exchange rate to which the Group has significant exposure at the balance sheet dates had changed at that date, assuming all other risk variables remained constant.

	Years ended 31 December						Six months ended 30 June	
	2007		2008		2009		2010	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
United States dollars	5%	(423)	5%	(13,830)	5%	(28,698)	5%	(53,293)
	(5)%	423	(5)%	13,830	(5)%	28,698	(5)%	53,293

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the date of balance sheet for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the date of balance sheet, including inter-company payables and receivables within the Group which are denominated in a currency other

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than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(d) Fair values

The Group has no financial instruments measured at fair value during the Relevant Period.

In respect of cash and cash equivalents, trade and other receivables and trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial liabilities carried on the Financial Information are not materially different from their fair values as at 31 December 2007, 2008 and 2009 and 30 June 2010.

The fair values of borrowings, liability component of convertible bonds and liability component of redeemable preferred shares have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the respective balance sheet dates.

32 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the Relevant Period.

(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 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	936	2,249	3,503	1,580	20,943
	936	2,249	3,503	1,580	20,943

The remuneration is included in "staff costs" (see Note 4(b)).

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(b) Material related party transactions

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

	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Sale of coking coals to related parties	-	-	346,358	28,993	-
Purchase of agency service from related party	-	-	10,043	1,703	1,288
Net (repayments of advances from)/advances from related parties	(317,495)	(28,072)	(14,029)	164,253	6
Net (repayments of advances to)/advances to related parties	(69,399)	(120,217)	(26,962)	153,761	497
Consideration for sale of discontinued operations to related parties	24,702	-	37,982	-	-

The directors of the Group are 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 combined balance sheets are as follows:

(i) Amounts due from related parties

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Amounts due from related parties	157,134	26,962	120,029	497
Receivables in respect of sale of discontinued operations due from related parties	24,702	-	-	-

(ii) Amounts due to related parties

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Amounts due to related parties	43,238	15,166	-	6

APPENDIX I — ACCOUNTANTS' REPORT

33 COMMITMENTS

(a) Capital commitment

At 31 December 2007, 2008 and 2009 and 30 June 2010, the Group had the following capital commitments not provided for in the Financial Information:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Contracted for	27,870	12,781	60,010	508,909
Authorised but not contracted for	-	16,000	535,270	2,439,107
	<u>27,870</u>	<u>28,781</u>	<u>595,280</u>	<u>2,948,016</u>

(b) Operating lease commitment

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the total future minimum lease payments under non-cancellable operating leases in respect of buildings and others, are payable as follows:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 1 year	3,600	35	2,003	8,350
After 1 year but within 5 years	-	3	-	11,468
	<u>3,600</u>	<u>38</u>	<u>2,003</u>	<u>19,818</u>

The Group leases buildings and others under operating leases. The leases typically run for an initial period of 1 to 4 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES-FINANCIAL GUARANTEES ISSUED

At the combined balance sheets dates, the Group has issued certain guarantees to banks in respect of banking facilities granted to certain related parties. The maximum liability of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 under these guarantees issued is the outstanding amount of the bank loans and the banking facilities in respect of issuance of letters of credit of RMB29,218,400, RMB612,446,760, RMB1,034,035,744 and RMB535,319,250 respectively.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group has issued guarantees to banks in respect of banking facilities granted to third parties. The maximum liability of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, under these guarantees issued is the outstanding amount of the bank loans and the banking facilities in respect of issuance of letters of credit of RMB nil, RMB nil, RMB170,500,000 and RMB nil respectively.

At the combined balance sheets dates, the director does not consider it probable that a claim will be made against the Group under any of the guarantees. The Group has not recognised any

deferred income in respect of the guarantees as its fair value cannot be reliably measured using observable market data.

35 DISCONTINUED OPERATIONS

During the Relevant Period, the Group has disposed of the following subsidiaries, each of which represent a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business in geographical area of operations. Management committed to plans to sell each of these subsidiaries in the same year of respective disposals. The results of these subsidiaries are presented on the combined income statements as discontinued operations. Further details of these disposals are set out below:

- In February 2007, the Group disposed of a subsidiary, Chongqing Huize Petrochemicals Co., Ltd., to related parties, close family members of key management personnel of the Group;
- In December 2007, the Group disposed of a subsidiary, Qinhuangdao Yuecheng Petrochemicals Co., Ltd., to a related party, Mudanjiang Shoukong Petrochemical Co., Ltd.;
- In June 2008, the Group liquidated a subsidiary, Shanxi Dingshun Import Export Trading Co., Ltd.;
- In December 2008, the Group disposed of a subsidiary, Ningbo Beilun Fuel Trading Co., Ltd., to a related party, Ningbo Junye Petroleum and Chemical Co., Ltd.;
- In March 2009, the Group disposed of a subsidiary, Inner Mongolia Urad Zhongqi Sanhe Energy Development Co., Ltd., to third parties;
- In September 2009, the Group disposed of subsidiaries, Asia Eagle Development Limited, Global Luck International Ltd., MonChallenge Investment Ltd. and Monport LLC, to a related party, Enerstar Investment Limited; and
- In November 2009, the Group disposed of subsidiaries, APR LLC and MonCrown Investment Ltd., to a related company, Enerstar Investment Limited.

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Results attributable to discontinued operations for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Results of discontinued operations					
Revenue	2,051	-	-	-	-
Expenses	(12,195)	(31,868)	(8,194)	(7,719)	-
Results from operating activities	(10,144)	(31,868)	(8,194)	(7,719)	-
Income tax (Note 5(a))	(1,116)	(1,399)	46	46	-
Results from operating activities, net of income tax	(11,260)	(33,267)	(8,148)	(7,673)	-
Gain on disposal of discontinued operations	4,497	126	29,565	28,530	-
(Loss)/profit for the year from discontinued operations	(6,763)	(33,141)	21,417	20,857	-
Attributable to:					
Equity shareholders of the Company	(7,019)	(33,141)	21,417	20,857	-
Non-controlling interests	256	-	-	-	-
	(6,763)	(33,141)	21,417	20,857	-

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash flows from/(used in) discontinued operations					
Net cash (used in)/from operating activities	(84,213)	(140,272)	198,282	140,921	-
Net cash (used in)/from investing activities	(15,633)	(214,294)	87,748	86,778	-
Net cash from/(used in) financing activities	118,725	394,764	(287,326)	(281,173)	-
	18,879	40,198	(1,296)	(53,474)	-

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Effect of disposal on the assets and liabilities of the Group:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Property, plant and equipment (Note 12)	8,841	-	16,550	8,834	-
Inventories	102	-	78,206	78,189	-
Trade and other receivables and receivables					
under finance lease	130,962	5,089	245,779	159,952	-
Cash and cash equivalents	892	5	6,978	6,441	-
Restricted deposits	-	-	202,540	202,540	-
Trade and other payables and income tax					
payable	(53,852)	(20)	(259,787)	(238,983)	-
Deferred tax liabilities (Note 28(b))	-	-	(1,848)	(1,848)	-
Bank loans	(42,100)	-	(258,301)	(221,955)	-
	44,845	5,074	30,117	(6,830)	-
Non-controlling interests	(4,140)	(200)	-	-	-
Net assets disposed of	40,705	4,874	30,117	(6,830)	-
Total consideration	45,202	5,000	59,682	21,700	-
Gain on disposal of discontinued operations . . .	4,497	126	29,565	28,530	-
Consideration received, satisfied in cash	20,500	5,000	59,682	21,700	-
Cash disposed of	(892)	(5)	(6,978)	(6,441)	-
	19,608	4,995	52,704	15,259	-
Collection of receivables for disposal of					
discontinued operations	-	-	24,702	-	-
Net of cash inflow from disposal of					
discontinued operations	19,608	4,995	77,406	15,259	-

36 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. 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 judgments 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 judgments 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 the Financial Information. The principal accounting policies are set forth in Note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(i) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into the 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

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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.

(ii) 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.

(iii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment 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.

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37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of this Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in the Financial Information.

	<u>Effective for accounting periods beginning on or after</u>
Amendment to IAS 32, <i>Financial instruments: Presentation — Classification of rights issues</i>	1 February 2010
IFRIC 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendments to IFRS1, <i>First-time adoption of International Financial Reporting Standards — Limited exemption from comparative IFRS7 disclosures for first-time adopters</i>	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Amendments to IFRIC 14, IAS 19, <i>The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement</i>	1 January 2011
Revised IAS 24, <i>Related party disclosures</i>	1 January 2011
IFRS 9, <i>Financial instruments</i>	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

38 STATUTORY AUDIT

The statutory financial statements of the companies comprising the Group which are subject to audit during the Relevant Period (or where the companies were incorporated/established at a date later than 1 January 2007, for the date of incorporation/establishment to 31 December 2009) were audited by the following auditors:

Name of company	Financial period	Statutory auditors
Baotou-city Haotong Energy Co., Ltd. (包頭市浩通能源有限公司)	Period from 18 September 2008 (date of incorporation) to 31 December 2008 Year ended 31 December 2009	Yongtuo Certified Public Accountants Co., Ltd. (北京永拓會計師事務所有限責任公司) Baotou Zhonglu Accountant Business Firm (包頭中鹿會計師事務所)
Beijing Winsway Investment Management Co., Ltd. (北京永暉投資管理有限公司) (formerly known as "Beijing Bright Petroleum & Chemicals Import & Export Co., Ltd.") (北京欣潤澤石化進出口有限公司)	Years ended 31 December 2007, 2008 and 2009	Yongtuo Certified Public Accountants Co., Ltd. (北京永拓會計師事務所有限責任公司)
East Wuzhumuqin Qi Haotong Energy Co., Ltd. (東烏珠穆沁旗浩通能源有限公司)	Period from 29 July 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	Yiyou Certified Public Accountants (東烏珠穆沁旗乙酉會計師事務所)

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Name of company	Financial period	Statutory auditors
Ejina Qi Haotong Energy Co., Ltd. (額濟納旗浩通能源有限公司)	Period from 19 May 2008 (date of incorporation) to 31 December 2008 Year ended 31 December 2009	Yongtuo Certified Public Accountants Co., Ltd. (北京永拓會計師事務所有限責任公司) Inner Mongolia Weilun Certified Public Accountants (內蒙古偉倫會計師事務所)
Erlianhaote Haotong Energy Co., Ltd. (二連浩特浩通能源有限公司)	Period from 18 January 2007 (date of incorporation) to 31 December 2007 and year ended 31 December 2008 Year ended 31 December 2009	Yongtuo Certified Public Accountants Co., Ltd. (北京永拓會計師事務所有限責任公司) Baotou Gaoxin Lianhe Certified Public Accountants (包頭高新聯合會計師事務所)
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (內蒙古浩通能源股份有限公司)	Years ended 31 December 2007 and 2008 Year ended 31 December 2009	Yongtuo Certified Public Accountants Co., Ltd. (北京永拓會計師事務所有限責任公司) Baotou Zhonglu Accountant Business Firm (包頭中鹿會計師事務所)
Nantong Haotong Energy Co., Ltd. (南通浩通能源有限公司)	Period from 24 February 2009 (date of incorporation) to 31 December 2009	Nantong Zhongtian CPA Co., Ltd. (南通中天會計師事務所有限公司)
Urad Zhongqi Yiteng Mining Co., Ltd. (烏拉特中旗毅騰礦業有限責任公司)	Year ended 31 December 2007 and 2009 Year ended 31 December 2008	Urad Haixin Certified Public Accountants (烏拉特海欣會計師事務所) Beijing Zhongji Certified Public Accountants (北京中紀會計師事務所有限責任公司)
Ningbo Beilun Fuel Trading Co., Ltd. (Note i) (寧波市北侖富茂燃料貿易有限公司)	Year ended 31 December 2007	Fenghua Zhengde Lianhe Certified Public Accountants (奉化市正德聯合會計師事務所)
Inner Mongolia Urad Zhongqi Sanhe Energy Development Co., Ltd. (Note ii) (內蒙古烏拉特中旗三和能源開發有限公司)	Year ended 31 December 2007 Year ended 31 December 2008	Urad Haixin Certified Public Accountants (烏拉特海欣會計師事務所) Beijing Zhongji Certified Public Accountants (北京中紀會計師事務所有限責任公司)
Monport LLC (Note iii)	Years ended 31 December 2007 and 2008	DALAIVAN AUDIT
APR LLC (Note iv)	Years ended 31 December 2007 and 2008	DALAIVAN AUDIT

Notes

- (i) The Group disposed of its entire equity interest in Ningbo Beilun Fuel Trading Co., Ltd. on 31 December 2008.
- (ii) The Group disposed of its entire equity interest in Inner Mongolia Urad Zhongqi Sanhe Energy Development Co., Ltd. on 31 March 2009.
- (iii) The Group disposed of its entire equity interest in Monport LLC on 30 September 2009.
- (iv) The Group disposed of its entire equity interest in APR LLC on 18 November 2009.

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2010:

1. The Group Reorganisation was completed on 9 August 2010. Details of the Group Reorganisation are set out in the section headed “History, Reorganisation and Group Structure” in the Prospectus.
2. Pursuant to Board resolutions dated 16 September 2010, the Company declared a dividend of RMB287,732,611 to the equity shareholders of Company and the holders of the Convertible Bonds (see Note 24) and RCPS (see Note 25).

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E BALANCE SHEETS OF THE COMPANY

The balance sheets of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	Note	At 31 December			At 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment, net		-	-	-	29
Investment in subsidiaries	a	278,909	336,143	363,142	368,990
Current assets					
Inventories		-	-	-	41,984
Receivables from import agents		-	-	126,923	290,648
Amounts due from related parties and group companies		-	-	379,744	527,977
Deposits and other receivables		-	30	993	274,240
Restricted bank deposits		-	-	-	203,727
Cash and cash equivalents		-	475	25,172	287,334
		-	505	532,832	1,625,910
Current liabilities					
Secured bank loans		-	-	-	347,655
Trade payables		-	-	131,332	41,984
Current portion of convertible bonds	Section C Note 24	-	-	-	13,921
Current portion of convertible redeemable preferred shares	Section C Note 25	-	-	-	14,261
Amounts due to related parties and group companies		-	3,401	259,305	4,636
Other payables		-	764	14,429	83,231
		-	4,165	405,066	505,688
Net current (liabilities)/assets		-	(3,660)	127,766	1,120,222
Total assets less current liabilities		278,909	332,483	490,908	1,489,241
Non-current liabilities					
Convertible bonds	Section C Note 24	-	-	-	379,813
Convertible redeemable preferred shares	Section C Note 25	-	-	-	377,941
Net Assets		278,909	332,483	490,908	731,487
Capital and reserves					
Share capital	Section C Note 29(a)	278,909	356,009	356,009	424,285
Reserves		-	(23,526)	134,899	307,202
Total Equity		278,909	332,483	490,908	731,487

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Notes

- a At 30 June 2010, the Company had direct and indirect interests in the subsidiaries as set out in Section A.
- b All of the trade and other receivables are expected to be recovered within one year.
- c Trade payables are expected to be settled within one year or are repayable on demand.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide prospective investors with further information on (i) how the proposed listing might have affected the financial position of the Group after the completion of the Global Offering; and (ii) how the proposed listing might have affected the unaudited pro forma forecast earnings per Share for the year ending 31 December 2010.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Track Record Period or any further date or period.

The information sets out in this Appendix does not form part of the accountants' reports received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules the purpose of illustrating the effect of the Global Offering as if the Global Offering had taken place on 30 June 2010. The statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true position of our Group's financial condition following the Global Offering. It is based on the combined net assets of our Group as at 30 June 2010, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Combined net tangible assets attributable to the equity shareholders of the Company as at 30 June 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$
Based on an Offer Price of					
HK\$3.25 per Share	1,640,093	2,643,393	4,283,486	1.13	1.30
Based on an Offer Price of					
HK\$4.50 per Share	1,640,093	3,677,559	5,317,652	1.41	1.63

Notes:

- (1) The combined net tangible assets attributable to the equity shareholders of the Company as at 30 June 2010 is based on the combined net tangible assets attributable to the equity shareholders of the Company of RMB1,640,093,000. The combined net tangible assets attributable to the equity shareholders of the Company were extracted from the accountants' report as set out in Appendix I to this Prospectus.

APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share, respectively, after deduction of the underwriting fees and other relevant expenses payable by the Company. The estimated net proceeds from the Global Offering are converted to Hong Kong dollars at an exchange rate of RMB0.8660 to HK\$1.00.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the above paragraphs and on the assumption of a total of 3,791,167,440 Shares and 3,784,530,089 Shares based on the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share respectively, being the number of Shares in issue upon completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, the full conversion of the Convertible Bonds (as converted on 24 September 2010), the automatic conversion of the Redeemable Convertible Preferred Shares and the Peabody Energy Consideration Shares for acquisition of jointly controlled entity), which takes no account of any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Option Scheme, or which may be allotted and issued or repurchased by the Company. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8660 to HK\$1.00.
- (4) Details of the valuation of the Group's properties as at 31 August 2010 are set out in the property valuation report as set out in Appendix IV to this prospectus. The revaluation surplus or deficit of these properties was not incorporated in our Group's combined financial information for the six months ended 30 June 2010 and will not be included in our Group's financial information for the year ending 31 December 2010. The above adjustments do not take into account the revaluation surplus or deficit.
- (5) On 16 September 2010, the Company declared and approved the payment of a dividend totalling RMB287.7 million, representing approximately 25% of retained earnings as at 30 June 2010, to the Company's existing equity shareholders as at 16 September 2010, holders of the Convertible Bonds and holders of the Redeemable Convertible Preferred Shares. The dividend will be paid upon Listing. Taken into account the dividend declared, the unaudited pro forma adjusted net tangible assets per Share should be reduced by RMB0.08 to RMB1.05 and RMB1.33 (equivalent to approximately HK\$1.21 and HK\$1.54) based on the indicative Offer Prices of HK\$3.25 and HK\$4.50 per Share respectively.

APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share of the Group for the year ending 31 December 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2010 or any future period following the completion of the Global Offering.

