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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

FINANCIAL HIGHLIGHTS

- Turnover of the Group in the first half of 2012 was HK\$6,614 million.
- Loss for the six months ended 30 June 2012 was HK\$544 million. Loss attributable to equity shareholders of the Company amounted to HK\$468 million.
- Diluted loss per share was HK\$0.124.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

FINANCIAL OVERVIEW

In the first half of 2012, our revenue was HK\$6,614 million with total sales of 3.42 million tonnes of Mongolian coal, 1.83 million tonnes of seaborne coal, and 0.52 million tonnes of self produced coal. This year's revenue also includes the consolidation of GCC's revenue for the four months ended 30 June 2012.

Due to the weakening demand of coking coal and the renegotiation of supply contracts with steel mills, Winsway's standalone revenue without factoring in GCC was HK\$5,968 million for the first half of 2012. In total, we suffered a net loss of HK\$544 million for the six months ended 30 June 2012 compared to a net profit of HK\$811 million for the six months ended 30 June 2011. However, loss net of minority interests of the Group was HK\$468 million. Major contributing factors include one-off inventory provision of HK\$100 million, high-yield senior notes' interest expenses of roughly HK\$168 million, GCC acquisition financing interest expenses of roughly HK\$71 million, and HK\$ 62 million one-off acquisition-related expenses.

In response to market uncertainties, the Group adopted the strategy of inventory reduction to improve our cash balance and fend off risks brought by potential further deterioration of the market. The aggregate sales including GCC for the first half of the year reached 5.77 million tonnes, representing a year-on-year 8.66% increase. Excluding GCC, Winsway's standalone inventory level dropped from approximately 4.6 million tonnes at the beginning of the year to approximately 3.0 million tonnes at the end of the period. Our current inventories are mainly comprised of Mongolian coal which bears a lower weighted average cost than seaborne coal. This resulted in a positive cash flow of approximately HK\$1 billion in our operating activities. Upon paying the consideration for the acquisition of GCC, total cash of the Group amounted to HK\$2.34 billion as at the end of the current period.

The board (the "Board") of directors ("Directors") of Winsway Coking Coal Holdings Limited (the "Company" or "Winsway") presents the unaudited consolidated interim results of the Company and its subsidiaries (the "Group", "we" or "us") for the six months ended 30 June 2012 together with comparative figures for the same period in 2011.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2012	2011
	Note	\$'000	\$'000
Turnover	4	6,614,478	6,704,643
Cost of sales		<u>(6,521,921)</u>	<u>(5,286,271)</u>
Gross profit		92,557	1,418,372
Other revenue		22,246	29,462
Distribution costs		(166,762)	(101,398)
Administrative expenses		(326,474)	(212,696)
Other operating expenses, net		<u>(9,947)</u>	<u>(1,118)</u>
(Loss)/profit from operating activities		<u>(388,380)</u>	<u>1,132,622</u>
Finance income		144,636	123,327
Finance costs		<u>(416,887)</u>	<u>(183,902)</u>
Net finance costs		<u>(272,251)</u>	<u>(60,575)</u>
Share of losses of a jointly controlled entity		<u>(23,311)</u>	<u>(15,542)</u>
(Loss)/profit before taxation		(683,942)	1,056,505
Income tax	5	<u>139,551</u>	<u>(245,128)</u>
(Loss)/profit for the period		<u>(544,391)</u>	<u>811,377</u>
Attributable to:			
Equity shareholders of the Company		(467,753)	814,182
Non-controlling interests		<u>(76,638)</u>	<u>(2,805)</u>
(Loss)/profit for the period		<u>(544,391)</u>	<u>811,377</u>
(Loss)/earnings per share (HK\$)	6		
— Basic		(0.124)	0.215
— Diluted		<u>(0.124)</u>	<u>0.212</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(Loss)/profit for the period	(544,391)	811,377
Other comprehensive income for the period:		
Exchange differences arising on translation (net of income tax)	<u>15,608</u>	<u>42,615</u>
Total comprehensive income for the period	<u>(528,783)</u>	<u>853,992</u>
Attributable to:		
Equity shareholders of the Company	(467,416)	855,235
Non-controlling interests	<u>(61,367)</u>	<u>(1,243)</u>
Total comprehensive income for the period	<u>(528,783)</u>	<u>853,992</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012 - unaudited

(Expressed in Hong Kong dollars)

		At 30 June 2012 \$'000	At 31 December 2011 \$'000
	Note		
Non-current assets			
Property, plant and equipment, net		3,785,397	1,292,504
Construction in progress		363,977	335,326
Lease prepayments		440,937	361,342
Intangible assets		6,828,194	2,518
Goodwill	8	459,973	—
Interest in a jointly controlled entity		336,071	359,915
Other investments in equity securities		393,620	395,186
Other non-current assets		295,257	1,100,908
Deferred tax assets		241,894	77,194
Total non-current assets		13,145,320	3,924,893
Current assets			
Inventories		3,155,681	3,935,871
Trade and other receivables	9	3,753,056	3,807,561
Assets held for sale	7	23,185	—
Trading securities		—	3,183
Restricted bank deposits		1,534,188	1,590,504
Cash and cash equivalents		2,339,978	3,137,752
Total current assets		10,806,088	12,474,871
Current liabilities			
Secured bank loans		2,191,997	660,925
Trade and other payables	10	4,564,863	4,316,503
Finance lease obligations		121,867	—
Income tax payable		80,470	171,988
Liabilities held for sale	7	63	—
Total current liabilities		6,959,260	5,149,416

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
<i>Note</i>		
Net current assets	3,846,828	7,325,455
Total assets less current liabilities	16,992,148	11,250,348
Non-current liabilities		
Secured bank loans	2,279,986	65,376
Senior notes	3,515,506	3,797,772
Deferred income	159,621	114,079
Finance lease obligations	362,890	—
Deferred tax liabilities	1,120,505	—
Provisions	205,134	—
Total non-current liabilities	7,643,642	3,977,227
NET ASSETS	9,348,506	7,273,121
CAPITAL AND RESERVES		
Share capital	4,992,337	4,992,291
Reserves	1,725,769	2,238,644
Total equity attributable to equity shareholders of the Company	6,718,106	7,230,935
Non-controlling interests	2,630,400	42,186
TOTAL EQUITY	9,348,506	7,273,121

Notes:

(in Hong Kong dollars, unless specified otherwise)

1 CORPORATE INFORMATION AND GROUP REORGANISATION

Winsway Coking Coal Holdings Limited (“the Company”) was incorporated in the British Virgin Islands (“BVI”) on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the processing and trading of coking coal and related products, development of coal mills and production of coking coal, rendering of logistics services and investment holding in a jointly controlled entity developing coal mines. The consolidated financial statements of the Company for the six months ended 30 June 2012 comprise the Company and its subsidiaries.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued certain amendments to the International Financial Reporting Standards (“IFRSs”) that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to IFRS 7, Financial instruments: Disclosures - Transfers of financial assets, is relevant to the Group’s financial statements. The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 TURNOVER

The Group is principally engaged in the processing and trading of coking coal and related products, the sale and production of coking coal from coal mills operated by the Group, and the rendering of logistics services. Turnover represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts, and revenue from rendering of logistics services. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Coking coal	6,271,902	5,921,148
Thermal coal	81,992	—
Coke	26,536	379,816
Coal related products	207,232	386,695
Rendering of logistics services	21,751	—
Others	5,065	16,984
	<u>6,614,478</u>	<u>6,704,643</u>

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Current tax - Hong Kong Profits Tax		
Provision for the period	—	—
Current tax - Outside of Hong Kong		
Provision for the period	30,070	242,059
Deferred tax		
Origination and reversal of temporary differences	(169,621)	3,069
	<u>(139,551)</u>	<u>245,128</u>

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

The provision for PRC current income tax is based on a statutory rate of 25% (2011: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the loss attributable to equity shareholders of the Company of HK\$467,753,000 (six months ended 30 June 2011: profit of HK\$814,182,000) and the weighted average of 3,773,199,000 ordinary shares (six months ended 30 June 2011: 3,789,488,575 shares) in issue during the six months ended 30 June 2012.

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 2012, basic and diluted loss per share are the same as the effect of the potential ordinary shares outstanding is anti-dilutive. For the six months ended 30 June 2011, the diluted earnings per share was based on the profit attributable to equity shareholders of the Company of HK\$814,182,000 and the weighted average of 3,837,920,399 shares in issue during the six months ended 30 June 2011.

7 DISPOSAL GROUP HELD FOR SALE

Certain assets together with relevant liabilities of the Group within the processing and trading of coking coal and related products segment are presented as a disposal group held for sale following the commitment of the Group's management in June 2012 to a plan to sell the disposal group to a third party. Efforts to sell the disposal group have commenced, and a sale is expected to happen in the second half of 2012.

As at 30 June 2012, the disposal group comprised assets of HK\$23,185,000 less liabilities of HK\$63,000 detailed as follows:

	<i>\$'000</i>
Property, plant and equipment	316
Construction in progress	1,981
Lease prepayment	20,888
Trade and other payables	<u>(63)</u>
	<u>23,122</u>

No impairment loss on the carrying amount of the disposal group has been recognised in the consolidated income statement as the fair value less costs to sell is higher than the carrying amount.

There is no cumulative income or expenses recognised in other comprehensive income relating to the disposal group.

8 ACQUISITION OF A SUBSIDIARY

On 1 March 2012, the Group obtained control of Grande Cache Coal Corporation (“GCC”), by acquiring the entire issued share capital of GCC for Canadian dollars (“CA\$”) 10 per share in cash through a joint venture in which the Group and Marubeni Corporation holds 60% and 40% equity interests respectively.

The acquisition of GCC in partnership with Marubeni is the first major step in the vertical integration of the Group, securing high-quality coal reserves with low ash content and volatility. The acquisition also complements the core business of Winsway as an integrated coking coal supplier.

For the four months from 1 March 2012 to 30 June 2012, GCC contributed turnover of HK\$740,675,000 and a loss of HK\$157,171,000 to the Group’s results. Management estimates that if the acquisition had occurred on 1 January 2012, then consolidated turnover would have been HK\$7,052,056,000 and consolidated loss for the period would have been HK\$565,189,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

(a) Consideration transferred

The total consideration of the acquisition of GCC of HK\$7,703,694,000 was satisfied in cash. The consideration was settled by the Group’s cash at bank and in hand of HK\$2,985,554,000, a bank loan of US\$350,000,000 (equivalent to HK\$2,727,771,000) and cash from Marubeni Corporation as contribution from non-controlling interest of HK\$1,990,369,000.