Unaudited forecast combined profit attributable to the equity shareholders of our Company for the year ending 31 December 2010 ⁽¹⁾⁽²⁾	not less than RMB764 million (equivalent to approximately HK\$882 million)
Unaudited pro forma forecast earnings per Share	
Basic and diluted ⁽³⁾	RMB0.202 (equivalent to approximately HK\$0.233)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2010 have been prepared and summarised in Appendix III to this prospectus.
- (2) The forecast combined profit attributable to the equity shareholders of the Company for the year ending 31 December 2010 prepared by the Directors is based on, in the absence of unforeseen circumstances, the combined financial information of the Group for the six months ended 30 June 2010 as set out in the accountants' report in Appendix I to this prospectus and a forecast of the combined results of the Group for the remaining six months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 1 of section C of the accountants' report, the text of which is set out in Appendix I to the prospectus.
- (3) The calculation of the unaudited pro forma forecast basic and diluted earnings per Share is based on the unaudited forecast combined profit attributable to the equity shareholders of the Company for the year ending 31 December 2010, assuming the Global Offering had been completed on 1 January 2010 and a total of 3,791,167,440 Shares were in issue during the entire year. The total number of Shares consists of Shares issued, to be issued pursuant to the Global Offering, the full conversion of the Convertible Bonds (as converted on 24 September 2010), the automatic conversion of the Redeemable Convertible Preferred Shares and the Peabody Energy Consideration Shares for acquisition of jointly controlled entity, which takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any options that have been granted under the Pre-IPO Option Scheme, or which may be allotted and issued or repurchased by the Company.
- (4) For the purpose of this unaudited pro forma forecast earnings per Share, the translation of Renminbi into HK dollars was made at the rate of RMB0.8660 to HK\$1.00.

APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION

C. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

27 September 2010

The Directors
Winsway Coking Coal Holdings Limited

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We report on the unaudited pro forma financial information (“the Pro Forma Financial Information”) of Winsway Coking Coal Holdings Limited (the “Company”) and its subsidiaries (“the Group”) set out on pages II-1 to II-3 in Parts A and B in Appendix II (the “Unaudited Pro Forma Financial Information”) of the prospectus dated 27 September 2010 (“the Prospectus”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Global Offering of the Company’s Shares might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts A and B on pages II-1 to II-3 in Appendix II of the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our procedures on the Unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date; or
- the earnings per share of the Group for the year ending 31 December 2010 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's Shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" set out in the Prospectus.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

APPENDIX III — PROFIT FORECAST

The forecast of the combined profit attributable to equity shareholders of the Company for the year ending 31 December 2010 is set out in the section headed “Financial Information — Profit Forecast for the Year Ending 31 December 2010” in this prospectus.

A. BASES AND ASSUMPTIONS

The forecast of the combined profit attributable to equity shareholders of the Company for the year ending 31 December 2010 prepared by the Directors is based on the audited combined results of the Group for the six months ended 30 June 2010 and a forecast of the combined results of the Group for the remaining six months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as summarised in Appendix I to this prospectus and has been prepared on the following principal bases and assumptions:

1. There will be no material changes in the existing government policies or political, legal, fiscal market or economic conditions in the PRC including Hong Kong, the BVI, Australia and Singapore, or any of the countries in which members of the Group currently operate or are established.
2. There will be no material changes in legislation and regulations governing the processing and sale of coking coal industry in the PRC that will materially affect the business operation of the Group. There will be no material changes in legislation and regulations governing exploring and sale of coking coal industry in Mongolia that will materially affect the business operation of the Group.
3. There will be no material changes in inflation rate, PBOC interest rate or foreign currency exchange rate in the PRC including Hong Kong, the BVI, Australia and Singapore, or any of the countries in which members of the Group operate or are established.
4. There will be no material changes in the bases or rates of taxation or duties in the PRC including Hong Kong, the BVI, Australia and Singapore, or any of the countries in which members of the Group operate or are established.
5. The Group’s operations will not be adversely affected by occurrences such as labour shortage and labour dispute. The Group will be able to recruit enough employees to fulfil the Group’s planned production level.
6. There will be no material changes in existing safety and environmental protection standards applicable to the Group’s current operations.
7. The Group’s operations and business will not be severely interrupted by any force majeure events or other unforeseeable factors or any unforeseeable reasons that are beyond the control of the Board of Directors, including natural disasters or catastrophes, epidemics or serious accidents.
8. The Group’s operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed “Risk Factors” in the Prospectus.

APPENDIX III — PROFIT FORECAST

B. LETTER FROM OUR REPORTING ACCOUNTANTS

The following is the text of the letter from our reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast for the year ending 31 December 2010.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

27 September 2010

The Directors
Winsway Coking Coal Holdings Limited

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.

Dear Sirs,


We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the forecast of the combined profit attributable to equity shareholders of Winsway Coking Coal Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ending 31 December 2010 ("the Profit Forecast"), for which the directors of the Company are solely responsible, as set forth in the section headed "Financial Information" in the prospectus of the Company dated 27 September 2010 ("the Prospectus").

The Profit Forecast has been prepared by the directors of the Company based on the audited combined financial statements of the Group for the six months ended 30 June 2010, the unaudited combined results for one month ended 31 July 2010 and a forecast of the combined results of the Group for the remaining five months ending 31 December 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions made by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 27 September 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

C. LETTER FROM THE JOINT SPONSORS

Deutsche Bank 
48th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

**Goldman
Sachs**
68th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

27 September 2010

The Directors
Winsway Coking Coal Holdings Limited

Dear Sirs,

We refer to the estimated combined net profit attributable to the shareholders of Winsway Coking Coal Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ending 31 December 2010 (the “**Forecast**”) as set out in the prospectus issued by the Company dated 27 September 2010 (the “**Prospectus**”).

The Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended 30 June 2010, the unaudited combined results for one month ended 31 July 2010 and a forecast of the combined results of the Group for the five months ending 31 December 2010.

We have discussed with you the bases made by the Directors of the Company as set out in Appendix III to the Prospectus upon which the Forecast has been made. We have also considered the letter dated 27 September 2010 addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Forecast, we are of the opinion that the Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of

Deutsche Bank AG, Hong Kong Branch

Goldman Sachs (Asia) L.L.C.

Douglas Morton
Managing Director

Angelo Zhang
Managing Director

Alex Schrantz
Managing Director

APPENDIX IV — PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 August 2010 of the property interests of the Group. As described in section “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VIII, a copy of the full valuation report will be made available for public inspection.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

27 September 2010

The Board of Directors
Winsway Coking Coal Holdings Limited
Suite 4602A
Cheung Kong Center
No. 2 Queen's Road
Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Winsway Coking Coal Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People's Republic of China (the “PRC”), Hong Kong, Australia and the People's Republic of Mongolia (“MGL”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 August 2010 (the “date of valuation”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Where, due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the property interests in Group I have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interests in Group II and portions of property nos. 1 and 2 in Group I which were under development as at the date of valuation, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

APPENDIX IV — PROPERTY VALUATION

We have valued the property interests in Group III by direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Groups IV, V and VI, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this prospectus, of which a summary is included in the Summary of Values and the certificates for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of tenancy agreements relating to the property interests in Group V and have caused searches to be made at the relevant Land Registries for the properties in Hong Kong. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have also relied considerably on the advice given by the Company's MGL legal advisers, LLX Mongolia Law Firm, concerning the legality of the tenancy agreement regarding the property leased by the Group in MGL.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers, King & Wood PRC Lawyers, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans

APPENDIX IV — PROPERTY VALUATION

handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom, Australia and relevant valuation experience in the Asia-Pacific region as well as MGL.

APPENDIX IV — PROPERTY VALUATION

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 RMB
1.	A parcel of land, various buildings and structures located at Gants Mod Urad Zhongqi, Bayannao'er City Inner Mongolia Autonomous Region The PRC	113,975,000
2.	A parcel of land, various buildings and structures located at Jinquan Industrial Park Delingshan Town Bayannao'er City Inner Mongolia Autonomous Region The PRC	103,110,000
Sub-total:		<u>217,085,000</u>

Group II — Property interest under development held by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 RMB
3.	A parcel of land, various buildings and structures under construction located at Ceke, Ejinaqi Inner Mongolia Autonomous Region The PRC	62,519,000
Sub-total:		<u>62,519,000</u>

APPENDIX IV — PROPERTY VALUATION

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 RMB
4.	A parcel of land located at the western side of Baiyun'ebo Railway Station Baiyun'ebo District Baotou City Inner Mongolia Autonomous Region The PRC	24,949,000
5.	A parcel of land located at the eastern side of Donghuan Road and the northern side of Erman Line Erlianhaote City Inner Mongolia Autonomous Region The PRC	130,320,000
6.	A parcel of land located in Yingkou Port Bayuquan District Yingkou City Liaoning Province The PRC	47,207,000
	Sub-total:	<u><u>202,476,000</u></u>

Group IV — Property interests leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 August 2010 RMB
7.	28 leased properties located in the PRC	No commercial value
	Sub-total:	<u><u>Nil</u></u>

APPENDIX IV — PROPERTY VALUATION

Group V — Property interests leased and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 31 August 2010 RMB
8.	Suite 4602A on the 46th floor Cheung Kong Center No. 2 Queen's Road Central, Hong Kong	No commercial value
9.	Flat B on the 75th floor of Block 2 The Arch No. 1 Austin Road West Kowloon, Hong Kong	No commercial value
Sub-total:		<u><u>Nil</u></u>

Group VI — Property interests leased and occupied by the Group in Australia and MGL

No.	Property	Capital value in existing state as at 31 August 2010 RMB
10.	2 leased properties located in Australia and MGL	No commercial value
Sub-total:		<u><u>Nil</u></u>
Grand total:		<u><u>482,080,000</u></u>

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
1.	A parcel of land, various buildings and structures located at Gants Mod Urad Zhongqi Bayannao'er City Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 666,659.4 sq.m. and 40 buildings and various ancillary structures erected thereon which were completed between 2004 and 2009.</p> <p>The buildings have a total gross floor area of approximately 38,170.53 sq.m.</p> <p>The buildings mainly include industrial buildings, dormitories, office buildings a warehouse and commercial buildings.</p> <p>The structures mainly include boundary fences, roads and gates.</p> <p>The property also includes a building and various structures which were being constructed on the land of the property as at the date of valuation (the "CIP"). As advised by the Group, the CIP is scheduled to be completed by December 2010. Upon completion, the building of the CIP will have a total gross floor area of approximately 170 sq.m.</p> <p>As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB8,857,000, of which RMB6,854,000 had been paid up to the date of valuation.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring in August 2057 for composite use.</p>	<p>The property is currently occupied by the Group for logistics purpose, except for the portions of the property which are currently occupied by various independent third parties (refer to notes 5 and 6) and the CIP which was under construction as at the date of valuation.</p>	113,975,000

APPENDIX IV — PROPERTY VALUATION

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 2 August 2007 entered into between the People's Government of Urad Zhongqi, Bayannao'er City, Inner Mongolia Autonomous Region and Urad Zhongqi Yiteng Mining Co., Ltd. ("Yiteng", a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Yiteng for a term of 50 years for composite use. The land premium was RMB999,990.
2. Pursuant to a State-owned Land Use Rights Certificate — Wu Zhong Guo Yong (2007) Di No. 23860, the land use rights of a parcel of land with a site area of approximately 666,659.4 sq.m. have been granted to Yiteng for a term expiring in August 2057 for composite use.
3. Pursuant to 7 Building Ownership Certificates — Fang Quan Zheng 2008 Zi Di Nos. 298 to 301, 354 and 355 and Fang Quan Zheng Zi Di No. 201000420, 19 buildings of the property with a total gross floor area of approximately 35,644.96 sq.m. are owned by Yiteng.
4. Pursuant to an Asset Transfer Contract dated 24 March 2008 entered into between Yiteng and an independent third party, various assets were contracted to be purchased by Yiteng at a total consideration of RMB7 million. As advised by Yiteng, these assets include 2 buildings with a total gross floor area of approximately 1,363.58 sq.m. which are included in the aforesaid Building Ownership Certificates, a portion of the structures of the property, other machinery assets and etc.
5. As advised by Yiteng, a building under one of the aforesaid Building Ownership Certificates with a gross floor area of approximately 485.13 sq.m. is currently occupied by the local customs authority with nil rent.
6. As advised by Yiteng, portions of the buildings of the property with a total lettable area of approximately 13,864.51 sq.m. are leased to various tenants with the latest expiry date on 9 April 2011 and the total annual rent receivables are approximately RMB5,848,100.
7. For 4 buildings with a total gross floor area of approximately 89.44 sq.m., Yiteng has obtained relevant construction work planning permit and construction work commencement permit. As advised by Yiteng, it is currently applying for the building ownership certificate for these buildings.
8. As advised by Yiteng, the remaining 17 buildings with a total gross floor area of approximately 2,436.13 sq.m. (without building ownership certificates) and the buildings of the CIP (without construction permits) are temporary buildings for ancillary uses. The Group confirms that the lack of title certificates of these buildings would not have any significant impact on the operation and financial status of the Group.
9. In the valuation of this property, we have attributed no commercial value to the buildings mentioned in notes 7 and 8 for which the Group has not obtained proper title certificates. However, for reference purpose, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB4,927,000 assuming all relevant title certificates had been obtained and they could be freely transferred.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights mentioned in note 2 and building ownership rights mentioned in note 3 have been legally obtained by Yiteng and can be legally occupied, used, transferred, leased, mortgaged or otherwise legally disposed of by Yiteng;
 - b. The construction permits of the 4 buildings with a total gross floor area of approximately 89.44 sq.m. mentioned in note 7 have been obtained and the construction procedure is in compliance with the law; and
 - c. The land use rights mentioned in note 2 and the buildings mentioned in note 3 are not subject to any mortgage.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
2.	A parcel of land, various buildings and structures located at Jinquan Industrial Park Delingshan Town Bayannao'er City Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 636,531 sq.m. and 36 buildings and various ancillary structures erected thereon which were completed between 2007 and 2010.</p> <p>Among these buildings, 28 buildings with a total gross floor area of approximately 31,073.1 sq.m. form part of the 2.0 mtpa coal processing project and the remaining 8 buildings with a total gross floor area of approximately 37,365.81 sq.m. form part of the 4.0 mtpa coal processing project.</p> <p>The buildings mainly include industrial buildings, dormitories and ancillary buildings.</p> <p>The structures mainly include boundary fences, roads and gates.</p> <p>The property also includes a building and structures of the 4.0 mtpa coal processing project which were being constructed on the land of the property as at the date of valuation (the "CIP"). As advised by the Group, the CIP is scheduled to be completed in December 2010. Upon completion, the building of the CIP will have a gross floor area of approximately 90 sq.m.</p>	<p>The property (except for the CIP) is currently occupied by the Group for production purpose.</p> <p>The CIP was under construction as at the date of valuation.</p>	103,110,000

APPENDIX IV — PROPERTY VALUATION

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
		As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB2,919,000, of which RMB1,615,000 had been paid up to the date of valuation.		
		The land use rights of the property have been granted for a term of 50 years expiring in December 2056 for industrial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 23 December 2006 entered into between the People's Government of Urad Zhongqi, Bayannao'er City, Inner Mongolia Autonomous Region and Urad Zhongqi Yiteng Mining Co., Ltd. ("Yiteng", a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Yiteng for a term of 50 years expiring in December 2056. The land premium was RMB5,283,200.
2. Pursuant to a State-owned Land Use Rights Certificate — Wu Zhong Guo Yong (2007) Di No. 23263, the land use rights of a parcel of land with a site area of approximately 636,531 sq.m. have been granted to Yiteng for industrial use.

As advised by Yiteng, it has constructed 2 projects, including the 2.0 mtpa coal processing project and 4.0 mtpa coal processing project on the land of the property. The 2.0 mtpa coal processing project has been completed and the 4.0 mtpa coal processing project is being constructed.
3. Pursuant to a Building Ownership Certificate — Fang Quan Zheng 2009 Zi Di No. 311, 28 buildings with a total gross floor area of approximately 31,073.1 sq.m. are owned by Yiteng. As advised by Yiteng, these buildings are part of the 2.0 mtpa coal processing project constructed on the land of the property.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 152825200900087, in favour of Yiteng, the 4.0 mtpa coal processing project, including the buildings with a total planned gross floor area of approximately 37,200 sq.m., has been approved for construction.
5. Pursuant to a Construction Work Commence Permit — No. ZQJ2009-009, permission by the relevant local authority was given to commence the construction work of the 4.0 mtpa coal processing project.
6. As advised by Yiteng, for the 8 buildings with a total gross floor area of approximately 37,365.81 sq.m. of the 4.0 mtpa coal processing project which have been completed, Yiteng is currently applying for the building ownership certificates.
7. In the valuation of this property, we have attributed no commercial value to the buildings mentioned in note 6, for which the Group has not obtained building ownership certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding the land) as at the date of valuation would be RMB51,310,000 assuming all relevant title certificates had been obtained and they could be freely transferred.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights mentioned in note 2 and building ownership rights mentioned in note 3 have been legally obtained by Yiteng and can be legally occupied, used, transferred, leased, mortgaged or otherwise legally disposed of by Yiteng;
 - b. Yiteng has obtained relevant construction approvals or permits for the construction of the 4.0 mtpa coal processing project and the construction procedure is in compliance with the law;
 - c. Yiteng has obtained a completion acceptance registration certificate for the 4.0 mtpa coal processing project, before obtaining the environmental protection examination and acceptance, Yiteng would face the legal risk of being ordered to stop production and using of the project and being punished with penalties by relevant governmental authority; and
 - d. The land use rights mentioned in note 2 and the buildings mentioned in note 3 are not subject to any mortgage.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interest under development held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
3.	A parcel of land, various buildings and structures under construction located at Ceke, Ejinaqi Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 679,100 sq.m. and various buildings and structures which were being constructed or completed thereon as at the date of valuation.</p> <p>As advised by the Group, the property is scheduled to be fully completed by December 2010. Upon completion, the buildings will have a total gross floor area of approximately 16,681.69 sq.m. Among these buildings, 10 buildings with a total gross floor area of approximately 11,232.94 sq.m. were completed before the date of valuation.</p> <p>As advised by the Group, the total construction cost of the buildings and structures under construction (except for the 10 completed buildings) paid up to the date of valuation is estimated to be RMB22,213,000.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 8 February 2060 for industrial use.</p>	The property was under construction as at the date of valuation except for the completed buildings.	62,519,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 8 February 2010 entered into between the State-owned Land Resources Bureau of Ejinaqi and Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong", a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Ejinaqi Haotong for a term of 50 years commencing from the delivery date for industrial use. The land premium was RMB20,383,000.
2. Pursuant to a State-owned Land Use Rights Certificate — A E Guo Yong (2010) Di No. 03, the land use rights of a parcel of land with a site area of approximately 679,100 sq.m. have been granted to Ejinaqi Haotong for a term expiring on 8 February 2060 for industrial use.
3. Pursuant to 10 Construction Work Planning Permits — Jian Zi Di. Nos. 15292320100601001, 1592320100601002, 1592320100610001 to 1592320100610004, 1592320090714003, 1592320100612001, 1592320100726001 and 1592320100726002 in favour of Ejinaqi Haotong, the buildings with a total planned gross floor area of approximately 17,366.46 sq.m. have been approved for construction.

APPENDIX IV — PROPERTY VALUATION

4. Pursuant to 10 Construction Work Commencement Permits — Nos. 15292320100615001, 1592320100415002 to 1592320100415006, 1592320100610001, 1592320090724001, 15292320100810001 and 15292320100810002 permission by the relevant local authority was given to Ejinaqi Haotong to commence the construction of the buildings with a total planned gross floor area of approximately 14,865.46 sq.m.
5. For the buildings with a total planned gross floor area of approximately 2,501 sq.m. of the property, Ejinaqi Haotong has obtained relevant Construction Work Planning Permits included in note 3 but without a Construction Work Commencement Permit.
6. We are advised that the buildings of the property with a total planned gross floor area of approximately 16,293.65 sq.m. and 13,792.65 sq.m. (including 8 completed buildings of approximately 11,177.90 sq.m. and the buildings under construction with a total planned gross floor area of approximately 5,115.75 sq.m. and 2,614.75 sq.m. respectively) are included in the permits mentioned in notes 3 and 4 respectively. For the remaining buildings approved to be constructed under the permits (mentioned in notes 3 and 4), relevant construction work had not commenced as at the date of valuation.
7. For the remaining buildings of the property with a total planned gross floor area of approximately 388.04 sq.m. (including 2 completed buildings of approximately 55.04 sq.m. and the buildings under construction with a total planned gross floor area of approximately 333 sq.m.), we have not been provided with proper title certificates.

As advised by Ejinaqi Haotong, the above buildings are temporary buildings for ancillary uses. The Group confirms that the lack of title certificates of these buildings would not have any significant impact on the operation and financial status of the Group.

8. As advised by Ejinaqi Haotong, it is expected to construct other buildings and structures on the land of the property after the date of valuation.
9. In the valuation of this property, we have attributed no commercial value to 3 completed buildings with a total gross floor area of approximately 1,273.9 sq.m. and the buildings mentioned in notes 5 and 7 respectively for which the Group has not obtained proper title certificates. However, for reference purpose, we are of the opinion that their capital values (excluding the land) as at the date of valuation would be RMB7,195,000 assuming all relevant title certificates and construction permits had been obtained.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights mentioned in note 2 have been legally obtained by Ejinaqi Haotong and can be legally occupied, used, transferred, leased, mortgaged or otherwise legally disposed of by Ejinaqi Haotong;
 - b. Ejinaqi Haotong has obtained relevant construction approvals or permits for the buildings mentioned in note 4 and the construction procedure is in compliance with the law;
 - c. Ejinaqi Haotong has obtained the completion acceptance registration certificates for the completed buildings (mentioned in note 6) but has not obtained the environmental protection examination and acceptance for part of the buildings with a total gross floor area of approximately 1,273.9 sq.m.; and
 - d. The land use rights mentioned in note 2 are not subject to any mortgage.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
4.	A parcel of land located at the western side of Baiyun'ebo Railway Station Baiyun'ebo District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 398,993 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 8 December 2056 for storage use.	The property is currently a vacant site.	24,949,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 8 December 2006 entered into between the State-owned Land Resources Bureau of Baiyun'ebo District, Baotou City, Inner Mongolia Autonomous Region and Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("Mongolia Haotong", a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Mongolia Haotong for a term of 50 years commencing from the delivery date for industrial, storage and logistics uses. The land premium was RMB12,021,700.
2. Pursuant to a State-owned Land Use Rights Certificate — Bao Bai Guo Yong (2006) Di No. 472, the land use rights of a parcel of land with a site area of approximately 398,993 sq.m. were granted to Mongolia Haotong for a term commencing from 8 December 2006 and expiring on 8 December 2056 for storage use.
3. Pursuant to a Tenancy Agreement dated 1 September 2008 entered into between Mongolia Haotong and Baotou Haotong Energy Co., Ltd. ("Baotou Haotong", a wholly owned subsidiary of the Company), a portion of the property with a site area of approximately 20,000 sq.m. is leased to Baotou Haotong for a term of 3 years expiring on 1 September 2011 at a current annual rent of RMB20,000 for storage use.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights of the property have been legally obtained by Mongolia Haotong and can be legally occupied, used, transferred, leased, mortgaged or otherwise legally disposed of by Mongolia Haotong;
 - b. The development of the property is suspended due to the combination plan of two administrative districts where the property is located in. Thus Mongolia Haotong did not break the construction time limit stipulated in relevant grant contract. After obtaining relevant permits and approvals, Mongolia Haotong can continue the development of the property;
 - c. The land use rights of the property are not subject to any mortgage; and
 - d. The Tenancy Agreement mentioned in note 3 is legal, valid and binding on both signing parties.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
5.	A parcel of land located at the eastern side of Donghuan Road and the northern side of Erman Line Erlianhaote City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 1,500,000 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 19 December 2056 for industrial use.	The property is currently vacant, except for some boundary fences and a building temporarily erected thereon which are excluded from our valuation.	130,320,000

Notes:

1. Pursuant to 5 State-owned Land Use Rights Grant Contracts all dated 19 December 2006 entered into between the State-owned Land Resources Bureau of Erlianhaote City, Inner Mongolia Autonomous Region and Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (“Mongolia Haotong”, a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be granted to Mongolia Haotong for terms of 50 years expiring on 19 December 2056 for industrial uses. The total land premium was RMB61,500,000.
2. Pursuant to a State-owned Land Use Rights Certificate — Er Guo Yong (2006) Di No. 001343, the land use rights of a parcel of land with a site area of approximately 1,500,000 sq.m. were granted to Erlianhaote Haotong Energy Co., Ltd. (“Erlianhaote Haotong”, a subsidiary of the Company) for a term expiring on 19 December 2056 for industrial use.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights of the property have been legally obtained by Erlianhaote Haotong and can be legally occupied, used, transferred, leased, mortgaged or otherwise legally disposed of by Erlianhaote Haotong;
 - b. The development of the property is suspended due to the city planning of the area which the property is located in. Thus the land shall not be recognised as idle land by the relevant land administrative authority and Erlianhaote Haotong would not be punished on account of the land being idle. However, Erlianhaote Haotong was notified that it may continue the construction of the property by the Erlianhaote Administration Committee on 9 September 2010; and
 - c. The land use rights of the property are not subject to any mortgage.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
6.	A parcel of land located in Yingkou Port Bayuquan District Yingkou City Liaoning Province The PRC	The property comprises a parcel of land with a site area of approximately 56,700 sq.m. The land use rights of the property have been granted for a term expiring on 9 June 2059.	The property is currently a vacant site.	47,207,000

Notes:

1. Pursuant to a Land Use Rights Transfer Contract dated 31 March 2010 entered into between Yingkou Port Group Limited and Yingkou Haotong Mining Co., Ltd. (“Yingkou Haotong”, a wholly owned subsidiary of the Company), the land use rights of the property were contracted to be transferred to Yingkou Haotong for industrial use at a consideration of RMB45,360,000.
2. Pursuant to a State-owned Land Use Rights Certificate — Ba Yu Quan Guo Yong (2010) Di No. 0081, the land use rights of the property with a site area of approximately 56,700 sq.m. have been granted to Yingkou Haotong for a term expiring on 9 June 2059 for transportation use.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The land use rights of the property have been legally obtained by Yingkou Haotong and can be legally occupied, used, transferred, leased, mortgaged or otherwise legally disposed of by Yingkou Haotong;
 - b. Yingkou Haotong has obtained a Construction Land Planning Permit with approval to construct a 4.0 mtpa coal processing project on the property land. The construction procedure is in compliance with the law; and
 - c. The land use rights of the property are not subject to any mortgage.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
7.	28 leased properties located in the PRC	<p>The properties comprise 27 properties in various cities in the PRC which were mainly completed between 1983 and 2010.</p> <p>As advised by the Group, the properties have an aggregate lettable area of approximately 5,372.59 sq.m.</p> <p>The properties also include a parcel of land with a site area of approximately 16,000 sq.m. for storage use.</p> <p>The properties are leased to the Group from various independent third parties and connected parties (the “Lessors”) for various terms with the expiry dates between 30 September 2010 and 5 January 2015 (both inclusive).</p>	<p>The properties are currently occupied by the Group for office, dormitory and storage purposes.</p>	<p>No commercial value</p>

Notes:

1. Pursuant to various Tenancy Agreements, 25 properties with a total lettable area of approximately 3,372.59 sq.m. are leased to the Group from various independent third parties for various terms with the expiry dates between 30 September 2010 and 5 January 2015 (both inclusive) at a total annual rent of RMB4,896,315.60 for office and dormitory uses.
2. Pursuant to a Tenancy Agreement, a property with a lettable area of approximately 1,900 sq.m. is leased to Inner Mongolia Haotong Energy Joint Stock Co., Ltd., a wholly owned subsidiary of the Company, from a connected party for a term of one year expiring on 31 December 2010 at a monthly rent of RMB114,000, inclusive of management fees, water and electricity charges for office use.
3. Pursuant to a Tenancy Agreement, 2 units with a total lettable area of approximately 100 sq.m. are leased to Beijing Winsway Investment Management Co., Ltd. (“Beijing Winsway”), a wholly owned subsidiary of the Company, from a connected party for a term of one year expiring on 30 June 2011 at a monthly rent of RMB4,000, inclusive of management fees, water and electricity charges for office use.
4. Pursuant to a Tenancy Agreement, a parcel of land with a site area of approximately 16,000 sq.m. is leased to Nantong Haotong Energy Co., Ltd., a wholly owned subsidiary of the Company, from an independent third party for a term of 5 years expiring on 30 April 2014 with nil rent.

APPENDIX IV — PROPERTY VALUATION

5. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The respective Lessors are owners or have the right to use and lease 16 of the leased properties with a total lettable area of approximately 4,193.83 sq.m. and the tenancy agreements of which are legal, valid and binding on both signing parties;
 - b. For the land leased by the Group mentioned in note 4, the tenancy agreement is legal, valid and binding on both signing parties. However, the term of the land use rights held by the Lessor will expire before the expiry date of the lease agreement. The Group might not continue to rent the land after the expiry date of the land use rights;
 - c. The respective Lessors have not provided the Group with the relevant BOCs which may have an effect on the continuing use of the leased properties for the remaining 11 properties, of which the respective Lessors of 10 leased properties have provided the Group with written undertakings or stipulated in the tenancy agreements to compensate the Group against losses arising from the lack of property title; and
 - d. As confirmed by the Group, in case the Group cannot continue to rent the leased properties mentioned in note 5.b and note 5.c, the removal out of these properties will not have any effect on the continuing operation of its main business, or any significant adverse effect on its financial situation or any material effect on its initial public offering.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Property interests leased and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 August RMB
8.	Suite 4602A on the 46th floor Cheung Kong Center No. 2 Queen's Road Central Hong Kong	<p>The property comprises an office unit on the 46th floor of a 58-storey office building completed in about 1998.</p> <p>The unit has a lettable area of approximately 3,228 sq.ft. (300 sq.m.)</p> <p>Pursuant to the Tenancy Agreement made between Winsway Coking Coal Holdings Limited (the Company) and Turbo Top Limited as Landlord (an independent third party), the property is leased to the Company for a term of 3 years commencing from 1 December 2009 and expiring on 30 November 2012 at a monthly rental of HKD383,500 exclusive of rates, management fees and air-conditioning charges.</p>	The property is occupied by the Group for office purpose.	No commercial Value

Note:

1. The registered owner of the property is Tubro Top Limited vide Conditions of Exchange No. 12416.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 August RMB
9.	Flat B on the 75th floor Block 2 The Arch No. 1 Austin Road West Kowloon Hong Kong	<p>The property comprises a residential unit on a floor designated as the “75th floor” of a 52-storey residential building completed in about 2005.</p> <p>The unit has a lettable area of approximately 1,925 sq.ft. (178.84 sq.m.)</p> <p>Pursuant to the Tenancy Agreement made between Winsway Coking Coal Holdings Limited (the Company) and Cho Wing Ling as Landlord (an independent third party), the property is leased to the Company for a term of 2 years commencing from 20 January 2010 and expiring on 19 January 2012 at a monthly rental of HKD80,000 inclusive of management fees, government rates and rent.</p>	The property is occupied by the Group for dormitory purpose.	No commercial Value

Note:

1. The registered owner of the property is Cho Wing Ling vide Memorial No. 08100800260036 dated 22 September 2008.

APPENDIX IV — PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Property interests leased and occupied by the Group in Australia and MGL

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2010 RMB
10.	2 leased properties located in Australia and MGL	<p>The properties comprise 2 office units which were completed in 1986 and 2009.</p> <p>As advised by the Group, the properties have an aggregate lettable area of approximately 888 sq.m.</p> <p>The properties are leased to the Group from various independent third parties (the “Lessors”) for various terms expiring on 31 May 2011 and 31 December 2013 respectively.</p>	<p>The properties are currently occupied by the Group for office and dormitory purposes.</p>	<p>No commercial value</p>

Notes:

1. Pursuant to a Tenancy Agreement, an office unit with a lettable area of approximately 178 sq.m. is leased to Winsway Australia Pty Ltd., a wholly owned subsidiary of the Company, from an independent third party for a term commencing from 1 May 2010 and expiring on 31 December 2013 at an annual rent of AUD149,520 exclusive of council rates, cleaning and electricity charges for office use.
2. Pursuant to a Tenancy Agreement, an office unit with a lettable area of approximately 710 sq.m. is leased to Peabody-Winsway Resources, LLC (formerly known as Peabody-Polo Resources, LLC), a subsidiary of the Company, from an independent third party for a term commencing from 1 June 2009 and expiring on 31 May 2011 at an annual rent of MNT285,420,000, exclusive of utilisation fee and VAT.
3. We have been provided with a legal opinion regarding the property interest leased by the Group in MGL by the Company’s MGL legal advisers that the Tenancy Agreement mentioned in note 3 is legal with the exception that it has not been registered with the relevant authority as required by law.

APPENDIX V — TAXATION AND FOREIGN EXCHANGE

The following discussion is a summary of certain anticipated tax consequences of the operations of the Group and of an investment in the Shares under Hong Kong tax laws, the BVI tax laws, and the PRC income tax laws. The discussion does not deal with all possible tax consequences relating to our operations or to an investment in the Shares. In particular, the discussion does not address the tax consequences under state, local and other (e.g. non-Hong Kong, non-BVI and non-Chinese) tax laws. Accordingly, each prospective investor should consult his or her tax adviser regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof in effect as of the Latest Practicable Date, all of which are subject to change.

TAXATION OF OUR SHAREHOLDERS

Taxation of Dividends

Hong Kong

Under the current practice of the Hong Kong Inland Revenue Department, no tax is imposed in Hong Kong in respect of dividends our Company pays to the Shareholders. Dividends paid to the Shareholders are free of withholding taxes in Hong Kong.

BVI

The BVI currently levy no taxes on persons who are not persons resident in the BVI based upon profits or income.

PRC

As the Company is not incorporated in the PRC, your investment in the Shares is largely exempted from the PRC tax laws, except as disclosed in the section headed “Risk Factors — Risks Relating to Doing Business in the PRC — We may be deemed a PRC resident enterprise under the PRC EIT Law and may be subject to the PRC taxation on our worldwide income and dividends payable by us to our foreign investors and gains on the sale of Shares may become subject to withholding taxes under the current PRC tax laws” in this prospectus. However, as some of our business operations are in the PRC and we carry out these business operations through operating subsidiaries organised under the PRC law, our PRC operations and our operating subsidiaries in the PRC are subject to the PRC tax laws and regulations, which indirectly affect your investment in the Shares.

Dividends We Pay to You

The distribution of dividends to the Company’s overseas investors is not subject to the PRC tax. The PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》 and its implementation rules that became effective on 1 January 2008 (the “**PRC EIT Law**”), however, imposes a withholding income tax (“**WIT**”) at the rate of 10% on dividends paid to overseas investors if the Company is considered as a PRC resident enterprise. The WIT rate may be reduced by tax treaty. It is not clear whether you will be subject to such the PRC WIT as a result. Due to these provisions in the PRC tax law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the dividends we pay to the overseas investors (with no establishments or place of business in the PRC that is connected to this dividend income) with respect to the Shares may be treated as income derived from sources within the PRC and be subject to the PRC WIT.

Capital Gains and Profits Tax

Hong Kong

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. However, trading gains from the sale of shares by persons carrying on a trade, profession or business in Hong Kong where such gains are sourced in Hong Kong and arise from such trade, profession or business will be chargeable to Hong Kong profits tax.

Trading gains from sales of shares effected on the Hong Kong Stock Exchange will be considered to be sourced in Hong Kong. Thus, trading gains from sales of the Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong will be chargeable to Hong Kong profits tax.

BVI

The BVI currently levy no taxes on persons who are not persons resident in the BVI based upon capital gains or appreciations.

PRC

As the Company is not incorporated in the PRC, any transfer or disposition of the Shares by an overseas investor should not trigger the PRC tax liabilities. The PRC EIT Law, however, could invoke the General Anti-Avoidance Rule if the Company is deemed to be set up merely to avoid the PRC tax. Under such circumstances, the PRC tax authorities could impose a WIT at the rate of 10% on capital gains realised by these overseas investors from the disposition of the Shares. It is not clear whether you will be subject to such the PRC WIT as a result. There are still many uncertainties with respect to the actual intentions and practical effects of these provisions in the PRC tax law.

Stamp Duty

Hong Kong

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of the Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.