(b) Identifiable assets acquired and liabilities assumed

The following summarises the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	Fair value \$'000
Property, plant and equipment	2,451,378
Construction in progress	19,588
Intangible assets	6,826,461
Inventories	347,905
Trade and other receivables	168,220
Restricted bank deposits	157,233
Cash and cash equivalents	171,287
Trade and other payables	(655,044)
Finance lease obligations	(522,038)
Provisions	(158,875)
Deferred tax liabilities	(1,118,787)
Total net identifiable assets	7,687,328

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date was determined by the Directors with reference to a valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

(c) Goodwill

Goodwill at the acquisition date arising from the acquisition has been recognised as follows:

	\$'000
Total consideration transferred from the Group for the acquisition of GCC	5,713,325
Non-controlling interest which is measured at proportionate interests of identifiable assets and liabilities of GCC	2,431,337
Fair value of net identifiable assets	(7,687,328)
Goodwill	457,334

The goodwill is attributable mainly to the synergies expected to be achieved from integrating GCC into the Group's existing coal business and the skills and technical talent of GCC's work force. None of the goodwill recognised is expected to be deductible for tax purposes.

(d) Acquisition-related costs

The Group incurred acquisition-related costs of HK\$62,042,000 relating to external legal fees and due diligence costs. These amounts have been included in Administrative expenses in the consolidated income statement.

(e) Analysis of net cash outflow of the acquisition of GCC

	<i>\$'000</i>
Cash consideration from the Group	5,713,325
Cash from Marubeni Corporation as contribution from non-controlling interest	1,990,369
Less: acquisition deposits paid by the Group in prior year	(779,231)
Less: cash and cash equivalents acquired	<u>(171,287)</u>
Net cash outflow	<u><u>6,753,176</u></u>

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade receivables	1,154,528	1,266,483
Bills receivable	707,138	772,877
Receivables from import agents	981,499	1,017,350
Amounts due from related parties	736	740
Prepayments to suppliers*	430,961	400,019
Loan to a third party company*	62,058	62,152
Deposits and other receivables	<u>416,136</u>	<u>287,940</u>
	<u><u>3,753,056</u></u>	<u><u>3,807,561</u></u>

- * In 2009, the Company agreed to provide a loan to Moveday Enterprises Limited (“Moveday”) to purchase additional vehicles to meet with the increasing volume of coal procured by the Group in Mongolia, and Moveday has agreed to use the trucks purchased through financing provided by the Company for the provision of transportation services to the Group during the term of the agreement. Pursuant to a loan agreement entered into on 10 April 2010 (as amended by a supplemental deed on 15 September 2010) and the strategic alliance agreement, the Company agreed to lend Moveday up to US\$40 million solely for the purpose of purchasing vehicles for transporting coal purchased by the Group in Mongolia. The loan to Moveday was provided on an unsecured basis, at an interest rate of LIBOR plus 3% and repayable over five years in equal annual installments of US\$8 million, commencing from 18 months after the receipt of the loan (being 31 December 2012) by Moveday, with interest payable semi-annually in arrears. The entire loan amount was fully drawn down in 2010. As Moveday is a third party and the loan to Moveday is an unsecured loan, the Group does not have an interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended).

The Group and Moveday entered into agreements that Moveday purchases coking coal from Mongolian coking coal suppliers at mine mouth and sells such coking coal entirely to the Group at the PRC border at a price on a delivered at place (DAP) basis. Accordingly, during the six months ended 30 June 2012, the Group has purchased coking coal of HK\$314 million (six months ended 30 June 2011: HK\$898 million) from Moveday. In addition to the above, the Group incurred transportation expenses of HK\$193 million (six months ended 30 June 2011: HK\$170 million) for coking coal transportation services provided by Moveday during the six months ended 30 June 2012. As at 30 June 2012, as included in prepayments to suppliers, the Group made a prepayment of HK\$56 million (31 December 2011: HK\$127 million) to Moveday in respect of its purchase of coking coal from the coking coal supplier for the Group.

All of the trade and other receivables are expected to be recovered or recognised as expenses 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 issue.

At 30 June 2012, trade and bills receivables of the Group of HK\$950,877,000 (31 December 2011: HK\$569,459,000) were pledged as collateral for the Group’s borrowings.

At 30 June 2012, trade and bills receivables of the Group of HK\$4,268,444,000 (31 December 2011: HK\$2,312,236,000) were derecognised from the consolidated statement of financial position as the relevant trade receivables and bills have been discounted to banks on a non-recourse basis.

(a) Ageing analysis

Included in trade receivables, bills receivable and receivables from import agents are trade debtors with the ageing analysis as follows:

	At 30 June	At 31 December
	2012	2011
	\$'000	\$'000
Current	2,598,511	3,004,698
Less than 3 months past due	235,017	37,877
More than 3 months but		
less than 12 months past due	7,854	14,135
More than 12 months past due	1,783	—
	<u>2,843,165</u>	<u>3,056,710</u>

(b) Impairment of trade and other receivables

No allowance of impairment loss was recorded in respect of trade and other receivables for the six months ended 30 June 2012.

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.