BVI

No stamp duty is payable in the BVI on the transfers of the shares by persons who are not persons resident in the BVI.

Estate Duty

Hong Kong

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of the Shares whose deaths occur on or after 11 February 2006.

BVI

There is no taxation in the nature of inheritance tax or estate duty payable in the BVI by persons who are not persons resident in the BVI.

TAXATION OF THE GROUP

Taxation of the Group in the PRC

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on taxable income determined under the PRC accounting principles. In accordance with the former Income Tax Law of the PRC for Foreign Invested Enterprises and Foreign Enterprises (the “**Former Income Tax Law**”) (中華人民共和國外商投資企業和外國企業所得稅法) and its implementing rules which were annulled as of 1 January 2008, foreign invested enterprises incorporated in the PRC were generally subject to an enterprise income tax rate of 33.0% (30.0% of state income tax plus 3.0% local income tax) prior to 1 January 2008. The Former Income Tax Law and the related implementing rules provide certain favourable tax treatments to foreign invested enterprises. Production-oriented foreign invested enterprises, which are scheduled to operate for a period of ten years or more, are entitled to exemption from income tax for two years commencing from the first profit-making year and 50% reduction of income tax for the subsequent three years. In certain special areas such as coastal open economic areas, special economic zones and economic and technology development zones, foreign invested enterprises were entitled to reduced tax rates, namely: (1) in coastal open economic zones, the tax rate applicable to production-oriented foreign invested enterprises was 24%; (2) in special economic zones, the rate was 15%; and (3) the tax rate applicable to certified high and new technology enterprises incorporated and operated in economic and technology development zones determined by the State Council was 15%.

On 16 March 2007, the National People’s Congress adopted the Income Tax Law (中華人民共和國企業所得稅法). The implementing rules for the Income Tax Law were issued by the State Council on 6 December 2007. The implementing rules and the Income Tax Law became effective on 1 January 2008. The Income Tax Law adopts a uniform tax rate of 25% for all enterprises (including foreign invested enterprises) and revokes the former tax exemption, reduction and preferential treatments applicable to foreign invested enterprises. The Income Tax Law also provides for transitional measures for enterprises established prior to the promulgation of the Income Tax Law and eligible for lower tax rate preferential treatment in accordance with the then prevailing tax laws, and administrative regulations. These enterprises will gradually become subject to the unified tax rate over a five-year period from 1 January 2008; enterprises eligible for regular tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the Income Tax Law and until their preferential treatments expire. The preferential treatment period for enterprises which have not enjoyed any preferential treatments for the reason of not having made any profits, however, shall be deemed as starting from 1 January 2008. In addition, under the Income Tax Law, the exemption to the 20% withholding tax on dividends distributed by foreign invested enterprises to their foreign investors under the former tax laws may no longer be available. Generally, if a foreign company has no institution or establishment inside China, or if its income has no actual connection to its institution or establishment inside the territory of China, it shall pay tax on the incomes derived from inside China at a tax rate of 10%.

The State Council issued a Notice on Implementing Transitional Measures for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (the “**Notice**”) on 26 December 2007. The

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Notice sets out the detailed implementing rules for Article 57 of the Income Tax Law. In accordance with the Notice, the enterprises that have been approved to enjoy a low tax rate prior to the promulgation of the Income Tax Law will be eligible for a five-year transition period beginning 1 January 2008, during which the tax rate will be increased incrementally to the 25% unified tax rate set out in the Income Tax Law. From 1 January 2008, for the enterprises whose applicable tax rate was 15% before the promulgation of the Income Tax Law, their tax rate will be increased to 18% for the year 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012. For the enterprises whose applicable tax rate was 24%, their tax rate will be changed to 25% from 1 January 2008.

The PRC VAT

Pursuant to the Provisional Regulation of the PRC on VAT (中華人民共和國增值稅暫行條例) and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay VAT at a rate of 17% of the gross sales proceeds received except for certain designated goods with VAT at a rate of 13%, less any deductible VAT already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to refund all of VAT that it has already paid or borne.

Business Tax

Under the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) which took effect on 1 January 1994 and have been amended on 10 November 2008 and the provisional implementation rules (中華人民共和國營業稅暫行條例實施細則) which took effect on 25 December 1993 and annulled on 1 January 1997, and promulgated on 18 December 2008 with effectiveness as of 1 January 2009, business tax is levied on all enterprises that provide “taxable services”. These include the assignment or transfer of intangible assets, the sale of immovable property and leasing of immovable properties in the PRC. The rates range from 3% to 20% depending on the type of services provided. The assignment of intangible assets, the sale of buildings and other attachments to the land and leasing of property attract a tax rate of 5% of gross revenue generated from the relevant transactions of the enterprise. Enterprises are required to pay the business tax to the relevant local tax authorities where the enterprises derived their taxable income.

Dividends From Our PRC Operations

Under the PRC Income Tax Law for Foreign-Invested Enterprises and Foreign Enterprises effective prior to 1 January 2008, dividends paid by our PRC subsidiaries to us were exempt from the PRC income tax. However, pursuant to the PRC EIT Law, dividends payable by foreign invested enterprises, such as subsidiaries in the PRC out of their post-2007 retained earnings, to their foreign investors are subject to a PRC WIT at 10% unless any lower tax treaty rate is applicable. The profits earned by foreign-invested enterprises after 1 January 2008 that are distributed to foreign investors shall be subject to enterprise income tax pursuant to the PRC EIT Law.

Under the PRC EIT Law, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in the PRC are treated as “resident enterprises” for the PRC tax purposes, and will be subject to the PRC income tax on their worldwide income. For such the PRC tax purposes, dividends from the PRC subsidiaries to their foreign shareholders, if deemed as the PRC resident enterprises are exempt from the WIT. However, the dividends paid by these foreign shareholders to their foreign investors could be subject to 10% WIT unless reduced by tax treaty. Under the implementation rules of the PRC EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and

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properties of an enterprise. There is uncertainty as to how the PRC EIT Law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Arrangement for avoidance of double taxation between mainland and Hong Kong

We are subject to the Arrangement for Avoidance of Double Taxation with respect to Hong Kong taxes from the year of assessment beginning on or after 1 April 2007 and with respect to the PRC taxes from the taxable year beginning on or after 1 January 2007. Dividends we receive from our operating subsidiaries in the PRC could be subject to a 5% withholding tax rate under the Avoidance of Double Taxation Arrangement so long as we hold at least 25% of equity interests in our PRC operating entities and upon the PRC tax authority approving our application required under the Tentative Administrative Measures on Tax Convention Treatments for Non-Residents 《非居民享受稅收協定待遇管理辦法（試行）》 (“**Circular 124**”).

Interest payments we receive from our bona fide loans to our operating subsidiaries or other entities in the PRC will be subject to a 7% withholding tax rate under the Avoidance of Double Taxation Arrangement, provided that we meet the conditions under Circular of the State Administration of Taxation on How to Understand and Determine “Beneficial Owners” under Tax Conventions 《關於如何理解和認定稅收協定中“受益所有人”的通知》 (“**Circular 601**”) and Circular 124. Royalty payments we receive from licensing of our intellectual properties to our operating subsidiaries or other entities in the PRC will also be subject to 7% withholding tax rate under the Avoidance of Double Taxation Arrangement, subject to Circular 601 and Circular 124 as mentioned above.

Taxation of the Group in the BVI

The Company is not liable to pay any form of taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by the Company to persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of the Company by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

Subject to the payment of stamp duty on the acquisition of property in the BVI by the Company, all instruments relating to transfers of property to or by the Company and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Company and all instruments relating to other transactions relating to the business of the Company are exempt from payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The foreign exchange control system of China has experienced a number of reforms and the current system contains three major regulatory laws and regulations since 1993.

The PBOC, as authorised by the State Council, promulgated the Announcement Concerning Further Reforming the Foreign Exchange Control System (中國人民銀行關於進一步改革外匯管理體制的公告) on 28 December 1993, which was brought into force on

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1 January 1994. The Regulations of the People's Republic of China on the Management of Foreign Exchanges (中華人民共和國外匯管理條例) promulgated by the State Council, implemented on 1 April 1996 and currently amended on 5 August 2008, apply to the receipts, payments or business activities in China that are transacted in foreign currencies by domestic institutions, individuals, foreign representative offices and individuals visiting China. The Regulation on Control of Foreign Exchange Settlements, Sales and Payments (結匯、售匯及付匯管理規定) issued by PBOC on 20 June 1996 and implemented on 1 July 1996 governs the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign representative offices in China and individuals visiting China.

PBOC publicises the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined by reference to the preceding day's trading prices of RMB against major foreign currencies on the inter-bank foreign exchange market. In general and unless special immunity is obtained, all organisations and individuals in China shall sell their exchange income to designated banks, but foreign-funded enterprises are permitted to retain a certain percentage of their exchange income, to be deposited in a foreign exchange bank account opened in designated banks. In addition, exchange income arising from loans from foreign institutions or from issuance of shares or bonds valued in foreign currencies need not be sold to designated banks but shall be deposited in designated foreign exchange accounts with designated banks. Capital foreign exchange must be deposited in foreign exchange accounts opened with designated banks.

At present, the PRC Government is gradually loosening its control over foreign exchange purchases. Any Chinese enterprise in need of foreign currencies in their day-to-day business activities, trade and non-trade operations, import business and payment of foreign debts may purchase foreign currencies from designated banks, provided that they submit the required appropriate supporting documents.

In addition, if foreign-funded enterprises are in need of foreign currencies for distributing dividends, capital bonuses or profits to foreign investors, the amount so needed after payment of the appropriate dividend tax may be drawn from the enterprises' foreign exchange accounts maintained with designated banks. If the foreign currency in such an account is insufficient, the foreign-funded enterprise may apply to the government authority in charge for purchasing the necessary amount of foreign currency from a designated bank to cover the deficiency.

Although the foreign exchange control over transactions under current accounts has decreased, enterprises shall obtain approval from the SAFE before they accept foreign-currency loans, provide foreign currency guarantees, make investments in foreign countries or carry out any other capital account transactions involving the purchase of foreign currencies.

In foreign exchange transactions, designated banks may freely determine applicable exchange rates based on the rates publicised by PBOC and subject to certain governmental restrictions.

On 21 October 2005, the SAFE issued the SAFE Notice No. 75, which became effective as of 1 November 2005. According to the SAFE Notice No. 75, prior registration with the local SAFE branch is required for the PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such the PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

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Moreover, the SAFE Notice No. 75 applies retroactively. As a result, the PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by 31 March 2006. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Notice No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under the PRC foreign exchange administration regulations. The PRC residents who control the Group from time to time are required to register with the SAFE in connection with their investments in us.

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Summary of the Constitution of the Company

1 Memorandum Of Association

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the BVI.

1.1 Classes of Shares

The Company is authorised to issue ordinary shares. Pursuant to the Memorandum of Association, the maximum number of Shares that the Company is authorised to issue is 4,000,000,000 Shares with no par value.

The Memorandum of Association is available for inspection at the address specified in Appendix VIII in the section headed “Documents Available for Inspection”.

2 Articles Of Association

The Articles of Association include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased number of shares the Company is authorised to issue) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return applicable to shares or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Act and to any special rights conferred on any members or attaching to any class of shares, any share may, with the sanction of a special resolution of members, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Business Companies Act expressly directed or required to be exercised or done by the Company in general meeting.

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(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

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- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
 - (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (vi) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting or by the Directors, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only

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rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director, who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power from time to time and at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by resolution of members remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by resolution of members appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by resolution of members elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no

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later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by a resolution of members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

- (i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled amounts owing on the shares in the Company or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution of members of the Company.

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(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined, three Directors, of whom at least one must be an independent non-executive Director, shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles may be made except by special resolution of members of the Company.

2.3 Variation of rights of existing shares or classes of shares

If at any time the authorised shares of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution of members of the Company passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration to the number of shares the Company is authorised to issue

The members of the Company may from time to time by resolution of members increase the maximum number of shares that the Company is authorised to issue.

The Company may from time to time by resolution of members cancel any shares which at the date of the passing of the resolution of members of the Company have not been taken or agreed to be taken by any person, and diminish the maximum number of shares the Company is authorised to issue by the number of the shares so cancelled subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A “special resolution of members” is defined in the Articles to mean a resolution passed by a majority of not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days’ notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more

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instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, a “resolution of members” is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes a resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised

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clearing house (or its nominee) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.7 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Hong Kong Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.8 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than a Director) and no such member (not being a Director) shall have any right to inspect any accounts or books or documents of the Company except as conferred by the Companies Act or as authorised by a resolution of the Directors.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.9 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution of members shall be called by notice of not less than 21 days and any other extraordinary general meeting shall be called by not less than 14 days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is

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given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution of members shall specify the intention to propose the resolution as a special resolution of members. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing shares and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.10 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Hong Kong Stock Exchange.

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The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Hong Kong Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Hong Kong Stock Exchange's website or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided always that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

2.11 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange and the SFC.

The Directors shall not, unless permitted pursuant to the Companies Act, purchase any of the shares in the Company unless immediately after such purchase the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.

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2.12 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.13 Dividends and other methods of distributions

Subject to the Companies Act and Articles of Association, the Directors may, by resolution of directors, declare a dividend in any currency if they are satisfied, on reasonable grounds that, immediately after the payment of the dividend, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the shares in the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by resolution of members resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by the Directors, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the

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Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the resolution of members of the Company, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.14 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form that complies with the Listing Rules as the Directors may from time to time approve provided that it shall enable a member of the Company to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

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The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.15 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not earlier than the expiration of 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to

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that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.16 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Hong Kong Stock Exchange's website, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.17 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney, authorise such person as it thinks fit to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.3 above.

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2.18 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.19 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the amounts paid up on the shares in the Company, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the nominal value of such shares, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the amounts paid up on the issued shares in the Company at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the nominal value of such shares at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may, with the authority of a special resolution of members of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like authority or sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like authority or sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.20 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member or person entitled to such shares by death, bankruptcy or operation of law; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Hong Kong Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

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SUMMARY OF THE BVI COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from English corporate legislation, although there are significant differences between the Companies Act and English corporate legislation. Set out below is a summary of certain provisions of the Companies Act, although this summary does not purport to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the BVI as a BVI Business Company on 17 September 2007 under the Companies Act. The Company is required to pay an annual fee to the Registrar of Corporate Affairs in the BVI which is based on the number of shares the Company is authorised to issue.

3 Shares

One of the major features of the Companies Act is that the concept of share capital has been abolished.

Instead, a company limited by, or otherwise authorised to issue shares, can now simply state in its memorandum of association the maximum number and classes of shares that the company is authorised to issue. Companies may also divide their shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the company is permitted to issue is not exceeded. On any such division or combination of shares the aggregate par value (if any) of the new shares must be equal to the aggregate par value of the original shares.

The directors of a company can, at their discretion, issue shares in registered or bearer form (although in order to issue bearer shares there must be an express authorisation in the memorandum of association and such bearer shares must be held by an approved custodian) for such consideration and on such terms as they may determine.

Shares can be issued for consideration in any form, provided such consideration is not less than par value where the share is a par value share.

If so authorised by its memorandum of association, a company can issue more than one class of shares and, if so, the memorandum of association must also specify the rights, privileges, restrictions and conditions which attach to each class.

The Companies Act provides that companies may issue redeemable shares, shares with no rights, limited rights or preferential rights to share in distributions, or shares with no or special or limited or conditional voting rights. They may also, subject to their memorandum of association and articles of association, issue bonus shares, partly or nil paid shares, and fractional shares.

The Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedure set out in the Companies Act, or any other procedure as provided for in the memorandum of association and articles of association of the company.

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Under the provisions in the Companies Act, the directors may make an offer for the company to purchase, redeem or otherwise acquire shares in the company provided that the offer is either (a) to all shareholders and would, if successful, leave the relative voting and distribution rights unaffected, or (b) to one or more shareholders and consented to in writing by all shareholders, or is otherwise permitted by the memorandum of association or articles of association. Where the offer is to one or more shareholders, the directors must pass a resolution to the effect that in their opinion the purchase, redemption or other acquisition would benefit the remaining shareholders, and the proposed offer is fair and reasonable to the company and the remaining shareholders.

Where an acquisition by a company of its own shares would be treated as a distribution, the conditions imposed on distributions (detailed in paragraph 5 below) must be met. The purchase, redemption or other acquisition by a company of its own shares is not deemed to be a distribution where it is effected pursuant to, inter alia, a right of a shareholder to have his shares redeemed or exchanged for money or other property of the company or where the share is redeemable at the option of the company.

4 Financial Assistance

There is no statutory restriction in the BVI on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of due care, skill and diligence that they are acting in good faith, for a proper purpose and in the interests of the company, that such assistance can be given.

5 Dividends and distributions

The directors of a company may only declare a distribution by the company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

6 Shareholders' Remedies

The Companies Act has introduced a series of remedies available to shareholders. Where a company engages in activity which breaches the Companies Act or the company's memorandum of association and articles of association, the court can issue a restraining or compliance order. Shareholders can also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for shareholders' remedies has also been incorporated into the Companies Act—where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may apply to the court for an order on such conduct.

7 Mergers and Consolidations

Under the Companies Act two or more companies, each a "constituent company", may merge or consolidate.

A merger involves merging two or more companies into one of the constituent companies that will remain as the surviving company and a consolidation involves two or more companies consolidating into a new company. Subject to the memorandum of association and articles of association of the company a merger or consolidation must be authorised by a resolution of shareholders of every class of shares entitled to vote on the merger.

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There are differing procedures depending on the type of merger that is taking place. Under the Companies Act a merger may occur between any of the following:

- (a) Two or more companies incorporated under the Companies Act;
- (b) One or more companies incorporated under the Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI where the BVI company is the surviving entity;
- (c) One or more companies incorporated under the Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI where the foreign company is the surviving entity;
- (d) A parent company and one or more of its subsidiaries where the companies are incorporated under the Companies Act;
- (e) A parent company and one or more of its subsidiaries where one or more of the companies are incorporated under the Companies Act, one or more are incorporated under the laws of a jurisdiction outside the BVI and where the BVI company is the surviving company; or
- (f) A parent company and one or more of its subsidiaries where one or more of the companies are incorporated under the Companies Act, one or more are incorporated under the laws of a jurisdiction outside the BVI and where the foreign company is the surviving entity.

Under the Companies Act, a shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from:

- (a) A merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar shares;
- (b) A consolidation, if the company is a constituent company.

The Companies Act sets out the procedure that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenter fail to agree on the price to be paid for the shares owned by the dissenter, then the statutory procedure provides that the fair value of the shares owned by the dissenter is fixed by three appraisers.

8 Redemption of minority shares

Under the Companies Act and subject to the memorandum of association or articles of association of a company, shareholders of a company holding 90 per cent of the votes of the outstanding shares entitled to vote; and shareholders of a company holding 90 per cent of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing it to redeem the shares held by the remaining shareholders. Upon receiving this direction, the company must redeem the shares it has been directed to redeem and must give written notice to each shareholder stating the redemption price and the manner by which the redemption will be effected.

The shareholders having their shares compulsorily redeemed are entitled to receive fair value for their shares and may dissent from the compulsory redemption. The Companies Act sets out the procedure that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenter fail to agree on the price to be paid for the shares owned by the dissenter, then the statutory procedure provides that the fair value of the shares owned by the dissenter is fixed by three appraisers.

**APPENDIX VI — SUMMARY OF THE CONSTITUTION OF OUR
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9 Disposal of assets

Under the Companies Act and subject to the memorandum of association or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent in value of the assets of the company, if not made in the usual or regular course of the business carried on by the company, requires the approval of the shareholders.

The Companies Act sets out the procedure that must be followed in relation to effecting such a disposal.

10 Accounting and auditing requirements

The Companies Act requires that a company shall cause to be kept proper books of account that (a) are sufficient to show and explain the company's transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

11 Register of shareholders

A BVI Business Company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside of the BVI, as its directors may, from time to time, think fit. However either the register of members or a copy of the register of members of the BVI Business Company has to be kept at the office of its registered agent in the BVI.

There is no mandatory requirement under the Companies Act for a company to make any filings of shareholder information to the Registrar of Corporate Affairs in the BVI. The names and addresses of the shareholders are, accordingly, not a matter of public record and are not available for public inspection.

12 Inspection of books and records

Subject to the Companies Act, a shareholder of a company will have general right under the Companies Act to inspect or obtain copies of the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which he is a member. However, subject to the company's memorandum of association and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document (or part of a document) refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

13 Special resolutions

The Companies Act does not define "special resolution". However a company's memorandum of association and articles of association may make provisions for varying threshold levels of votes required to pass a resolution and require that certain matters may only be approved if passed by a certain percentage of votes.

**APPENDIX VI — SUMMARY OF THE CONSTITUTION OF OUR
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14 Subsidiary owning shares in parent

The Companies Act does not prohibit a BVI company acquiring and holding shares in its parent company. The directors of any subsidiary making such acquisition must discharge their duties of care and to act honestly and in good faith and in what the director believes to be in the best interests of the company.

Under the Companies Act:-

- (a) a director of a company that is a wholly-owned subsidiary may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association and articles of association of the company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company.
- (b) a director of a company that is a subsidiary, but not a wholly-owned subsidiary, may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association or articles of association of the company and with the prior agreement of the shareholders, other than its holding company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company.
- (c) a director of a company that is carrying out a joint venture between the shareholders may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, if expressly permitted to do so by the memorandum of association or articles of association of the company, act in a manner which he believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.

15 Indemnification

BVI law in general does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, subject to the conditions set out in the Companies Act (e.g. the officer or director has acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, that officer or director had no reasonable cause to believe that his conduct was unlawful).

16 Liquidation

A company is placed in liquidation either by an order of the court or by a resolution of directors or shareholders. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17 Stamp duty on transfers

No stamp duty is payable in the BVI on transfers of shares of companies incorporated or registered under the Companies Act.

**APPENDIX VI — SUMMARY OF THE CONSTITUTION OF OUR
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18 Taxation

Companies incorporated or registered under the Companies Act are currently exempt from income and corporate tax. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the Companies Act.

19 Exchange control

There are no exchange control regulations or currency restrictions in the BVI.

20 General

Maples and Calder the Company's legal advisers on the BVI law, have sent to the Company a letter of advice summarising aspects of the BVI company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of the BVI company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was incorporated in the BVI under the Companies Act as a limited liability company on 17 September 2007. At the time of incorporation, the name of our Company was “China Bestway Resources Holdings Limited. 中國浩通能源股份有限公司”. The name of our Company was subsequently changed to “China Bestway Resources Holdings Limited 中國浩通能源股份有限公司” and “Winsway Coking Coal Holdings Limited 浩通焦煤股份有限公司” on 28 January 2008 and 29 July 2009, respectively. Our current name was adopted on 30 September 2009. Our Company has established a place of business in Hong Kong at Suite 4602A, Cheung Kong Centre, 2 Queen’s Road Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Hong Kong Companies Ordinance on 6 September 2010, with Mr. Yasuhisa Yamamoto and Mr. Xie Wenzhao appointed as the Hong Kong authorised representatives of our Company on 19 August 2010 jointly and severally for the acceptance of the service of process and any notices on behalf of our Company required to be served on our Company in Hong Kong. As our Company was incorporated in the BVI, its operations are subject to the Companies Act and to its constitution which comprises our Memorandum and Articles of Association. A summary of relevant sections of our Memorandum and Articles of Association and relevant aspects of the Companies Act are set out in Appendix VI to this prospectus.

B. Changes in authorised and issued Shares of our Company

- (1) On 17 September 2007, our Company was incorporated with authorisation to issue a maximum of 50,000 Shares of a single class. On the same date, one Share was issued and allotted to Winsway International Petroleum & Chemicals at a consideration of US\$1.
- (2) On 12 November 2007, Winsway International Petroleum & Chemicals transferred the Share to Sincere Hill for a consideration of US\$1.
- (3) On 31 December 2007, our Company issued and allotted two additional Shares to Sincere Hill for an aggregate consideration of US\$38,182,611.
- (4) On 31 March 2008, our Company issued and allotted one additional Share to Sincere Hill for a consideration of US\$5,200,000.
- (5) On 30 April 2008, our Company issued and allotted one additional Share to Sincere Hill for a consideration of US\$5,800,000.
- (6) On 15 July 2008, our Company increased its maximum number of authorised Shares from 50,000 to 2,000,000,000 Shares.
- (7) On 15 July 2008, our Company issued and allotted 27,752,000 Shares to Ray Splendid for a consideration of US\$1; 300,000,000 Shares to Winsway International Petroleum & Chemicals for a consideration of US\$1; and 1,672,247,995 Shares to Sincere Hill for a consideration of US\$1 respectively.
- (8) On 31 May 2009, Sincere Hill transferred 1,672,248,000 Shares to Winsway Resources Holdings for a consideration of US\$49,182,613.

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- (9) On 26 March 2010, Winsway International Petroleum & Chemicals transferred 37,735,849 Shares to Sparkle Land for consideration of US\$10,000,000; 30,303,030 Shares to Top Dream for consideration of US\$5,000,000; 12,121,212 Shares to Gold Shine for consideration of US\$2,000,000; and 3,636,364 Shares to Unique Grace for consideration of US\$600,000, respectively.
- (10) On 14 April 2010, our Company increased its maximum number of authorised Shares from 2,000,000,000 to 4,000,000,000 Shares and 500,000,000 preference shares of our Company.
- (11) On 18 April 2010, our Company issued and allotted 363,636,364 Preference Shares to Winstar for consideration of US\$60,000,000.
- (12) On 30 April 2010, Winsway International Petroleum & Chemicals transferred 5,000,000 Shares to Champaign for consideration of US\$1,000,000.
- (13) On 30 April 2010, 60,606,060 Shares were issued to Samtop for consideration of US\$10,000,000.
- (14) Assuming that the Global Offering becomes unconditional, immediately upon completion of the Global Offering (but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options granted under the Pre-IPO Option Scheme), 990,000,000 Shares will be issued fully paid or credited as fully paid.
- (15) Other than pursuant to the Global Offering and any Shares to be issued upon the conversion of the Preference Shares and the Convertible Bonds and the issuance of the Peabody Energy Consideration Shares, there is no present intention to issue any part of the authorised but unissued Shares of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (16) Save as aforesaid and as disclosed in the paragraph headed “Written Resolutions passed by our Shareholders”, there has been no alteration in the authorised and issued Shares since the date of its incorporation.

C. Resolutions passed by our Shareholders at a meeting of our Shareholders

On 7 September 2010, resolutions of our Shareholders were passed at a meeting of our Shareholders pursuant to which, amongst other things:

- (1) our Company approved its new Memorandum and Articles of Association and authorised their filing with the Registrar of Companies in the BVI and thereby give effect to the same;
- (2) conditional on: (a) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in the Prospectus (including the Shares to be issued pursuant to the Global Offering and the Shares which may fall to be issued upon the exercise of options granted under the Pre-IPO Option Scheme, the conversion of the Preference Shares and the Convertible Bonds, and the issue of the Peabody Energy Consideration Shares to Peabody Energy, subject only to allotment); (b) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement to be entered into on or

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around the Price Determination Date; and (c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional (including the waiver of any conditions(s) by the Joint Global Coordinators or the Joint Bookrunners on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements:

- (a) the Global Offering (including the grant of the Over-allotment Option) was approved, and our Directors were authorised to allot and issue up to an aggregate of 945,500,000 Shares (subject to the Over-allotment Option) by way of the Hong Kong Public Offering as to 94,550,000 Shares and the International Placing as to the remaining 850,950,000 Shares pursuant to the terms as set out in this prospectus, subject to adjustment; and
- (b) the allotment and issue of (a) 363,636,364 Shares pursuant to the conversion of the Preference Shares; (b) 353,030,554 Shares pursuant to the conversion of the Convertible Bonds; and (c) 19,429,000 Shares (or such number of new Shares at the final Offer Price as shall be equal to US\$10,000,000) to Peabody Energy as the Peabody Energy Consideration Shares, respectively, on or before the Listing, were approved,

and our Directors were authorised to agree to any changes in relation to the above and allot and issue the Shares accordingly;

- (3) the adoption of the rules of the Pre-IPO Option Scheme on 30 June 2010 and the grant of options thereunder were approved, confirmed and ratified, and our Directors were authorised to allot and issue Shares pursuant to the exercise of subscription rights under any such options granted;
- (4) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares, otherwise than pursuant to (i) a rights issue; (ii) the Pre-IPO Option Scheme or any option scheme or similar arrangement for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries or any other person of Shares or rights to acquire Shares; (iii) any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; or (iv) a specific authority granted by our Shareholders in general meeting, such mandate is limited to such number of Shares not exceeding the sum of (i) 20% (or such other percentage as allowed by the Hong Kong Stock Exchange) of the total number of Shares in issue immediately following completion of the Global Offering (excluding Shares which may be issued upon exercise of the options granted under the Pre-IPO Option Scheme); and (ii) the total number of Shares repurchased by our Company under the authority referred to in (5) below provided that such extended amount shall not exceed 10% of the aggregate number of the Shares in issue immediately following completion of the Global Offering (excluding Shares which may be issued upon exercise of the options granted under the Pre-IPO Option Scheme), such mandate to remain in effect until whichever is the earliest of:
 - (a) the conclusion of the next annual general meeting of our Company;

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- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held; or
 - (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate; and
- (5) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose (the “**Repurchase Mandate**”), such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the options granted under the Pre-IPO Option Scheme, such mandate to remain in effect until whichever is the earliest of :
- (a) the conclusion of the next annual general meeting of our Company;
 - (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held; or
 - (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

D. Resolutions passed by our Directors at a meeting of a duly authorised Committee of our Board

On 22 September 2010, resolutions of our Directors were passed at a meeting of a duly authorised committee of the Board, pursuant to which, among other things, the Global Offering should be adjusted so that a total of 990,000,000 Shares will be offered for subscription, by way of a Hong Kong Public Offering of 99,000,000 Shares, subject to adjustment and an International Placing of 891,000,000 Shares, subject to adjustment and the Over-allotment Option.

2. CORPORATE REORGANISATION

For information with regard to our corporate reorganisation, please refer to the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Group Structure” in this prospectus.

3. SUBSIDIARIES

The principal subsidiaries of our Company are listed in the Accountants’ Report set out in Appendix I to this prospectus.

A. Changes in the share capital of subsidiaries of our Company

The following alterations in the share capital of our Company’s subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Reach Goal

On 2 January 2009, Reach Goal was incorporated in the BVI with limited liability as a wholly owned subsidiary of our Company. On 16 April 2009, one share of no par value was issued and allotted to our Company for a consideration of US\$1.

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On 8 September 2009, Reach Goal issued and allotted one additional share to our Company for a consideration of US\$21,770,000.

Color Future

On 16 April 2009, our Company transferred all its shareholding interests in Color Future to Reach Goal for a consideration of US\$21,770,001.

Winsway Coking Coal Holdings (HK)

On 23 October 2009, Winsway Coking Coal Holdings (HK) was incorporated in Hong Kong with limited liability as a wholly owned subsidiary of our Company. On 28 October 2009, 31,312,613 shares of par value of US\$1 each were issued and allotted to our Company for a consideration of US\$31,312,613.

Cheer Top

On 18 November 2009, our Company transferred all its shareholding interests in Cheer Top to Winsway Resources Holdings for a consideration of US\$27,412,612.

On 30 December 2009, Winsway Resources Holdings transferred all its shareholding interests in Cheer Top to Winsway Coking Coal Holdings (HK) for a consideration of US\$27,412,612.

Royce Petrochemicals

On 10 February 2009, Color Future transferred all its shareholding interests in Royce Petrochemicals to Winsway (China) Petrochemicals Logistics Company Limited for a consideration of US\$3,900,001.

On 13 February 2009, Winsway (China) Petrochemicals Logistics Company Limited transferred all its shareholding interests in Royce Petrochemicals to Color Future for a consideration of US\$3,900,001.

On 18 November 2009, Color Future transferred all its shareholding interests in Royce Petrochemicals to Cheer Top for a consideration of US\$3,900,001.

Winsway Logistics

On 22 December 2009, Winsway Logistics was incorporated in Hong Kong with limited liability as a wholly owned subsidiary of our Company. On 23 December 2009, 100,000 shares of par value of US\$1 each were issued and allotted to our Company for a consideration of US\$100,000.

Winsway Australia

On 9 November 2009, Winsway Australia was incorporated in Australia with limited liability and Scott Peter Hay-Bartlem was its sole shareholder. On the same date:

- (i) Scott Peter Hay-Bartlem was issued and allotted one redeemable preference share in consideration of AUD1;
- (ii) Winsway Australia redeemed the one redeemable preference share from Scott Peter Hay-Bartlem; and

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- (iii) Winsway Australia issued and allotted one share to our Company for a consideration of AUD1.

On 5 February 2010, Winsway Australia issued and allotted 223,000 shares to our Company for a consideration of AUD223,000.

On 3 March 2010, Winsway Australia issued and allotted 119,664 shares to our Company for a consideration of AUD119,664.

On 8 April 2010, Winsway Australia issued and allotted 88,000 shares to our Company for a consideration of AUD88,000.

On 21 May 2010, Winsway Australia issued and allotted to our Company additional 62,329 shares for a consideration of AUD62,329.

Winsway Singapore

On 31 December 2009, Winsway Singapore was incorporated in Singapore as a limited private company and is a wholly owned company of Winsway Resources Holdings. On the same date, Winsway Resources Holdings was issued and allotted one share for a consideration of one Singapore Dollar.

On 19 January 2010, Winsway Resources Holdings transferred one share to our Company for a consideration of one Singapore Dollar.

On 2 February 2010, Winsway Singapore issued and allotted 999,999 additional shares to our Company for a consideration of 999,999 Singapore Dollars.

Winsway Mongolian Transportation

On 10 May 2010, Winsway Mongolian Transportation was incorporated in Singapore as a limited liability company. 1 share was issued and allotted to Mr. Wang for a consideration of one Singapore Dollar and 9 shares were issued and allotted to our Company for a consideration of 9 Singapore Dollars.

Winsway Coking Coal Macao

On 2 August 2010, Winsway Coking Coal Macao was incorporated in Macao with limited liability as a wholly owned subsidiary of our Company, with a registered capital of MOP\$100,000 which was to be contributed by our Company.

Beijing Winsway

On 11 August 2009, the registered capital of Beijing Winsway was increased from US\$23,428,193 to US\$34,303,911 with the subscription of the additional equity interest by Chongqing Huize. As a result, the registered capital of Beijing Winsway was owned as to 32% by Chongqing Huize and 68% by Cheer Top.

On 22 October 2009, Chongqing Huize transferred 30% of its equity interest in Beijing Winsway to Cheer Top for a consideration of US\$10,313,922. As a result, Beijing Winsway was owned as to 2% by Chongqing Huize and 98% by Cheer Top.

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On 25 May 2010, Chongqing Huize transferred 2% of its equity interest in Beijing Winsway to Cheer Top for a consideration of US\$686,078. As a result, Beijing Winsway was wholly owned by Cheer Top.

On 20 August 2010, the registered capital of Beijing Winsway was increased from US\$34,303,911 to US\$63,500,000 with the subscription of additional equity interest by Cheer Top.

Inner Mongolia Haotong

On 13 August 2009, the registered capital of Inner Mongolia Haotong was increased from RMB174 million to RMB198.7 million with the subscription of the additional equity interest by Beijing Winsway. As a result, the registered capital of Inner Mongolia Haotong was owned as to 98.64% by Beijing Winsway and 1.36% by Mr. Jia.

On 25 August 2009, the registered capital of Inner Mongolia Haotong was further increased from RMB198.7 million to RMB218.7 million with the subscription of the additional equity interest by Beijing Winsway. As a result, the registered capital of Inner Mongolia Haotong was owned as to 98.77% by Beijing Winsway and 1.23% by Mr. Jia.

On 10 October 2009, the registered capital of Inner Mongolia Haotong was further increased from RMB218.7 million to RMB270 million with the subscription of the additional equity interest by Beijing Winsway. As a result, the registered capital of Inner Mongolia Haotong was owned as to 99% by Beijing Winsway and 1% by Mr. Jia.

On 10 December 2009, the registered capital of Inner Mongolia Haotong was further increased from RMB270 million to RMB350 million with the subscription of the additional equity interest by Beijing Winsway. As a result, the registered capital of Inner Mongolia Haotong was owned as to 99.23% by Beijing Winsway and 0.77% by Mr. Jia.