10 TRADE AND OTHER PAYABLES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade and bills payables	2,750,546	2,415,681
Payables to import agents	983,098	1,042,578
Advance payments from customers	333,086	378,983
Amounts due to related parties	9,422	—
Payables in connection with construction projects	165,752	202,980
Payables for purchase of equipment	58,209	54,631
Derivative financial instruments	—	9,187
Others	264,750	212,463
	<u>4,564,863</u>	<u>4,316,503</u>

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 30 June 2012 \$'000	At 31 December 2011 \$'000
Due within 1 month or on demand	1,728,303	1,275,509
Due after 1 month but within 3 months	823,402	841,620
Due after 3 months but within 6 months	1,181,939	903,597
Due after 6 months but within 12 months (i)	<u>—</u>	<u>437,533</u>
	<u>3,733,644</u>	<u>3,458,259</u>

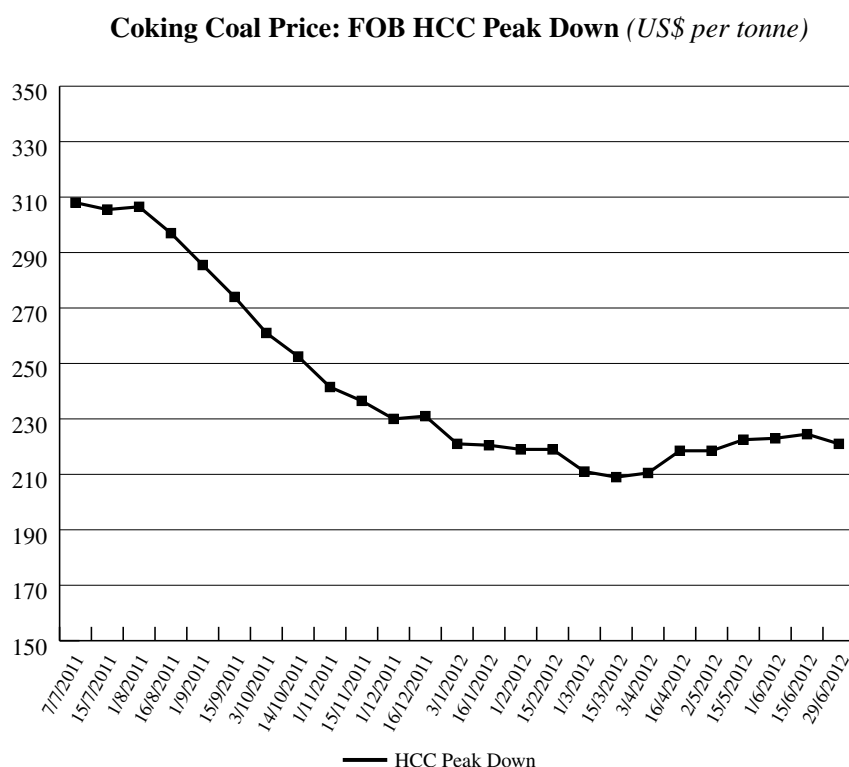
- (i) The balance at 31 December 2011 mainly represented payables in respect of letters of credit issued by the Group's PRC subsidiaries to overseas suppliers for purchase of coal with a maturity of 6 to 12 months.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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

I. EXECUTIVE OVERVIEW

The first half of 2012 has been a very challenging period for the Group. Not only did we have to cope with a softening economy domestically where steel makers were incurring massive losses, the overseas market was also suffering from anemic growth in both Japan and the US as well as a heightened and seemingly never-ending debt crisis in Europe. Given this unprecedented weak backdrop, our operations were severely tested both at Winsway and Grande Cache Coal ("GCC") level. As a result of our destocking process in a declining price environment, weak customer demand as well as one-off expenses associated with the acquisition of GCC and inventory provision, we recorded our first operational loss as a public company.



We had set out to execute three main strategies in 2012, in response to the operating results in the second half of 2011. The focal point of our operations in the first half was to increase liquidity by reducing our large inventory level, resulted mainly from a lack of railway transportation capacity in the second half of 2011 and because we took a directional view in the second half 2011 for seaborne coal. Strategically, we endeavored to forge close alliance with both state-owned competitors and upstream suppliers. Working more closely with upstream suppliers has been an on-going effort and is critical in mitigating potential price impact in the future as our back-to-back business model was not able to completely withstand the severe coal price volatility in the past year. We hope these efforts will be fruitful in the next few months as we continue to discuss these arrangements with various suppliers.

On 1 March 2012, the joint venture company established by the Group and Marubeni Corporation successfully completed the acquisition of GCC, a Canadian coal company. The deal marked the first and a landmark step towards vertical integration of the Group, securing reserves of low-volatility high-quality coking coal. GCC's operation has encountered some difficulties as well during the transitional period since the deal closed. As a mining company, its performance is highly correlated with the seaborne coking coal price and world-wide demand of its customers. Neither factor has been in its favor as many industry players slashed production and some large producers filed for bankruptcy in North America. The Group and Marubeni Corporation pooled together a substantial amount of human resources and efforts to further consolidate business activities of GCC by optimizing its production and workflow, team building, and improving appraisal and incentive mechanisms. Throughout the operational chain, multiple cost-cutting strategies are now in full swing. Cost control is on no account a short-term task; the Group and Marubeni Corporation are committed to sustained efforts to controlling costs and improving profitability.