Yiteng

On 2 December 2009, the registered capital of Yiteng was increased from RMB80 million to RMB160 million with the subscription of the additional equity interest by its sole shareholder Inner Mongolia Haotong.

On 31 December 2009, the registered capital of Yiteng was further increased from RMB160 million to RMB210 million with the subscription of the additional equity interest by its sole shareholder Inner Mongolia Haotong.

Ejinaqi Haotong

On 31 December 2009, the registered capital of Ejinaqi Haotong was increased from RMB10 million to RMB80 million with the subscription of the additional equity interest by Inner Mongolia Haotong by way of (a) RMB37 million in cash; and (b) RMB33 million conversion from shareholder's loan to equity.

Nantong Haotong

On 24 February 2009, Nantong Haotong was established in the PRC jointly by Inner Mongolia Haotong and Mr. Zhu, with a registered capital of RMB50 million. Nantong Haotong was owned as to 90% by Inner Mongolia Haotong and 10% by Mr. Zhu.

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On 25 February 2010, the registered capital of Nantong Haotong was increased from RMB50 million to RMB120 million with the subscription of the additional equity interest by Inner Mongolia Haotong. As a result, Nantong Haotong was owned as to 95.8% by Inner Mongolia Haotong and 4.2% by Mr. Zhu.

On 30 June 2010, Mr. Zhu transferred the 4.2% equity interest in Nantong Haotong to Inner Mongolia Haotong. As a result, Nantong Haotong became a wholly owned subsidiary of Inner Mongolia Haotong.

Baotou Haotong

On 5 January 2009, the registered capital of Baotou Haotong was increased from RMB5 million to RMB10 million with the subscription of the additional equity interest by Inner Mongolia Haotong. As a result, Baotou Haotong was owned as to 99.5% by Inner Mongolia Haotong and 0.5% by Mr. Jia.

On 6 July 2010, Mr. Jia transferred the 0.5% equity interest in Baotou Haotong to Inner Mongolia Haotong. As a result, Baotou Haotong becomes a wholly owned subsidiary of Inner Mongolia Haotong.

Yingkou Haotong

On 16 November 2009, Yingkou Haotong was established in the PRC jointly by Inner Mongolia Haotong and Mr. Huo, with a registered capital of RMB30 million, of which 99% was contributed by Inner Mongolia Haotong and 1% by Mr. Huo.

On 9 June 2010, the registered capital of Yingkou Haotong was increased from RMB30 million to RMB70 million with the subscription of the additional equity interest by Inner Mongolia Haotong and Mr. Huo. The shareholding ratio remained unchanged.

On 12 July 2010, Mr. Huo transferred the 1% equity interest in Yingkou Haotong to Inner Mongolia Haotong. As a result, Yingkou Haotong became a wholly owned subsidiary of Inner Mongolia Haotong.

Baotou Mandula

On 21 January 2010, Baotou Mandula was established in the PRC with a registered capital of RMB1 million as a wholly owned subsidiary of Inner Mongolia Haotong.

On 6 July 2010, the registered capital of Baotou Mandula was increased to RMB10 million.

East Wuzhumuqin Qi Haotong

On 29 July 2008, East Wuzhumuqin Qi Haotong was established in the PRC jointly by Inner Mongolia Haotong and Mr. Jia, with a registered capital of RMB10 million, of which 99% was contributed by Inner Mongolia Haotong and 1% by Mr. Jia.

On 7 July 2010, Mr. Jia transferred the 1% equity interest in East Wuzhumuqin Qi Haotong to Inner Mongolia Haotong. As a result, East Wuzhumuqin Qi Haotong becomes a wholly owned subsidiary of Inner Mongolia Haotong.

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Ulanqab Haotong

On 2 March 2010, Ulanqab Haotong was established in the PRC jointly by Inner Mongolia Haotong and Mr. Jia, with a registered capital of RMB58 million, of which 99% was subscribed by Inner Mongolia Haotong and 1% by Mr. Jia.

On 15 July 2010, Mr. Jia transferred the 1% equity interest in Ulanqab Haotong to Inner Mongolia Haotong. As a result, Ulanqab Haotong became a wholly owned subsidiary of Inner Mongolia Haotong.

Longkou Winsway

On 27 April 2010, Longkou Winsway was established in the PRC jointly by Inner Mongolia Haotong and Mr. Zhu with a registered capital of RMB15 million, of which 99% was contributed by Inner Mongolia Haotong and 1% by Mr. Zhu.

On 12 July 2010, Mr. Zhu transferred the 1% equity interest in Longkou Winsway to Inner Mongolia Haotong. As a result, Longkou Winsway became a wholly owned subsidiary of Inner Mongolia Haotong.

Ejinaqi Winsway

On 30 June 2010, Ejinaqi Winsway was established in the PRC jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million as of which 51% was to be contributed by Inner Mongolia Haotong and 49% was to be contributed by Mongolia Hutie.

Manzhouli Haotong

On 23 December 2009, Manzhouli Haotong was established in the PRC jointly by 浙江誠暉化工有限公司 (Zhejiang Chenghui Chemical Co., Ltd.*) (“**Chenghui Chemical**”) and Mr. Li with a registered capital of RMB10 million, of which 99% was contributed by Chenghui Chemical and 1% by Mr. Li.

On 31 May 2010, Chenghui Chemical transferred its equity interest in Manzhouli Haotong to Inner Mongolia Haotong at a consideration of RMB9.9 million. On the same date, Mr. Li transferred his equity interest in Manzhouli Haotong to Inner Mongolia Haotong at a consideration of RMB0.1 million. As a result, Manzhouli Haotong became wholly owned by Inner Mongolia Haotong.

King Resources

On 2 January 2009, King Resources was incorporated in the BVI as a limited liability company.

On 24 April 2009, 1 share was issued and allotted to Cheer Top at a consideration of US\$1.

Suifenhe Winsway

On 24 December 2009, Suifenhe Winsway was established in the PRC jointly by Chenghui Chemical and Mr. Li with a registered capital of RMB10 million of which 99% was contributed by Chenghui Chemical and 1% by Mr. Li.

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On 31 May 2010, Chenghui Chemical transferred its equity interest in Suifenhe Winsway to Inner Mongolia Haotong at a consideration of RMB9.9 million. On the same date, Mr. Li transferred his equity interest in Suifenhe Winsway to Inner Mongolia Haotong for a consideration of RMB0.1 million. As a result, Suifenhe Winsway became wholly-owned by Inner Mongolia Haotong.

Erlianhaote Haotong

On 25 June 2010, the registered capital of Erlianhaote Haotong was increased from RMB61.5 million to RMB80 million with subscription of the additional equity interest by Royce Petrochemicals. As a result, Erlianhaote Haotong was owned as to 39.2% by Inner Mongolia Haotong and 60.8% by Royce Petrochemicals.

On 30 July 2010, the registered capital of Erlianhaote Haotong was increased from RMB80 million to RMB95.37 million with subscription of the additional equity interest by Inner Mongolia Haotong. After capital increase, Inner Mongolia Haotong transferred its equity interest in Erlianhaote Haotong to Mongolia Hutie at a consideration of RMB46,735,000. As a result, Erlianhaote Haotong was owned as to 49% by Mongolia Hutie and 51% by Royce Petrochemicals.

Erlianhaote Winsway Logistics

On 14 May 2010, Erlianhaote Winsway Logistics was established in the PRC jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was subscribed by Inner Mongolia Haotong and 49% by Mongolia Hutie. Erlianhaote Winsway Logistics is in the process of dissolution.

Bayannao'er Winsway

On 14 July 2010, Bayannao'er Winsway was established in the PRC jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was to be contributed by Inner Mongolia Haotong and 49% by Mongolia Hutie.

Urad Zhongqi Haotong

On 14 July 2010, Urad Zhongqi Haotong was established in the PRC jointly by Inner Mongolia Haotong and Mongolia Hutie with a registered capital of RMB20 million, of which 51% was to be contributed by Inner Mongolia Haotong and 49% by Mongolia Hutie.

Inner Mongolia Hutie Winsway Logistics

On 22 July 2010, Inner Mongolia Hutie Winsway Logistics was established in the PRC jointly by Inner Mongolia Haotong, Mongolia Hutie Investment and Ulanqab Huatong Logistics with a registered capital of RMB30 million, of which 51% was to be contributed by Inner Mongolia Haotong, 35% by Mongolia Hutie Investment and 14% by Ulanqab Huatong Logistics.

Xinjiang Winsway

On 9 August 2010, Xinjiang Winsway was established in the PRC with a registered capital of RMB10 million, as a wholly owned subsidiary of Inner Mongolia Haotong.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

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4. Particulars of the PRC subsidiaries of the Group

The Group has interests in a number of the PRC subsidiaries. Set out below is a summary of the corporate information of these PRC subsidiaries:

- (a) Beijing Winsway
- | | | |
|-----------------------|---|---|
| Date of Establishment | : | 6 November 1995 |
| Nature | : | Limited liability company (wholly foreign owned enterprise) |
| Registered Capital | : | US\$63,500,000 |
| Shareholder | : | Cheer Top |
- (b) Inner Mongolia Haotong
- | | | |
|-----------------------|---|---|
| Date of Establishment | : | 18 November 2005 |
| Nature | : | Joint stock company |
| Registered Capital | : | RMB350,000,000 |
| Shareholders | : | Beijing Winsway (99.23%)
Mr. Jia (0.77%) |
- (c) Yiteng
- | | | |
|-----------------------|---|---------------------------|
| Date of Establishment | : | 7 September 2005 |
| Nature | : | Limited liability company |
| Registered Capital | : | RMB210,000,000 |
| Shareholder | : | Inner Mongolia Haotong |
- (d) Ejinaqi Haotong
- | | | |
|-----------------------|---|---------------------------|
| Date of Establishment | : | 19 May 2008 |
| Nature | : | Limited liability company |
| Registered Capital | : | RMB80,000,000 |
| Shareholder | : | Inner Mongolia Haotong |
- (e) Erlianhaote Haotong
- | | | |
|-----------------------|---|--|
| Date of Establishment | : | 18 January 2007 |
| Nature | : | Limited liability company (Sino-foreign joint venture) |
| Registered Capital | : | RMB95,370,000 |
| Shareholders | : | Mongolia Hutie (49%)
Royce Petrochemicals (51%) |

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- (f) Nantong Haotong
- Date of Establishment : 24 February 2009
- Nature : Limited liability company
- Registered Capital : RMB120,000,000
- Shareholder : Inner Mongolia Haotong
- (g) Baotou Haotong
- Date of Establishment : 18 September 2008
- Nature : Limited liability company
- Registered Capital : RMB10,000,000
- Shareholder : Inner Mongolia Haotong
- (h) Yingkou Haotong
- Date of Establishment : 16 November 2009
- Nature : Limited liability company
- Registered Capital : RMB70,000,000
- Shareholder : Inner Mongolia Haotong
- (i) Baotou Mandula
- Date of Establishment : 21 January 2010
- Nature : Limited liability company
- Registered Capital : RMB10,000,000
- Shareholder : Inner Mongolia Haotong
- (j) East Wuzhumuqin Qi Haotong
- Date of Establishment : 29 July 2008
- Nature : Limited liability company
- Registered Capital : RMB10,000,000
- Shareholder : Inner Mongolia Haotong
- (k) Ulanqab Haotong
- Date of Establishment : 2 March 2010
- Nature : Limited liability company
- Registered Capital : RMB58,000,000
- Shareholder : Inner Mongolia Haotong (100%)

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- (l) Longkou Winsway
- Date of Establishment : 27 April 2010
- Nature : Limited liability company
- Registered Capital : RMB15,000,000
- Shareholder : Inner Mongolia Haotong
- (m) Manzhouli Haotong
- Date of Establishment : 23 December 2009
- Nature : Limited liability company
- Registered Capital : RMB10,000,000
- Shareholder : Inner Mongolia Haotong
- (n) Suifenhe Winsway
- Date of Establishment : 24 December 2009
- Nature : Limited liability company
- Registered Capital : RMB10,000,000
- Shareholder : Inner Mongolia Haotong
- (o) Ejinaqi Winsway
- Date of Establishment : 30 June 2010
- Nature : Limited liability company
- Registered Capital : RMB20,000,000
- Shareholders : Inner Mongolia Haotong (51%)
Mongolia Hutie (49%)
- (p) Bayannao'er Winsway
- Date of Establishment : 14 July 2010
- Nature : Limited Liability Company
- Registered Capital : RMB20,000,000
- Shareholders : Inner Mongolia Haotong (51%)
Mongolia Hutie (49%)
- (q) Urad Zhongqi Haotong
- Date of Establishment : 14 July 2010
- Nature : Limited Liability Company
- Registered Capital : RMB20,000,000
- Shareholders : Inner Mongolia Haotong (51%)
Mongolia Hutie (49%)

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- (r) Inner Mongolia Hutie Winsway Logistics
- Date of Establishment : 22 July 2010
- Nature : Limited Liability Company
- Registered Capital : RMB30,000,000
- Shareholders : Inner Mongolia Haotong (51%)
Mongolia Hutie Investment (35%)
Ulanqab Huatong Logistics (14%)
- (s) Xinjiang Winsway
- Date of Establishment : 9 August 2010
- Nature : Limited Liability Company
- Registered Capital : RMB10,000,000
- Shareholder : Inner Mongolia Haotong
- (t) Erlianhaote Winsway Logistics
- Date of Establishment : 14 May 2010
- Nature : Limited liability company
- Registered Capital : RMB20,000,000
- Shareholders : Inner Mongolia Haotong (51%)
Mongolia Hutie (49%)

5. REPURCHASE BY OUR COMPANY OF ITS OWN SECURITIES

This section includes the information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(A) *Regulations of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarised below :

(1) *Shareholders' approval*

All repurchases of securities (which must be fully paid up in the case of shares) on the Hong Kong Stock Exchange by a company with its primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Pursuant to a resolution passed by our Shareholders on 7 September 2010, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate number of our Shares in issue immediately following completion of the Global Offering.

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(2) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of the BVI.

(3) *Trading restrictions*

Our Company is authorised to repurchase on the Hong Kong Stock Exchange or on any other stock exchange recognised by the SFC and the Hong Kong Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of all Shares in issue immediately following completion of the Global Offering (excluding Shares which may be issued upon exercise of options granted under the Pre-IPO Option Scheme). Our Company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities (except pursuant to the exercise of share options or similar instruments requiring our Company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, our Company is prohibited from making securities repurchases on the Hong Kong Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange, which is currently 25% in the case of our Company. Our Company also shall not purchase its Shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Hong Kong Stock Exchange.

(4) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Hong Kong Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the BVI law and our Articles of Association, our Company's repurchased shares shall be treated as cancelled and the number of our Shares shall be reduced by the aggregate number of the repurchased shares accordingly although the authorised Shares of our Company will not be reduced.

(5) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of our Directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional. In addition, the Hong Kong Stock Exchange may prohibit repurchases of securities on the Hong Kong Stock Exchange if our Company has breached the Listing Rules.

(6) *Reporting requirements*

Repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange in the prescribed form not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a repurchase of shares. In addition, our Company's annual report and accounts are required to disclose details regarding securities repurchases made during the financial year under review, including the number of securities repurchased each month (whether on the Hong Kong Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the aggregate prices paid. The Directors' report is also required to include reference to the purchases made during the year and the Directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide to our Company in a timely fashion the necessary information in relation to the purchase made on behalf of our Company to enable our Company to report to the Hong Kong Stock Exchange.

(7) *Connected parties*

Our Company is prohibited from knowingly purchasing shares on the Hong Kong Stock Exchange from a connected person (as defined under the Listing Rules), and a connected person shall not knowingly sell his shares to our Company on the Hong Kong Stock Exchange.

As at the Latest Practicable Date and to the best of the knowledge of our Directors having made all reasonable enquiries, none of our Directors or their respective associates has a present intention to sell Shares to our Company or our subsidiaries.