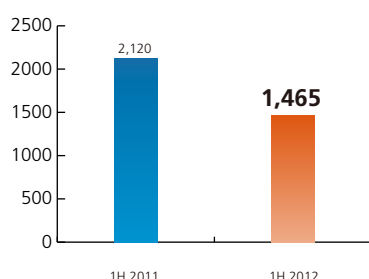
In April, Aluminum Corporation of China Limited announced the intention to purchase 29.9% of the Company's issued shares, potentially becoming the single largest shareholder of the Group. We view this as an extremely positive step towards defusing competition with one of the most powerful SOEs in China who has made a serious commitment to the Mongolian resources space, particularly in our core business of coking coal. Both companies see tremendous operational synergies in the areas of trans-shipment infrastructure, coking coal processing, joint efforts in securing coking coal supplies and enhanced marketing and logistics ability, creating potential shareholder value over the long-run for both companies.

In the second half of the year, the Group will continue to aggressively reduce inventory levels and maintain healthy liquidity. At the same time, we will also build closer ties with state-owned enterprises and upstream mine owners to strengthen resilience against operational risks arising from market price fluctuations. We hope what we have done in the first half will put us in good stead to potentially profit from a market turnaround in the second half of 2012 and early 2013. At a minimum, it should help us stem any potential large losses if the market deteriorates further. We believe these measures will build a solid foundation for us going forward and are in the best interest of our shareholders.

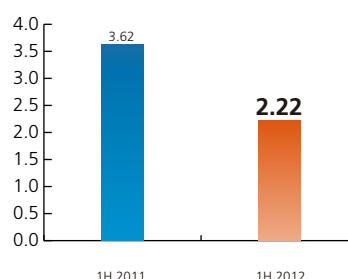
II. Mongolian Coal Procurement

In the first half of 2012, we procured a total of 2.22 million tonnes of Mongolian coal, representing a 38.67% decrease in terms of Mongolian coal procurement over the same period last year. The reason for the decrease in procurement of Mongolian coal was due to the high inventory level carried over from the previous year. The Company's strategy since the beginning of this year was to procure less and sell more in order to maintain enough cash for the Group during this difficult time.

Mongolian Coal Procurement Amount (in HK\$ million)



Mongolian Coal Procurement Volume (MT)



Top Mongolian Coal Suppliers

Suppliers	Description	Amount (HK\$' Million)
Mongolian Mining Corporation	Coal	555
Moveday Enterprises Limited	Coal	314
MAK	Coal	202
SouthGobi Sands	Coal	147

Note: Coal purchased from Moveday was mined by Tavan Tolgoi Corporation.

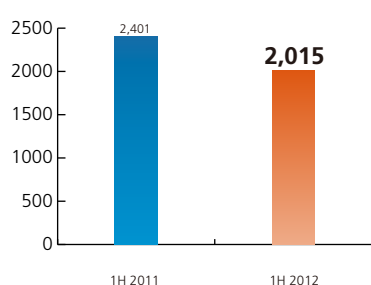
Moveday also provided transportation service with a total value of HK\$193 million for the six months ended 30 June 2012.

Our supplier base of Mongolian coal includes many of the major coking coal suppliers in Mongolia.

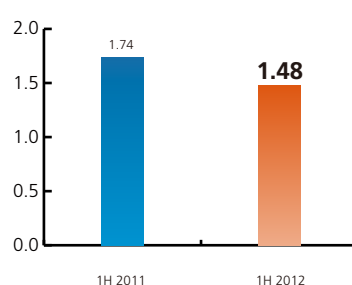
III. Seaborne Coal Procurement

In the first half of 2012, our seaborne procurement volume was approximately 1.48 million tonnes, representing a 14.94% decrease over the first half of 2011 due the Company's plan to sell off its high cost inventory carried over from the previous year as well as to procure less until inventory drops to a reasonable level. While our seaborne procurement has dropped, the Company still maintained its relationship with well-established coking coal suppliers around the world. The top 5 seaborne coal suppliers contributed procurement of HK\$1,453 million, accounting for 72.11% of the total seaborne coal procurement during the first half of 2012 as compared to 63.6% attributable to the top 5 suppliers during the same period last year.

Seaborne Coal Procurement Amount (in HK\$ million)



Seaborne Coal Procurement Volume (MT)



IV. Produced Coal

For the four months ended 30 June 2012, the Group produced 832,000 tonnes of ROM (run-of-mine) coal, out of which 6,000 tonnes were thermal coal.

GCC's Production

	Four months ended 30 June (tonnes)
Surface Mine	
Mine 8	
Raw Coal Mined - Metallurgical (<i>rom</i>)	669,000
Raw Coal Mined - Thermal (<i>rom</i>)	6,000
Underground Mine	
Mine 12B2	
Raw Coal Mined - Metallurgical (<i>rom</i>)	157,000

GCC's Reserve and Resources

	Proven & probable ROM Reserves (mt)	Proven & Probable Saleable Reserves (mt)	Measured & Indicated resources (mt)	Inferred resources (mt)	Measured, Indicated & Inferred resources (mt)
Surface Mining Areas					
No. 2	19.0	13.5	68.8	7.0	75.8
No. 8	25.0	17.1	58.6	3.1	61.7
No. 12 South A	11.0	7.9	26.2	9.3	35.5
No. 12 South B2	—	—	3.6	0.5	4.1
No. 12 North	43.4	31.1	54.7	2.6	57.3
No. 16	29.3	21.4	76.2	22.0	98.2
Total Surface Mining Areas	127.7	91.0	288.1	44.5	332.6
Underground Areas					
No. 7 Underground	1.0	0.7	1.1	—	1.1
No. 12 South B2 Underground	8.2	5.8	11.6	0.7	12.3
Total Underground Areas	9.2	6.5	12.7	0.7	13.4
Grand Total	136.9	97.5	300.8	45.2	346.0

Source: Grande Cache Coal 2011 NI 43-101 Technical Report effective 31 March 2011. Coal resources are inclusive of coal reserves.