(B) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of a total of 3,787,313,494 Shares in issue immediately after completion of the Global Offering, assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share, would result in up to 378,731,349 Shares being repurchased by our Company during the period prior to the earliest of

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association and the applicable laws and regulations of the BVI to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

(C) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(D) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of the BVI. Our Company may not repurchase securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(E) *General*

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on our gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules, the Memorandum and Articles of Association and the applicable laws and regulations of the BVI.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell any Shares to our Company or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

6. FURTHER INFORMATION ABOUT OUR BUSINESS

(A) *Summary of material contracts*

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (1) an equity transfer agreement dated 12 October 2009 entered into between Chongqing Huize and Cheer Top pursuant to which Cheer Top acquired 30% equity interest in Beijing Winsway from Chongqing Huize at a consideration of US\$10,313,922;
- (2) a subscription agreement dated 30 March 2010 entered into among Winstar, Winsway Resources Holdings, Winsway International Petroleum & Chemicals, our Company, and Mr. Wang pursuant to which our Company issued 363,636,364 Preference Shares to Winstar at a consideration of US\$60,000,000;
- (3) a subscription agreement dated 30 March 2010 entered into among Coppermine, Silver Grant, Winsway Resources Holdings, Winsway International Petroleum & Chemicals,

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- our Company, and Mr. Wang pursuant to which each of Coppermine and Silver Grant subscribed for Convertible Bonds in the principal amount of US\$25,000,000 respectively and in aggregate US\$50,000,000;
- (4) a share charge over our Shares dated 20 April 2010 executed by Winsway Resources Holdings (as chargor), Winstar (as chargee) and our Company;
 - (5) a share charge over our Shares dated 20 April 2010 executed by Winsway Resources Holdings (as chargor), Silver Grant (as chargee) and our Company;
 - (6) a share charge over our Shares dated 20 April 2010 executed by Winsway Resources Holdings (as chargor), Coppermine (as chargee) and our Company;
 - (7) a subscription agreement dated 22 April 2010 entered into among ITOCHU, Winsway Resources Holdings, Winsway International Petroleum & Chemicals, our Company, and Mr. Wang pursuant to which ITOCHU subscribed for Convertible Bonds in the principal amount of US\$10,000,000;
 - (8) an equity transfer agreement dated 18 May 2010 entered into between Chongqing Huize and Cheer Top pursuant to which Cheer Top acquired 2% equity interest in Beijing Winsway from Chongqing Huize at a consideration of US\$686,078;
 - (9) an equity transfer agreement dated 20 May 2010 entered into between Chenghui Chemical and Inner Mongolia Haotong pursuant to which Inner Mongolia Haotong acquired 99% equity interest in Suifenhe Winsway from Chenghui Chemical at a consideration of RMB9.9 million;
 - (10) an equity transfer agreement dated 20 May 2010 entered into between Mr. Li and Inner Mongolia Haotong pursuant to which Inner Mongolia Haotong acquired 1% equity interest in Suifenhe Winsway from Mr. Li at a consideration of RMB0.1 million;
 - (11) an equity transfer agreement dated 12 May 2010 entered into between Chenghui Chemical and Inner Mongolia Haotong pursuant to which Chenghui Chemical transferred 99% equity interest in Manzhouli Haotong to Inner Mongolia Haotong at a consideration of RMB9.9 million;
 - (12) an equity transfer agreement dated 12 May 2010 entered into between Mr. Li and Inner Mongolia Haotong pursuant to which Inner Mongolia Haotong acquired 1% equity interest in Manzhouli Haotong from Mr. Li at a consideration of RMB0.1 million;
 - (13) an agreement relating to the sale and purchase of 50% of the issued share capital of Peabody-Winsway JV dated 29 June 2010 entered into between Polo Resources Coöperatief and Lucky Colour pursuant to which Lucky Colour acquired 50% interest in Peabody-Winsway JV at a consideration of US\$35 million;
 - (14) a cooperation and facilitation fee agreement dated 29 June 2010 entered into among our Company, Lucky Colour, Peabody Holland and Peabody Energy pursuant to which Peabody Holland agreed to execute the deed of release and termination entered into among Polo Resources Coöperatief, Peabody-Winsway JV, Peabody Holland, Peabody Energy and Polo Resources dated 29 June 2010 and consented to, and waived any and all rights of pre-emption and other restrictions on transfer and rights of veto in

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respect of the transfer by Polo Resources Coöperatief to Lucky Colour of its 50% interest in Peabody-Winsway JV. Our Company agreed to pay to Peabody Energy a facilitation fee of US\$10 million which is to be satisfied by the issue to Peabody Energy of the Peabody Energy Consideration Shares if the Listing takes place within 12 months from 29 June 2010 or by cash if the Listing does not take place within such 12-month period;

- (15) a share pledge over all the shares held by Lucky Colour in Peabody-Winsway JV dated 16 July 2010 executed by Lucky Colour (as pledgor), Peabody Holland (as pledgee), and Peabody-Winsway JV;
- (16) a joint venture and shareholders agreement dated 29 June 2010 entered into among Peabody Holland, Lucky Colour and Peabody-Winsway JV in relation to Peabody-Winsway JV;
- (17) a deed of guarantee dated 29 June 2010 entered into among our Company (as guarantor), Peabody Holland and Peabody Energy pursuant to which our Company guaranteed full, prompt and complete performance by Lucky Colour and/or its affiliates of all of their respective obligations under or arising out of or in connection with the cooperation and facilitation fee agreement (per (14) above), the share pledge (per (15) above) and the joint venture agreement (per (16) above);
- (18) a deed of guarantee dated 29 June 2010 entered into among Peabody Energy (as guarantor), Lucky Colour and our Company pursuant to which Peabody Energy guaranteed full, prompt and complete performance by Peabody Holland and/or its affiliates of all of their respective obligations under or arising out of or in connection with the cooperation and facilitation fee agreement (per (14) above) and the joint venture agreement (per (16) above);
- (19) an amended and restated strategic alliance agreement dated 1 September 2010 entered into between Color Future and Moveday pursuant to which Color Future or its designated company shall provide Moveday with a loan for the use by Moveday to purchase vehicles for providing coal transportation service in Mongolia exclusively to Color Future or its designated company during a term of 10 years commencing from 21 December 2009;
- (20) a loan agreement dated 10 April 2010 entered into between our Company and Moveday (“**Loan Agreement**”) pursuant to which our Company agreed to lend to Moveday up to US\$40 million which shall be used exclusively by Moveday for vehicle purchase or lease purposes only. The interest rate for such loan shall be LIBOR+3%. Moveday is obliged to pay off the loan in five years starting from 18 months after the receiving of the loan, with US\$8 million per annum and interest payable semi-annually in arrears;
- (21) an equity transfer agreement dated 22 July 2010 entered into between Inner Mongolia Haotong and Mongolia Hutie pursuant to which Inner Mongolia Haotong transferred its equity interest in Erlianhaote Haotong to Mongolia Hutie at a consideration of RMB46,735,000;
- (22) a supplementary deed dated 15 September 2010 between Moveday and Color Future pursuant to which Moveday will pay default interest on any overdue principal and/or interest under the Loan Agreement dated 10 April 2010 between Moveday and Color Future. If Moveday is unable to pay the principal or interest when due, Color Future

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has the right to set off the transportation service fee which Color Future should pay Moveday for the transportation services provided to Color Future against such overdue amounts;

- (23) a supplementary agreement to the agreement related to the sale and purchase of 50% of the issued share capital of Peabody-Polo Resources B.V. (“**JVA**”) dated 16 September 2010 entered into between Polo Resources Coöperatief, Lucky Colour and Polo Australasia Limited pursuant to which Polo Resources Coöperatief, Lucky Colour and Polo Australasia Limited agree to amend the JVA so that our Company shall pay Polo Resources Coöperatief US\$20 million in cash on or before the third business day after the IPO of our Company as settlement of the balance of the consideration payable to Polo Resources Coöperatief;
- (24) the Hong Kong Underwriting Agreement;
- (25) the Non-competition Deed; and
- (26) a deed of indemnity dated 22 September 2010 entered into between our Company and Mr. Wang under which Mr. Wang undertakes to indemnify our Company in respect of certain tax and property-related liabilities for the benefit of our Group as more particularly set out in the paragraph headed “(9) Other information — (A) Indemnities”.

(B) Intellectual Property

Please refer to the section headed “Relationship with Controlling Shareholders and Connected Transactions — Relationship with controlling shareholders — Intellectual property rights” in this prospectus for a discussion of the licensing arrangement of trademarks between our connected persons and our Company and our subsidiaries.

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7. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS, SENIOR MANAGEMENT AND STAFF

(A) *Disclosure of our Directors' interests and short positions in the issued Shares of our Company and its associated corporations*

Immediately following completion of the Global Offering, the beneficial interests or short positions of our Directors and the chief executives in any shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which once the Shares are listed, will be required (a) to be notified to our 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) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein once the Shares are listed; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Hong Kong Stock Exchange, are as follows:

Long position and short position in the shares, underlying shares and debentures of our Company or its associated corporations

<u>Name of Director</u>	<u>Name of corporation</u>	<u>Nature of interest</u>	<u>Aggregate number of Shares or underlying Shares</u>	<u>Approximate percentage of interest in the corporation</u>
Mr. Wang ^{(1), (2)}	Our Company	Personal interest and interest of controlled corporation	1,900,785,545	50.19%
	Winsway Mongolian Transportation	Beneficial owner	1	10%
Zhu Hongchan ^{(1), (4)}	Our Company	Personal interest	10,345,000	0.27%
Cui Yong ^{(1), (3)}	Our Company	Personal interest and interest of controlled corporation	35,982,000	0.95%
Yasuhisa Yamamoto ^{(1), (4)}	Our Company	Personal interest	8,069,000	0.21%
Apolonius Struijk ^{(1), (4)}	Our Company	Personal interest	8,115,000	0.21%

Notes:

- (1) The shareholding percentages are based on a total of 3,787,313,494 Shares in issue immediately following completion of the Global Offering, assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share).
- (2) 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 211,203,545 Shares and 1,672,248,000 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, an option representing 17,334,000 Shares was granted to Mr. Wang pursuant to the Pre-IPO Option Scheme.
- (3) Mr. Cui Yong holds the entire issued share capital of Ray Splendid and is deemed to be interested in the 27,752,000 Shares held by Ray Splendid. In addition, an option representing 8,230,000 Shares was granted to Mr. Cui Yong pursuant to the Pre-IPO Option Scheme.
- (4) Options representing 10,345,000 Shares, 8,069,000 Shares and 8,115,000 Shares were granted to Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto and Mr. Apolonius Struijk respectively pursuant to the Pre-IPO Option Scheme.

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(B) *Persons who have an interest or short position discloseable under Division 2 and 3 of Part XV of the SFO and Substantial Shareholders*

So far as our Directors are aware, the following Shareholders will immediately following the completion of the Global Offering, have an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly, interested in 10% or more of the value of any class of Shares carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long position and short position in the shares and underlying shares of our Company or other members of our Group companies

<u>Name of Shareholder</u>	<u>Name of corporation</u>	<u>Nature of interest</u>	<u>Aggregate number of ordinary shares</u>	<u>Approximate percentage of interest in the corporation</u>
Mr. Wang ^{(1),(2)}	Our Company	Personal interest and interest of controlled corporation	1,900,785,545	50.19%
Winsway Group Holdings ^{(1),(3)}	Our Company	Interest of controlled corporation	1,883,451,545	49.73%
Winsway Petroleum Holdings ^{(1),(4)}	Our Company	Interest of controlled corporation	211,203,545	5.58%
Winsway International Petroleum & Chemicals ⁽¹⁾	Our Company	Beneficial owner	211,203,545	5.58%
Winsway Resources Holdings ⁽¹⁾	Our Company	Beneficial owner	1,672,248,000	44.15%
HOPU USD Master Fund I L.P. ^{(1),(5)}	Our Company	Interest of controlled corporation	363,636,364	9.6%
Winstar Capital Group Limited	Our Company	Beneficial owner	363,636,364	9.6%

Notes:

- (1) The shareholding percentages are based on a total of 3,787,313,494 Shares in issue immediately following completion of the Global Offering, assuming that the Convertible Bonds and the Preference Shares have been fully converted and all the Peabody Energy Consideration Shares have been issued based on the Offer Price of HK\$3.875 per Share (being the mid-point of the indicative range of the Offer Price between HK\$3.25 and HK\$4.50 per Share) and the Over-allotment Options and the Options granted under the Pre-IPO Option Scheme are not exercised.
- (2) Mr. Wang indirectly holds 100% of the entire issued share capital of each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 211,203,545 Shares and 1,672,248,000 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, an option representing 17,334,000 Shares was granted to Mr. Wang pursuant to the Pre-IPO Option Scheme.
- (3) 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 211,203,545 Shares and 1,672,248,000 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.
- (4) Winsway Petroleum Holdings holds the entire issued share capital of Winsway International Petroleum & Chemicals and is deemed to be interested in the 211,203,545 Shares held by Winsway International Petroleum & Chemicals.

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- (5) HOPU USD Master Fund I L.P. holds the entire issued share capital of Winstar Capital Group Limited and is deemed to be interested in the 363,636,364 Shares held by Winstar Capital Group Limited.

Save as disclosed herein but taking no account of any Shares which may be taken up under the Global Offering, our Directors are not aware of any person who will immediately following completion of the Global Offering be directly or indirectly interested in any interest or any long position in the shares or underlying shares of our Company who would fall to be disclosed to our Company under the provision of Division 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the shares then in issue or equity interest in any member of the Group representing 10% or more of the equity interest in such company.

(C) *Particulars of service agreements*

- (i) Each of our executive Directors has entered into a service agreement with our Company. Principal particulars of these agreements, except as indicated, are in all material respects identical and are summarised below:
- (a) each service agreement is of a term of three years commencing on 7 September 2010. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than six months' prior written notice; and
- (b) each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary payable to himself.
- (ii) Each of our non-executive Directors and our independent non-executive Directors has signed a letter of appointment dated 7 September 2010 with our Company under which each of Cui Guiyong, Liu Qingchun and Lu Chuan agreed to act as non-executive Directors and each of James Downing, Ng Yuk Keung, Wang Wenfu and George Jay Hambro agreed to act as independent non-executive Directors for a period of three years unless terminated in accordance with the terms of the appointment letters.
- (iii) Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any other member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(D) *Directors' remuneration*

- (i) RMB2,744,378 was paid to our Directors by the Group as remuneration in respect of the financial year ended 31 December 2009.
- (ii) Approximately RMB13.9 million as remuneration is estimated to be paid to our Directors by the Group in respect of the financial year ending 31 December 2010 pursuant to the present arrangement.
- (iii) Save as disclosed in Appendix I, no Director received any remuneration or benefits in kind from the Group for the financial year ended 31 December 2009.

(E) *Disclaimers*

Save as disclosed herein:

- (1) none of our Directors has any interest and short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required (a) to be notified to our 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) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Hong Kong Stock Exchange once such securities are listed on the Hong Kong Stock Exchange;
- (2) none of our Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix is interested in the promotion of our Company, or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (3) none of our Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (4) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (5) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (6) so far as is known to our Directors, none of our Directors, their respective associates (as defined in the Listing Rules) or Shareholders who are interested in 5% or more of the issued shares of our Company have any interests in the five largest customers or the five largest suppliers of the Group.

8. PRE-IPO OPTION SCHEME

We adopted the Pre-IPO Option Scheme on 30 June 2010, the principal terms of which are summarised below:

Definitions:

- “Adoption Date” 30 June 2010, being the date of adoption of the Pre-IPO Option Scheme
- “Grantee” any Participant (as defined below) who accepts an Offer in accordance with the terms of this Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person
- “Grant Period” From 9:00 a.m. to 6:00 p.m. of the Adoption Date
- “Offer” the offer of the grant of an Option made in accordance with the Pre-IPO Option Scheme
- “Option” a right granted for the subscription of Shares pursuant to the Pre-IPO Option Scheme
- “Option Period” a period of five years commencing from the Adoption Date

(i) Purpose of the Pre-IPO Option Scheme

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

(ii) Eligible Participants

The Board may, at its discretion, invite our Directors or any full-time employees of any member of our Group or our parent company group (“**Participants**”) from time to time to take up the Options.

(iii) Grant of Options

- (a) On and subject to the terms of the Pre-IPO Option Scheme, the Board shall be entitled at any time during the Grant Period to make an Offer to any Participant, as the Board may in its absolute discretion select, to take up an Option pursuant to which such Participant may, during the Option Period (but not before the relevant Vesting Date (as defined below)), subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below). The Offer shall specify the terms on which the Option is to be granted. Such terms may include any minimum period(s) for which an Option must be held and/or any minimum performance target(s) that must be reached, before the Option can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO Option Scheme.

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- (b) An Offer shall be made to a Participant by letter in duplicate in such form as the Board may from time to time determine requiring, among others, the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Pre-IPO Option Scheme and shall remain open for acceptance by the Participant after the expiry of the Grant Period or after the Pre-IPO Option Scheme has been terminated or after the person to whom the Offer is made has ceased to be a Participant, whichever is the earlier.
 - (c) An Offer shall be deemed to have been accepted and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate or a copy of the offer letter comprising acceptance of the Offer duly signed by the Participants with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof, is received by our Company within the period as stipulated in paragraph (b) above. Such remittance shall not be refundable in any circumstances.
 - (d) Notwithstanding the provisions of paragraph (c), an Offer may be communicated verbally on behalf of our Company to a Participant and such Participant may accept the Offer verbally provided the following conditions of this paragraph (d) are satisfied. A letter confirming the terms of the Offer must be sent to the Participant in duplicate in such form as the Board may from time to time determine within 3 business days after such verbal acceptance and a duplicate or copy of the offer letter duly signed by the Participant with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof, is received by our Company within 3 business days after such despatch. An Offer made pursuant to this paragraph (d) shall be deemed to have been made and accepted on the date of the verbal acceptance by the Participant.
 - (e) Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the period and in the manner indicated in paragraphs (b) and (c), it shall be deemed to have been irrevocably declined.
- (iv) **Subscription Price**
- The subscription price for our Shares (“**Subscription Price**”) under the Pre-IPO Option Scheme is HK\$1.677 per Share.
- (v) **Maximum number of Shares**
- (a) The total number of Shares which may be issued upon exercise of all Options to be granted under the Pre-IPO Option Scheme and other share option schemes of our Company shall not exceed 5% of our Shares in issue on a fully diluted basis as at the Adoption Date, assuming conversion of existing

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convertible bonds issued by our Company and convertible preferred shares in the capital of our Company.

- (b) The maximum number of Shares referred to in paragraph(a) shall be adjusted, in such manner as the auditors or the financial advisor of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company by way of, as may be or become applicable, capitalisation of profits or reserves, rights issue, subdivision or consolidation of our Shares or reduction of our Share capital.

(vi) Alteration of Pre-IPO Option Scheme

The Board may amend any of the provisions of the Pre-IPO Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements) at any time save that no changes to the authority of our Directors or administrator of the Pre-IPO Option Scheme in relation to any alteration of the terms of the Pre-IPO Option Scheme shall be made, without the prior approval of our Shareholders in general meeting. Any alteration to the terms and conditions of the Pre-IPO Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Pre-IPO Option Scheme, and provided that if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the terms of the Pre-IPO Option Scheme.

(vii) Exercise of Options

- (a) An Option may, subject to the terms and conditions upon which such Option is granted, be exercised in whole or in part on or after (but not before) the relevant Vesting Date (as defined below) in the manner as set out in paragraph (vii)(b) by the Grantee giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Unless otherwise agreed by our Company, each such notice must be accompanied by a remittance for the aggregate amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 10 business days after receipt of the notice and, where appropriate, receipt of our Auditors' or relevant financial advisor's (retained for such purpose) certificate as referred to in paragraph (x) below, our Company shall allot and issue, and shall instruct our share registrar to issue, the relevant Shares to the Grantee or if the Grantee elects to have our Shares deposited into a CCASS participant's stock account as confirmed in the notice, to HKSCC Nominees Limited credited as fully paid, and in the case such Shares are not to be deposited into a CCASS participant's stock account, issue to the Grantee a share certificate in respect of our Shares so allotted.