V. Our Customers

Even with the softening demand for coking coal, we continued to maintain our core steel mill customers throughout the northern and coastal regions of China. After the acquisition of GCC, our customer base has also expanded to include Canadian steel mills as well as additional Japanese customers. By having a producing asset with a readily available logistics network that is easily accessible to the seaborne market, we will be able to further expand our end customer base in the near future. Our top 5 customers accounted for 36.74% of the total sales for the six months ended 30 June 2012, whereas the percentage was 36.96% for the same period last year. In terms of sales, our top 5 end customers are as follows:

The Group's Top 5 Customers

Name	Location	Amount (HK\$' Million)
Liu Steel	Guangxi	806
Sha Steel	Jiangsu	570
Shenhua Group	Beijing	415
Tangshan Jiahua	Hebei	399
China Gas	Inner Mongolia	240

VI. Peabody-Winsway Joint Venture

The joint venture between Peabody Energy Corporation and the Group (“Peabody-Winsway Joint Venture”) has carried out continuous exploration work in Mongolia. We will continue to expand the scope of the exploration work to search for more potential coking coal resources.

The total operating expenses of the Peabody-Winsway Joint Venture in the first half of 2012 were approximately HK\$46.62 million, of which HK\$23.31 million was borne by the Group.

VII. Financial Review

a. Sales

Our sales revenue for the first half of 2012 including the four months which ended 30 June for GCC was HK\$6,614 million. Compared to Winsway's standalone sales revenue for the first half of 2011, our sales revenue decreased by 1.34%. The main reason for the lower Winsway's standalone sales revenue was in part due to weak demand and lower average selling price. GCC's sales revenue for the four months ended 30 June 2012 contributed 9.77% of our total sales revenue for the first half of 2012.

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Procured Coal	5,804,202	6,307,843
Produced Coal	756,924	—
Others	53,352	396,800
	<u>6,614,478</u>	<u>6,704,643</u>

In the first half of 2012, we witnessed a significant decrease in coking coal prices globally due to weak steel demand and deteriorating macroeconomic conditions. As a result, the average selling price of our procured coal products decreased from HK\$1,187 per tonne in the first half of 2011 to HK\$1,105 per tonne in the first half of 2012. The decrease in price was more notable in the seaborne market where coking coal prices have dropped tremendously compared to the local Chinese coking coal prices.

Procured Coal

	Six months ended 30 June			
	2012		2011	
	Total	Average	Total	Average
	sales	selling	sales	selling
	volume	price	volume	price
		(Per tonne)		(Per tonne)
	(Tonnes)	(HK\$)	(Tonnes)	(HK\$)
Mongolian coal	3,421,250	939	3,852,016	1,001
Seaborne coal	1,832,269	1,415	1,461,995	1,676
Total	5,253,519	1,105	5,314,011	1,187

Produced Coal

For GCC's four months ended 30 June 2012, revenue was HK\$741 million on sales volume of 0.52 million tonnes. The less than expected sales volume was caused by weak global coking coal demand as well as lower than expected raw coal production. The average selling price of metallurgical coal during the four-month period ended 30 June 2012 was HKD\$1,603 per tonne, reflecting the weak global demand.

b. Cost of Goods Sold ("COGS")

COGS in the first half of 2012 reached HK\$6,522 million compared to HK\$5,286 million in the first half of 2011. The increase in COGS was attributable to the consolidation of COGS from GCC as well as the sell-off of inventory with higher weighted average cost brought forward from the previous year.

For Winsway's procured coal business, the average purchase price of Mongolian coal increased by 12.82%, from HK\$585 per tonne in the first half of 2011 to HK\$660 per tonne in the first half of 2012, while the average purchase price for seaborne coal decreased by 1.38%, from HK\$1,379 per tonne in the first half of 2011 to HK\$1,360 per tonne in the first half of 2012. The increase in Mongolian coal purchase price was a result of the procurement of more clean coal instead of raw coal. The minimal decrease in average seaborne coal purchase price considering the weak coking coal spot price was a result of the procurement contracts signed in the previous year.

Procured Coal

	Six months ended 30 June			
	2012		2011	
	Total	Average	Total	Average
	purchase	purchase	purchase	purchase
	volume	price	volume	price
		(Per tonne)		(Per tonne)
	(Tonnes)	(HK\$)	(Tonnes)	(HK\$)
Mongolian coal	2,220,498	660	3,622,786	585
Seaborne coal	1,481,240	1,360	1,741,155	1,379
Total	3,701,738	940	5,363,941	843

Produced Coal

As for our coal production business, GCC's cost of sales, including depreciation, for the four months ended 30 June 2012, was HK\$778 million. The unit cost of product sold during the four months ended 30 June 2012 was HK\$1,086 per tonne. There were higher operating costs in the current year, including internal labour, external contractor services, supplies and consumables, diesel fuel and repair and maintenance costs for mining equipment, which contributed to the increase in the unit cost of product sold. GCC's unit distribution costs were HK\$201 per tonne during the four-month period. During the four months ended 30 June 2012, GCC's depreciation totaled HK\$115 million or HK\$222 per tonne.

Produced Coal

**Four months ended
30 June 2012**
(HK\$)

Average cost of sales (HK\$/tonne)

Cost of product sold	1,086
Distribution costs	201
Depreciation and depletion	222

c. Gross Profit

The gross profit for the first half of 2012 was HK\$93 million compared to a gross profit of HK\$1,418 million for the first half of 2011. This was a result of weak coking coal market and the sell-off of inventory with higher weighted average cost brought forward from the previous year.

d. Administrative Expenses

Administrative expenses for the first half of 2012 (including the four months ended 30 June 2012 for GCC) were HK\$326 million. Administrative expenses as a percentage of our revenue increased to 4.94% in the first half of 2012 compared to Winsway's standalone figure of 3.18% in the first half of 2011. This was mainly due to the weak coking coal market and the addition of new employees from the acquisition of GCC. Excluding GCC, Winsway's standalone administrative expenses as a percentage of its own revenue amounted to 3.95%.

GCC's general and administrative expenses were HK\$91 million. The administrative expenses for this period included transaction costs for restructuring as well as contractual payments due to change of control.

e. *Net Finance Costs*

Net finance costs increased from HK\$61 million in the first half of 2011 to HK\$272 million in the first half of 2012. The increase of net finance costs consists of the financing for the acquisition of GCC as well as interest on our senior notes. In February 2012, we entered into a facilities agreement with Minsheng Bank for a secured loan amounting to USD\$350 million. The facilities have a term of 35 months with an interest rate at 3-month LIBOR plus 4.5% per annum.

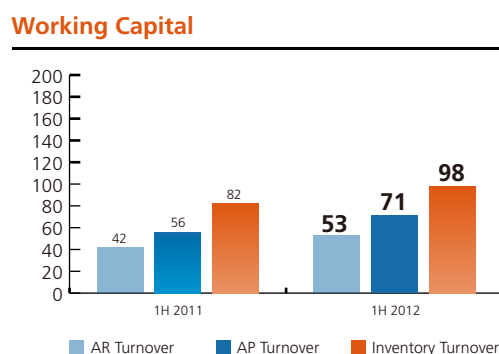
	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Interest income	(34,205)	(28,198)
Gains on repurchase of senior notes	(55,601)	—
Foreign exchange gain, net	(54,830)	(95,129)
Finance income	(144,636)	(123,327)
Interest on secured bank loans		
wholly repayable within five years	136,137	55,132
Interest on discounted bills	85,649	37,158
Interest on senior notes	168,186	79,920
Interest on finance lease obligations	10,792	—
Less: interest expense capitalised into construction in progress	(6,693)	(1,932)
Total interest expense	394,071	170,278
Bank charges	16,109	12,754
Net change in fair value of derivative financial instruments	6,707	870
Finance costs	416,887	183,902
Net finance costs	272,251	60,575

f. Net Loss/Profit and Loss/Earnings per Share

Net loss totaled HK\$544 million in the first half of 2012 compared to a net profit of HK\$811 million in the first half of 2011. This translates into a per tonne net loss of HK\$94 in the first half of 2012 versus a net profit of HK\$153 in the first half of 2011. Net loss per share amounted to HK\$0.124 for the first half of 2012 compared to earnings per share of HK\$0.212 for the first half of 2011.

g. Working Capital

Our accounts receivable turnover days, accounts payable turnover days and inventory turnover days for the first half of 2012 were 53 days, 71 days and 98 days, respectively. As a result, on average our cash conversion cycle was approximately 80 days as compared to 68 days from the first half of 2011.



h. Property, Plant and Equipment

The aggregate of fixed assets and construction in progress totaled HK\$4,149 million at the end of June 2012, a 1.55 times increase over the end of December 2011. The dramatic increase in our fixed assets in the first six months of 2012 was a result of the acquisition of GCC.

i. Intangibles and Goodwill

Intangible assets accounted for HK\$6,828 million for the first half of 2012, with mining rights of GCC representing HK\$6,826 million or 99.97% of all intangible assets. The intangible assets consisted of eighteen mining licenses currently held by GCC.

Goodwill at the acquisition date arising from the acquisition has been recognised as follows:

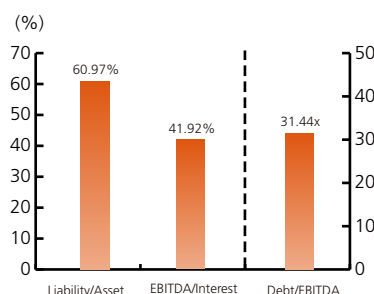
	<i>HK\$'000</i>
Total consideration transferred from the Group for the acquisition of GCC	5,713,325
Non-controlling interest which is measured at proportionate interests of identifiable assets and liabilities of GCC	2,431,337
Fair value of net identifiable assets	<u>(7,687,328)</u>
Goodwill	<u><u>457,334</u></u>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating GCC into the Group's existing coal business and the skills and technical talent of GCC's work force.

j. Indebtedness and Liquidity

The total bank loans at the end of June 2012 amounted to HK\$4,472 million, a 5.16 times increase over the figure at the end of December 2011. The majority of the increase was the result of the loan facilities we entered into with Minsheng Bank for the acquisition of GCC in February this year. The range of interest rates per annum for bank loans for the first half of 2012 was from 1.72% to 7.98%, while the range in the first half of 2011 was from 1.30% to 7.98%. The Group's gearing ratio as at 30 June 2012 was 60.97% (31 December 2011: 55.65%), which is calculated on the basis of the Group's total liabilities divided by its total assets.