- (b) Options granted to a Participant under this scheme will vest every three months over a period of five years commencing from 1 April 2010 (“**Initial Vesting Date**”) in equal portions (5% each) on the first day of each three-month period (a “**Vesting Date**”) after the Initial Vesting Date. Options vested

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may not be exercised until the date falling 12 months after the Initial Vesting Date, but may otherwise be exercised at any time during the Option Period provided that:

- (aa) in the event the Grantee dies before exercising the Option in full and none of the events for termination of employment or engagement under paragraph (ix)(a)(ff) then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death in accordance with the provisions of paragraph (vii)(a) above;
- (bb) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (vii)(b)(dd) below) is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option, whether vested or unvested, to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;
- (cc) if a general offer for Shares by way of scheme of arrangement is made to all our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option, whether vested or unvested, to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company;
- (dd) in the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee (or in the case of the death of the Grantee, his personal representatives(s)) may at any time thereafter (but before such time as shall be notified by our Company), subject to the provisions of all applicable laws, exercise the Option, whether vested or unvested, to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee or HKSCC Nominees Limited (if the Grantee elects to have our Shares deposited into a CCASS participant's stock account) such number of fully paid Shares which fall to be issued on exercise of such Option; and

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- (ee) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (vii)(c)(dd) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a scheme or arrangement and the Grantee may, at any time thereafter but before such time as shall be notified by our Company, exercise the Option, whether vested or unvested, to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee or HKSCC Nominees Limited (if the Grantee elects to have our Shares deposited into a CCASS participant's stock account) such number of fully paid Shares which fall to be issued on exercise of such Option.

(viii) Transfer of Options

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option, except for (1) the transmission of an Option on the death of the Grantee to his personal representative(s) on terms of the Pre-IPO Option Scheme or (2) to any permitted transferee which comprises:

- (a) any trustee, acting in its capacity as such trustee, of any trust of which the Grantee or his spouse, any child or step-child, natural or adopted, under the age of 18 years of such Grantee or of his spouse (together, the “**family interests**”), is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“**trustee-controlled company**”) in the equity capital of which the trustee, acting in its capacity as such trustee, is directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “**trustee interests**”);
- (b) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (c) any company in the equity capital of which he, his family interests, any trustee referred to in (a) above, acting in its capacity as such trustee, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general

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meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.

(ix) Lapse of Option

- (a) An Option shall lapse automatically (to the extent not already exercised) on the earliest of:
- (aa) the expiry of the Option Period;
 - (bb) the date or the expiry of the period for exercising the Option as referred to in paragraph (vii)(b)(aa), (bb), (dd) or (ee);
 - (cc) subject to the scheme of arrangement (referred to in paragraph (vi)(b)(cc)) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph (vii)(b)(cc);
 - (dd) subject to paragraph (vii)(b)(dd), the date of the commencement of the winding-up of our Company;
 - (ee) the date on which the Grantee commits a breach of paragraph (viii); and
 - (ff) the date on which the Grantee ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or on any other ground on which an employer would be entitled to terminate his or her employment summarily.
- (b) The Board shall have the power to decide whether an Option shall lapse and its decision shall be binding and conclusive on all parties.

(x) Effects of alterations to capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, sub-division or consolidation of our Shares or reduction of share capital of otherwise, excluding any alteration in the capital structure of our Company as a result of an issue of Share as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) certified in writing by the financial adviser engaged by our Company to be in their opinion fair and reasonable will be made to the number or normal amount of Shares subject to the Options so far as unexercised and/or the Subscription Price and/or the method of exercise of the Option or any combination thereof, provided that such alterations shall give each Grantee the same proportion of the issued share capital of our Company as that to which he is previously entitled, but so that no such alteration shall be made the effect of which would enable a Share to be issued at less than its nominal value.

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(xi) Cancellation of Options granted

The Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised.

(xii) Termination of the Pre-IPO Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Pre-IPO Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Pre-IPO Option Scheme shall remain in full force and effect.

(xiii) Ranking of Share allotted upon exercise of Options

Our Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of our Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the Grantee shall not have any voting rights, or rights to participate in any dividend or distribution (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to our Shareholders on the register on a date prior to such registration.

(xiv) Alteration of the provisions of the Pre-IPO Option Scheme

The provisions of the Pre-IPO Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to the class of persons eligible for the grant of Options and all such other matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants without the prior approval of our Shareholders in general meeting provided that no such alternation shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Participant as would be required of our Shareholders under the articles of association of our Company for the time being of our Company for a variation of the rights attached to our Shares. Any alterations to the terms and conditions of the Pre-IPO Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Pre-IPO Option Scheme.

(xv) Others

Pursuant to the Pre-IPO Option Scheme, out of our Shares to be issued upon the exercise of all the Options granted under the Pre-IPO Option Scheme, Options representing 52,093,000 Shares were granted to five Directors of our Company, Options representing 42,380,000 Shares were granted to seven senior managers and officers of our Company and Options representing 13,472,000 Shares were granted to other employees and officers of our Group and our parent company group.

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The Pre-IPO Options were granted to the following executive Directors.

<u>Name of grantee</u>	<u>Address</u>	<u>Position</u>	<u>Years with our Group</u>	<u>No. of Shares subject to the Option</u>
Wang Xingchun	67A Tras Street Singapore 079006	Chairman of the Board, CEO	21	17,334,000
Zhu Hongchan	Room 601, Unit 1, No. 10 Yayunxinxinjiayuan Chaoyang District Beijing, PRC	Executive Director, Vice President	15	10,345,000
Cui Yong	No. 10 Hongdazhonglu Business Development Area, Beijing 100176 PRC	Executive Director	10	8,230,000
Yasuhisa Yamamoto	Flat B, 75/F, Block 2, The Arch 1 Austin Road West, Kowloon, Hong Kong	Executive Director, Vice President	3	8,069,000
Apolonius Struijk	Shangri-La Apartments & Residences Apartment number 215 1 Anderson Road Singapore 259983	Executive Director, Vice President	5	8,115,000
			Sub-total:	<u>52,093,000</u>

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The Pre-IPO Options were granted to the following senior managers and officers of our Company:

<u>Name of Grantee</u>	<u>Address</u>	<u>Position</u>	<u>Year of Joining our Group/Winsway Group</u>	<u>No. of Shares subject to the Option</u>
Zhu Qingrang	Room 14, BLDG 10, No. 12 Wenhua Gongjie Huimin District Hohhot Inner Mongolia PRC	Executive Vice President	2007	8,069,000
Ma Li	Unit 2, Block 2, No 18 Linbeilu Haidian District Beijing PRC	Vice President	1998	8,276,000
Di Jingmin	Lize 8-3-101, No. 19 Xinwaidajie Haidian District Beijing PRC	Vice President	1995	8,299,000
Wang Yaxu	14-6-903, Chongwenmendongdajie Chongwen District Beijing PRC	Chief Accountant	1995	8,345,000
Xu Changmao	218-202 Wangjingxiqu 2# Chaoyang District Beijing PRC	Vice President	1994	3,368,000
Cao Xinyi	Room 701 Unit 5 Block 6 Fangcaodixijie Chaoyang District Beijing PRC	Secretary to the Board	2009	3,023,000
Xie Wenzhao	Room G, 20/F., Block 6, Tierra Verde, Tsing Yi, New Territories, Hong Kong	Chief Financial Officer	2010	3,000,000
			Sub-total:	<u><u>42,380,000</u></u>

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The Pre-IPO Options were granted to the following other employees and officers of our Group and our parent company group:

<u>Name of Grantee</u>	<u>Address</u>	<u>Position</u>	<u>No. of Shares subject to the Option</u>
Li Jianlou (李建樓)	1-4-1102 Zuoanyiyuan Chongwen District Beijing	Deputy General Manager of Inner Mongolia Haotong	914,000
Jia Lijun (賈利俊)	277-102 Zhonghai Andrews Society 118 Gaobeidianlu Chaoyang District Beijing	Deputy General Manager of Inner Mongolia Haotong	707,000
Li Ming (李明)	15-1-501 Zhujiangdijing 28 Guangqulu Chaoyang District Beijing	Deputy General Manager of Inner Mongolia Haotong	336,250
Zhu Jinzhu (朱金珠)	10-2-201 Yipinyizhuang Tianhuabeijie Business Development Area, Beijing	Deputy General Manager of Inner Mongolia Haotong	284,500
Yang Enhe (楊恩和)	Room 19A Block 2 Site 3, Shijicheng Yuandalu Haidian District Beijing	Deputy General Manager of Inner Mongolia Haotong	273,000
Shi Pei Jing (史佩婧)	Room A Block 16, Yichengge, Siena Two, Discovery Bay, Lantau Island, Hong Kong	Financial Officer of Winsway Coking Goal Holdings (HK)	250,000
Ma Jianxun (馬建勳)	3-3-302 Sanxingzhuangyuan Fengtai District Beijing	Deputy General Manager of Inner Mongolia Haotong	273,000
Cheong Im Chan (張艷珍)	Avenida do Coronel Mesquita, Ka We Kok, no. 11, 23-And-D, Macau	Financial Officer of Winsway Macao	278,750
Cai Dong (蔡冬)	281-3-2 Fuwaibeijie Xicheng District Beijing	Investor relations personnel of the Company	296,000
Ma Liang (馬亮)	8-1-918 No. 178 Beiyuanlu Chaoyang District Beijing	Senior employee	313,250
Shao Xudong (邵旭東)	Room 801 Block 64 Balizhuang Xi Li Chaoyang District Beijing	Senior employee	313,250

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<u>Name of Grantee</u>	<u>Address</u>	<u>Position</u>	<u>No. of Shares subject to the Option</u>
Liu Wei (劉偉)	6-2-1203 Bailingjiayuan, Jia 6 Gaobeidianbeilu Chaoyang District Beijing	Senior employee	301,750
Sun Wei (孫威)	Room 22F Block 7 Diecuihuating No 305, Guang'anmenwaidajie Xicheng District Beijing	Senior employee	284,500
Wu Kuai Cheong (胡季祥)	No. 63 Rua de S. Joao Bosco, Edf. "Hoi Fu" Garden, 14/F, 'D', Macau	Senior employee	370,750
Chen Zhi (陳智)	5-5-1202 Xinghewan, Chaoyangbeilu Chaoyang District Beijing	Senior employee	8,276,000
			Sub-total: 13,472,000
			Total: <u>107,945,000</u>

Assuming that all Pre-IPO Options had been exercised in full on 1 January 2010 and 107,945,000 Shares to be in issue immediately after the Global Offering had been in issue throughout the year ended 31 December 2010, the pro forma earnings per Share for the year ended 31 December 2010 would be further diluted from approximately RMB0.202 to approximately RMB0.196. The calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any Pre-IPO Option, and without taking into account the impact of fair value of our Shares on computation of the number of potentially dilutive Shares and the impact of the fair value of the Pre-IPO Options on the profit for the year ended 31 December 2010.

9. OTHER INFORMATION

(A) Indemnities

Mr. Wang (the “**Indemnifier**”) has entered into a deed of indemnity in favour of our Company (being a material contract referred to in the paragraph headed “Summary of material contracts of this Appendix) to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries and certain associated companies).

Under the deed of indemnity, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss arising from any fines, penalties or other administrative liabilities which may be imposed or levied by the PRC government authorities on our Group resulting from its failure to comply with the applicable law and regulations of the PRC in relation to the land planning, construction, completion of construction and title of certain real properties.

The Indemnifier will not be liable in respect of any loss mentioned above: (i) to the extent that specific provision or reserve has been made in our audited combined financial statements as set out in the Accountants' Report in Appendix I to this prospectus; (ii) to the extent such loss would not have arisen but for any act or omission of, or delay by, our Company or any member of our Group after the Listing Date; and (iii) to the extent such loss arises or is incurred only as a result of a retrospective

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change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

In addition, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss or liability or diminution in value of asset suffered by our Company or any member of our Group as a result of or in connection with any tax liability in any jurisdiction arising: (i) in respect of or in consequence of any act, omission or event which occurred or is deemed to occur on or before the Listing Date; (ii) from any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date; or (iii) as a result of our Company or any member of our Group receiving or being entitled to receive any payment under the deed of indemnity, whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person.

The Indemnifier will not be liable in respect of any taxation liability: (i) to the extent that specific provision or reserve has been made for such taxation liability in our audited combined financial statements as set out in the Accountants' Report in Appendix I to this prospectus; (ii) to the extent such taxation liability would not have arisen but for any act or omission by our Company after the Listing Date; or (iii) to the extent such taxation liability arises or is incurred only as a result of a retrospective change in law or regulations, a retrospective increase in tax rates or a retrospective change in administrative interpretation of law or regulations, coming into force after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the BVI or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

(B) Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of the Group.

(C) Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue, Shares issued upon conversion of the Preference Shares and Convertible Bonds, the Peabody Energy Consideration Shares, Shares to be issued pursuant to the Global Offering and Shares to be issued as mentioned herein (including any Shares to be issued pursuant to the exercise of any options granted under the Pre-IPO Option Scheme.)

(D) Compliance Adviser

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any estimate, or other information in this prospectus; and

APPENDIX VII — STATUTORY AND GENERAL INFORMATION

- (d) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

(E) Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$13,000 and have been paid by us.

(F) Promoter

Our Company has no promoter.

(G) Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus :-

<u>Name</u>	<u>Qualification</u>
Deutsche Bank AG, Hong Kong Branch	Registered for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Goldman Sachs (Asia) L.L.C.	Deemed licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO
KPMG	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Professional surveyors and valuer
King & Wood PRC Lawyers	PRC legal advisers
Maples and Calder	BVI legal advisers
AME Mineral Economics (Hong Kong) Limited	Industry Consultant

(H) Consents of experts

Each of Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., KPMG, Jones Lang LaSalle Sallmanns Limited, King & Wood PRC Lawyers, Maples and Calder and AME Mineral Economics (Hong Kong) Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

APPENDIX VII — STATUTORY AND GENERAL INFORMATION

(I) Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance insofar as applicable.

(J) Related party transactions

Our Group entered into the connected transactions and related party transactions within the two years immediately preceding the date of this prospectus as mentioned in the section headed “Relationship with Controlling Shareholders and Connected Transactions” in this prospectus and in note 28 of the Accountant’s Report set out in Appendix I in this prospectus.

(K) No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 30 June 2010.

(L) Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are as follows:

- | | | |
|-----------------------------|---|--|
| (1) Name | : | Winsway Resources Holdings Limited |
| Description | : | a company incorporated under the laws of the British Virgin Islands with limited liability |
| Registered Address | : | Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, the British Virgin Islands |
| Number of Shares to be sold | : | 97,567,327 Sale Shares |
| (2) Name | : | Winsway International Petroleum & Chemicals Limited |
| Description | : | a company incorporated under the laws of the BVI with limited liability |
| Registered Address | : | Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, the British Virgin Islands |
| Number of Shares to be sold | : | 12,322,673 Sale Shares |
| (3) Name | : | Winstar Capital Group Limited |
| Description | : | a company incorporated under the laws of the British Virgin Islands with limited liability |
| Registered Address | : | Horizon Chambers, P.O. Box 4622, Road Town, Tortola, the British Virgin Islands |
| Number of Shares to be sold | : | 20,790,000 Sale Shares |

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- (4) Name : Coppermine Resources Limited
- Description : a company incorporated under the laws of the British Virgin Islands with limited liability
- Registered Address : P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands
- Number of Shares to be sold : 8,910,000 Sale Shares
- (5) Name : Silver Grant International Industries Ltd.
- Description : a limited company incorporated under the laws of Hong Kong with and listed on the Hong Kong Stock Exchange
- Principal place of business : Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
- Number of Shares to be sold : 8,910,000 Sale Shares

(M) Dividend

Our Directors confirm that they are not aware of any arrangements in existence under which future dividends of our Company are to be waived or agreed to be waived.

(N) Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

(O) Miscellaneous

- (1) Save as disclosed in this prospectus:
- (a) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (d) within the two years preceding the date of this prospectus, no commissions (except commissions to sub-underwriters), discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or debentures of our Company or any of its subsidiaries.

APPENDIX VII — STATUTORY AND GENERAL INFORMATION

- (2) None of Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., KPMG, Jones Lang LaSalle Sallmanns Limited, King & Wood PRC Lawyers, Maples and Calder and AME Mineral Economics (Hong Kong) Limited:
 - (a) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (3) Save as disclosed in this prospectus, none of the equity or debt securities of the companies within our Group is presently listed or dealt with on any stock exchange or traded on any trading system nor is any listing or permission to deal being or prepared to be sought.
- (4) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

**APPENDIX VIII — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the subsection headed “Consents of experts” under the section headed “Statutory and General Information” in Appendix VII to this prospectus and copies of the material contracts referred to in the subsection headed “Summary of material contracts” under the section headed “Statutory and General Information” in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Richards Butler in association with Reed Smith LLP at 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Companies Act;
- (c) the accountants’ report of our Group prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (d) the report on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit forecast, the text of which are set out in Appendix III to this prospectus;
- (f) the property valuation report prepared by Jones Lang LaSalle Sallmanns Limited, the text of which are set out in Appendix IV to this prospectus;
- (g) the letter prepared by Maples and Calder summarising certain aspects of the BVI company law as referred to in Appendix VI to this prospectus;
- (h) the material contracts referred to in the subsection headed “6. Further Information about our Business — (A) Summary of material contracts” under the section headed “Statutory and General Information” as set out in Appendix VII of this prospectus;
- (i) the service contracts referred to in the subsection headed “7. Further Information about our Directors, Substantial Shareholders, Senior Management and Staff — (C) Particulars of service agreements” under the section headed “Statutory and General Information” as set out in Appendix VII of this prospectus;
- (j) the rules of the Pre-IPO Option Scheme;
- (k) the written consents referred to in the subsection headed “Consents of experts” under the section headed “Statutory and General Information” as set out in Appendix VII of this prospectus;

**APPENDIX VIII — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR INSPECTION**

- (l) the PRC legal opinions dated 27 September 2010 and issued by King & Wood PRC Lawyers, the PRC legal adviser to our Company in respect of certain aspects of our Group and our property interests, and certain taxation matters of our Group;
- (m) the AME Report;
- (n) the full list of all the grantees of the Pre-IPO Option Scheme, containing all the details in respect of the options required under paragraph 10 of the Third Schedule of the Companies Ordinance and paragraph 27 of Part A of Appendix 1 to the Listing Rules; and
- (o) a statement of particulars of the Selling Shareholders.



WINSWAY[®]

WINSWAY COKING COAL HOLDINGS LIMITED

永暉焦煤股份有限公司