Indebtedness and Liquidity



Note: For Debt/EBITDA ratio, EBITDA and interest are calculated on the basis of the figures of the last twelve months.

k. Contingent Liability

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, Winsway Coking Coal Holdings S.a.r.l., 0925165 B.C. Ltd., GCC and Grande Cache Coal LP, have provided guarantees for the Senior Notes issued in April 2011.

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

l. Pledge of Assets

At 30 June 2012, bank loans amounting to HK\$139,910,000 (31 December 2011: HK\$88,456,000) were secured by bank deposits placed in banks with an aggregate carrying value of HK\$142,504,000 (31 December 2011: HK\$91,887,000).

At 30 June 2012, bank loans amounting to HK\$878,568,000 (31 December 2011: HK\$547,799,000) were secured by trade and bills receivables with an aggregate carrying value of HK\$950,877,000 (31 December 2011: HK\$569,459,000).

At 30 June 2012, bank loans amounting to HK\$65,015,000 (31 December 2011: HK\$90,046,000) were secured by land use rights with an aggregate carrying value of HK\$26,898,000 (31 December 2011: HK\$83,855,000).

At 30 June 2012, bank loans amounting to HK\$46,483,000 (31 December 2011: nil) were secured by coal inventories with an aggregate carrying value of HK\$50,221,000 (31 December 2011: nil).

At 30 June 2012, bank loans amounting to HK\$506,453,000 (31 December 2011: nil) were secured by coal inventories and bank deposits with an aggregate carrying value of HK\$534,973,000 (31 December 2011: nil) and HK\$65,979,000 (31 December 2011: nil) respectively.

At 30 June 2012, bank loans amounting to HK\$2,835,554,000 (31 December 2011: nil) were secured by total assets of GCC with an aggregate carrying value of HK\$10,222,030,000 (31 December 2011: nil).

m. Operating Cash Flow

Our operating cash flow in the first half of 2012 increased from HK\$479 million in the first half of 2011 to HK\$1,019 million primarily due to the reduction of our inventory from the previous year.

n. Capital Expenditure

Our capital expenditure excluding the acquisition of GCC in the first half of 2012 amounted to HK\$272 million. Compared to HK\$270 million in the first half of 2011, capital expenditure stayed relatively the same.

o. Financing Cash Flow

With proceeds from Minsheng Bank's loan facilities in February 2012, our financing cash flow was HK\$5,385 million for the first half of 2012.

VIII. Exposure to exchange rate fluctuations

Over 77% of the Group's turnover in the first half of 2012 were denominated in RMB. The Group's cost of coal purchased, accounting for over 66% of the total cost of sales in the first half of 2012, and some of our operating expenses were denominated in United States dollars ("US dollars"). Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as RMB is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in exchange rates may lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

IX. Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

X. Human Resources

Staff costs

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Salaries, wages, bonus and other benefits	357,738	121,731
Contributions to defined contribution retirement plan	6,334	4,207
Share-based payment expenses	14,933	25,708
	379,005	151,646

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in each different position. Strictly following the PRC Labour Law, Canadian Labour Law and PRC Labour Contract Law, the Group signs formal employment contracts with employees and contributes to mandatory social insurances schemes. In addition, the Group purchases supplementary commercial insurance for employees.

XI. Purchase, Sale or Redemption of The Company's Listed Securities

During the six months ended 30 June 2012, the Company repurchased an aggregate of US\$37,500,000 in principal amount of the senior notes issued in April 2011 on the Singapore Exchange Securities Trading Limited for a total consideration of US\$29,808,000.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

XII. Corporate Governance Code

The Company is strongly committed to maintaining high standards of corporate governance, which it regards as a vital element in ensuring its continued success. This commitment is best illustrated by its compliance with the Code Provisions in the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the first half of 2012, except for the requirement that the roles of chairman and chief executive officer should not be performed by the same individual under Code Provision A.2.1 of the CG Code and the requirement that the chairman of the board should attend the annual general meeting under Code Provision E.1.2 of the CG Code, the Company complied with all the Code Provisions in the CG Code.

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

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2012 due to other business engagement. Mr. Yasuhisa Yamamoto, an executive Director, chaired the said meeting on his behalf and was available to answer questions.

XIII. Model Code for Securities Transactions by Directors of the Company

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the first half of 2012.

XIV. Review of Interim Results

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2012.

XV. Disclosure of Information on the Hong Kong Stock Exchange's Website

This interim results announcement is published on the websites of the Company (www.winsway.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2012 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
Winsway Coking Coal Holdings Limited
Wang xingchun
Chairman

Hong Kong, 20 August 2012

As at the date of this announcement, the executive Directors are Mr. Wang Xingchun, Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto, Mr. Apolonius Struijk and Mr. Cui Yong, the non-executive Directors are Mr. Delbert Lee Lobb, Jr., Mr. Liu Qingchun and Mr. Lu Chuan and the independent non-executive Directors are Mr. James Downing, Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. George Jay Hambro.